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• How NCRC Can Help
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
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
Benefits of CRA

• 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

• Economists also find that CRA-covered lending is safer and sounder than non-CRA covered lending
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How Is CRA Supposed to Work?

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
How Is CRA Supposed to Work?

Performance Evaluations

Banks can receive the following ratings on CRA exams:

- **Passing**
  - Outstanding
  - Satisfactory

- **Failing**
  - Needs to Improve
  - Substantial Non-compliance
How Is CRA Supposed to Work?

*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.
How Is CRA Supposed to Work?

*Lending Test*

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

- Mortgage
- Small Business
- Consumer
- Community Development

Low to moderate income (LMI) borrowers and neighborhoods are the focus.
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
How Is CRA Supposed to Work?

**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
How Is CRA Supposed to Work?

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
How Is CRA Supposed to Work?

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

<table>
<thead>
<tr>
<th>PERFORMANCE LEVELS</th>
<th>Umpqua Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PERFORMANCE TESTS</td>
</tr>
<tr>
<td></td>
<td>Lending Test*</td>
</tr>
<tr>
<td>Outstanding</td>
<td></td>
</tr>
<tr>
<td>High Satisfactory</td>
<td>X</td>
</tr>
<tr>
<td>Low Satisfactory</td>
<td></td>
</tr>
<tr>
<td>Needs to Improve</td>
<td></td>
</tr>
<tr>
<td>Substantial Noncompliance</td>
<td></td>
</tr>
</tbody>
</table>

(*) The lending test is weighted the most when arriving at an overall rating.
How Is CRA Supposed to Work?

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?
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

**1,698 banks passed**
**30 banks failed**

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.*

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
2007

Washington DC
Home Purchase Loans
Owner-occupied
Single Family Homes
Black Population

- 20% - 40%
- 40% - 60%
- 60% - 80%
- 80% - 100%
- Park

- Loans per Family
  More lending = Larger chart

- White
- Latino
- Black
- Asian
- Ward Boundary

Sources: Esri, DeLorme, GEBCO, NOAA-NGDC, and other contributors; Esri, HERE, DeLorme, MapmyIndia, ©OpenStreetMap contributors; and the GIS user community.
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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
CRA Enforcement

Why get involved?

- Improving bank performance, especially if they’re not serving everyone
- Increase resources for community development
- Direct more resources into underserved neighborhoods
- Building partnerships with financial institutions
## Understanding Lending Data

### Home Lending

<table>
<thead>
<tr>
<th>Applicant Characteristic</th>
<th>Population</th>
<th>Originations</th>
<th>Approval Rate</th>
<th>Denial Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>All Lenders</td>
<td>Bank</td>
<td>All Lenders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Percentage Difference</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Race/Ethnicity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>40.8%</td>
<td>56.1%</td>
<td>66.7%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Black</td>
<td>43.6%</td>
<td>16.9%</td>
<td>5.0%</td>
<td>-11.9%</td>
</tr>
<tr>
<td>Hispanic/Latino</td>
<td>7.8%</td>
<td>3.9%</td>
<td>1.7%</td>
<td>-2.2%</td>
</tr>
<tr>
<td>Asian</td>
<td>5.9%</td>
<td>7.8%</td>
<td>6.7%</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Minority</td>
<td>59.2%</td>
<td>30.3%</td>
<td>13.3%</td>
<td>-16.9%</td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LMI Applicant</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MUI Applicant</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Applicant in LMI Tract</td>
<td>35%</td>
<td>11.9%</td>
<td>10.0%</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Applicant in MUI Tract</td>
<td>65%</td>
<td>88.1%</td>
<td>90.0%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Applicant in Minority Tract</td>
<td>57%</td>
<td>28.7%</td>
<td>18.3%</td>
<td>-10.4%</td>
</tr>
</tbody>
</table>
## Understanding Lending Data

**Small Business**

<table>
<thead>
<tr>
<th>Summary of Small Business Lending - CommunityBank</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Springfield MSA 2014</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Number of Business</th>
<th>Percent of Business</th>
<th>CommunityBank</th>
<th>All Lenders</th>
<th>Percentage Point Difference:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Count of Loans</td>
<td>Percent</td>
<td>Count of Loans</td>
</tr>
<tr>
<td>LMI Census Tracts</td>
<td>39,442</td>
<td>23.91%</td>
<td>220</td>
<td>32.21%</td>
<td>8,615</td>
</tr>
<tr>
<td>Businesses &lt;$1 mil in Revenue</td>
<td>115,705</td>
<td>70.15%</td>
<td>18</td>
<td>2.64%</td>
<td>17,697</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>164,936</td>
<td>100.00%</td>
<td>683</td>
<td>100.00%</td>
<td>38,178</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Springfield MSA % of CommunityBank Deposits 6/30/13</th>
<th>4.70%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Springfield MSA % of CDLI 9/2010 - 12/2013</td>
<td>0.12%</td>
</tr>
</tbody>
</table>
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
Case Study
Santander

- NCRC, and over 150 nonprofits, worked with Santander to improve their CRA performance after Santander received a “Needs To Improve”
- Santander committed $11 billion to low- and moderate-income borrowers and communities
  - $4.1 billion in home lending to LMI borrowers
  - $1.9 billion in small business lending
  - $4.9 billion in community development lending and investments
  - Including a philanthropic pilot program for women-owned, immigrant-owned, and minority-owned businesses in Boston’s food industry
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
Using CRA

Branch Closures

• People in LMI neighborhoods can request that regulators hold a public meeting to discuss how the neighborhood will be served in the future

• Regulators cannot prevent a bank from closing a branch, but the public can still protest the closure

• Can result in delays of closure or a public benefits agreement
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Proposed Rule Changes to CRA

• Last fall the OCC started a process for updating the CRA called an Advanced Notice of Proposed Rulemaking or ANPR
• The OCC sent out a series of questions about CRA, as well as a few of their proposals for changing it
• This process involved a public comment period, and 1,479 comments were received
• 1003 (68%) of those comments were favorable to NCRC’s position of strengthening CRA, and 355 (24%) directly quoted NCRC
ANPR Issues

What Is Not Included

• ANPR asks about other groups besides LMI that should be included in an evaluation of a bank’s CRA performance
• It is time that the CRA include an analysis of race on a bank’s CRA exam, as was intended when the law was passed
• It is also time for the regulators to acknowledge community benefits agreements, and cease the nonsense practice of allowing banks to choose whether their affiliates should be included on CRA exams

ESTIMATED LOSS OF LENDING

due to the weakening of CRA in low- and moderate-income tracts across the country over five years

TOTAL LOSS OVER FIVE YEARS

$52 Billion to $105 Billion

HOME MORTGAGE LENDING LOSS

$44 Billion to $89 Billion

SMALL BUSINESS LENDING LOSS

$8 Billion to $16 Billion

WWW.NCRC.ORG
ANPR Issues

One Ratio

- OCC has suggested using one ratio to determine a bank’s CRA performance, that would work like this

Bank’s lending to LMI borrowers and neighborhoods + community development loans and investments + philanthropy + expanded activities

Bank’s assets
ANPR Issues

One Ratio

• Moving to this approach would allow banks to simply buy themselves into passing CRA performance, and allow them to ignore local needs

• Also could have a severe chilling effect on public involvement in the CRA process

• NCRC does not oppose the use of metrics, but believes that a single metric should not be used to evaluate a bank’s CRA performance
ANPR Issues

Expanding What Counts

• ANPR suggests reworking how banks get credit for small business lending
• Suggested that banks should get credit for all loans to businesses that meet the SBA small business standards, which vary widely by industry
• For example, if adopted, banks would now get CRA credit for loans to used car dealerships making $25 million a year
• SBA standards make sense for government contracting, but not for CRA
ANPR Issues

Branches Still Matter

• ANPR openly asks if branches in LMI areas should be reviewed on a CRA evaluation
• De-emphasizing bank branches would mean less services for already underserved neighborhoods
• Studies show the harm that branch loss has on home and small business lending
ANPR Issues

What’s Missing?

- ANPR does not address several crucial issues for strengthening the CRA
  - **Race** – time that CRA exams include an analysis of a bank’s lending to different racial groups, as the law was intended
  - **Community Benefits Agreements** – regulators should recognize community benefits agreements that financial institutions enter into with community groups
  - **Affiliates** – stop the absurd practice of letting banks choose if affiliates are evaluated on CRA exams
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NCRC Can Help

• Connect you to our ongoing campaign to protect and strengthen the CRA
• ncrc.org/treasurecra has more info
NCRC Can Help

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