

San Francisco Region Bankers' Forum: Community Reinvestment Act (CRA) Best Practices

May 4, 2017

Agenda

- Opening Comments
- Addressing Identified Performance Weaknesses
- Documenting Community Development (CD) Activities for Self-Assessments and Examinations
- Questions and Answers

Purpose of CRA

- Encourage FIs to help meet the credit needs of their communities, including:

Borrowers of
different incomes
levels

Small
Business/Farms

Low- and
moderate-income
(LMI)
neighborhoods

Certain
distressed and/or
underserved
geographies

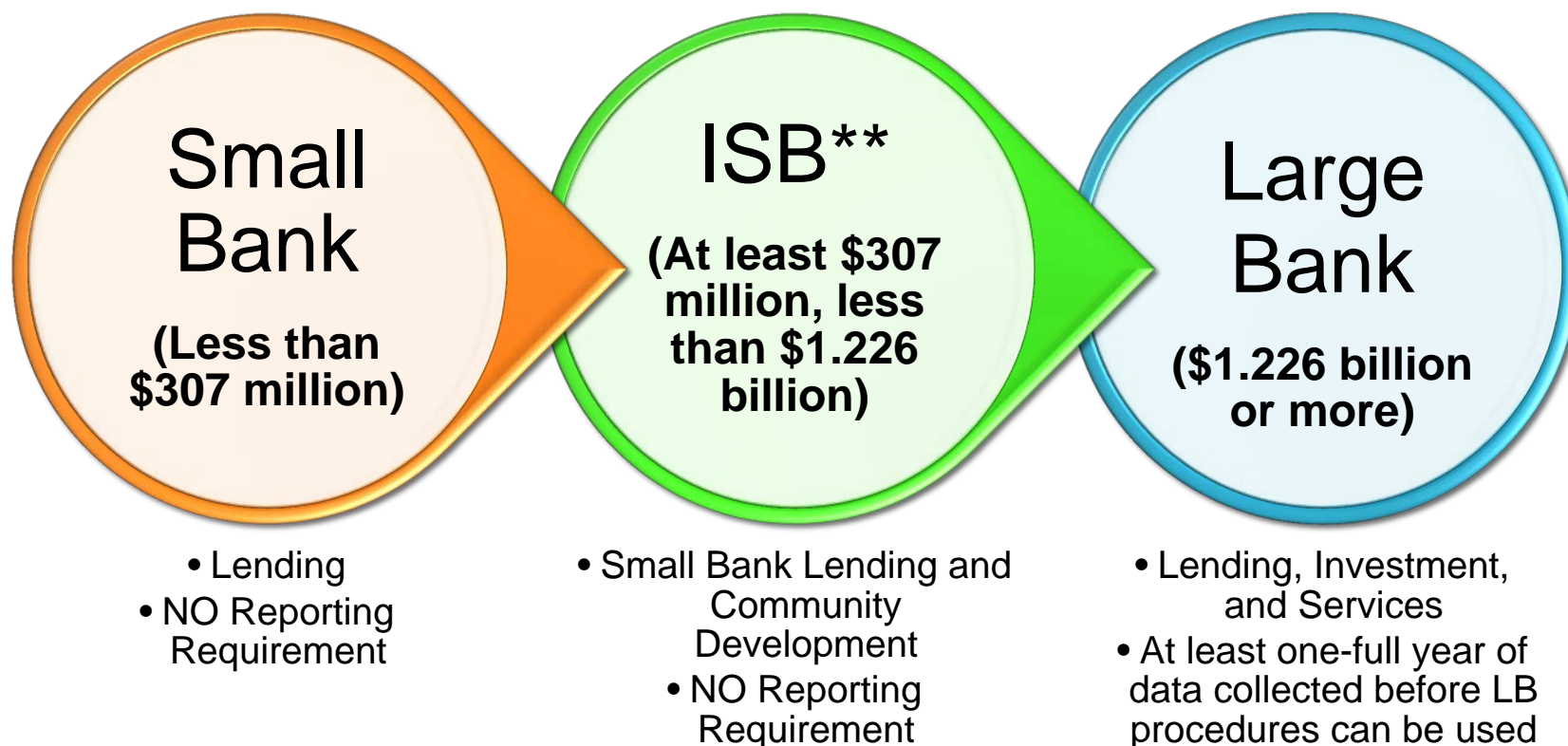
Designated
disaster areas

Consistent with
safe and sound
operations

What to do when weak performance is identified.

- Identify cause of poor performance
- Develop plan to address specific weakness or deficiency identified
- Periodically re-evaluate performance to monitor trends

Examination Procedures



**ISB stands for Intermediate Small Bank

Note: Bank must meet asset size threshold as of December 31 of both of the prior two calendar years. Thresholds in effect as of January 1, 2017 are shown.

Examination Procedures (cont.)

Limited
Purpose
Bank

(Narrow
Product Line)

- Community Development

Wholesale
Bank

(Non-Retail)

- Community Development

Strategic
Plan
Option

(Approved
Plan)

- Approved plan goals for lending and community development activities

CRA Strategic Plan Option

- Proposed plan should include meaningful and robust goals based on the bank's activities
- Stretch effort for “Outstanding” rating
- Must provide supporting information to substantiate proposed goals
- Takes effort to develop

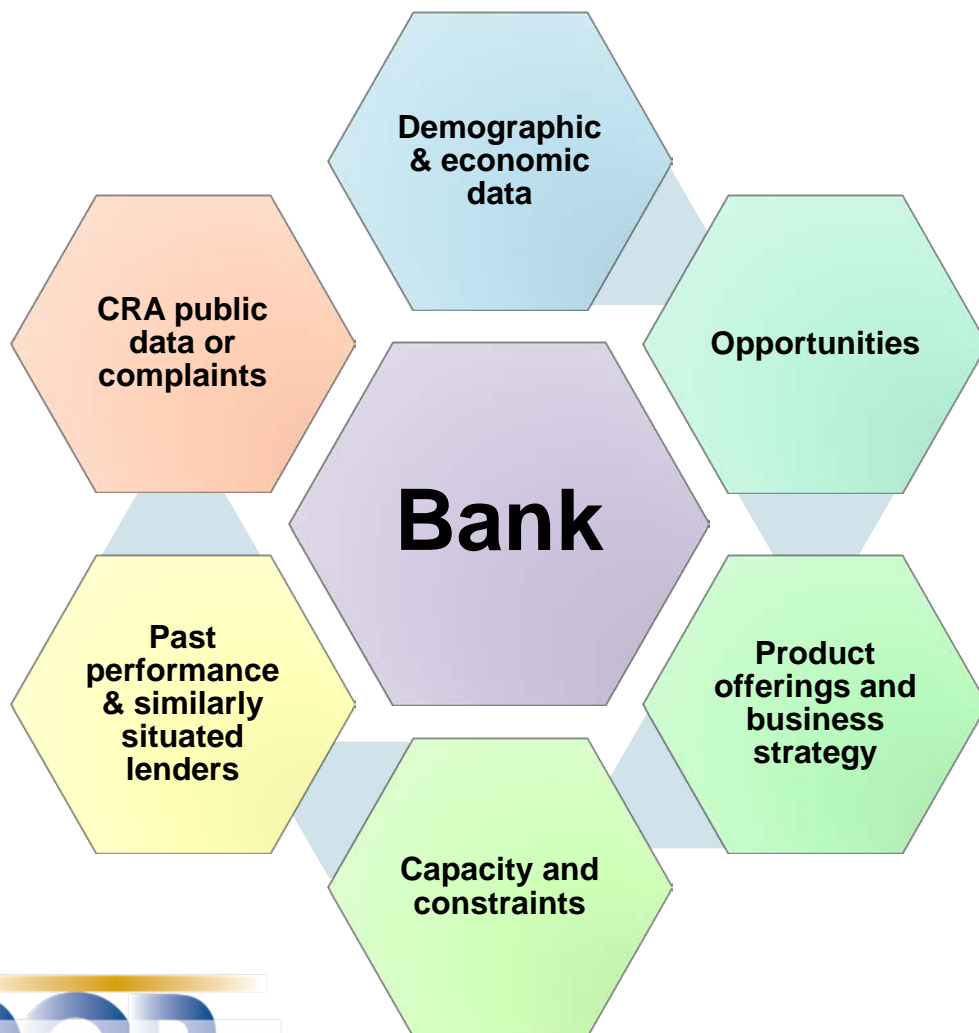
Reasons for Poor Rating or Performance

- Discriminatory or other illegal credit practices
- Mitigating lending gaps without sufficient support
- Change in profile
- Low level of lending or CD activities

Discriminatory or Other Illegal Credit Practices

- Includes, but is not limited to:
 - Discrimination against applicants on a prohibited basis in violation ECOA/FHA
 - Violations of:
 - Home Ownership and Equity Protection Act;
 - Section 5 of the Federal Trade Commission Act;
 - Section 8 of the Real Estate Settlement Procedures Act; and
 - Truth in Lending Act involving right of rescission

Performance Context



Could
mitigate
or
exacerbate
weak
performance.

Changes in Bank Profile

- New CRA obligations as bank grows and transitions to:
 - ISB = Community Development
 - Large bank = Data Reporting Requirement
- Be Proactive!
 - CRA awareness training, including what qualified for community development credit
 - Anticipate different CRA expectations as bank transitions to ISB or large bank

Changes in Bank Profile (cont.)

- Change in Strategy
 - Change in lending focus
 - New product offerings
 - New delivery channel
 - Strategic partnerships
 - Mergers and acquisitions

Changes in Bank Profile (cont.)

- Expanding footprint and CRA AA(s)
 - Location matters...so does the type of facility:
 - Branches: Expand or add new AA
 - LPOs: Expand existing AA if LPO is in close proximity to deposit taking facility**
 - Mergers and acquisitions – identify overlapping areas and add new AA(s)

**Note: Institution cannot delineate a separate AA based on standalone LPO if there is no deposit taking facility in the area.

Poor Lending Activity Inside the AA

- May not impact overall rating:
 - Exceptional performance in other lending test criteria
 - CD lending activities may augment rating for small banks or large banks
- Review AA delineation
- Evaluate existing marketing strategy to identify potential gaps
 - Conduct targeted outreach and/or marketing
 - Reminder: Must be consistent with ECOA/FH Act!

Conspicuous Lending Gaps

- Geographic distribution (i.e., lending in LMI census tracts)
- Borrower's characteristics (i.e., lending to LMI borrowers, small business, or small farms)
- Consider
 - Community partnerships or alternative products
 - Tailoring loan products to the credit needs of the community
 - Other lending data

Lack of CD Activities

- Limited/No CD opportunity in AAs
 - Consider activities in cooperation with minority- or women-owned financial institutions or low-income credit unions
- CD activities concentrated in certain AAs
 - Review allocation of CD resources
 - Assess CD opportunities in AAs

CD Activities

- Other considerations:
 - Focus on activities that are responsive to needs of community
 - Activities outside of the bank's AA may count
 - For large banks, consider complex or innovative activities
 - Complex or innovative activities may elevate rating
 - Reminder: Must be consistent with safe and sound practices!

CD Documentation Expectations

- Varies by examination procedures that will be used
 - Small Bank – may provide CD activities for consideration at bank's discretion
 - ISB – flexibility in designating CD loans, document community development activities
 - Large Bank – reporting requirements
 - Limited Purpose or Wholesale Banks – document community development activities

Optional Tracking Spreadsheet

- Spreadsheet to summarize activities
 - Track CD loans, investments, donations, and service hours separately
- Information to collect (see example):
 - Date of Activity
 - Primary CD purpose
 - AA(s) that benefited from activity
 - Impact and/or qualitative information

Sample Table: Qualified Investments

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period										
20XX										
20XX										
YTD 20XX										
Subtotal										
Qualified Grants & Donations										
Total										

Source: Bank Records

Sample Table: CDLs or Investment

Community Development Loans or Investments by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
State A										
AA #1										
AA #2										
State B										
Multistate MSA #1										
Regional Activities										
Nationwide Activities										
Total										

Source: Bank Records

Sample Table: CD Services

Community Development Services by Rated Area					
Rated Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
State A					
AA #1					
AA #2					
State B					
Multistate MSA #1					
Regional Activities					
Nationwide Activities					
Total					

Source: Bank Records

Sample Table: CD Services

Community Development Services				
Brief Service Description	Community Development Purpose	Bank Sponsored Event, Program or Seminar	Technical Assistance or Direct Involvement by Bank Employee	Bank Product or Service
City of Anytown Housing Rehabilitation Vice President served as finance committee member	Affordable Housing		20XX, 20XX	
Homebuyers Seminar		20XX, 20XX		
Anytown Economic Development Commission Vice President serves on the Board	Economic Development		20XX, 20XX, 20XX	

Source: Bank Records

Backup Documentation

- For each activity:
 - Analyze to ensure it meets the CD definition for qualification purposes
 - Avoid surprises – do not assume that it qualifies because it was qualified at a previous exam
 - Retain binder or electronic file
 - Primary purpose of organization and/or project
 - Summary of how funds/hours spent were used
 - Provide qualitative and quantitative information

Monitor CRA Performance

- Use interagency CRA procedures to guide internal reviews
- Consider collecting data for self-assessment
- Avoid surprises - analyze performance in each AA at the metropolitan statistical area (MSA), non-MSA, multistate-MSA level separately

Resources

- FFIEC CRA Webpage <http://www.ffiec.gov/cra/default.htm>
- FDIC CRA Webpage <https://www.fdic.gov/regulations/cra/>
- FDIC's Rules and Regulations, Part 345
<https://fdic.gov/regulations/laws/rules/2000-6500.html>
- FFIEC CRA Q&A's - PDF (July 2016)
<https://www.gpo.gov/fdsys/pkg/FR-2016-07-25/pdf/2016-16693.pdf>
- FDIC CRA Ratings and Performance Evaluations
<https://www2.fdic.gov/crapes/>
- Strategic Plan Guidelines
<https://fdic.gov/news/news/financial/1998/fil9826.html>

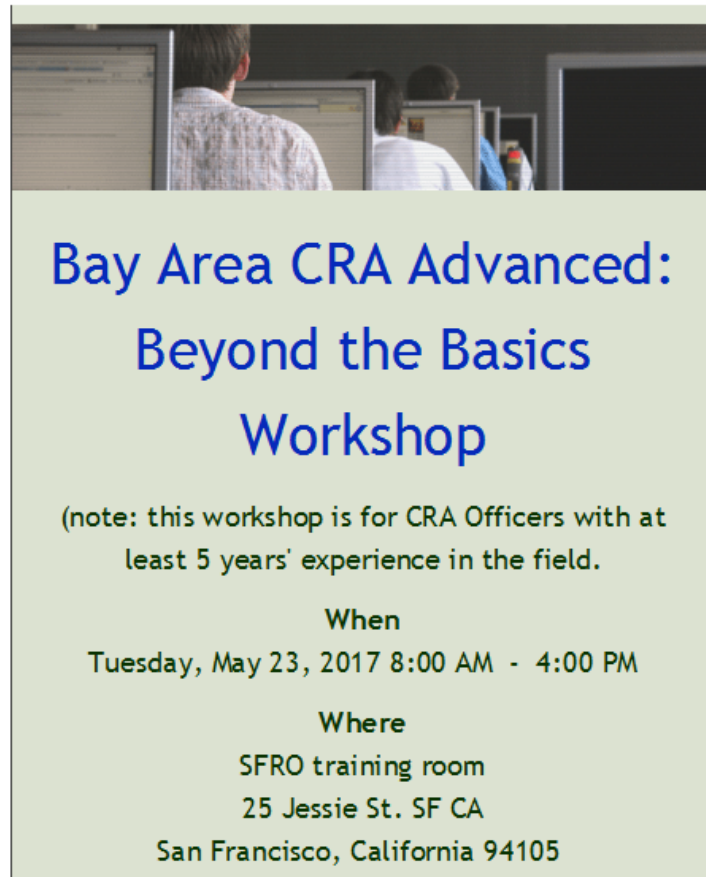
Resources: Examination Procedures

- Compliance Examination Manual
<https://www.fdic.gov/regulations/compliance/manual/index.html>
- A Guide to CRA Data Collection and Reporting
<http://www.ffiec.gov/cra/guide.htm>
- San Francisco Region Bankers' Forum: Community Reinvestment Act Transitions June 18, 2015
https://www.fdic.gov/news/conferences/sf_region/2015-06-18.pdf
- Federal Reserve's Fourth Quarter 2014 Consumer Compliance Outlook: Transitioning from an Intermediate Small Bank to a Large Bank Under the Community Reinvestment Act
<https://consumercomplianceoutlook.org/2014/fourth-quarter/transitioning-from-intermediate-small-bank-to-large-bank-0under-cra/>

Resources: CD

- FDIC Regional Community Affairs Staff
<http://www.fdic.gov/consumers/community/offices.html>
- Strategies for Community Banks to Develop Partnerships with Community Development Financial Institutions
<https://www.fdic.gov/consumers/community/CDFI/index.html>
- Minority Depository Institutions Program
<https://fdic.gov/regulations/resources/minority/index.html>

CRA Workshop

A slide for a workshop. The top portion shows a photograph of several people in a computer lab setting, viewed from behind. Below the photo is a light green rectangular area containing text. The text is centered and includes the workshop title, a note about the audience, and details on when and where the workshop will take place.

**Bay Area CRA Advanced:
Beyond the Basics
Workshop**

(note: this workshop is for CRA Officers with at least 5 years' experience in the field.)

When
Tuesday, May 23, 2017 8:00 AM - 4:00 PM

Where
SFRO training room
25 Jessie St. SF CA
San Francisco, California 94105

Event Summary ([link](#))

Registration Deadline: May 22, 2017

Registration ([link](#))

Event Contact:

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Questions and Answers

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