This publication is a guide to the CRA regulation and examination procedures. It is intended for bank CEOs, presidents, and CRA and compliance officers as a tool for accessing CRA information quickly. Refer to Regulation BB and agency examination procedures for more detailed information.
Large Banks – Lending Test

**Performance Standards**

**Number** and amount of loans in the AA

**Geographic** distribution of loans
- proportion of loans in AA
- dispersion of lending in AA
- number and amount of loans by geography classification (low-, moderate-, middle- and upper-income) in AA

**Distribution** based on borrower characteristics
- number and amount of home mortgage loans to low-, moderate-, middle- and upper-income individuals
- number and amount of small business and small farm loans by loan amount at origination and to small businesses and small farms with gross annual revenues of $1 million or less
- (optional) number and amount of consumer loans to low-, moderate-, middle- and upper-income individuals

**CD loans**
- number and amount
- complexity and innovativeness

**Innovative** or flexible lending practices to address the needs of LMI individuals or geographies

(Optional) **Affiliate lending**, if not claimed by any other institution, and lending by a consortium or third party will be considered.

**Examiner Review**

**Identify** loans to be evaluated by reviewing
- most recent HMDA and CRA disclosure statements.
- interim HMDA and CRA data collected.
- sample of consumer loans (if a substantial majority of business).
- other loan information provided by the bank.

**Verify** accuracy of loan data collected and/or reported.
- Affiliate loans may be claimed by only one affiliate.
- CD loans meet definition.
- The amount of third party, consortia or affiliate lending may not account for more than the percentage share of the bank's participation or investment.
- If reported, consumer loans must include all loans in a particular category (e.g., motor vehicle).

**Evaluate** lending volume both in number and dollar amount of loans within the AA for each type of loan, giving consideration to the performance context.

**Analyze** the geographic distribution of lending.
- Review information provided by the bank for insight into the reasonableness of its geographic distribution.
- Perform independent analysis as necessary. The analysis should consider:
  - number, dollar volume and percentage of loans made:
    - inside and outside AA
    - in each geography and each income category of geography.
  - number of geographies penetrated in each income category.
  - number and dollar volume of housing loans in each geography compared with the number of housing units in each geography.
  - number and dollar volume of small business or farm loans in each geography compared with the number of small businesses or farms in each geography.
  - whether any gaps exist in lending activity for each income category, by identifying groups of contiguous geographies that have no or low loan penetration relative to the other geographies.
  - If contiguous geographies have abnormally low penetration, the examiner may compare the bank's performance with that of other area lenders. Note: Banks are not required to lend in every geography.

**Analyze** distribution of lending by borrower characteristics.
- Review information provided by the bank for insight into the reasonableness of its lending distribution.
- Supplement with independent analysis of lending distribution by borrower characteristics as necessary and applicable, giving consideration to the:
  - number, dollar volume and percentage of home mortgages made to low-, moderate-, middle- and upper-income borrowers and make a percentage comparison of total home mortgage loans with the population in each income category.
  - number and dollar volume of small loans to businesses or farms by loan size of $100,000 or less, more than $100,000 but less than or equal to $250,000, and more than $250,000.
  - number and dollar amount of small loans to businesses or farms that had annual revenues of less than $1 million, and compare with total reported number and amount of small loans to businesses or farms.
  - loans made outside the AA if borrowers within the AA are adequately served and it would enhance the assessment of the bank’s performance.

**Review** CD lending to determine the CD lending opportunities, the bank’s responsiveness and the extent of its leadership.

**Determine** whether lending performance is enhanced by offering innovative or more flexible loan products by considering:
- if LMI borrowers are served in new ways or the loans serve creditworthy borrowers not previously served.
- the success of each product, including number and dollar volume of originations.
**Large Banks – Data Collection**

**General**

*Collect* and maintain data on loans to small businesses or farms captured in Schedule RC-C of the Call Report (loans originated or purchased).

- unique loan number or alphanumeric symbol
- dollar amount of the loan at origination
- location of the loan
- Indicate whether the gross annual revenues of the business or farm are $1 million or less.

*Submit* annually by March 1 the following data:

- for each geography, loans to small businesses and farms (loans originated or purchased), including
  - aggregate number and dollar amount of loans at origination in loan size categories of $100,000 or less, more than $100,000 but less than or equal to $250,000, and more than $250,000.
  - aggregate number and dollar amount of loans to businesses and farms with gross revenues of $1 million or less.
- aggregate number and dollar amount of CD loans (originated or purchased).
- home mortgage loans as required under Regulation C (HMDA).
- a list for each assessment area showing the geographies within the area.
- affiliate lending if affiliate lending is being considered.
- consortium or third-party lending if consortium or third-party lending is being considered.

**Optional**

*Collect* and maintain data for consumer loans (originated and purchased).

- unique loan number or alphanumeric symbol
- dollar amount of the loan at origination
- location of the loan
- gross annual income of the borrower that is considered in making the credit decision
- Any other information concerning lending performance the bank chooses to provide

**Large Banks – Lending Performance Ratings**

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Outstanding</th>
<th>High Satisfactory</th>
<th>Low Satisfactory</th>
<th>Needs to Improve</th>
<th>Substantial Noncompliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lending Activity</td>
<td>Lending levels reflect EXCELLENT responsiveness to AA credit needs.</td>
<td>GOOD</td>
<td>ADEQUATE</td>
<td>POOR</td>
<td>VERY POOR</td>
</tr>
<tr>
<td>Assessment Area(s) Concentration</td>
<td>A SUBSTANTIAL MAJORITY of loans are made in the bank’s AA.</td>
<td>HIGH PERCENTAGE</td>
<td>ADEQUATE PERCENTAGE</td>
<td>SMALL PERCENTAGE</td>
<td>VERY SMALL PERCENTAGE</td>
</tr>
<tr>
<td>Geographic Distribution of Loans</td>
<td>The geographic distribution of loans reflects EXCELLENT penetration throughout the AA.</td>
<td>GOOD</td>
<td>ADEQUATE</td>
<td>POOR</td>
<td>VERY POOR</td>
</tr>
<tr>
<td>Borrower’s Profile</td>
<td>The distribution of borrowers reflects, given the product lines offered, EXCELLENT penetration among customers of different income levels and businesses of different sizes.</td>
<td>GOOD</td>
<td>ADEQUATE</td>
<td>POOR</td>
<td>VERY POOR</td>
</tr>
<tr>
<td>Responsiveness to Credit Needs of Low-Income Individuals and Geographies and Very Small Businesses</td>
<td>Exhibits an EXCELLENT record of serving the credit needs of low-income individuals and areas and very small businesses.</td>
<td>GOOD</td>
<td>ADEQUATE</td>
<td>POOR</td>
<td>VERY POOR</td>
</tr>
<tr>
<td>Community Development Lending Activities</td>
<td>A LEADER IN MAKING CD loans.</td>
<td>MAKES A RELATIVELY HIGH LEVEL</td>
<td>MAKES AN ADEQUATE LEVEL</td>
<td>MAKES A LOW LEVEL</td>
<td>MAKES FEW, IF ANY</td>
</tr>
<tr>
<td>Product Innovation</td>
<td>Makes EXTENSIVE USE of innovative and/or flexible lending practices in serving AA credit needs.</td>
<td>USE</td>
<td>LIMITED USE</td>
<td>LITTLE USE</td>
<td>NO USE</td>
</tr>
</tbody>
</table>
## Large Banks – Investment Performance Ratings

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Outstanding</th>
<th>High Satisfactory</th>
<th>Low Satisfactory</th>
<th>Needs to Improve</th>
<th>Substantial Noncompliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment and Grant Activity</td>
<td>An <strong>EXCELLENT</strong> level of qualified CD investments and grants, particularly those not routinely provided by private investors, <strong>OFTEN</strong> in a leadership position.</td>
<td><strong>SIGNIFICANT</strong></td>
<td><strong>ADEQUATE</strong></td>
<td><strong>POOR</strong></td>
<td><strong>FEW, IF ANY</strong></td>
</tr>
<tr>
<td>Community Development Initiatives</td>
<td>Makes <strong>EXTENSIVE USE</strong> of innovative and/or complex investments to support CD initiatives.</td>
<td><strong>SIGNIFICANT USE</strong></td>
<td><strong>OCCASIONAL USE</strong></td>
<td><strong>RARE USE</strong></td>
<td><strong>NO USE</strong></td>
</tr>
<tr>
<td>Responsiveness to Credit and Community Development Needs</td>
<td>Exhibits <strong>EXCELLENT</strong> responsiveness to credit and CD needs.</td>
<td><strong>GOOD</strong></td>
<td><strong>ADEQUATE</strong></td>
<td><strong>POOR</strong></td>
<td><strong>VERY POOR</strong></td>
</tr>
</tbody>
</table>
**Large Banks – Service Test**

**Performance Standards**

**Retail Banking Services**
- **Distribution** of branches among each geography classification
- **Record** of opening and closing branches, particularly those located in LMI geographies or primarily serving LMI individuals
- **Availability** and effectiveness of alternative systems for delivering retail banking services in LMI geographies and to LMI individuals
- **Range** of services provided in each geography classification and the degree the services are tailored to meet the needs of those geographies

**Community Development Services**
- **Extent** of CD services provided
- **Innovativeness** and responsiveness of CD services

**Examiner Review**

**Retail Banking Services**
- **Determine** from the bank’s public file the distribution of branches among each geography classification in the AA and the banking services provided, including hours and available products.
- **Identify** any material differences in hours or services available at each branch.
- **Evaluate** the record of opening and closing branch offices and its effect, particularly on LMI geographies or individuals.
- **Evaluate** the accessibility and use of alternative systems for delivering retail banking services in LMI areas and to LMI individuals.
- **Assess** the quantity, quality and accessibility of service-delivery systems provided in each geography classification.
  - Consider the degree to which services are tailored to the convenience and needs of each geography.

**Community Development Services**
- **Identify** CD services of the bank and, at its option, services through affiliates.
- **Ensure** CD services meet the definition of CD service.
- **Evaluate** CD services using performance context information and consider:
  - innovativeness and whether they serve LMI customers in new ways or serve groups of customers not previously served.
  - the degree to which they serve LMI areas or LMI individuals and their responsiveness to available service opportunities.

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**Large Banks – Service Performance Ratings**

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Outstanding</th>
<th>High Satisfactory</th>
<th>Low Satisfactory</th>
<th>Needs to Improve</th>
<th>Substantial Noncompliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accessibility of Delivery Systems</td>
<td>Delivery systems are READILY ACCESSIBLE to the bank’s geographies and individuals of different income levels in its AA.</td>
<td>ACCESSIBLE</td>
<td>REASONABLY ACCESSIBLE</td>
<td>UNREASONABLY INACCESSIBLE TO PORTIONS OF</td>
<td>UNREASONABLY INACCESSIBLE TO SIGNIFICANT PORTIONS OF</td>
</tr>
<tr>
<td>Changes in Branch Locations</td>
<td>Record of opening and closing of branches has IMPROVED the accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals.</td>
<td>NOT ADVERSELY AFFECTED</td>
<td>GENERALLY NOT ADVERSELY AFFECTED</td>
<td>ADVERSELY AFFECTED</td>
<td>SIGNIFICANTLY ADVERSELY AFFECTED</td>
</tr>
<tr>
<td>Reasonableness of Business Hours and Services in Meeting AA Needs</td>
<td>Services ARE TAILORED TO CONVENIENCE AND NEEDS OF its AA, particularly LMI geographies and/or LMI individuals.</td>
<td>DO NOT VARY IN A WAY THAT INCONVENIENCES</td>
<td>DO NOT VARY IN A WAY THAT INCONVENIENCES</td>
<td>VARY IN A WAY THAT INCONVENIENCES</td>
<td>VARY IN A WAY THAT SIGNIFICANTLY INCONVENIENCES</td>
</tr>
<tr>
<td>Community Development Services</td>
<td>A LEADER IN PROVIDING CD services.</td>
<td>PROVIDES A RELATIVELY HIGH LEVEL OF</td>
<td>PROVIDES AN ADEQUATE LEVEL OF</td>
<td>PROVIDES A LIMITED LEVEL OF</td>
<td>PROVIDES FEW, IF ANY</td>
</tr>
</tbody>
</table>
Small Banks

**Outstanding**
- if the bank meets the rating descriptions and standards for Satisfactory for each of the five core criteria and materially exceeds the standards for Satisfactory in some or all of the criteria to the extent that an outstanding rating is warranted or
- if the bank’s performance with respect to the five core criteria generally exceeds Satisfactory and its performance in making qualified investments and providing branches and other services and delivery systems in the AA supplements its performance under the five core criteria sufficiently to warrant an overall rating of Outstanding

**Satisfactory**
- if the bank meets each of the standards for a Satisfactory rating or
- if exceptionally strong performance with respect to some of the standards compensates for weak performance in others

**Needs to Improve or Substantial Noncompliance**
- depending on the degree to which a bank’s performance has failed to meet the standards for a Satisfactory rating

Intermediate Small Banks

**Outstanding**
- if the bank is rated Outstanding on both the lending and CD tests or if the bank is rated Outstanding on one test and at least Satisfactory on the other test

**Satisfactory**
- if the bank receives at least a Satisfactory rating on both the lending and CD tests

**Needs to Improve or Substantial Noncompliance**
- depending on the degree to which a bank’s performance has failed to meet the standards for a Satisfactory rating on a test

Large Banks

**Component** test ratings that reflect the bank’s lending, investments and services are assigned.

<table>
<thead>
<tr>
<th>Component Test Ratings</th>
<th>Lending</th>
<th>Investment</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding</td>
<td>12</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>High Satisfactory</td>
<td>9</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Low Satisfactory</td>
<td>6</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Needs to Improve</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Substantial Noncompliance</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Preliminary** composite rating is assigned by summing the component test ratings for lending, investment and service tests and referring to the chart below.

<table>
<thead>
<tr>
<th>Points</th>
<th>Composite Assigned Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>20+</td>
<td>Outstanding</td>
</tr>
<tr>
<td>11 – 19</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>5 – 10</td>
<td>Needs to Improve</td>
</tr>
<tr>
<td>0 – 4</td>
<td>Substantial Noncompliance</td>
</tr>
</tbody>
</table>

No bank may receive a composite assigned rating of Satisfactory or higher unless it receives at least Low Satisfactory on the lending test. The assigned rating can be no more than three times the score on the lending test.

Strategic Plan

**Bank** must identify satisfactory measurable goals and, to be considered for an Outstanding rating, must identify a separate group of outstanding measurable goals that substantially exceed the Satisfactory level.

An **Outstanding** rating will be assigned if the bank exceeds its plan goals for a Satisfactory rating and substantially achieves its plan goals for an Outstanding rating.

A **Satisfactory** rating will be assigned if the bank substantially achieves its plan goals for a Satisfactory rating.

A **Needs to Improve or Substantial Noncompliance** rating will be assigned if the bank fails to substantially meet its plan goals for a Satisfactory rating, unless the bank elects in its plan to be evaluated under the appropriate alternative large or small bank assessment method.

All Banks

**Evidence** of discriminatory or other illegal credit practices adversely affects the evaluation of a bank’s CRA performance.

A final overall CRA rating is assigned.

- Banks with branches in just one state will receive one set of component ratings. Banks with branches in two or more states and banks with branches in two or more states of a multistate MSA will be assigned component ratings for each state or multistate MSA.
**Definitions**

**Assessment Area(s)** — One or more of the geographic area(s) that is delineated by the bank and used by the regulatory agency in evaluating the bank’s record of helping to meet the credit needs of its community. It must, in general, consist of one or more MSAs or metropolitan divisions or one or more contiguous political subdivisions, such as counties, cities or towns. It must include geographies in which the bank has its main office, branches and deposit-taking ATMs, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans. A bank may adjust the boundaries of its AA to include only the portion of a political subdivision that it reasonably can be expected to serve. An AA must consist only of whole geographies, may not reflect illegal discrimination, may not arbitrarily exclude LMI geographies, designated disaster areas or distressed or underserved non-metropolitan middle-income geographies designated by the Board of Governors, FDIC and OCC.

**Community Development** — Encompasses affordable housing (including multifamily rental housing) for LMI individuals; community services targeted to LMI individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration’s Development Company or Small Business Investment Company programs or have gross annual revenues of $1 million or less; or activities that revitalize or stabilize LMI geographies, designated disaster areas or distressed or underserved non-metropolitan middle-income geographies designated by the Board of Governors, FDIC and OCC.

**Community Development Loan** — A loan that has as its primary purpose community development; (except for wholesale or limited purpose banks) has not been reported or collected by the bank or an affiliate for consideration in the bank’s assessment as a home mortgage, small business, small farm or consumer loan, unless it is a multifamily dwelling loan; and benefits the bank’s AA or a broader statewide or regional area that includes the bank’s AA.

**Community Development Service** — A service that has as its primary purpose community development, is related to the provision of financial services, has not been considered in the evaluation of the bank’s retail banking services, benefits the bank’s AA or a broader statewide or regional area that includes the bank’s AA and has not been claimed by other affiliated institutions.

**Discriminatory or Other Illegal Credit Practices** — Activities that result in violations of an applicable law, rule or regulation, including, but not limited to, the Equal Credit Opportunity Act; the Fair Housing Act; the Home Ownership and Equity Protection Act; section 5 of the Federal Trade Commission Act; section 8 of the Real Estate Settlement Procedures Act; and the Truth in Lending Act provisions regarding a consumer’s right of rescission.

**Geography** — A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

**Income Level – Geography**
- **Low-Income** — Median family income less than 50 percent of the area median income
- **Moderate-Income** — Median family income at least 50 percent and less than 80 percent of the area median income
- **Middle-Income** — Median family income at least 80 percent and less than 120 percent of the area median income
- **Upper-Income** — Median family income at least 120 percent of the area median income

**Income Level – Individual**
- **Low-Income** — Less than 50 percent of the area median income
- **Moderate-Income** — At least 50 percent and less than 80 percent of the area median income
- **Middle-Income** — At least 80 percent and less than 120 percent of the area median income
- **Upper-Income** — At least 120 percent of area median income

**Limited Purpose Bank** — A bank that offers only a narrow product line, such as credit card or motor vehicle loans, to a regional or broader market and has received designation as a limited purpose bank from its supervisory agency.

**Performance Context** — A bank’s performance is judged in the context of information about the bank and its AA, including:
- demographic data on median income levels, distribution of household income, nature of housing stock, housing costs and other relevant data
- lending, investment and service opportunities
- the bank’s product offerings and business strategy, capacity and constraints, past performance and the performance of similarly situated lenders
- the bank’s public file and any written comments about the bank’s CRA performance
- any other relevant information

**Qualified Investment** — A lawful investment, deposit, membership share or grant that has as its primary purpose community development.

**Small Bank** — A bank that, as of December 31 of either of the prior two calendar years, had total assets of less than $1 billion. **Intermediate Small Bank** means a small bank with assets of at least $250 million as of December 31 of both of the prior two calendar years and less than $1 billion as of December 31 of either of the prior two calendar years. Asset size designation will be adjusted annually based on the year-to-year change in the average of the consumer price index for urban wage earners and clerical workers.

**Wholesale Bank** — A bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers and has received designation as a wholesale bank from its supervisory agency.