Make Your CRA Activities Count

2014 NC Affordable Housing Conference
October 16, 2014
Topics

- Purpose of CRA
- Definition of community development
- Role of performance context
- Considering qualitative factors
Purpose of CRA

• 12 USC 2901–Law
  • Regulated financial institutions - Demonstrate that deposit facilities serve the convenience and needs of the communities in which they are chartered to do business
  • Supervisory agencies - Use authority to encourage institutions to help meet the credit needs of the local communities in which they are chartered consistent with the safe and sound operation of such institutions.

• Implementing Regulations
  • 12 CFR 228 Federal Reserve System (FRB)
  • 12 CFR 345 Federal Deposit Insurance Corporation (FDIC)
Community Development

• Affordable housing for low- or moderate-income (LMI) individuals

• Community services targeted to LMI individuals

• Promote economic development by financing small business or farms that meet size eligibility requirements

• Revitalize or stabilize LMI geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas

• Support, enable or facilitate projects or activities that meet “eligible uses” criteria described in Section 2301(c) of the Housing and Economic Recovery Act of 2008 (HERA) and are conducted in designated target areas identified in plans approved by HUD in accordance with the Neighborhood Stabilization Program (NSP)
Performance Context

- Broad range of information
  - Economic
  - Demographic
  - Institution specific
  - Community specific
- Context in which an institution’s record of performance should be evaluated
- Not a formal assessment of community credit needs
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Responsiveness

- Regulations
  - §___.22(e)(3) Large bank (LB) investment test
  - §___.24(e)(2) LB service test
  - §___.25(c)(3) Wholesale/limited purpose test
  - §___.26(c)(4) Intermediate small bank (ISB) community development (CD) test
  - §___.27(g)(3)(ii) Strategic plan
  - Ratings Appendix A

- LB examination procedures

- Proposed Q&A

- Performance context

- Interagency Q&As
  - §___.12(g)(3)—1
  - §___.12(g)(4)—2
  - §___.12(g)(4)(ii)—2
  - §___.12(g)(4)(iii)—3
  - §___.12(h)—3
  - §___.12(h)—6
  - §___.12(t)—6
  - §___.12(t)—9
  - §___.21(a)—2
  - §___.22(a)—1
  - §___.23(e)—2
  - §___.26(c)—1
  - §___.26(c)(4)—1
  - §___.28—1
Innovativeness

- Regulations
  - §__.22(b)(4) & (5) LB lending test
  - §__.23(e)(2) LB investment test
  - §__.24(e)(2) LB service test
  - §__.25(c)(2) Wholesale/limited purpose test
  - §__.27(g)(3)(i), (ii) & (iii) Strategic Plan
  - Ratings Appendix A – Large banks, wholesale or limited purpose banks

- LB examination procedures

- Proposed Q&As

- Performance context

- Interagency Q&As
  - §__.12(t)—6
  - §__.21(a)—2
  - §__.22(b)(5)—1
  - §__.23(e)—2
  - §__.26(b)(1)—2
  - §__.26(c)(4)—1
  - §__.28—1
  - §__.28(b)—1
Complexity

• Regulations
  • §___.22(b)(4) LB lending test
  • §___.23(e)(2) LB investment test
  • §___.25(c)(2) Wholesale/limited purpose test
  • §___.27(f)(1)(ii) & §___.27(g)(3)(ii) Strategic plan

• LB examination procedures

• Performance context

• Interagency Q&As
  • §___.12(g)(3)—1
  • §___.12(t)—6
  • §___.21(a)—2
  • §___.22(b)—4
  • §___.22(b)(5)—1
  • §___.23(e)—2
  • §___.26(b)(1)—2
  • §___.26(c)(4)—1
  • §___.28—1
  • §___.28(b)—1
Flexible Lending Practices

- Regulations
  - §__.22(b)(5) LB lending test

- Interagency Q&As
  - §__.22(b)(5)—1
  - §__.28(b)—1

- LB examination procedures

- Proposed Q&As

- Performance context
Leadership

• Regulations
  • Ratings Appendix A

• Q&As
  • §__.12(g)(3)—1 Economic development

• LB examination procedures

• Performance context
Questions