

# Community Reinvestment Act 101

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**NCRC**  
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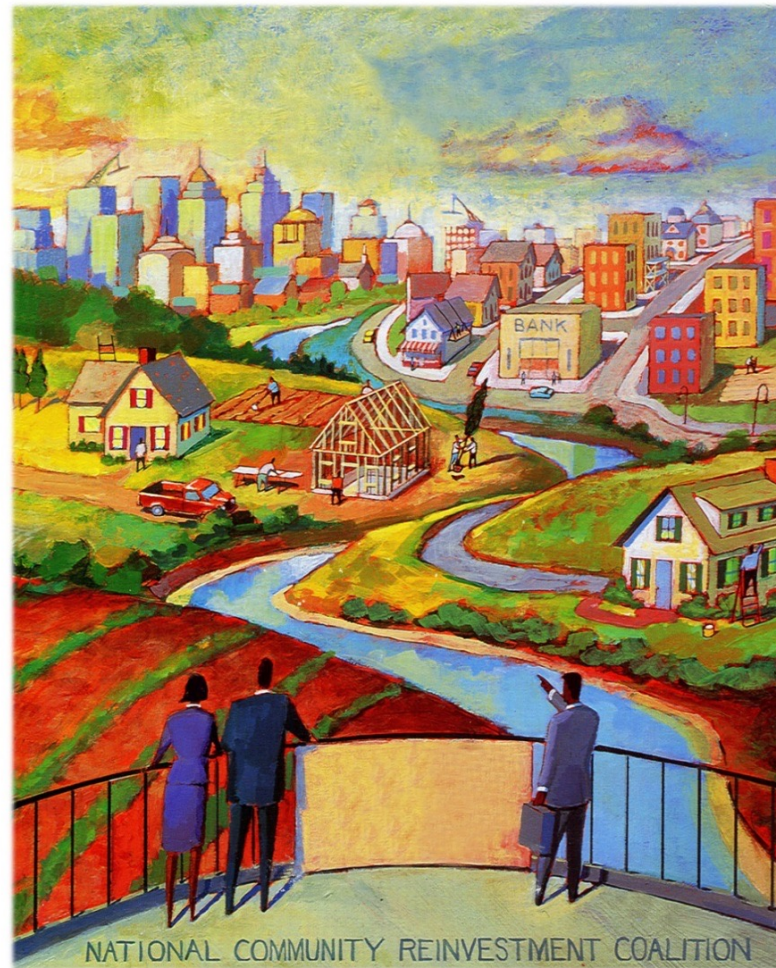
A **good bank** can anchor a vibrant community

It can be as important to the success of a community as a good school, or a hospital

Like some public institutions, **banks have obligations too**

They have an obligation to address **community needs**

They have an obligation to produce a **public benefit**

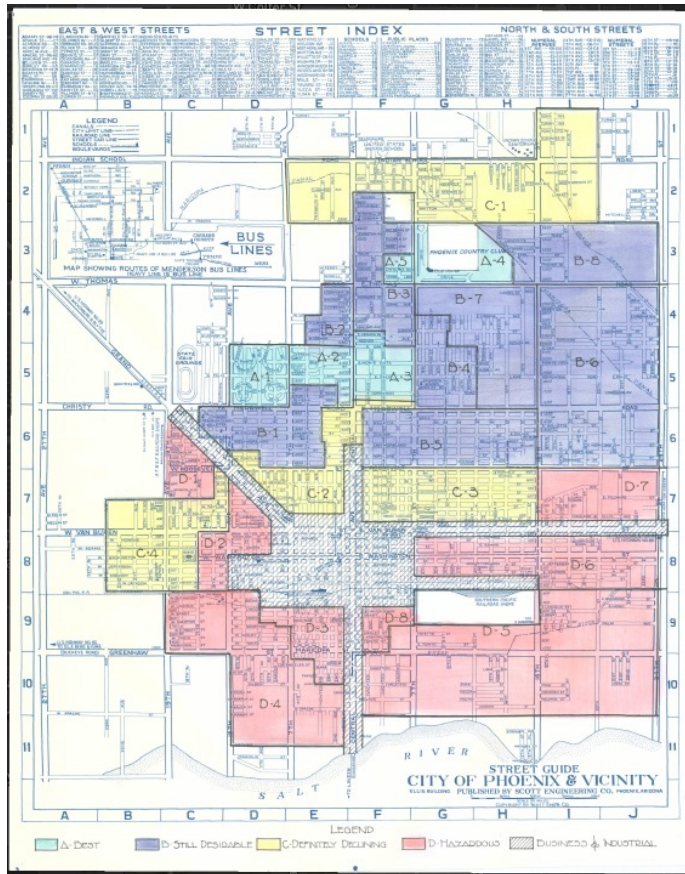


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# COMMUNITY REINVESTMENT ACT



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CRA was among a series of legislative attempts to end *redlining* and **discrimination** in housing.

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# Community Reinvestment Act

- Passed in 1977, the Community Reinvestment Act was part of a series of legislative attempts to end redlining and discrimination in housing, including:
  - Fair Housing Act
  - Equal Credit Opportunity Act
  - Home Mortgage Disclosure Act
- Establishes a **“continuing and affirmative obligation”** for banks to meet **“the credit needs of its entire community . . . consistent with the safe and sound operation of the institution”**
- Creates a framework for the community to engage with the bank

# COMMUNITY REINVESTMENT ACT (CRA)

- **1989:** Update to CRA requiring the bank supervisors to publicly disclose CRA ratings and performance evaluations
- **1995:** Most recent CRA regulatory reform created CRA exams as we know them today
- **2023:** Latest update, currently under litigation

## CRA has...

- Since 1996, CRA-covered institutions have made more than \$883 billion worth of loans supporting affordable housing and economic development projects benefiting LMI communities
- CRA-covered institutions have made 24 million small business loans in LMI neighborhoods totaling more than \$973 billion

## *Performance Evaluations*

Exams are undertaken by one of three regulatory agencies:

- Office of the Comptroller of the Currency (OCC)
- Federal Deposit Insurance Corporation (FDIC)
- Federal Reserve System

# *Performance Evaluations*

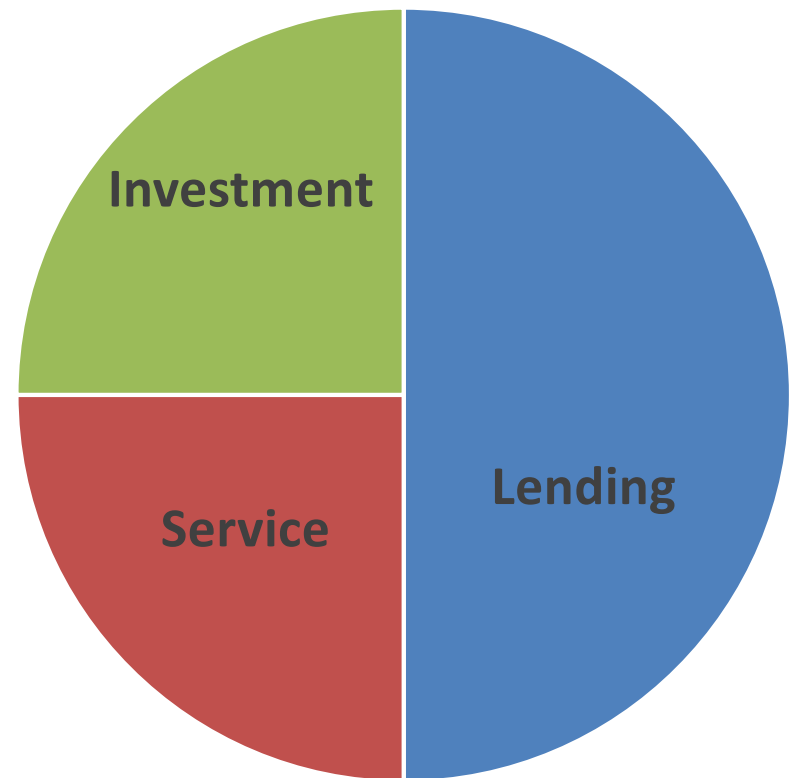
Banks can receive the following ratings on CRA exams:

- Passing
  - Outstanding
  - Satisfactory
- Failing
  - Needs to Improve
  - Substantial Non-compliance



# *Performance Evaluations*

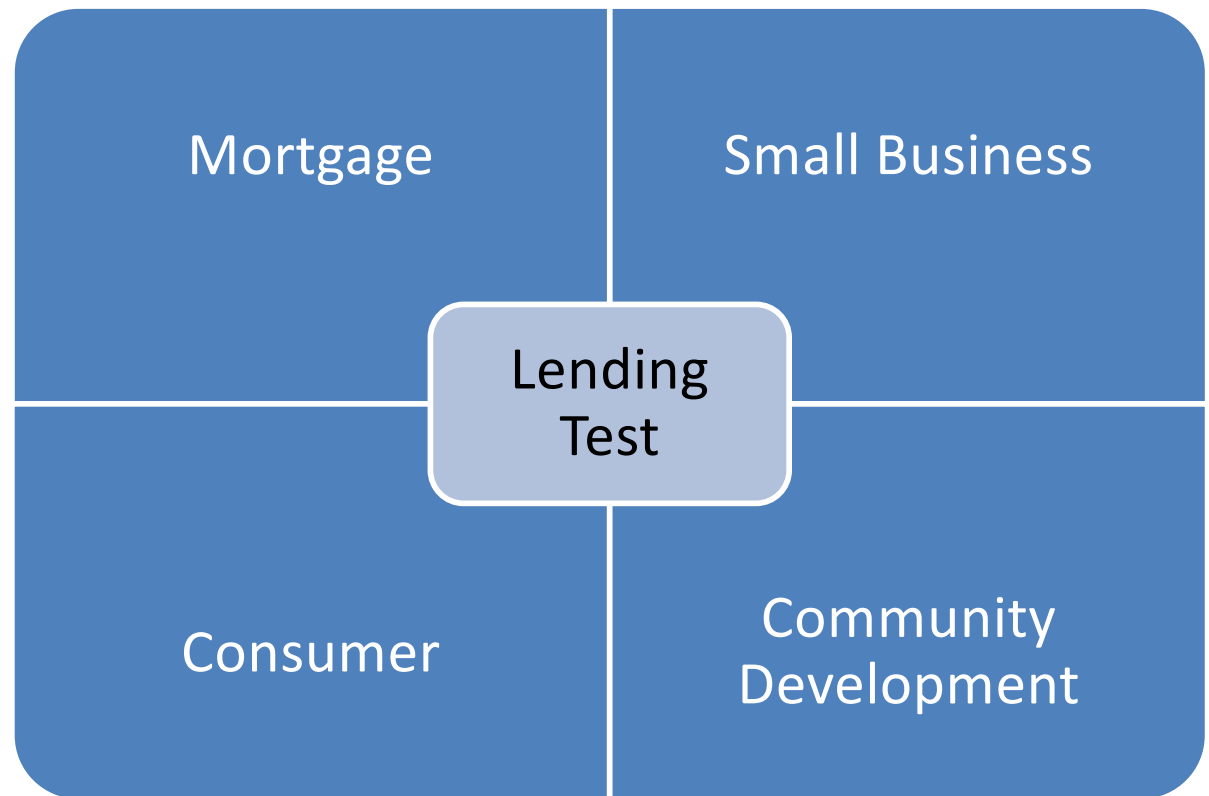
- The ratings regulators give come from their performance on three separate tests, sometimes referred to as component tests
- Banks' ratings are based on data analysis, reviews of records, and public comments



# *Lending Test*

This test assesses how well the bank is serving the credit needs across four main areas

Low to moderate income (LMI) borrowers and neighborhoods are the focus



## *The Investment Test*

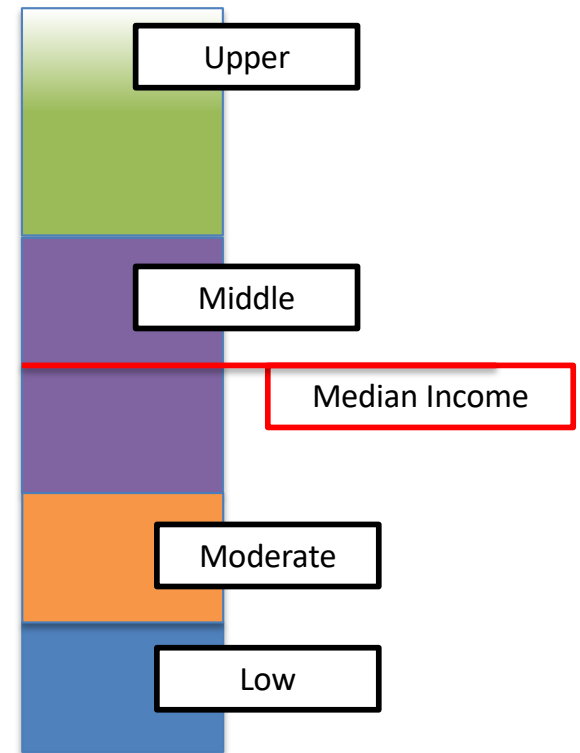
- How well the bank is reinvesting back into the community through community development investments. Such as investments in
  - Organizations that make loans to LMI and small businesses such as CDFIs and CDCs

## *The Service Test*

- Measures the banks effectiveness at providing basic banking services to LMI borrowers, primarily through its branch network
- Also community development services such as offering technical assistance to nonprofits

# Low-to-Moderate Income Defined

- An individual, or specific household, is considered LMI if they are 80% or under the median area income
- A census tract is LMI if the median family income is less than or equal to 80% of the median area income
- Median Area Income
  - The median is the mid-point, where half of the population makes more than this amount and half makes less



## *Assessment Areas*

- CRA performance is measured in a bank's assessment area
- The assessment area must include where the bank has branches, ATMs and surrounding geographies in which the bank has originated or purchased a majority of its loans
- Usually a county or MSA, assessment areas are not allowed to arbitrarily exclude LMI neighborhoods

# CRA Exam Performance

PERFORMANCE LEVELS	Umpqua Bank		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			
<i>(* ) The lending test is weighted the most when arriving at an overall rating.</i>			

# Example: U.S. Bank

## Who is the Primary Federal Regulator?

Research tool: [FDIC Institution Directory](#)

**FDIC**  
FEDERAL DEPOSIT INSURANCE CORPORATION

FDIC ▾ Banks ▾ Reports & Analysis ▾ Reference Tables ▾ Data Download ▾ Help ▾ BankFind

FDIC.gov > Industry Analysis > Bank Data & Statistics > Banks > Details and Financials - ID > Search Results - Banks

### Details and Financials - Institution Directory (ID)

Use advanced search criteria to find a bank or bank holding company, generate comprehensive financial or demographic reports, and find bank locations or groups of banks.

**Banks** Locations Bank Holding Companies All Types

Find Banks (Find an Institution) allows you to locate FDIC-insured institutions by entering one or more of the criteria below.

**General**

**FDIC Certificate #**

Certificate #

**Institution Name**

U.S. Bank

**City**

**County**

**State**

**Zip Code**

**Search Selections:**

**General** [ + ]

**Status / Dates / Financials** [ - ]

Institution Status: Active(Open)

**Common Searches** [ + ]

**Regulatory / Regional** [ + ]

**Data Availability**

Note: Quarterly updates made at the end of February, May, August, and November. Annual data through 1992 and quarterly data through 2002.

	Most Current	Updated
Demographics	3/10/2022	Weekly
Financial	12/31/2021	Quarterly

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# Example: U.S. Bank

## Who is the Primary Federal Regulator?

The screenshot shows the FDIC website's search results for banks. The search criteria are set to 'Active Institutions and Name contains U.S. Bank'. The results table shows one entry: U.S. Bank National Association, located in Cincinnati, OH, with a total asset value of 564,154,604 as of 12/31/2021. The 'Cert' number 6548 is circled in blue.

**FDIC** FEDERAL DEPOSIT INSURANCE CORPORATION

FDIC ▾ Banks ▾ Reports & Analysis ▾ Reference Tables ▾ Data Download ▾ Help ▾ BankFind

FDIC.gov > Industry Analysis > Bank Data & Statistics > Banks > Details and Financials - ID > Search Results - Banks

### Search Results - Banks

Demographic information reflects the list of Institutions as of **March 10, 2022**. Financial information as of **December 31, 2021**. Select a Cert number below for a Summary Financial Report on that institution.

**Selected Search Criteria:**  
Active Institutions and Name contains U.S. Bank

Showing Record 1 to 1 of 1 Institutions found. Page 1 of 1

Cert	Institution Name	City	State	Class	Total Assets(\$000)	12/31/2021 Call/TFR Report?
6548	U.S. Bank National Association	Cincinnati	OH	N	564,154,604	Yes

Showing Record 1 to 1 of 1 Institutions found.

**Display** Criteria

Sort By: Total Assets

As Of: Most Current

Number To List: 25

# Example: U.S. Bank

## Who is the Primary Federal Regulator?

**FDIC** FEDERAL DEPOSIT INSURANCE CORPORATION

FDIC.gov > Industry Analysis > Bank Data & Statistics > Banks > Details and Financials - ID > Search Results - Banks

### Details and Financials - Institution Directory (ID)

Confirmation & Report Selection

**Demographic information as of March 10, 2022**

**U.S. Bank National Association**  
425 Walnut Street  
Cincinnati, OH 45202

FDIC Certificate #:	6548	Date Established:	7/13/1863
Bank Charter Class:	National Bank	Date of Deposit Insurance:	1/1/1934
Primary Federal Regulator:	<a href="#">Office of the Comptroller of the Currency</a>	<a href="#">More Demographic Information</a> →	
Secondary Federal Regulator:	<a href="#">The Consumer Financial Protection Bureau</a>	<a href="#">Generate History</a> →	
Primary Internet Web Address:	<a href="http://www.usbank.com">www.usbank.com</a>		

### Information Gateway

ID Report Selections:  Report Date:  [Generate Report](#)

**More Information**

- [Current List of Offices](#)
- [Compare to Peer Group\(s\)](#)
- [FFIEC Call/TFR Report 12/31/2021 Latest Available](#)
- [FFIEC Uniform Bank Performance Report \(UBPR\)](#)
- [FDIC/OTS Summary of Deposits](#)
- [Bank Holding Company Ownership and Affiliates](#)
- [Consumer Assistance from Primary Federal Regulator](#)
- [Organization Hierarchy from the Federal Reserve System](#)
- [OCC CRA ratings](#)

Press for description

# Example: U.S. Bank

## What is a bank's CRA rating?

Enter a Charter Number, Bank Name, or City: [?](#)

U.S. Bank National Association

Rating: -- Select Rating --

From Evaluation Date: mm/dd/yyyy

State: OH - Ohio

To Evaluation Date: mm/dd/yyyy

**Search** Reset

10 records per page

Filter: Search in this table

Charter/ Docket	Bank	City	State	Evaluation Date	Rating	Examination
24	U.S. Bank National Association	Cincinnati	OH	10/16/2017	Outstanding	Large Bank
24	U.S. Bank National Association	Cincinnati	OH	03/31/2012	Satisfactory	Large Bank
24	U.S. Bank National Association	Cincinnati	OH	12/31/2008	Outstanding	Large Bank
24	U.S. Bank National Association	Cincinnati	OH	12/31/2005	Outstanding	Large Bank

1 - 4 of 4 records

First Previous Next Last

## *Summary of CRA Exams*

- All banks are graded every 3-4 years on
  - How well they are lending to LMI borrowers and neighborhoods
  - The level of support they are giving to needed community development projects
  - Maintaining branches in LMI neighborhoods
- And you can comment on how well a bank is doing on each of these aspects of their CRA performance

# How Well Are Regulators Evaluating Banks Under the Community Reinvestment Act?

- *Are CRA grades reflecting what people are seeing in their communities?*

## PERFORMANCE EVALUATIONS

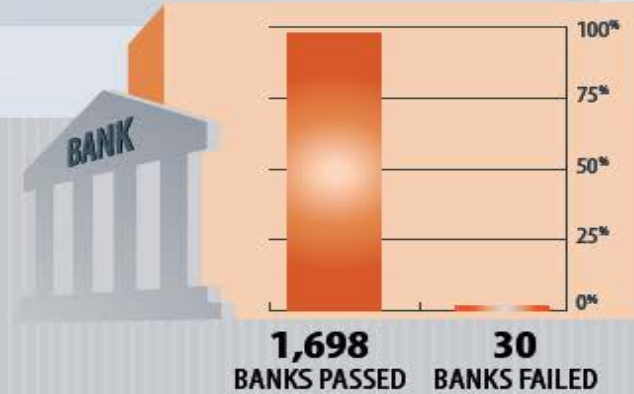
In 2014, **98.26%** of banks passed their performance evaluations.

Only **1.74%** failed.

This closely mirrors the pass rate for both 2012 and 2013.

2012: 97.92% passed/2.19% failed

2013: 97.60% passed/2.39% failed



## STATE PASS RATE

In 2014, **76%** of states in the U.S. had **100%** of banks headquartered in their state and up for exams pass their CRA performance evaluations.

\* Idaho is the only state that didn't have a bank examined in 2014.




## GRADES

In the last **THREE** years, among all regulators...

**400** banks received **Outstanding**, the highest possible grade, on their CRA performance evaluation

**10** banks received **Substantial Noncompliance**, the lowest possible grade, on their CRA performance evaluation



 = 10 Banks

# CRA Works When You Do



*“Full responsibility for  
CRA enforcement has  
always been the job of  
people in the  
neighborhoods.”*

Gale Cincotta, Chairperson, National  
People's Action and Executive Director,  
National Training and Information Center

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# CRA Enforcement

## Why get involved?





# Understanding Lending Data

## Home Lending

Applicant Characteristic		Population	Originations			Approval Rate			Denial Rate		
			All Lenders	Bank	Percentage Point Difference	All Lenders	Bank	Percentage Point Difference	All Lenders	Bank	Percentage Point Difference
Race/Ethnicity	White	40.8%	56.1%	66.7%	10.5%	74.4%	65.6%	-8.8%	7.4%	8.2%	0.8%
	Black	43.6%	16.9%	5.0%	-11.9%	56.4%	50.0%	-6.4%	19.7%	33.3%	13.6%
	Hispanic/Latino	7.8%	3.9%	1.7%	-2.2%	66.5%	100.0%	33.5%	12.1%	0.0%	-12.1%
	Asian	5.9%	7.8%	6.7%	-1.1%	69.9%	50.0%	-19.9%	8.9%	25.0%	16.1%
	Minority	59.2%	30.3%	13.3%	-16.9%	61.6%	53.3%	-8.3%	14.8%	26.7%	11.9%
Income	LMI Applicant		21.0%	10.0%	-11.0%	58.6%	40.0%	-18.6%	18.7%	26.7%	8.0%
	MUI Applicant		79.0%	90.0%	11.0%	71.3%	68.4%	-2.9%	8.5%	7.6%	-0.9%
Tract	Applicant in LMI Tract	35%	11.9%	10.0%	-1.9%	58.0%	66.7%	8.6%	18.9%	22.2%	3.3%
	Applicant in MUI Tract	65%	88.1%	90.0%	1.9%	69.8%	63.5%	-6.3%	9.7%	9.4%	-0.3%
	Applicant in Minority Tract	57%	28.7%	18.3%	-10.4%	60.4%	61.1%	0.7%	16.7%	16.7%	0.0%

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# Understanding Lending Data

## *Small Business*

Summary of Small Business Lending - CommunityBank							
Springfield MSA 2014							
	Number of Business	Percent of Business	CommunityBank		All Lenders		Percentage Point Difference:
			Count of Loans	Percent	Count of Loans	Percent	
LMI Census Tracts	39,442	23.91%	220	32.21%	8,615	22.57%	9.65%
Businesses <\$1 mil in Revenue	115,705	70.15%	18	2.64%	17,697	46.35%	-43.72%
<b>Total</b>	164,936		683	100.00%	38,178	100.00%	0.00%

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# Understanding Community Development Data

- Can look at overall, as well as comparing how much they are doing in specific markets compared to how much deposits they are receiving in these markets

Springfield MSA % of CommunityBank Deposits 6/30/13	4.70%
Springfield MSA % of CDLI 9/2010 - 12/2013	0.12%

# Using CRA

## Public Comment Letters



- Public comment letters include:
- Data analysis
  - Other information relevant to a bank's CRA performance and your community
  - How your organization or coalition can improve performance

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# Mergers and Acquisitions

- Banks must apply to acquire branches or other financial institutions
- Application process where regulators look at previous record, as well as how an expanding bank will serve communities going forward
- Application process involves a comment period
- Can use it as an opportunity to negotiate public benefits plans

## New CRA Regulations from December 2023

- Significant updates since 1995 and includes important updates including changes in assessment areas, bank size, and revamped tests that we just covered.
- Currently under lengthy litigation initiated by the banks. The next steps are government's response, followed by oral arguments in the Fifth Circuit Court.
- Uncertainty associated with what comes next.

# How NCRC Can Help

- Guide groups through the CRA process with our over 25 years of experience. As well as providing
  - Data analysis
  - Assist with comment letters
  - Construct public agreements
  - Connect groups to a nationwide coalition

# How NCRC Can Help

- Connect people to our ongoing campaign to protect and strengthen the CRA
- [ncrc.org/treasurecra](https://ncrc.org/treasurecra) has more info