



ICBA
CRA Solutions



The Modernization of the Community Reinvestment Act – What Does This Mean for Your Bank?

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3:00 pm



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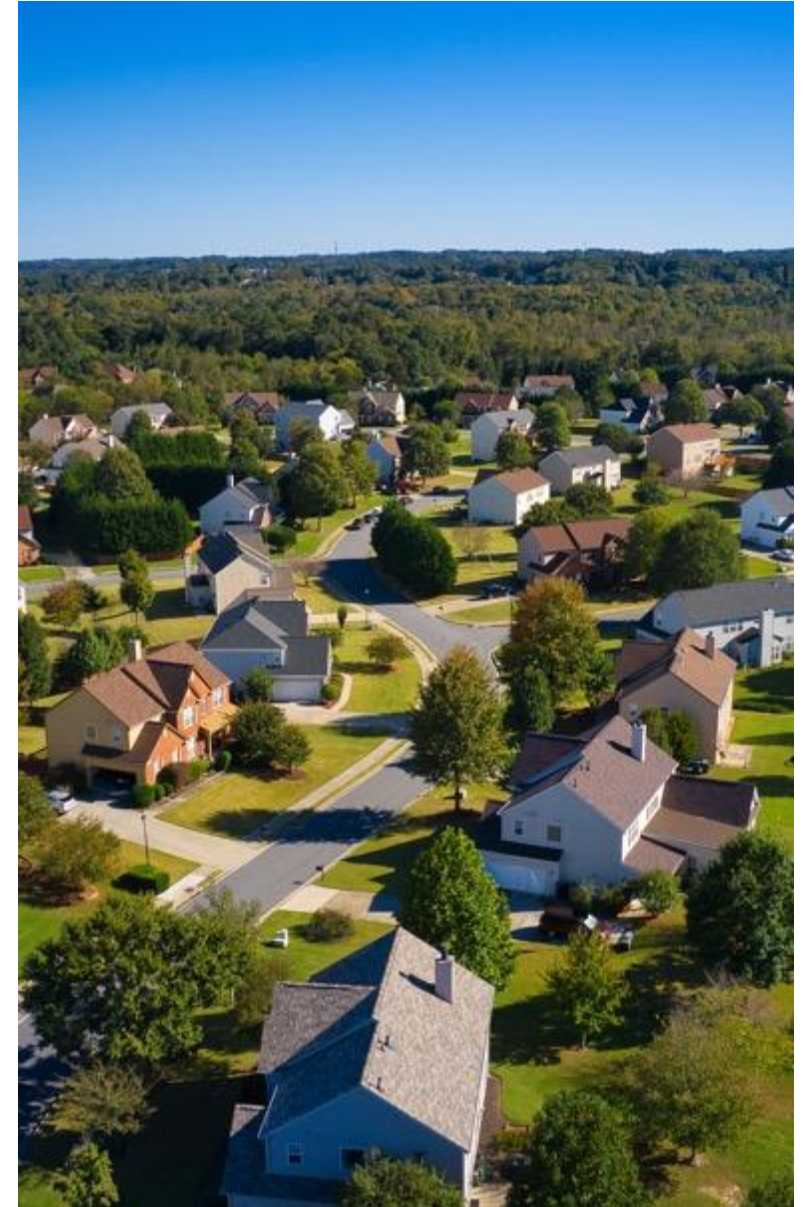
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Agenda

- Effective Dates
- Modernization Requirements
- Assessment Areas
- Retail Services & Products Test
- Retail Lending Test
- Community Development
- Public File
- Miscellaneous



Effective Dates

Final rule effective date – April 1, 2024 – applicable to:

- Facility-based assessment area delineations
- Public file
- Public notice
- Public engagement

Compliance date – January 1, 2026 – required to comply with all other provisions of final rule

Other reporting requirements – January 1, 2027



Modernization Requirements

Small Banks

- Asset threshold – Less than \$600 million
- Existing Lending Test or new Retail Lending Test option

Intermediate Banks

- Asset threshold - \$600 million to \$2 billion
- Retail Lending Test
- Existing Community Development Test or Community Development Financing Test option

Large Banks >\$2B

- Asset threshold – over \$2 billion
- Retail Lending Test
- Retail Products and Services Test
- Community Development Financing Test
- Community Development Services Test
- Retail Lending Assessment Areas (RLAAs), as appropriate

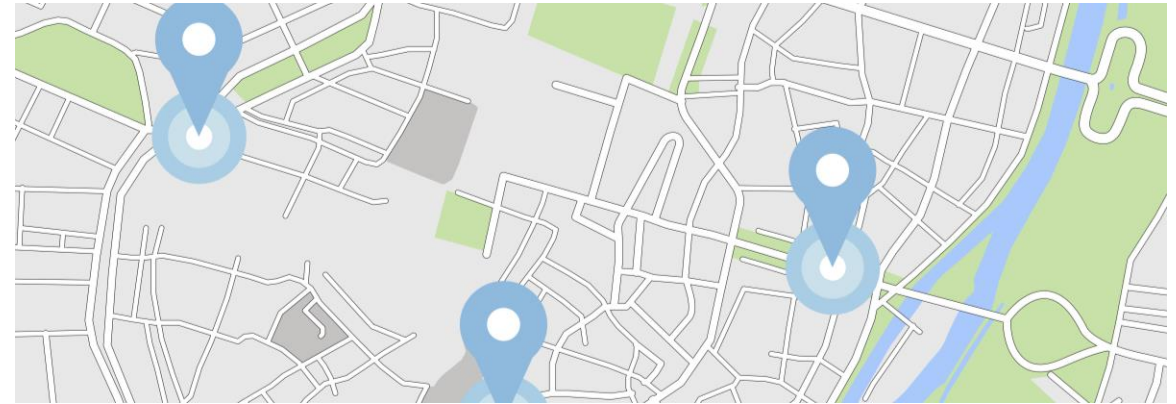
Large Banks >\$10B

- Digital delivery systems
- Deposit and credit products (assessed under Retail Products and Services Test)
- Community Development Investments at institution level

Assessment Areas ⁽¹⁾

Facility-Based

- Required to delineate in locations where bank has main office, a branch or a deposit-taking remote service facility and surrounding counties in which bank has originated or purchased a substantial portion of its home mortgage, multifamily, small business, small farm and auto loans
- Large banks (over \$2 billion) must delineate based on whole counties
- Small (less than \$600 million) and intermediate banks (\$600 million to \$2 billion) may delineate portions of counties



Retail Lending Assessment Areas (“RLAAs”)

Required for large and intermediate banks where bank has:

- Reported at least 150 closed-end home mortgage loans in each year of the prior two calendar years; or
- Reported at least 400 small business loans in each year of the prior two calendar years
- If more than 80% of retail lending is conducted in facility-based assessment areas, bank is exempted from delineating RLAA's

Assessment Areas (2)

Outside Retail Lending Assessment Areas (“ORLAs”)

Required for large and intermediate banks where bank has:

- Originated or purchased covered loans outside its facility-based assessment areas and retail lending assessment areas
- Applies to the nationwide area

Also required for small banks that:

- Opt into the Retail Lending Test and either:
 - The bank opts to have its major product lines evaluated in its outside retail lending area, or
 - In the prior two calendar years, the bank originated or purchased outside the bank’s facility-based assessment areas more than 50 percent of the bank’s home mortgage loans, multifamily loans, small business loans, small farm loans, and automobile loans if automobile loans are a product line for the bank (calculated using combination of loan count and dollars)

Retail Services and Products Test ⁽¹⁾

Required for large banks (over \$2 billion) and evaluates:

- Products and services offered
- Branch locations and remote service facilities (i.e. ATMs) – number and percentage within low, moderate, middle and upper-income census tracts compared to:
 - percentage of census tracts in the facility-based assessment area that are low-, moderate-, middle-, and upper-income census tracts;
 - percentage of households in the facility-based assessment area that are in low-, moderate-, middle-, and upper-income census tracts;
- percentage of total businesses in the facility-based assessment area that are in low-, moderate-, middle-, and upper-income census tracts; and
- percentage of all full-service depository institution branches in the facility-based assessment area that are in low-, moderate-, middle-, and upper-income census tracts



Retail Services and Products Test ⁽²⁾

- Middle and upper-income census tracts where a branch delivers services to LMI, distressed or underserved non-metropolitan middle-income tracts and native land areas
- Digital Delivery Systems – Required for banks with assets greater than \$10 billion and large banks that do not operate branches
- Deposit Products – Required for banks with assets greater than \$10 billion



Retail Lending Test ⁽¹⁾



Required for:

- Intermediate banks (\$600 million to \$2 billion)
- Large banks (over \$2 billion)

Optional for:

- Small banks (less than \$600 million)

Includes:

- closed-end mortgage loans
- small business loans
- small farm loans
- auto lending if more than 50% of lending (or you can opt-in to auto loan evaluation)

Retail Lending Test ⁽²⁾

Two sets of metrics:

- Retail Lending Volume Screen – Assesses a bank’s retail lending relative to its deposit base compared to other banks in each facility-based assessment area

- Geographic and Borrower Distribution Metric * – Evaluates how the bank is serving:
 - Loans in low-income and moderate-income census tracts
 - Loans to low-income borrowers or to businesses or farms with gross annual revenues \$250k or less
 - Loans to moderate income borrowers or to businesses or farms with gross annual revenues greater than \$250k but less than or equal to \$1 million

* Within the Geographic and Borrower Distribution metrics, there are various “benchmark” calculations to determine final rating under the Retail Lending Test.

Community Development ⁽¹⁾

“Community Development” now includes the following activities:

■ Affordable Housing - Consists of five components:

- Rental housing in conjunction with a government affordable housing plan, program, initiative, tax credit, or subsidy
- Multifamily rental housing with affordable rents
- One-to-four family rental housing with affordable rents in a nonmetropolitan area
- Affordable owner-occupied housing for LMI individuals
- Mortgage-backed securities

■ Economic Development

- Loans, investments, and services undertaken in conjunction, or in syndication, with government programs
- Loans, investments, and services provided to intermediaries
- Other forms of assistance to small businesses and small farms

■ Community Support Services

- Activities that assist, benefit, or contribute to the health, stability, or well-being of LMI individuals (i.e. childcare, workforce development and job training)

Community Development ⁽²⁾

■ “Place Based” Activities that include:

- Revitalization or stabilization activities
- Essential community facilities (ie libraries, hospitals, community centers)
- Essential community infrastructure (targeted to specific census tracts and includes broadband communications, mass transit, water supply and distribution, sewage treatment and collection)
- Recovery activities that promote the recovery of a designated disaster area
- Disaster preparedness and weather resiliency activities
- Activities in Native Land areas
- Activities with minority depository institutions,

women’s depository institutions, community development financial institutions

- Financial literacy

Community Development Financing Test

- Required for large banks (over \$2 billion)
 - Intermediate banks (\$600 million to \$2 billion) can opt-in to CD Financing Test or remain under existing lending test
 - Not required for small banks (less than \$600 million)
 - Evaluates the dollar amount of CD loans and investments relative to its deposit base compared to peers
 - Calculated in each of a bank's facility-based assessment areas, states a
- Large banks over \$10 billion will have an additional metric to evaluate CD investments at the institution level
 - Now excludes mortgage-backed securities from consideration for banks over \$10 billion under the required Nationwide Community Investment metric

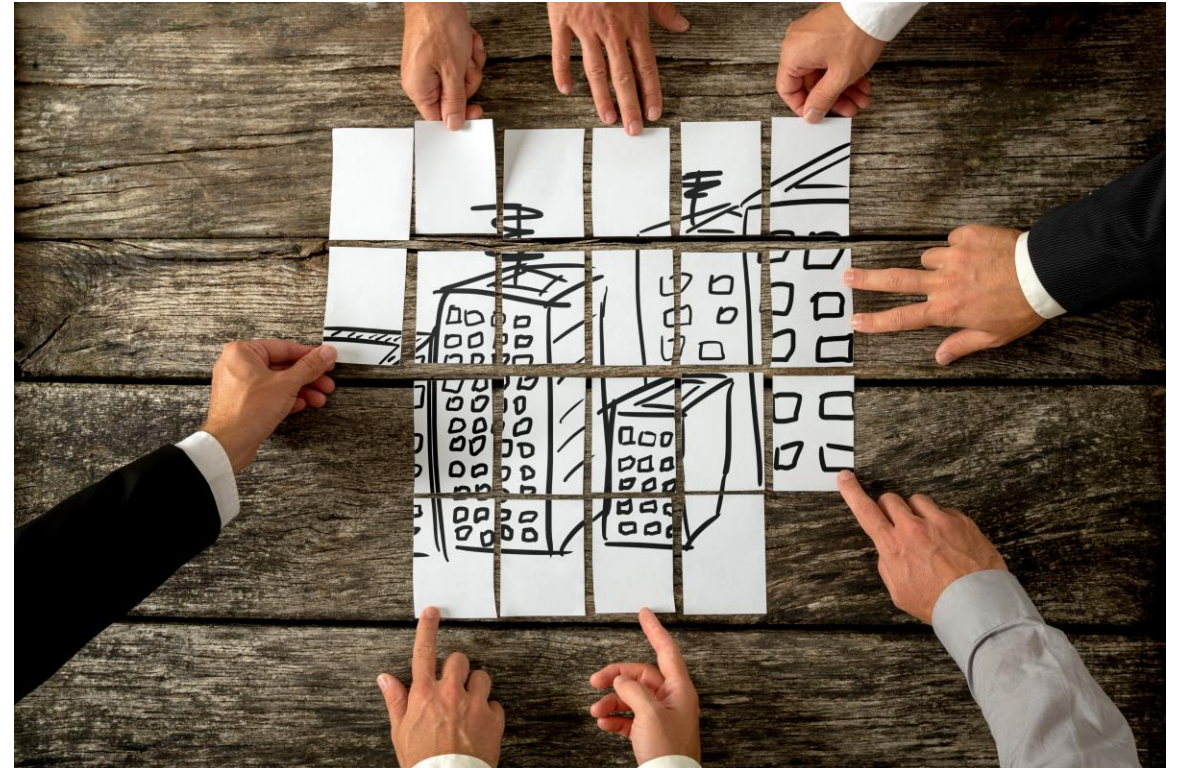


What is a Community Development Loan?

- Must have a Community Development purpose
- Cannot already be reported as a small business loan, a small farm loan or HMDA loan unless for the purpose of multi-family affordable housing
- Current rule states the activity should benefit the bank's assessment area or a broader, regional area that includes the bank's assessment area
- New rule states the activity can be conducted in a **nationwide** area

Community Development Loan Examples

- Loans to finance multi-family affordable housing
- Loans made in conjunction with the SBA's 504 loan program where loans are greater than \$1 million
- Loans to Community Development Financial Institutions ("CDFIs"), Community Development Entities ("CDEs"), Community Development Corps. ("CDCs") and minority and women owned financial institutions
- Loans that create new, permanent job for LMI people
- Loans to local or state government that have a CD purpose



What is a Community Development Investment?



- Must have a community development purpose
- Must benefit the bank's assessment area under the current rule but may benefit the nationwide area under the new rule
- Includes qualifying bank contributions, investments, deposits, shares and grants

What qualifies as a Community Development Investment?

- Investments in/contribution to affordable housing programs
- After-school athletic programs where over 50% of participants are low or moderate income
- Investments in/contributions to organizations serving low and moderate income
- Community development programs involving youth programs, homeless shelters, soup kitchens, healthcare facilities, women's shelters, senior facilities where residents are low and moderate income, etc.
- General contribution to or investment in a school or school district where over 50% of students receive free/reduced lunches

New Community Development Services Test ⁽¹⁾

- Required for large banks (over \$2 billion)
- Evaluated in bank's facility-based assessment area(s), states, multistate MSA and the nationwide area
- Must be related to provision of financial services or the expertise of bank staff
- Though credit can be received in a nationwide area for any population, impact is still a factor i.e. "Benefits or serves low-income individuals, families, or households"



New Community Development Services Test ⁽²⁾



- Capacity in which the employee serves (board member, technical assistance, financial education etc.)
- Total hours served
- Other evidence demonstrating responsiveness to community needs (number of LMI and/or organizations served)
- Impact and responsiveness that benefit or serve the facility-based assessment area(s)

What is a Community Development Service?

- Must benefit low- and moderate-income individuals to receive full CRA credit, small businesses or small farms
- Must be related to the provision of financial education or service to an organization in a financial capacity (i.e. serving as Treasurer on a Board of Directors)
- Must be performed on behalf of the bank



What qualifies as a Community Development Service?

- Providing technical assistance to organizations that serve small businesses or low-moderate income people/programs
- Financial guidance for an affordable housing program
- Financial guidance for organizations promoting economic development that primarily benefit low-moderate income areas/individuals
- Serving on a board or committee that revitalizes, stabilizes or provides services to low-moderate income individuals or areas
- Providing financial education to schools where over 50% of the students receive free or reduced lunches

Public File Requirements ⁽¹⁾

- Must be maintained at main office and, if an interstate bank, at one branch office in each state
 - If the bank has a website, file must be included on the website
 - Within 5 calendar days of request, all information contained in file related to the facility-based assessment area in which the bank is located, must be provided at no cost
 - **Main Office file within each State, if an interstate bank, must include:**
 - Written comments received for current year and each of the prior two calendar years (must be updated quarterly), specifically related to the bank's performance in helping meet the needs of its community(ies) and responses by the bank
 - Copy of the public section of the CRA Performance Evaluation (must be placed in the public file within 30 days of receipt)
- List of bank's branches including street addresses and census tracts
 - List of branches opened or closed by the bank during the current year and each of the two prior calendar years, street addresses, and census tracts (must be updated quarterly)
 - List of retail banking services, including hours of operation, available loan and deposit products, and transaction fees generally offered at bank's branches and description of material differences in availability or cost

Public File Requirements ⁽²⁾

- Map of each facility-based assessment area and retail lending assessment area, as applicable, showing the boundaries of the area and identifying the census tracts contained within the area either on the map or in a separate list
 - For small banks - the bank's loan-to-deposit ratio for each quarter of the prior calendar year and, at its option, additional data on its loan-to-deposit ratio
 - A bank evaluated according to an approved strategic plan must include a copy of the plan in its public file while the plan is in effect
 - A bank that received less than a "Satisfactory" rating during its most recent examination must include in its public file a description of its current efforts to improve its performance in helping to meet the credit needs of its entire community and update the description quarterly
 - Any other information the bank chooses
- Each branch file must include:**
- Copy of the public section of the CRA Performance Evaluation (must be placed in the public file within 30 days of receipt)
 - List of retail banking services provided by the branch
- If the bank maintains a website, the Public File must be included on the site
 - File must be updated by April 1 of each year with the exception of comments and branch openings and closings, which must be updated quarterly by March 31, June 30, Sept. 30 and Dec. 31 for the prior quarter

Miscellaneous

- “Small business” will be defined as a business that had gross annual revenues for its preceding fiscal year of \$5 million or less
- “Small farm” will be defined as a farm that had gross annual revenues for its preceding fiscal year of \$5 million or less
- Banks may receive consideration for all CD activities conducted nationwide, including outside the bank’s branch network
- A preapproval process will be created for banks to confirm what type of activities will qualify for CRA credit and given written notification of the determination along with the rationale

Miscellaneous

- A list of CD activities eligible for CRA consideration will be published and periodically updated by the regulatory agencies
- A large bank must receive at least a “Low Satisfactory” rating on the Retail Lending Test to receive an overall “Satisfactory” rating
- A large bank with 10 or more assessment areas must receive at least a “Low Satisfactory” rating in 60% of its assessment areas (by number) to receive an overall “Satisfactory” rating

We provide CRA Education & Training, CRA Support Services, the CRA Collaborative Peer Group, and CRA qualified loans, investments and services. Since our inception in 2000, we have helped banks across the country earn meaningful CRA credit through elder financial abuse prevention programs—all with flexible funding options to make it simple for banks to get involved.



■ CRA Education & Training

In-person and virtual training for CRA staff, bank employees, and Board of Directors



■ CRA Collaborative Peer Group

Quarterly online meetings with hundreds of compliance officials across the country



■ CRA Support Services

Assessment Area Analysis
Community Development Activity Evaluation
Strategic Plan Development
Peer Analysis
CRA Action Plan
CRA Compliance Program Review



■ CRA Credit Opportunities

Earn CRA loan, investment, and service credit by sponsoring programs that benefit low-income seniors

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**- John Buhrmaster, President and CEO
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Q&A



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