



# Welcome to the Webinar

Today's event will  
begin at 2:00 PM ET.



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# **PROPOSED CHANGES TO THE COMMUNITY REINVESTMENT ACT (CRA) And What it Means for Rural America**

**October 24, 2018  
2:00 pm ET**



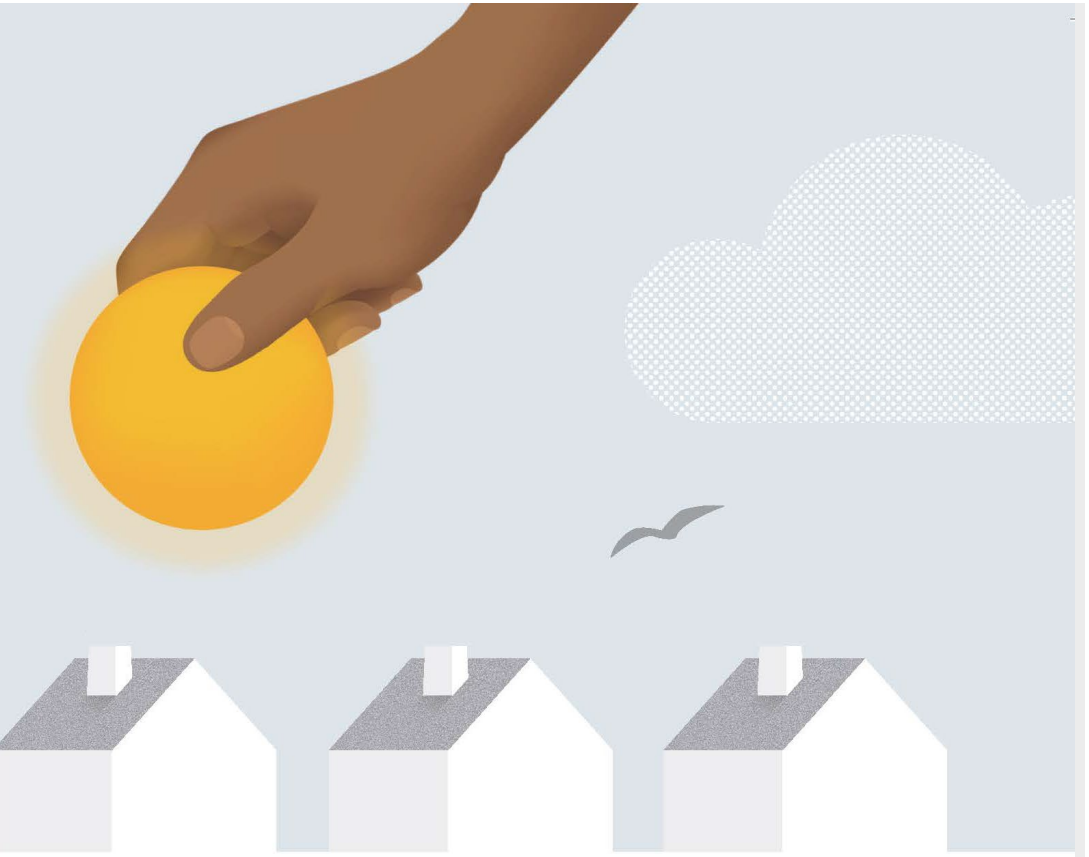
# Housing Assistance Council

Building Rural  
Communities  
since 1971

LET'S BUILD  
SOMETHING  
TOGETHER



**WE BUILD MORE  
THAN HOMES**



# Upcoming Events



**HAC 2018**  
RURAL HOUSING  
CONFERENCE

**REGISTER NOW!**

**December 5-7, 2018 / Washington, D.C.**  
Pre-Conference Activities on December 4  
[WWW.RURALHOME.ORG/CONFERENCE](http://WWW.RURALHOME.ORG/CONFERENCE)



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# Proposed Changes to the Community Reinvestment Act (CRA)

AND WHAT IT MEANS FOR RURAL COMMUNITIES

**HOUSING ASSISTANCE COUNCIL**

10-24-18





# Advanced Notice of Proposed Rule Making

- ▶ Office of Comptroller of Currency (OCC) is seeking comments in advance of their rulemaking efforts to reform the CRA
- ▶ The CRA charges federal regulators with assessing the degree to which depository institutions meet the credit needs of their communities
- ▶ Regulatory changes can impact lending in many areas

**Comments are due by November 19th**

# What is your knowledge level of the CRA?

INTERACTIVE PRIMER  
QUESTION

# The Community Reinvestment Act (CRA) in 5 minutes

- ▶ CRA Legislation enacted in 1977 to combat “redlining” and disinvestment.
- ▶ The legislation requires federally-insured depository institutions to meet the credit needs of their entire service areas, including low- and moderate-income neighborhoods.
- ▶ The CRA charges federal bank regulators (OCC, FDIC and Federal Reserve) with evaluating and rating depository institutions on the degree to which they fulfill these obligations.
- ▶ Periodic examinations based on asset size.
- ▶ Regulators list upcoming CRA examination and public input is encouraged.

# The Community Reinvestment Act (CRA) in 5 minutes

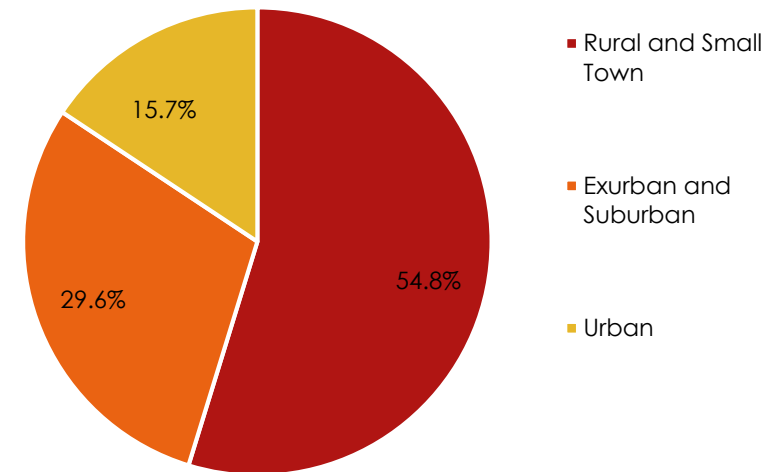
- ▶ CRA examinations review activities occurring within a lender's service or assessment area.
- ▶ Regulators identify low- and moderate-income and distressed and underserved census tracts. Qualified activities in these areas are highly valued.
- ▶ There are four CRA ratings: Outstanding, Satisfactory, Needs to Improve and Substantial Non-Compliance.
- ▶ Regulators can consider CRA examinations when a lender applies for other things like a merge or bank branch opening.



# CRA Matters to Rural America

A majority of the institutions subject to CRA regulations, FDIC-insured lenders, are actually headquartered in rural and small-town areas.

FDIC-Insured Institutions  
by Headquarters Location, 2017



Source: Bank offices as of 6/30/17. Information obtained, 2/18/18, from the following FDIC website (Click on {"Branch Office Deposits" tab and select "All\_2017")

# Areas Where Changes Are Proposed

The OCC notice presents this as modernizing the CRA  
OCC efforts primarily focus on:

Moving to a less complex, quantitative evaluation measure or measures



Altering how lender assessment or service areas are defined



Expanding the types of activities for which lenders can receive CRA consideration

# Moving to a Quantitative Measure

## How should we rate a lender's performance?

- ▶ Currently most CRA exams evaluate an institution's activities in at least one of the following three areas, lending, service and community development/investment tests, depending on asset size.
- ▶ Evaluators review and rate lenders activities (information collected by bank and provided by public) and at the end a **final score** is provided along with a report explaining how it was arrived at.
- ▶ The proposal seeks to move the rating to be a metric-based approach.

Also known as the “One Metric Rule”

Moving to a Quantitative Measure

Expanding Assessment Areas

Expanding the types of CRA activities

# One Metric Rule

**“For example: a bank with \$1 billion in total assets that conducted \$100 million in CRA-qualified activities in the aggregate would receive a 10-percent ratio.” The new rating would be based on established ratio thresholds**

- ▶ Potentially limits community involvement
- ▶ Potential to further minimize rural activities
- ▶ Easier to determine a score this way, however, it would be difficult to capture how well a lender is meeting the financial service needs of their assessment area with a single measure.

**Moving to a Quantitative Measure**

Expanding Assessment Areas

Expanding the types of CRA activities





# Expanding Assessment Areas

## Where is a bank responsible for lending?

- ▶ Currently a lender's assessment area primarily consists of where they have a bank branch.
- ▶ Lenders are only evaluated on what occurs in their assessment areas

**Under the current definition of assessment areas, there is limited activity in low-income rural areas**

Moving to a  
Quantitative Measure

**Expanding Assessment  
Areas**

Expanding the types  
of CRA activities

# Expanding Assessment Areas

The OCC notes, “An updated approach to define assessment areas could allow a bank to include additional areas tied to the bank’s business operation(e.g., areas where the bank has a concentration of deposits or loans, non-bank affiliate offices, or loan production offices.)

- ▶ Could Limit the importance of bank offices and in store services.
- ▶ Rural areas do not fair so well currently. Bank branches are declining in number.
- ▶ Need to include more activity in underserved-distressed rural areas while also preserving importance of bank branches.

Moving to a  
Quantitative Measure

**Expanding Assessment  
Areas**

Expanding the types  
of CRA activities

# Expanding the types of CRA Eligible Activities

- ▶ CRA exams explore retail and community development lending and investment activities, with a focus on what occurs within low- and moderate-income (distressed and underserved) areas.
- ▶ The CRA examiner, applying general guidelines, determines which activities receive consideration.

Moving to a  
Quantitative Measure

Expanding Assessment  
Areas

**Expanding the types  
of CRA activities**

# Expanding the types of CRA Eligible Activities

The OCC APR asks, “Under what circumstances should consumer lending be considered as a CRA-qualifying activity? For example, should student, auto, credit card or affordably priced small-dollar loans receive consideration? If so what loan features or characteristics should be considered in deciding whether loans in these categories are CRA-qualifying.”

- ▶ Broadening the number of CRA acceptable activities would not necessarily increase access and investment.
- ▶ Want to be sure that any new activity included represents a quality, affordable financial service.
- ▶ Increased clarity could help.

Moving to a  
Quantitative Measure

Expanding Assessment  
Areas

Expanding the types  
of CRA activities

# Other Areas of Importance

- ▶ More emphasis on minority neighborhoods
- ▶ Nearly all lenders currently pass the CRA Exam
- ▶ Treatment of bank affiliates
- ▶ Important to consider CRA exams when lender applies for bank branches.



# Resources

- ▶ HAC's Three-Part CRA Series <http://www.ruralhome.org/sct-information/mn-hac-research/mn-rrr/1090-rrr-cra-in-rural-america>
- ▶ Rural Data Portal: <http://www.ruraldataportal.org/>
- ▶ Treasury Report on Modernizing CRA <https://home.treasury.gov/news/press-releases/sm0336>

**HAC's draft comments will be released early November—Look out for information**

# Timeline

Advanced  
Notice of  
Proposed  
Rulemaking  
November 19<sup>th</sup>



High volume of  
comments are  
expected



OCC to put out  
NPR sometime in  
2019

# The OCC Needs to Hear from Rural America!

Comments are due  
by November 19<sup>th</sup>!

- ▶ <https://www.federalregister.gov/documents/2018/09/05/2018-19169/reforming-the-community-reinvestment-act-regulatory-framework>



# Questions?

LET US KNOW WHAT YOU NEED TO KNOW