



Your Assessment Area and CRA Performance Context

*Presented by
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Purpose of CRA

- **Encourage financial institutions to help meet the credit needs of their entire communities**
 - ◆ Including borrowers of different income levels and businesses/farms of different sizes
 - ◆ Including low- and moderate-income neighborhoods, certain non-metropolitan middle income geographies or designated disaster areas
 - ◆ Consistent with safe and sound operations



ASSESSMENT AREA DEFINED

- **Consists generally of one or more MSAs or one or more contiguous political subdivisions such as counties, cities, or towns,**
- **Includes whole geographies where an institution has its deposit taking facilities and surrounding areas where a substantial portion of loans are made,**
- **May not go substantially beyond an MSA or state boundary, and**
- **May not reflect illegal discrimination or arbitrarily exclude low- and moderate-income areas.**

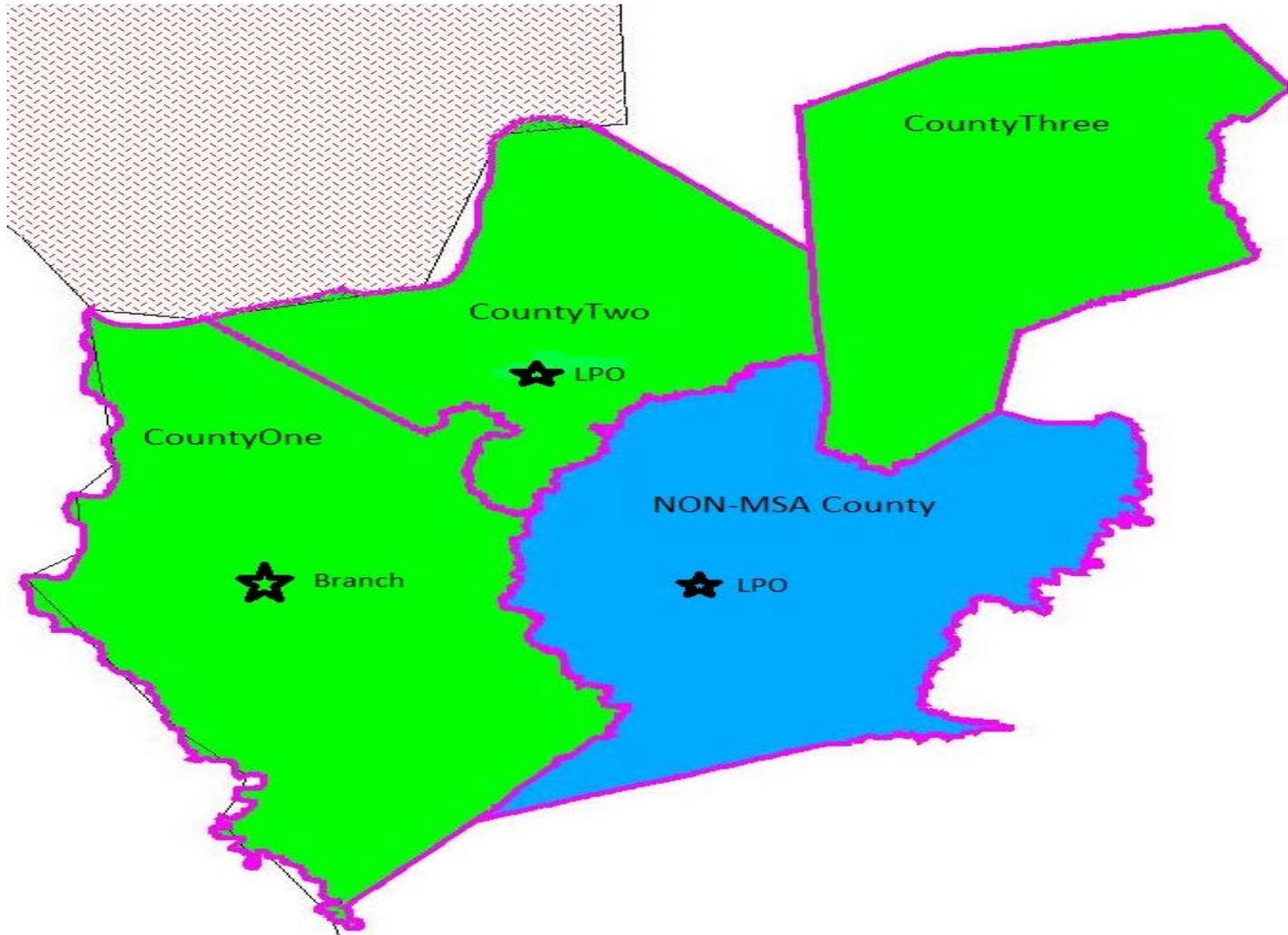


The FDIC is often asked:

- *Can a bank include the geographies around a Loan Production Office (LPO) as an assessment area?*
- *The answer depends on where the LPO is located in relation to the bank's deposit taking facilities.*



LOAN PRODUCTION OFFICE





PERFORMANCE CONTEXT

- **“Performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution’s record of performance will be evaluated.”**

CRA Regulation - Part 345.21(b)

CRA Q&A __.21(b)–1



PERFORMANCE CONTEXT COMPONENTS

According to the CRA regulation, the components of performance context are:

- **Demographic and economic data;**
- **Information about lending, investment, and service opportunities in the bank's assessment area(s);**
- **The bank's product offerings and business strategy;**
- **Institutional capacity and constraints;**
- **The bank's past performance and the performance of similarly situated lenders;**
- **The bank's public file and any written comments about the bank's CRA performance submitted to the bank or the FDIC; and,**
- **Any information deemed relevant by the FDIC.**

- Bank Profile and Characteristics
- Assessment Area Profile and Characteristics





BANK PROFILE

- **Institution's size and history**
- **Number and location of branches**
- **Primary loan product lines**
- **Bank's primary business focus**
- **Lending or investment constraints**
- **Bank affiliates**
- **Financial or legal impediments, if any**
- **Past performance**
- **Public CRA comments or complaints**



ASSESSMENT AREA PROFILE

- **Economic conditions and trends**
- **Income level and demographics of the geographies**
- **Housing factors (foreclosure rates and permit activity)**
- **Job and population growth or contraction and trends**
- **Family income levels and distribution**
- **Impact of government spending**



ASSESSMENT AREA PROFILE

- **Poverty level**
- **Unemployment rates and trends**
- **Major industries and employers**
- **Competitive environment**
- **Lending or investment constraints**



Fair Lending: Determining the Reasonable Expected Market Area for Redlining Analysis

By: Gary L. Clayton
Regional Fair Lending Examination Specialist



Objectives

- **Overview of Redlining**
- **Define Majority Minority Census Tract (MMT)**
- **Define Reasonably Expected Market Area (REMA)**
- **Explain and Illustrate how the FDIC Determines What is the Appropriate REMA for the Fair Lending Analysis**



Tenets of Redlining

- Lending Discrimination in which a Lender Provides Unequal Access to Credit, or Provides Less Favorable Terms of Credit, Because of the Prohibited Basis Characteristic(s), Usually Race or Ethnicity, of a Geographical Area
- Reverse Redlining: Targeting a Borrower or an Area with less Advantageous Products or Services Based on Prohibited Characteristics
- Is not Discrimination Against an Individual
- May violate both the Equal Credit Opportunity Act and Fair Housing Act



Majority Minority Census Tract

- **Population of Census Tract is at Least 50 percent minority (Excludes Non-Hispanic whites)**
- **Fair Lending Analysis can also Focus on Black Majority, Hispanic Majority, Asian Majority, etc.**
 - ◆ Population of Census Tract is Comprised of 50 Percent or Greater of the Individual Racial Category



Reasonably Expected Market Area

- **It is that geographical area the FDIC believes the bank can serve based on its distribution of applications and loans as well as its marketing and outreach efforts.**
 - ◆ Used to Evaluate the Bank's Lending and Level of Services in Majority Minority Census Tracts for Potential Redlining
 - ◆ Not Defined by the Fair Lending Laws
 - ◆ Not Selected by the Bank
 - ◆ May or May not be the Same as the Bank's CRA Assessment Area or Trade Area



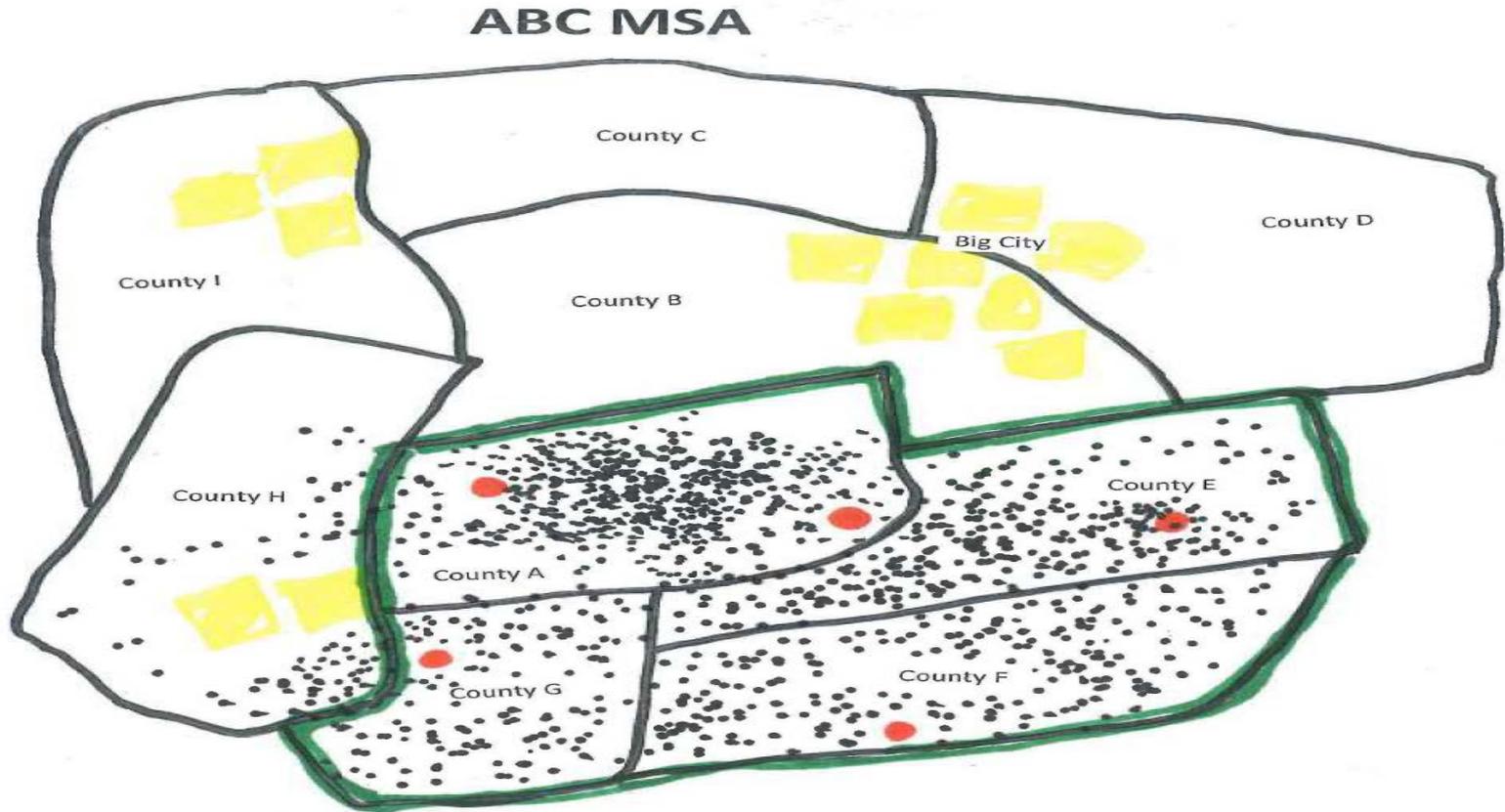
Reasonably Expected Market Area

Many Factors go into Determining the REMA.

These Factors include:

- Where the Bank has Actually Received Applications
- Where the Bank has Originated Loans
- History of Mergers and Acquisition
- The Market area as Defined by the Bank in its Written Policies
- Branching Structure and History (Including Closures, Acquisitions, and Relocations)
- Advertising
- The Inappropriate Exclusion of MMTs from the Assessment Area

Example 1



= Majority Minority Census Tract

= Bank Branch

Black dots = Loans

= County Line

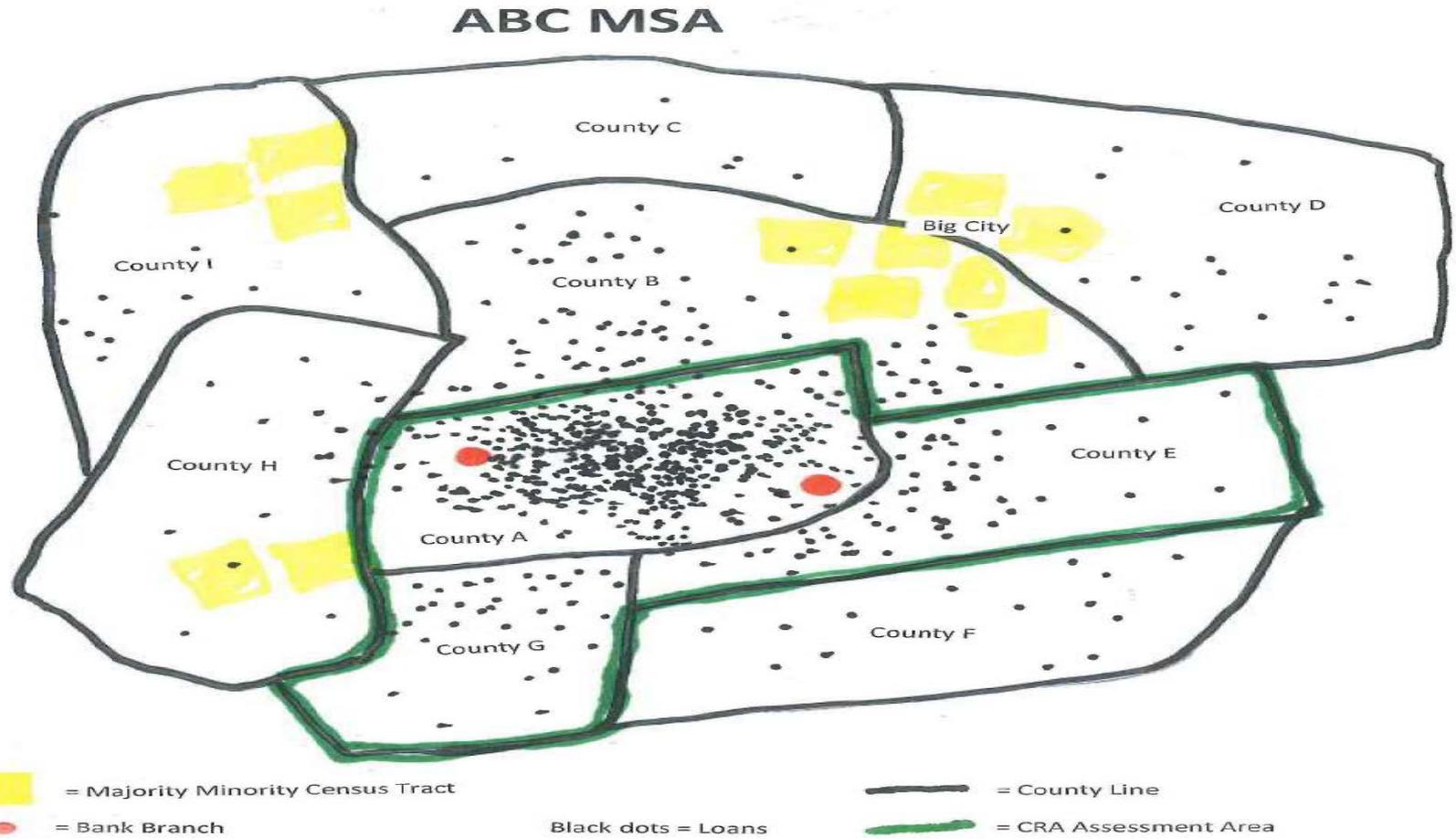
= CRA Assessment Area



Summary – Example 1

- **CRA Assessment Area: Counties A, E, F, and G**
- **REMA: Counties A, E, F, G, and H**
- **Basis for REMA: Significant Number of Loans Originated in County H**

Example 2

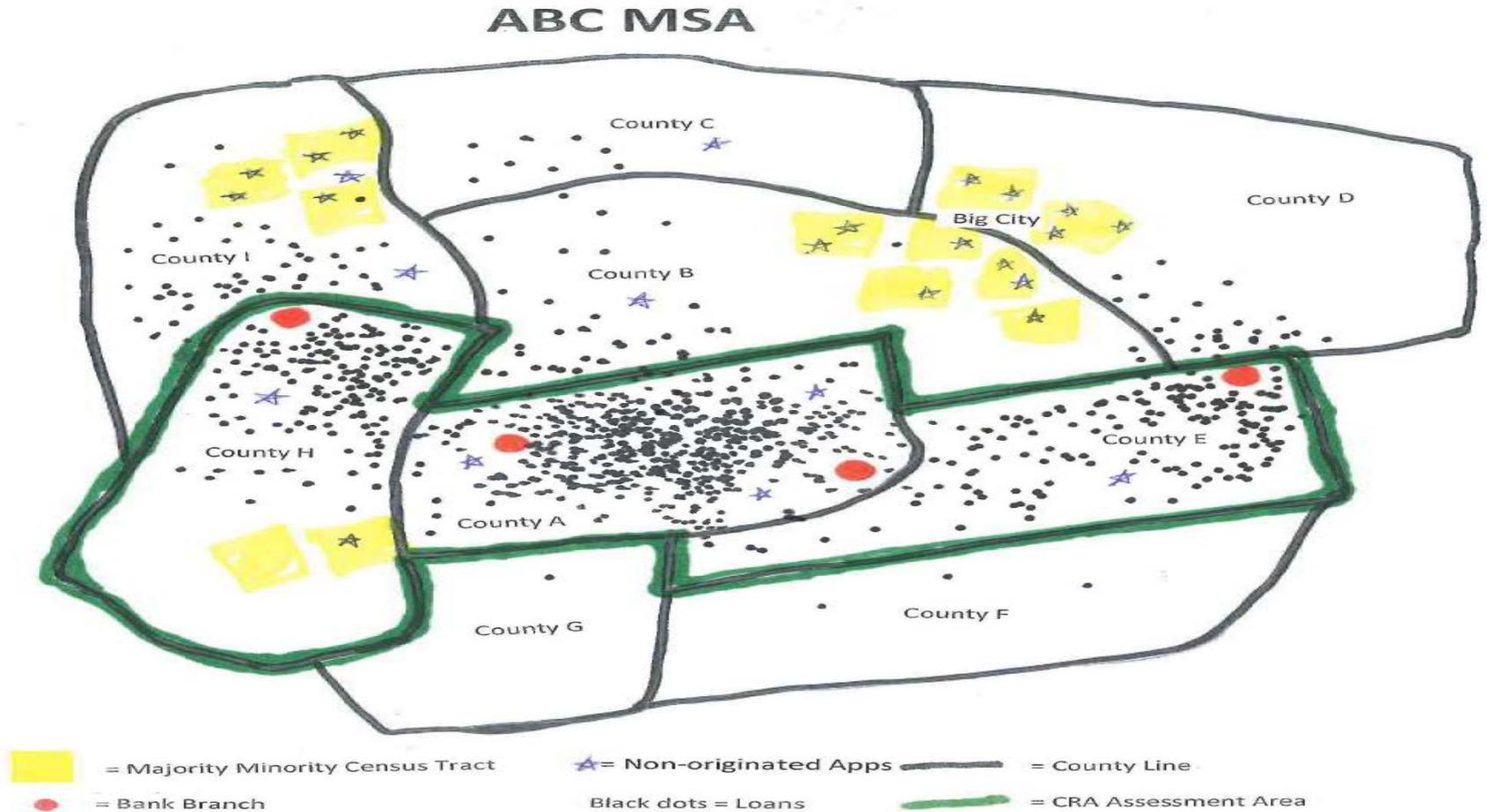




Summary – Example 2

- **CRA Assessment Area: Counties A, G, and E**
- **REMA: Counties A, B, E, and G at a minimum; Could also be the MSA**
- **Basis for REMA: Significant Number of Loans Originated in County B; Bank has Lending Throughout the MSA**

Example 3

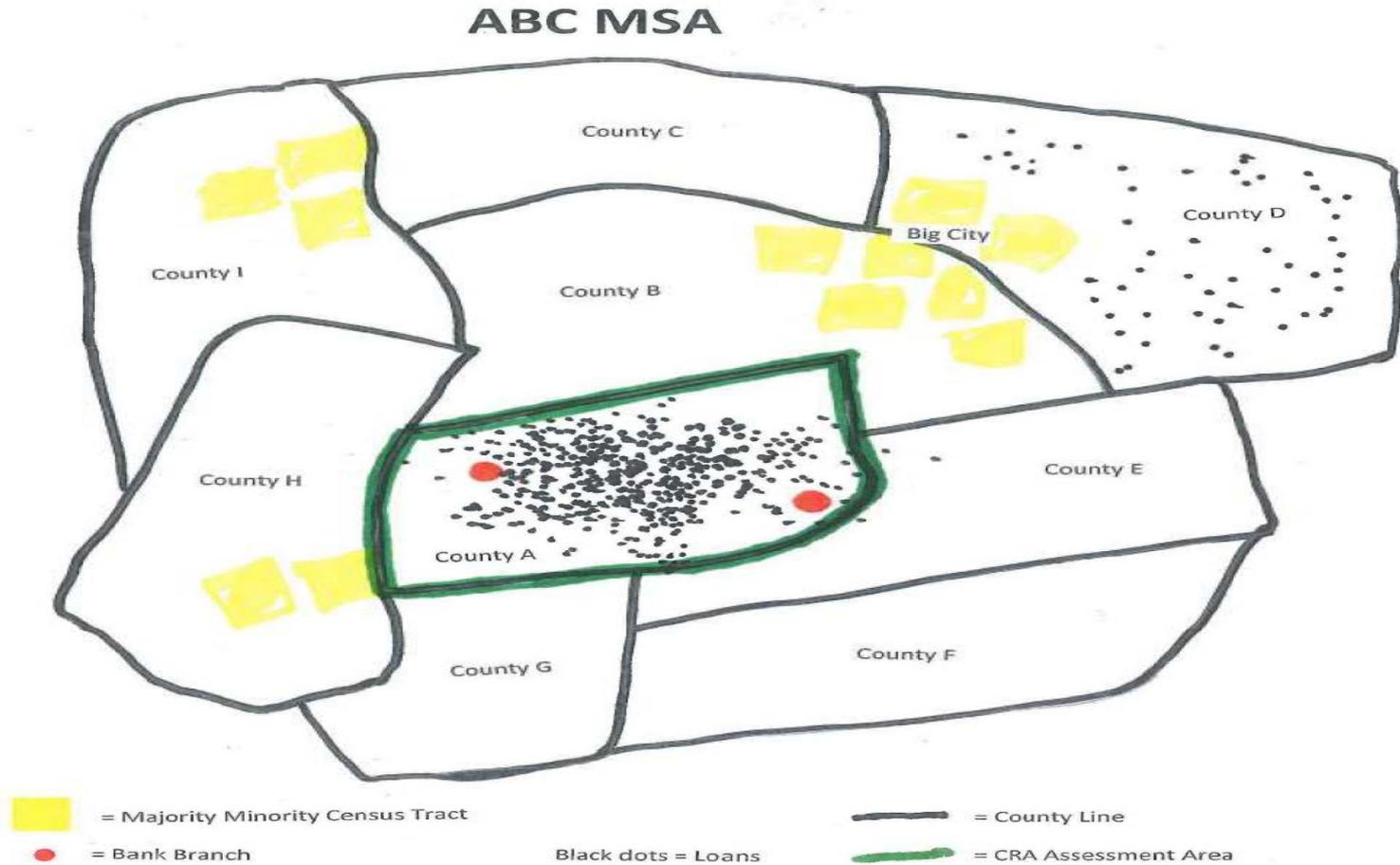




Summary – Example 3

- **CRA Assessment Area: Counties A, E, and H**
- **REMA: Counties A, B, C, D, E, H and I**
- **Basis for REMA: Lending in County C and Non-originated Applications in Counties D, B, and I**

Example 4





Summary – Example 4

- **CRA Assessment Area: County A**
- **REMA: Counties A, B, and D**
- **Basis for REMA: Significant Number of Loans Originated in County D. Lending “Jumps” over County B, which has Majority Minority Census Tracts. Could include Counties E and H, Based on Proximity to Branches Considering the Distance to County D, which has Moderate Level of Lending**

