

Intermediate Small Institution Community Development Test

An institution should appropriately assess the needs in its community, engage in different types of community development activities based on those needs and the institution's capacities, and take reasonable steps to apply its community development resources strategically to meet those needs. The flexibility inherent in the community development test allows intermediate small institutions to focus on meeting the substance of community needs through these activities. Examiners will consider the results of any assessment by the institution of community needs along with information from community, government, civic, and other sources to gain a working knowledge of community needs.

1. Identify the number and amount of the institution's community development loans, qualified investments, and community development services. Obtain this information through discussions with management, HMDA data collected by the institution, as applicable; investment portfolios; any other relevant financial records; and materials available to the public. Include, at the institution's option:
 - a. Community development loans, qualified investments, and community development services provided by affiliates, if they are not claimed by any other institution; and
 - b. Community development lending by consortia or third parties.
2. Review community development loans, qualified investments, and community development services to verify that they qualify as community development.
3. If the institution participates in community development lending by consortia or third parties, or claims activities provided by affiliates, review records provided to the institution by the consortia or third parties or affiliates to ensure that the community development loans claimed by the institution do not account for more than the institution's share (based on the level of its participation or investment) of the total loans originated by the consortium or third party.
4. Considering the institution's capacity and constraints and other information obtained through the performance context review, form conclusions about:
 - a. The number and amount of community development loans and qualified investments;
 - b. The extent to which the institution provides community development services, including the provision and availability of services to low- and moderate-income people, including through branches and other facilities in low- and moderate-income areas;

- c. The responsiveness to the opportunities for community development lending, qualified investments, and community development services, considering:
 - 1) The results of any assessment of community development needs and opportunities provided by the institution;
 - 2) The examiner's review of performance context information from community, government, civic, and other sources; and
 - 3) Whether the amount and combination of community development loans, qualified investments, and community development services, along with their qualitative aspects, are responsive to community needs and opportunities.
5. Summarize conclusions regarding the institution's community development performance and retain in the work papers.

Overall Intermediate Small Institution CRA Rating

1. Group the analyses of the assessment areas examined by MSA³ and non-MSA areas within each state where the institution has branches. If an institution has branches in two or more states of a multi-state MSA, group the assessment areas that are in that MSA.
2. Summarize conclusions about the institution's performance in each MSA and the non-MSA portion of each state in which an assessment area received a full scope review. If two or more assessment areas in an MSA or in the non-MSA portion of a state received full scope reviews, weigh the different assessment areas considering such factors as:
 - a. The significance of the institution's activities in each compared to the institution's overall activities;
 - b. The retail lending and community development opportunities in each;
 - c. The importance of the institution in providing loans and community development activities to each, particularly in light of the number of other institutions and the extent of their activities in each; and
 - d. Demographic and economic conditions in each.
3. For assessment areas in MSAs and non-MSA areas that were not examined using these procedures, consider facts and data related to the institution's lending and community development activities to ensure that performance in those assessment areas is not inconsistent with the conclusions based on the assessment areas which received full scope reviews.
4. For institutions operating in only one multi-state MSA or one state, assign one of the four preliminary ratings – "Satisfactory," "Outstanding," "Needs to Improve," or

³ The reference to MSA may also reference MD.

XI. Community Reinvestment Act – Intermediate Small Bank

- “Substantial Noncompliance” -- in accordance with step 6 below. To determine the relative significance of each MSA and non-MSA area to the institution’s preliminary rating, consider:
- a. The significance of the institution’s activities in each compared to the institution’s overall activities;
 - b. The retail lending and community development opportunities in each;
 - c. The importance of the institution to each, particularly in light of the number of other institutions and the extent of their activities in each; and
 - d. Demographic and economic conditions in each.
5. For other institutions, assign one of the four preliminary ratings -- “Satisfactory,” “Outstanding,” “Needs to Improve,” or “Substantial Noncompliance” -- for each state in which the institution has at least one branch and for each multi-state MSA in which the institution has branches in two or more states in accordance with step #6 below. To determine the relative significance of each MSA and the non-MSA area on the institution’s preliminary state rating, consider:
- a. The significance of the institution’s activities in each compared to the institution’s overall activities;
 - b. The retail lending and community development opportunities in each;
 - c. The importance of the institution in each, particularly in light of the number of other institutions and the extent of their activities in each; and
 - d. Demographic and economic conditions in each.
6. Consult the intermediate small institution ratings matrices (lending and community development) and information in work papers to assign a preliminary rating of:
- a. “Satisfactory” if the institution’s performance is rated as “Satisfactory” in each test.
 - b. “Needs to Improve” or “Substantial Noncompliance,” depending upon the degree to which the institution’s performance has failed to meet the standards for a “Satisfactory” rating on a test; or
 - c. “Outstanding” if the institution is rated an “Outstanding” on both tests; or “Outstanding” on one test and the extent to which the institution meets or exceeds the “Satisfactory” criteria on the other test.
7. For an institution with branches in more than one state or multi-state MSA, assign a preliminary rating to the institution as a whole taking into account the institution’s record in different states or multi-state MSAs by considering:
- a. The significance of the institution’s activities in each compared to the institution’s overall activities;
 - b. The retail lending and community development opportunities in each;
 - c. The importance of the institution in providing loans to each, particularly in light of the number of other institutions and the extent of their activities in each; and
 - d. Demographic and economic conditions in each.

| Community Development Test Ratings Matrix— Intermediate Small Institutions | | | |
|--|--|---|--|
| Outstanding | Satisfactory | Needs to Improve | Substantial Noncompliance |
| The institution’s community development performance demonstrates excellent responsiveness to community development needs in its assessment area(s) through community development loans, qualified investments, and community development services, as appropriate, considering the institution’s capacity and the need and availability of such opportunities for community development in the institution’s assessment area(s). | The institution’s community development performance demonstrates adequate responsiveness to the community development needs of its assessment area(s) through community development loans, qualified investments, and community development services as appropriate, considering the institution’s capacity and the need and availability of such opportunities for community development in the institution’s assessment area(s). | The institution’s community development performance demonstrates poor responsiveness to the community development needs of its assessment area(s) through community development loans, qualified investments, and community development services, as appropriate, considering the institution’s capacity and the need and availability of such opportunities for community development in the institution’s assessment area(s). | The institution’s community development performance demonstrates very poor responsiveness to the community development needs of its assessment area(s) through community development loans, qualified investments, and community development services, as appropriate, considering the institution’s capacity and the need and availability of such opportunities for community development in the institution’s assessment area(s). |