

**GUIDELINES FOR  
REQUESTING DESIGNATION AS A  
WHOLESALE OR LIMITED PURPOSE BANK FOR PURPOSES OF  
THE COMMUNITY REINVESTMENT ACT**

**Background and Purpose**

Under the Community Reinvestment Act ("CRA"), banks are evaluated on the basis of the product lines they offer in the normal course of business. Accordingly, wholesale banks engaged in only incidental retail lending and limited purpose banks offering a narrow product line to a regional or broader market may request that they be assessed under the community development test. That test evaluates a bank's record of meeting the credit needs of its assessment area through community development lending, qualified investments or community development services.

The Board's CRA regulation provides that, a bank must first receive a designation as a wholesale or limited-purpose bank in order to be evaluated under the community development test. In order to receive such a designation, a bank must file a request in writing with the Board (12 C.F.R. § 228.25).

A bank will be evaluated under the community development test if its designation as a wholesale or limited purpose bank is effective before the date of the commencement of the examination or evaluation. A bank presently operating as a wholesale or limited purpose bank should be prepared to be evaluated under the community development test as of the proposed effective date for the designation.

The provisions governing the process for requesting designation as a wholesale or limited purpose bank are contained in the CRA regulation, 12 C.F.R. 228.25. These guidelines do not supplant the regulation; rather they are intended to serve as guidance in preparing a request for submission to the Board. These guidelines specify the types of information that a bank requesting designation as a wholesale or limited-purpose bank will generally need to submit. In addition to the items listed in the guidelines, a bank may submit any other information that it may consider relevant to the Board's decision.

The Board will also review other relevant financial information, such as the uniform bank/thrift performance report ("UBPR/UTPR"), consolidated reports of condition/Thrift Financial Reports (Call Reports/TFR"), CRA and HMDA disclosure statements, supervisory reports, and prior CRA performance evaluations. This information is available in the Board's supervisory data bases, however, and need not be submitted by the bank.

## **Preparation and Submission of Request**

A bank's designation request should be submitted in writing, with the required information, to the Federal Reserve Bank that has supervisory responsibility for that bank. Inquiries concerning the preparation of a request for designation should also be directed to that Reserve Bank.

The Board, or the Federal Reserve Bank acting under delegated authority, may require the bank to submit any additional statements or information that it deems necessary. It is the bank's responsibility to submit the information necessary to demonstrate that the request for designation as a wholesale or limited-purpose bank meets the criteria for approval.

Each designation request should name a contact person at the bank. Upon receipt, the Reserve Bank will review the request as submitted to determine if it is complete. A request will be deemed to be complete when all relevant information has been received by the Reserve Bank. If the request is deemed to be incomplete, the Reserve Bank will notify the requesting bank, and will send a request for additional information to the named contact person. If any information initially furnished with the request for designation changes significantly during the processing of that request, the bank should communicate those changes promptly to the appropriate Reserve Bank.

Each request for designation should also contain a proposed effective date. The proposed effective date should be at least 90 days after the request for designation is submitted to the Reserve Bank.

## **Notification of Decision**

The Board, or the Federal Reserve Bank acting under delegated authority, will normally notify the bank in writing of its decision to approve or deny the request within 60 days of receiving a complete written request. If approved, the designation remains in effect until the bank requests revocation of the designation or until one year after the Board notifies the bank that the Board has revoked the designation on its own initiative

## **Confidentiality**

Under the provisions of the Freedom of Information Act ("FOIA")(5 U.S.C. § 552), a request for designation as a wholesale or limited-purpose bank that is submitted to the Board or a Federal Reserve Bank is a public document and is available to the public upon request. The decision approving or denying a request for designation may also be available to the public under the FOIA.

A bank may request confidential treatment for information that would be exempt from the FOIA disclosure requirements. For example, if the requesting bank is of the opinion that disclosure of commercial or financial information would likely result in substantial harm to its

competitive position or that of its affiliates, or that disclosure of information of a personal nature would result in a clearly unwarranted invasion of personal privacy, confidential treatment of such information may be requested. This request for confidential treatment must be submitted in writing concurrently with the filing of the request for designation as a wholesale or limited-purpose bank and must discuss in detail the justification for confidential treatment. Justification must be provided for each category of information for which confidential treatment is requested. The bank's request for confidentiality should explain the harm that would result from public release of the information.

Information for which confidential treatment is sought should be: (1) segregated from the other information that is submitted; (2) specifically identified in the nonconfidential portion of the designation request (by reference to the confidential section); and (3) labeled "Confidential." The requesting bank should follow this same procedure on confidentiality with regard to filing any supplemental information. The Board will determine whether information labeled "Confidential" will be so regarded, and will advise the requesting bank of any decision to make information labeled "Confidential" available to the public.

A bank should follow the rules stated above when submitting confidential supervisory information, which includes any information contained in, related to or derived from reports of examination and inspection, or confidential operating and condition reports.

## **Requested Information**

1. A request for designation as a wholesale or limited-purpose bank should state how the bank satisfies one of the following definitions:

- Wholesale bank: a bank that is not in the business of extending home mortgage, small-business, small-farm or consumer loans to retail customers. A bank will not be considered in the business of extending loans to retail customers if it does not hold itself out to the retail public as providing such loans and the bank's revenues from extending such loans are insignificant when compared to its overall lending operations. Wholesale banks may engage in very limited retail lending, if this activity is incidental and is done on an accommodation basis.
- Limited purpose bank: a bank that offers only a narrow product line (such as credit cards or automobile loans) to a regional or broader market. A limited purpose bank continues to meet the narrow product line requirement if it provides other types of loans on an infrequent basis.

A so-called "niche bank," (a bank that is in the business of lending to the public, but that specializes in certain types of retail loans or extending credit to a group of borrowers with, for example, certain financial or professional characteristics) would not generally qualify as a wholesale or limited purpose bank. A savings association or savings bank would generally not qualify as a limited purpose bank absent additional limitations on its activities.

The statement should contain facts and data sufficient to describe the nature of the bank's current and prospective business, credit products offered, and the market area served. For a de novo bank, the written request must include a business plan that contains a description of the bank's proposed nature of business, credit and other product(s) to be offered, and the market area to be served.

2. If the bank engages in retail or other lending activities that may not be viewed as consistent with its request for designation as a wholesale or limited-purpose bank, it should provide sufficient information about those activities to allow the Board to determine whether they are infrequent, incidental or performed on an accommodation basis. This information should address the following elements, as appropriate.

- a. Describe each type of activity and the conditions or circumstances under which the bank offers the product or service.

For example, if the bank engages in mortgage lending, explain whether such loans are offered to the general public or, for example, are offered only to corporate customers or employees of the bank.

- b. State the percentage of the bank's assets and income that each activity represents.
- c. Explain how the incidental lending activity relates to the bank's assessment area(s).
- d. State whether the volume of incidental lending activity would be sufficient to allow for a reasonable evaluation of the bank's performance under the lending test.

3. Describe any legal constraints or limitations that affect the type of credit services that the bank may offer.

4. Describe the bank's assessment area(s) and the location of its branches and offices. The bank's assessment area(s) must generally consist of one or more MSAs or one or more contiguous political subdivisions in which the bank has its main office, branches, and deposit taking ATMS.

5. Explain how the bank's network of branches is consistent with the designation as a wholesale or limited-purpose bank.

6. State the proposed effective date for the designation, which should be at least 90 days after the request is submitted to the Reserve Bank.