



**Forum – June 25, 2020**  
Virtual Event via MS Teams

## Agenda

1:00

### **Welcome**

*Paul Horwitz, Community Affairs Specialist, FDIC*

Overview of Refreshed FDIC.gov; emphasis on locations of content for Economic Inclusion, Money Smart, CRA, and Community Affairs content

1:10 – 2:25

### **High Value CRA Activities**

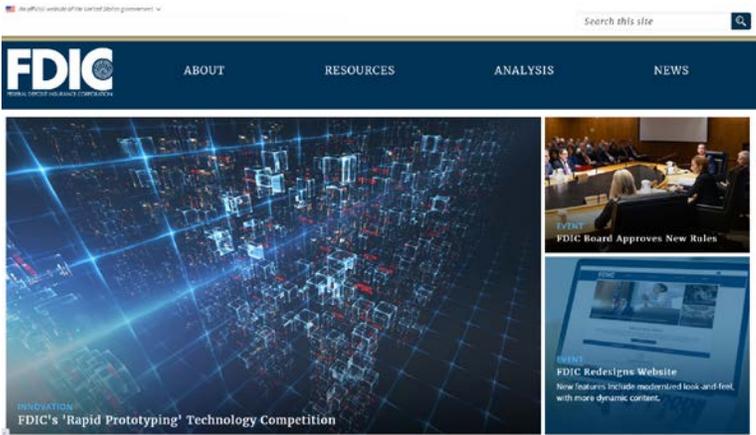
*Brigid Blain, Compliance Examiner, FDIC*

2:30

### **Adjourn**



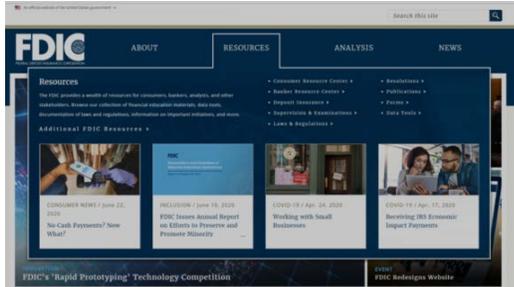
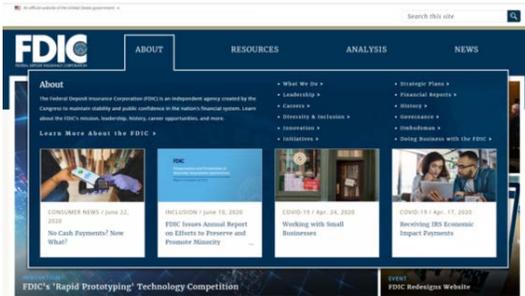
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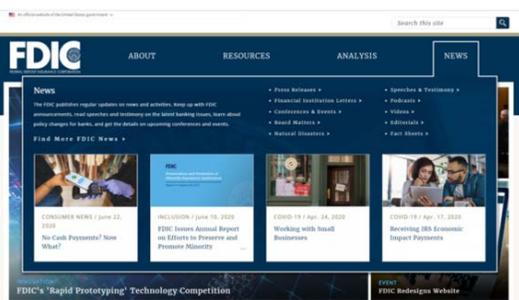
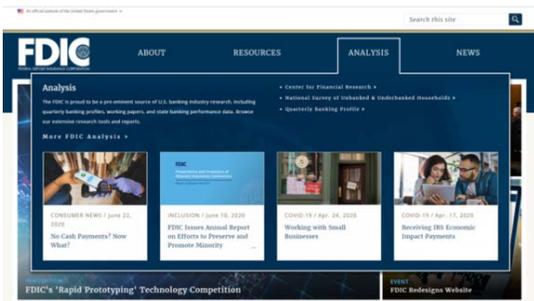
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# High Impact Community Reinvestment Act (CRA) Activities

Brigid M. Blain – Compliance Examiner

FDIC-Boston North Field Office

June 25, 2020

# Agenda & Objectives

- Introduction
- Disclaimer
- Brief Recap
  - History and Background of the CRA
  - Community Development – Hooks/Qualification
- What is High Impact, as it pertains to CRA activities
- How to document and demonstrate the impact of your CRA activities through quantitative and qualitative measures
- Partnerships between banks, nonprofit organizations, public sector agencies, and other parties
- Activities that target disaster relief.

# Disclaimer

The views expressed in this presentation are those of the author and do not necessarily represent those of The Federal Deposit Insurance Corporation.

This presentation and the information presented herein is intended for informational use and is not legal advice, nor is it definitive for all scenarios or CRA Public Evaluations.

This presentation does not address OCC's Final Rule regarding 12 CFR Parts 25 and 195 (CRA Modernization)



# CRA History & Background

When , Why and How

# When

The Community Reinvestment Act was enacted by the 95<sup>th</sup>

Congress and signed into law by President Jimmy Carter on October 12, 1977.



# Why

- The Community Reinvestment Act was passed as a result of national pressure to address the deteriorating conditions of American cities, particularly lower-income neighborhoods.
- The CRA is intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, consistent with safe and sound banking operations.
- This includes low- and moderate-income neighborhoods, certain non-metropolitan middle income geographies or designated disaster areas. It also includes borrowers of different income levels and businesses/farms of different sizes .

# How

- The CRA requires that each insured depository institution's record in helping meet the credit needs of its entire community be evaluated periodically. That record is taken into account in considering an institution's application for deposit facilities, including mergers and acquisitions.
- CRA examinations are conducted by the federal agencies that are responsible for supervising depository institutions: the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC).

# Documented positive impact of CRA:

## *Snapshots*

- 1997 – 20 years since inception: Community Development loans reported by large institutions for that year totaled \$18.6 billion dollars
- 2007 – 30 years since inception: Community Development loans reported by large institutions for that year totaled \$63.8 billion dollars
- 2017 – 40 years since inception: Community Development loans reported by large institutions for that year totaled \$96.1 billion dollars

Data from FFIEC CRA reporting

# Community Development



# Primary Purpose

- Majority of the money or beneficiaries are consistent with one of the five categories of community development OR
- The activity meets three tests:
  - The express, bona fide intent is community development
  - The activity is structured to achieve the purpose
  - The activity accomplishes, or is reasonably certain to accomplish, the community development purpose

# Community Development

- Affordable housing for low- and moderate-income (LMI) individuals or families
- Community services targeted to LMI individuals
- Activities that promote economic development by financial small businesses and farms
- Activities that revitalize or stabilize:
  - Low- or moderate-income geographies
  - Distressed or Underserved Non-Metropolitan middle-income geographies
  - Designated disaster areas

# High Impact



# What is High Impact

## High- Impact: Adjective

- Something that has a great effect

What do examiners look at to determine if a CRA Activity has had “Great Effect”

- Responsiveness to Identified Needs; Performance Context; Beneficiaries; Sustainable; Innovative; and Collaborative.

# What is High Impact – Cont.

- How responsive is the activity to the identified needs of the community?
- What contextual factors are at play within the community/Assessment Area (AA) ?
- Who benefited from the activity?
- Did the activity provide sustainable support?
- Is the activity innovative for the area?
- Was collaboration with other entities needed to accomplish the activity?

# Partnerships

Financial Institutions

Municipalities

Federal Agencies

Community Organizations

# What do you need and who can help accomplish it ?

- Prepare Needs Assessments (Financial Institution) or Needs Proposal (Community Based Organization, Municipality, Local Economic Development Corp.)
  - Community Advisory Committee
  - Internal CRA / Planning Committee
  - Leverage Regulatory or Municipal Community Affairs/ Economic Development Staff
  - Data

# Outreach

- Financial Institution: reach out to nonprofits, community-based organizations, local government leaders to identify needs and collaborate in activities to meet those needs
- Community-based organizations or local government leader: reach out to local regulated financial institutions for help with your CRA related needs

# Collaborative Examples & Opportunities

- Mission-oriented financial institutions: Minority Depository Institutions (MDIs), CDFIs, or Community Development/Low-Income Credit Unions
- Community Development Entities
- Federal, State & Local Government including Veterans Affairs, Small Business Administration, USDA, Etc.
- Bank-owned CDC; investment in a multi-bank CDC, loan fund or loan pool
- EQ2 Investments
- Disaster Response Organizations
- FDIC Alliance for Economic Inclusion



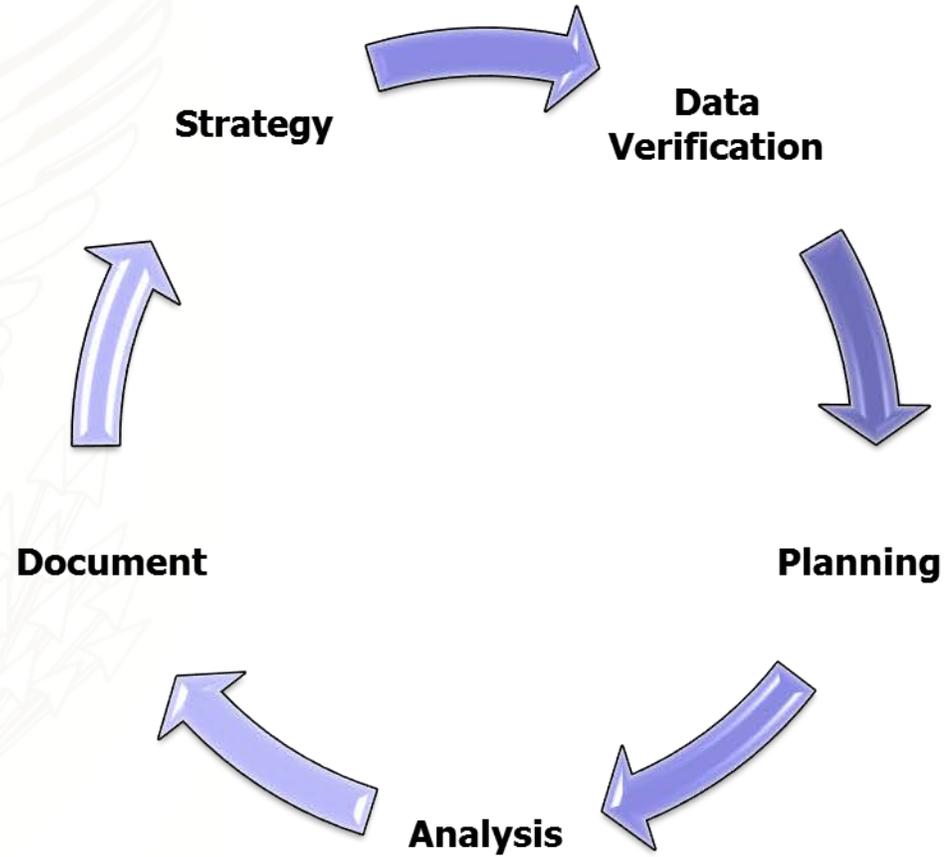
**Document & Demonstrate  
the impact of your CRA activities.**

# Evaluation Readiness:

## Tips for a Successful CRA Evaluation

- Know your bank's AA(s)
- Perform a self assessment (not required by Reg.)
- Document:
  - any important performance context
  - any items you want considered for community development and
  - why any of the activities are especially responsive [and] “High Impact”

# CRA Management Cycle - For Everyone



# Best Practices Financial Institutions & Community Partners

## Train:

- Loan officers, lending operations, CFO, marketing staff , Board of Directors, relationship managers, Etc.

## Develop:

- A centralized process to document, record and organize data. (type of activity, how it meets CD purpose, and AA or area impacted)
- Forms, checklists, and other guides to help yourself and other in your organization

## Maintain supporting documentation

- Analyze:
  - Periodic review
  - Data

# Qualitative Examples for Banks

## Document:

- An employee's unique expertise that was utilized for an activity.
- The innovativeness and responsiveness of the activity including qualifying Emergency Declaration responsiveness
- The degree to which the investment or service is not routinely provided.
- Collaboration - Did the activity require collaboration with Community Partners, Federal Agencies?
- Was the financial institution the driving force of a collaborative activity?

# Quantitative Examples for Banks

## Document:

- Number of jobs created or retained
- Number of affordable housing units created
- Number of Beneficiaries and % that is LMI
- Municipal Re-development Area Plan
- Breadth of Declared Emergency and %



# Disaster Relief

# What is a Designated Disaster/Emergency for CRA

- Such disaster designations include, in particular, Major Disaster Declarations administered by the Federal Emergency Management Agency (FEMA)
  - As with Covid-19 it can be a National Disaster designated by Presidential Authority
- Examiners will consider institution activities related to disaster recovery that revitalize or stabilize a designated disaster area: -(Community Development activity must benefit the assessment area or broader statewide or regional area )
- FDIC FILs are issued for special cases that may allow for consideration of activities outside an AA for Designated Disaster Relief – Examples: Hurricane Katrina Relief, Recovery in Areas of Puerto Rico Affected by Earthquakes, and CRA Consideration for Activities in Response to the COVID-19

# What activities are considered to “revitalize or stabilize” a designated disaster area, and how are those activities considered?

The Agencies generally will consider an activity to revitalize or stabilize a designated disaster area if it helps to attract new, or retain existing, businesses or residents and is related to disaster recovery.

An activity will be presumed to revitalize or stabilize the area if the activity is consistent with a bona fide government revitalization or stabilization plan or disaster recovery plan.

The Agencies generally will consider all activities relating to disaster recovery that revitalize or stabilize a designated disaster area, **but will give greater weight to those activities that are most responsive to community needs, including the needs of low- or moderate-income individuals or neighborhoods.**

# Examples of Qualifying Activities

## Providing financing:

- To help retain businesses in the area that employ local residents, including low- and moderate-income individuals
- To attract a major new employer that will create long-term job opportunities, including for low- and moderate-income individuals
- or other assistance for essential community-wide infrastructure, community services, and rebuilding needs

Activities that provide housing, financial assistance, and services to individuals in designated disaster areas and to individuals who have been displaced from those areas, including low- and moderate-income individuals

# CRA Consideration for Activities in Response to COVID-19

- Working with affected customers during disasters and national emergencies serves the long-term interests of these communities and the financial system, when consistent with safe and sound banking practices and applicable laws, including consumer protection laws.
- Pursuant to the CRA, the agencies will favorably consider retail banking services and retail lending activities in a financial institution's assessment areas that are responsive to the needs of low- and moderate-income individuals, small businesses, and small farms affected by COVID-19 consistent with safe and sound banking practices.
- Favorable consideration will be given to CD activities located in a broader statewide or regional area that includes a bank's CRA Assessment Area and that help to stabilize communities affected by the COVID-19, provided that such institutions are responsive to the CD needs and opportunities that exist in their own assessment area(s).



# Conclusion

# Summary:

- Be collaborative and focus on the need for credit, capital, and opportunity that may not be readily available
- Learn and master the CRA Q &As (July 2016)
- Think innovatively - what is the market lacking?
- Needs Assessment / Needs Proposal
- Understand the market, contextual information, as well as the activity – the impact may change from exam to exam
- Tell the story, use pictures, testimonials, media, etc.
- **Documentation, documentation, documentation**
- Leverage regulator's Community Affairs Staff

# Reference Links

**FFIEC CRA Website** <http://www.ffiec.gov/cra/default.htm>

**FDIC Examination Manual – CRA**

<https://www.fdic.gov/regulations/compliance/manual/11/tab-xi.pdf>

**CRA Interpretive Letters** <http://www.ffiec.gov/cra/letters.htm>

**Interagency Questions and Answers** [https://www.ffiec.gov/cra/pdf/2010-](https://www.ffiec.gov/cra/pdf/2010-4903.pdf)

<http://www.gpo.gov/fdsys/pkg/FR-2013-11-20/pdf/2013-27738.pdf>

**FDIC Coronavirus (COVID-19) Information for Bankers and Consumers**

<https://www.fdic.gov/coronavirus/>

**Joint Statement on CRA Consideration for Activities in Response to COVID-19**

<https://www.fdic.gov/news/news/financial/2020/fil20019.html>



A word cloud of thank you phrases in various languages, including: danke, 謝謝, ngiyabonga, teşekkür ederim, gracias, thank you, mochehakkeram, go raibh maith agat, sukriya, kop khun krap, arigato, tak, dakujem, terima kasih, 감사합니다, and merci.