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Beyond Compliance: Essential Strategies for Community Development Identification & Reporting (CRA)

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Agenda

- **Status of CRA Modernization**
- **Overview of Community Development**
- **Open discussion on success stories and lessons learned**

While this presentation includes the most current information available, changes to the CRA or related regulations may be forthcoming. Attendees are encouraged to stay informed of updates.

CRA Modernization

March 28, 2025

Agencies intend to issue a proposal to both rescind the new CRA final rule issued in October 2023 and reinstate the previous CRA framework

- [FDIC](#)
- [OCC](#)
- [FRB](#)

Overview

Reporting criteria for	Large Bank	Intermediate Small Bank	Small Bank
	as of 12/31 prior 2 years		
2025	\$1.609 billion	\$402 million	< \$391 million
2024	\$1.564 billion	\$391 million	< \$391 million
2023	\$1.503 billion	\$376 million	< \$376 million
2022	\$1.384 billion	\$346 million	< \$346 million
Evaluation Criteria			
Lending Test			
Loan-to Deposit Ratio	NO	YES **	YES
Lending Activity	YES – submits CRA LR	NO	NO *
Assessment Area Concentration	YES	YES	YES
Geographic Distribution of Loans (The distribution of lending among geographies of different income levels)	YES	YES	YES
Community Development Lending	YES	NO – included below	NO
Lending Distribution of Loan (The distribution of lending among borrowers of different income levels and businesses and farms of different sizes)	YES	YES	YES
Innovative or Flexible Lending Practices	YES	NO	NO
Response to Written Complaints About Performance in Meeting the Credit Needs of Assessment Area(s)	NO	YES	YES
Community Development Test			
Community Development Lending	NO	YES	NO *
Community Development Investments	YES	YES	NO *
Community Development Services	YES	YES	NO

* If the average net loan-to-deposit ratio does not appear reasonable in light of the performance context, consider the number and the dollar volume of loans sold to the secondary market, or the innovativeness or complexity of community development loans and qualified investments to assess the extent to which these activities compensate for a low average net loan-to-deposit ratio or supplement the institution's lending performance as reflected in its loan-to-deposit ratio.

** If the loan-to-deposit ratio does not appear reasonable in light of the performance context, consider whether the number and the dollar amount of loans sold to the secondary market compensate for a low loan-to-deposit ratio or supplement the institution's lending performance.

LARGE BANK WEIGHTING:

Lending Test 50%
CD Investments 25%
CD Services 25%

ISB WEIGHTING:

Lending Test 50%
CD Test 50%

Community Development

Community Development (CD) activities are defined as either:

- CD Loan,
- CD investment, or
- CD service.

All Community Development activities fall into 1 of 4 categories:

- Affordable Housing for LMI individuals
- Community Services targeted to LMI individuals
- Economic Development
- Activities that revitalize or stabilize: LMI geographies, Distressed or Underserved Non-Metropolitan Middle-Income Geographies or FEMA-Designated Major Disaster Areas

To count as community development, an activity must benefit:

- the bank's assessment area or
- benefit a larger regional or statewide area *that includes the assessment area, **and** the financial institution has adequately addressed the community development needs of its assessment area.*

Community Development

Affordable housing for LMI individuals

- Must benefit or be likely to benefit LMI individuals
- Must be affordable mortgage or rent payment for a low- or moderate-income family or individual (LMIFI)

Community Services target to LMI individuals

- Childcare, educational, health, or social services
- For example, a daycare service must be targeted to LMI families and not just serve LMI families by chance Medicaid, HUD, free/reduced lunch students or residents in MLI areas

Community Development

Economic development by financing small businesses or small farms

Must meet both tests

- **Size test:** A business or farm must have gross annual revenues of no more than \$1 million or qualify under the U.S. Small Business Administration's Small Business Investment Company or Small Business Development Company programs.
- **Purpose test:** The activity must promote economic development by supporting permanent job creation, retention and/or improvement for persons who currently have low or moderate incomes, supporting permanent job creation, retention and/or improvement in low- or moderate-income areas or in areas targeted for redevelopment by federal, state, local or tribal governments and providing technical assistance to small business or small farms

Revitalize or stabilize LMI geographies

- Activity must offer direct and long-term benefits to the LMI area. Activities that provide only indirect or short-term benefits to LMI areas or individuals are not considered community development.
- Activity has been approved by: A federal, state, local, or tribal government plan Enterprise Communities and Empowerment Zones are distressed areas specifically targeted for redevelopment by the federal government.
- Activities that help attract new, or retain existing, businesses or residents
- In distressed/underserved areas, includes support for essential community facilities or essential community services

Resources

[OCC Illustrative List of Qualifying Activities](#)

[OCC CRA Resources](#)

[FFIEC list of Distressed and Underserved Tracts](#)

[Federal Reserve Bank of Dallas CRA Resources](#)

[Federal Reserve Bank of Atlanta CRA Resources](#)

[FDIC CRA Resources](#)

Lessons Learned, Successes, Tips

Group Discussion/ Notes

Tips

- TRAINING TRAINING TRAINING
- Explore core systems and/or loan origination systems for any CRA related fields that may be available or develop user-defined fields to aid in reporting and monitoring
- Include CRA related questions on credit approval memos
- Provide CRA and community development resources on bank intranet sites for each of reference
- Depending on bank volume, review all business purpose loans on a monthly or quarterly basis to identify potential CD loans
- Encourage lenders to come to you during the application/underwriting process to identify potential CD loans – EASIER TO GET DOCUMENTATION BEFORE LOAN CLOSING THAN YEARS LATER for an exam
- Review pipeline reports regularly to gauge what may be coming
- Include NAICS, collateral code, purpose codes on reports to assist in drilling down reviews

Tips, cont'd

- Possible trigger questions for training or credit approval memos CRA section:
 - Is the business opening a new location?
 - Is this construction loan for a new location?
 - Is the rehab loan in order to expand the business?
 - Is this a new start up business?
 - Is the borrower a non-profit?
 - Is the mission or programs of the non-profit or business targeted to LMI individuals?
 - If multi-family dwelling, are any units tarted to LMI individuals?
 - Are the rent rolls for multi-family dwelling below fair market rents for the county?
 - Is the multi-family dwelling in an LMI census tract?
- Get support from Exec. Mgmt. ... spending the time NOW while the loan is in process will save the bank when it come to exam prep.
- Attend commercial lending team meetings
- Use a software solution to assist with CRA tracking and monitoring

Tips, cont'd

- Ensure bank services are provided for a CD qualifying primary purpose
 - Providing technical/financial expertise and are provided as a representative of the bank
- Review in-kind donations for CRA consideration
- Evaluate all bank investments (prior and current period) for potential CD consideration
- Seek out investments with Minority Depository Institutions (MDIs), Women-owned Depository Institutions (WDIs), and Low Income Credit Unions (LICU) anywhere in the country for CRA investment consideration
- Ensure the bank has adequate support to evidence the CRA primary purpose including reaching out to organizations for additional documentation, letters, etc.
- For affordable housing, ensure the bank has sufficient documentation to show that the rents are affordable including rent calculations and rent rolls

CONTACTS



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