

The Community Reinvestment Act: History and Basics

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Content



OCC Mission and Vision

- **Mission** – To ensure that national banks and federal savings associations operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations.
- **Vision** – The OCC is the preeminent prudential supervisor that
 - adds value through proactive and risk-based supervision;
 - is sought after as a source of knowledge and expertise; and
 - promotes a vibrant and diverse banking system that benefits consumers, communities, businesses, and the U.S. economy.

Introduction of Community Affairs

- Supports the OCC's mission by helping national banks and FSAs to be leaders in community development finance
- Supports CRA examinations of national banks & FSAs
- Offers CRA training & technical assistance to examiners, bankers, and community members and organizations
- Conducts CRA-related Outreach
- Researches and publishes fact sheets, reports, and electronic magazines on community development financing topics

The Role of the Community Affairs Officer

- Supports CRA examinations of national banks & FSAs by reviewing OCC-supervised banks' community development and CRA activities
- Conduct tailored one-on-one, or group, consultations with OCC-supervised banks
- Conducts community interviews and researches banks' performance context to assess community needs and the banks' ability to meet them
- Offers CRA training & technical assistance to examiners, bankers, and community members and organizations
- Conducts CRA and community development-related webinars, roundtables, and listening sessions

Part I

CRA History and Current CRA Rule

Community Reinvestment Act (CRA) 1977

Encourages banks and thrifts to help meet the credit needs of their entire communities

- Including borrowers of different income levels and businesses/farms of different sizes
- Including low- and moderate-income (LMI) neighborhoods, certain non-metropolitan middle-income geographies or designated disaster areas
- Consistent with safe and sound operations

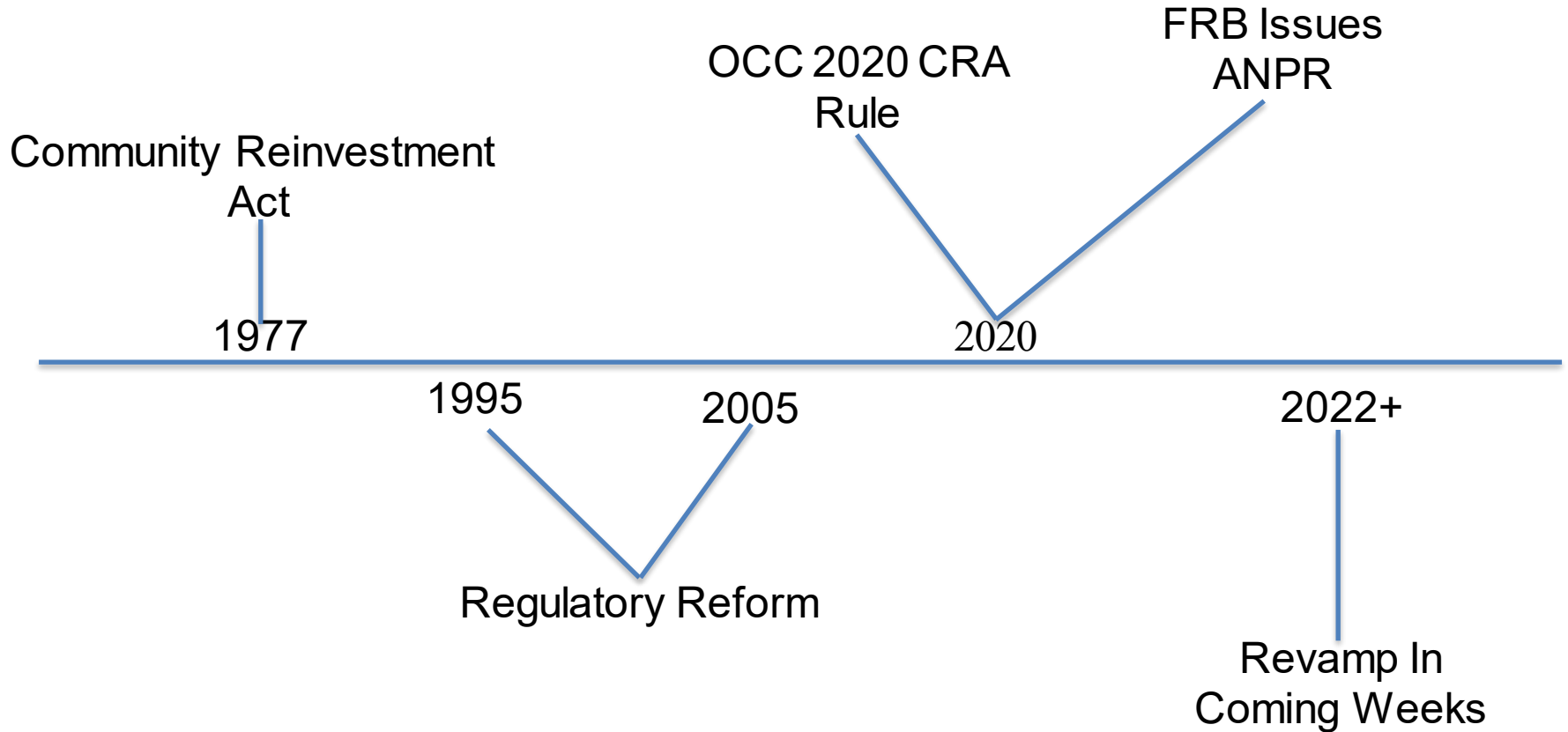
Who Enforces CRA?

Regulator	Oversight
Office of the Comptroller of the Currency (OCC)	Nationally Chartered Banks & Federally Chartered Savings Associations
Federal Deposit Insurance Corporation (FDIC)	State Chartered Non-FRB member banks
Federal Reserve Bank (FRB)	State Chartered FRB member banks

- **Excludes** credit unions and non-bank financial providers
- To find out the regulator of a financial institution and its insurance status, go to <http://research.fdic.gov/bankfind/>

History of CRA

Regulatory Reform

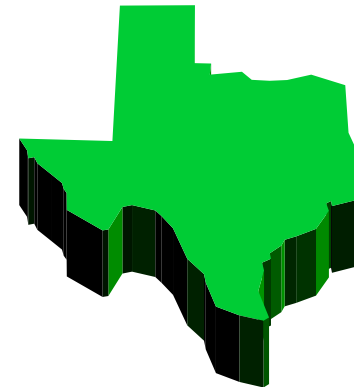


Part II

Evaluating CRA Performance

Key Definitions

- Bank Asset Size
- Median Family Income (MFI)
- Low- to Moderate-Income (LMI)
- Assessment Area (AA)
- Small Business/Small Farm
- Performance Context



CRA Examinations

Examinations vary by bank asset size and type of examination:

- Small Banks (under \$1.384 billion)*
- Intermediate Small Banks (ISB) (\$346 million to \$1.384 billion)*
- Large Banks (assets over \$1.384 billion)
- Wholesale & limited purpose banks
- Banks with approved CRA strategic plans

*As of 12/31/2021 . Asset thresholds are updated annually.

Bank Type by Asset Size

- **Small Banks**

- Lending Test



- **Intermediate Small Banks (ISBs)**

- Small Bank Lending Test
- Community Development Test



- **Large Banks**

- Lending Test
- Investment Test
- Service Test



Bank Type by Asset Size

- **Wholesale/Limited Purpose CD Loans**
 - Community Development Test
- **Strategic Plan**
 - Must Be Approved



Assessing CRA Performance

Conclude on performance factor in each assessment area



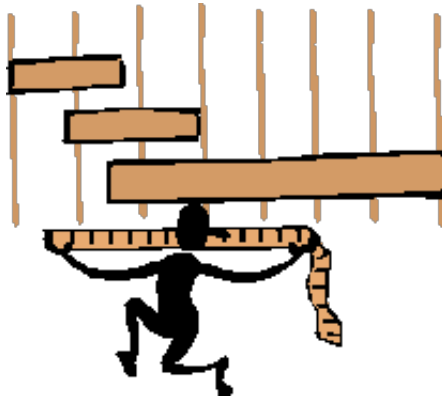
Rate performance under each “test” at the state or multi-state level



Overall Bank Rating

CRA Performance Ratings

- Outstanding
 - Satisfactory
 - Needs to Improve
 - Substantial Noncompliance
- Record of meeting community needs is considered during applications for:
 - New branch office
 - Relocating main office
 - Merger or acquisition
 - Charter conversion



Community Development

- Affordable **housing** for low- or moderate-income (LMI) individuals
- Community **services** targeted to LMI individuals
- Promoting **economic development** by providing financing small business or small farms
- Activities that **revitalize** or **stabilize** certain geographies:
 - LMI Areas
 - Designated disaster areas
 - Non-metropolitan Distressed and Underserved middle-income geographies

More on Community Development

- Community development activities must:
 - Benefit the bank's assessment areas (AAs) or broader statewide or regional area that includes the bank's AA(s)
 - Be responsive to community needs

Community Development Loans

Have a primary purpose of CD

- Not reported as a home mortgage, small business, small farm or consumer loan
 - Unless it is a multi-family loan
- Benefits the bank's AAs or broader regional or statewide area that includes the bank's AAs
- May be direct or indirect
 - Indirect refers to loans originated by affiliates or third-party lenders



Community Development Activity Examples

- **CD Loans**
 - Affordable housing rehabilitation, construction, permanent financing for multi-family
 - Borrowers to finance renewable energy, energy efficient, or water conservation equipment in LMI housing
 - Nonprofits and facilities serving LMI people
 - Loans to CDFIs, CDCs, Minority and Women-owned financial institutions
 - Loans to local, state, or tribal governments

Community Development Investments



Qualified Investments

- A lawful investment, deposit, membership share, grant, or deposit
- Has CD as its primary purpose
- May be direct or indirect (through affiliates)
- Consideration given to innovative or complex investments

Community Development Activity Examples

- **Qualified Investments, Grants, Shares and Deposits**
 - Financial intermediaries like CDFIs, loan funds, CDEs, SBICs
 - Affordable Housing Agencies
 - Projects eligible for LIHTCs, NMTCS

Community Development Services

- Has CD as its primary purpose
- Related to the provision of financial services
 - Includes employee's area of expertise at the bank
- Has not been considered as a retail service



Community Development Activity Examples

- **Community Development Services**
 - Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs.
 - Serving on a board of directors of an affordable housing organization.
 - Developing and teaching homebuyer or home maintenance counseling for LMI individuals.
 - Bank employee service in areas of expertise such as marketing, human resources, IT, legal.

Part III

Building a Successful Partnership

What Banks Look for in a Partner?

- Capacity
- Proven Performance
- Sustainability
- Assessment and Responsiveness
- Innovation
- Target Market Penetration
- Recordkeeping and Accountability



Bank Decision Factors

- Assessment Area
- Risk
- Cost
- Response to assessed need
- Business/skill alignment
- Leverage
- Value to overall CRA strategy/portfolio
- Business development potential

Basics of a Healthy Partnership

- Mutual understanding and agreement of expectations and outcomes
- Measurable, specific, deliverable goals/outcomes/objectives
- A documented partnership agreement
- Qualitative measures for success
- Quantitative measures for success
- Open and ongoing communication



Key Take Aways

- Partnerships are a two-way street
- Open and honest communication
- Invested interest
- Dedicated resources
- Time and patience



Part IV

Resources

OCC Resources

Office of the Comptroller of the Currency(OCC)– www.occ.treas.gov

- Community Affairs Publications
- Project REACH
- [www.https://helpwithmybank.gov](https://helpwithmybank.gov) - HelpWithMyBank.gov



Interagency Resources

Federal Financial Institutions Examinations Council (FFIEC) – www.ffiec.gov

- One-stop for CRA ratings, schedules and data; Interagency Q&As on CRA

Federal Deposit Insurance Corporation (FDIC) – www.fdic.gov

- Deposit Insurance / Bank Find / Industry Analysis / Deposit Market Share Reports
- Affordable Mortgage Lending Center
- Economic Inclusion
- <https://www.fdic.gov/getbanked/index.html> - #Get Banked

Federal Reserve Board (FRB) – www.federalreserve.gov

- <https://www.dallasfed.org/> – Federal Reserve Bank of Dallas
- <https://www.fedcommunities.org> – FRB system research publications
- [www.https://federalreserveconsumerhelp.gov](https://www.federalreserveconsumerhelp.gov) – FRB Consumer Help: Complaint Process

COVID-19 Resources

- March 19: [Pandemic Planning: Joint Statement on Community Reinvestment Act Consideration for Activities in Response to COVID-19](https://www.occ.gov/news-issuances/bulletins/2020/bulletin-2020-19.html)
<https://www.occ.gov/news-issuances/bulletins/2020/bulletin-2020-19.html>
- March 22: [Agencies Provide Additional Information to Encourage Financial Institutions to Work with Borrowers Affected by COVID-19](https://www.occ.gov/news-issuances/news-releases/2020/nr-ia-2020-39.html)
<https://www.occ.gov/news-issuances/news-releases/2020/nr-ia-2020-39.html>
- March 26: [Federal Agencies Encourage Banks, Savings Associations and Credit Unions to Offer Responsible Small-Dollar Loans to Consumers and Small Businesses Affected by COVID-19.](https://www.occ.gov/news-issuances/news-releases/2020/nr-ia-2020-40.html)
<https://www.occ.gov/news-issuances/news-releases/2020/nr-ia-2020-40.html>

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Questions

