
The Community Reinvestment Act within a Changing Financial Landscape

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Overview

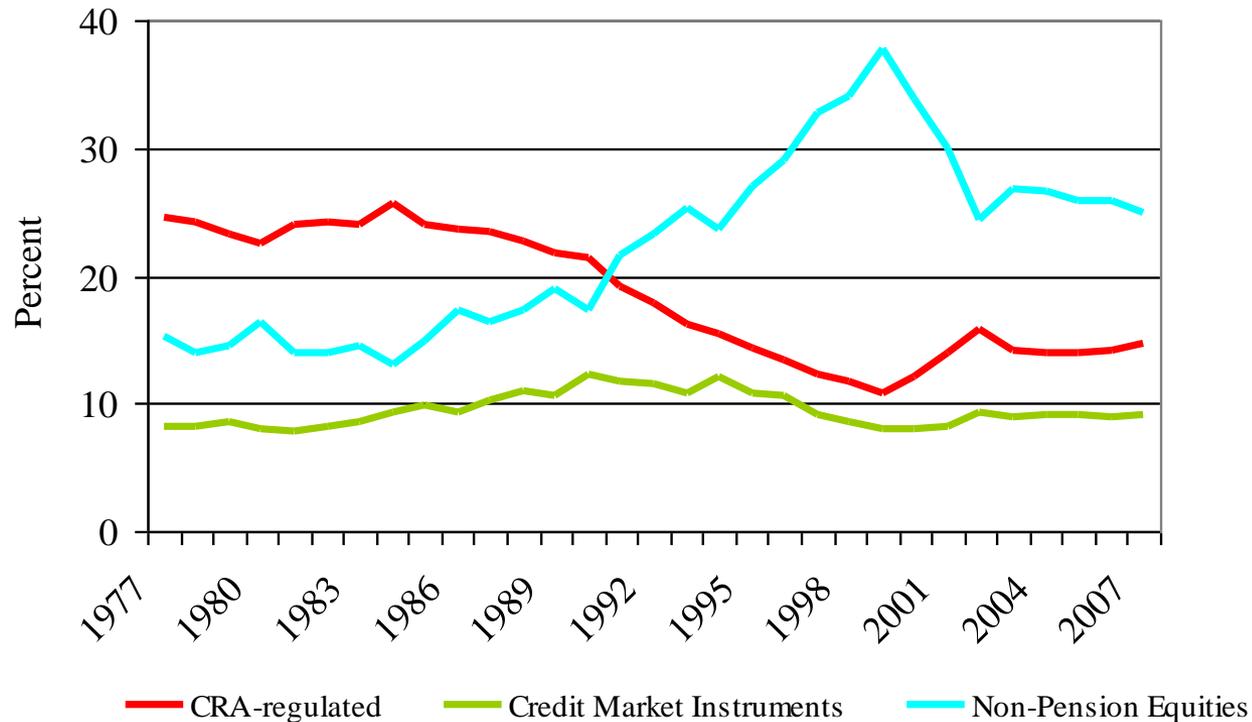
- The financial environment has evolved considerably since the passage of the CRA in 1977
 - The share of overall financial activity covered under the CRA has declined
 - CRA-regulated institutions have become more concentrated and less locally-based (the top 25 have a bigger share of the market and a larger footprint)
 - CRA-regulated institutions have well-performed in this evolving financial environment
 - CRA-regulated institutions retained their overall share of mortgage originations
 - Mortgage lending to low- and moderate-income households and neighborhoods increased for CRA-regulated institutions (as well as for non-CRA-regulated institutions)
 - The top 25 CRA-regulated institutions disproportionately **do** get ‘outstanding’ CRA ratings and **don’t** get ‘unsatisfactory’ ratings
 - The current dramatic changes in the financial environment arguably increase the relevancy and importance of the CRA
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The role CRA-regulated institutions' has changed

- CRA-regulated institutions have less market dominance
 - CRA-regulated institutions hold a declining share of households assets
 - CRA-regulated institutions hold a declining share of consumer and mortgage loans

CRA-regulated institutions hold a declining share of households' assets

Exhibit 1
Shares of Households' Financial Assets



CRA-regulated institutions hold a declining share of consumer and mortgage loans

Exhibit 2
Dollar Holdings of Consumer Loans

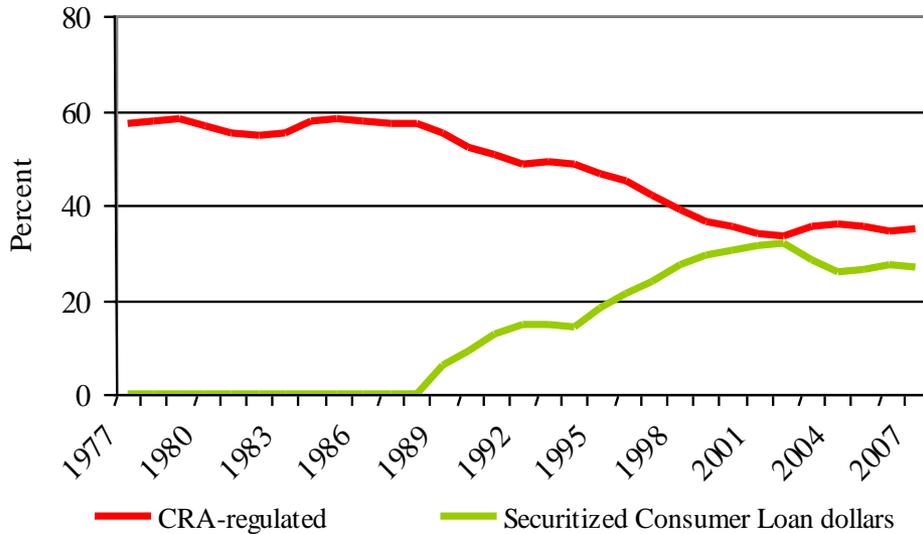
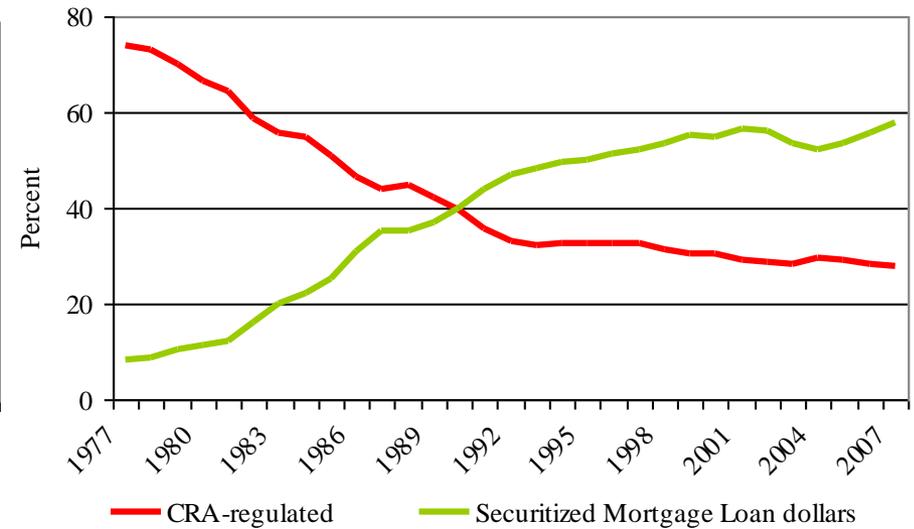


Exhibit 3
Dollar Volume of Home Mortgage Debt Outstanding



The structure of CRA-regulated institutions has changed

- CRA-regulated institutions have become more concentrated
 - Offices and deposits are increasingly held by the top 25 CRA-regulated institutions
 - Consumer and home mortgage loans are increasingly held by the top 25 CRA-regulated institutions
- CRA-regulated institutions have become less locally-based
 - Top 25 CRA-regulated institutions obtain a declining share of their deposits from their headquarter MSA

Offices and deposits are increasingly held by top 25 CRA-regulated institutions

Exhibit 4
Market Share of Offices

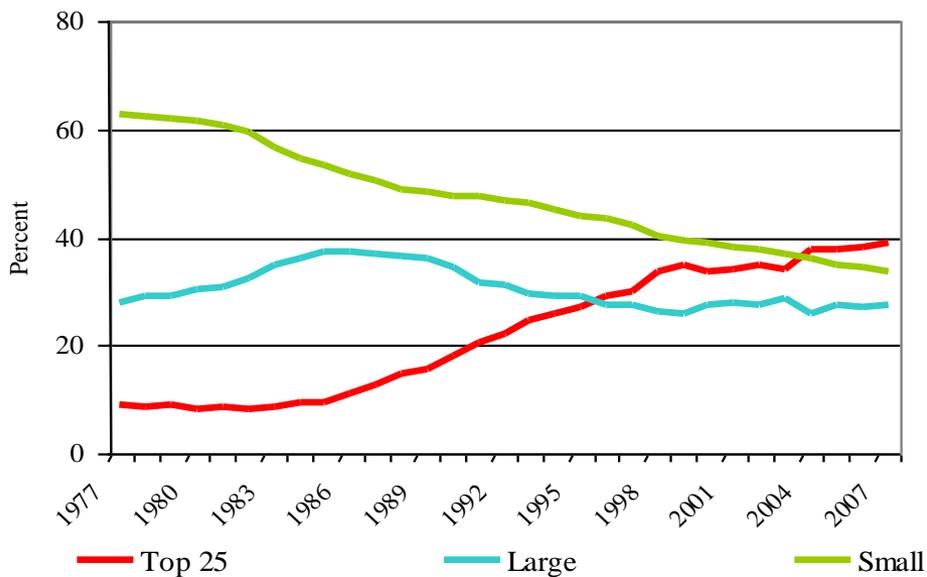
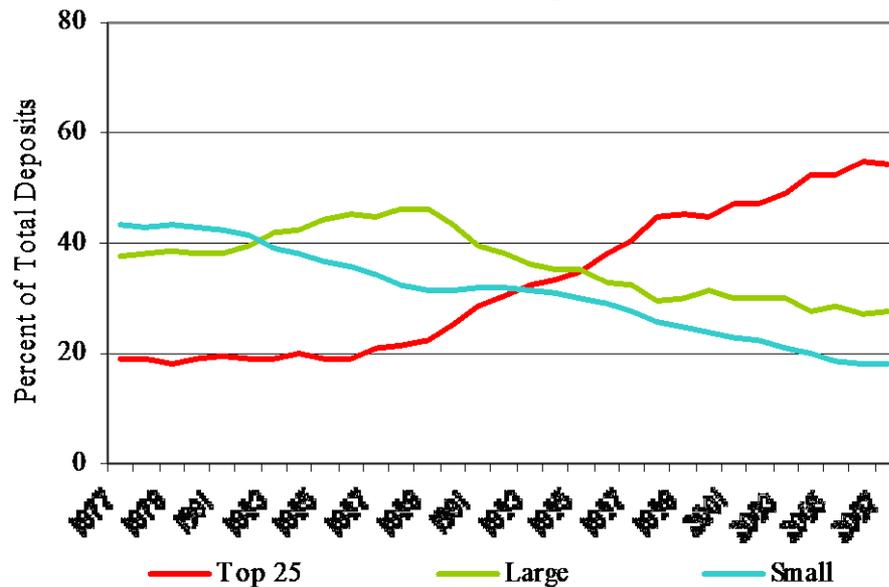


Exhibit 5
Market Share of Deposits



Consumer and home mortgage loans are increasingly held by the top 25 CRA-regulated institutions

Exhibit 7
Market Share of Consumer Loan Dollars

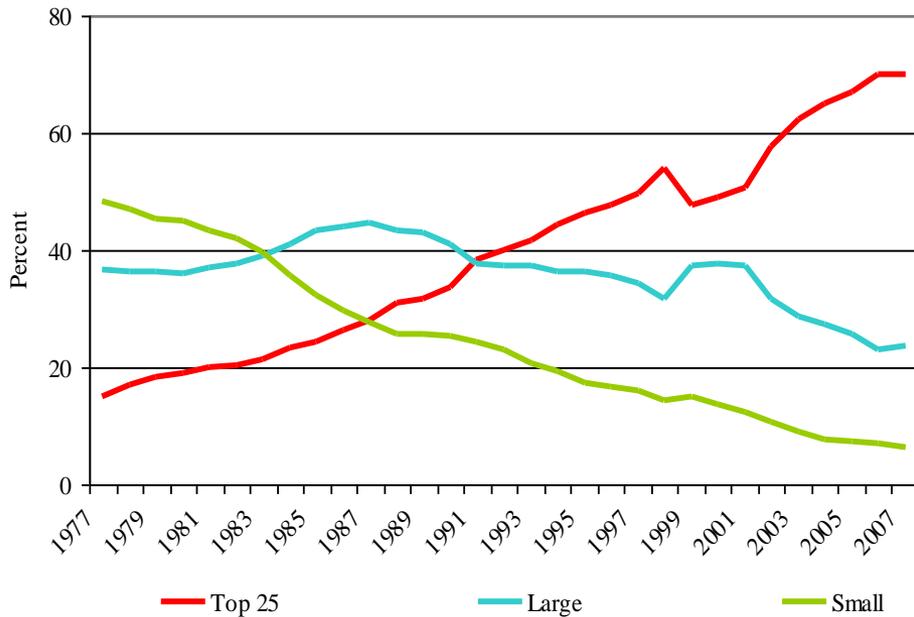
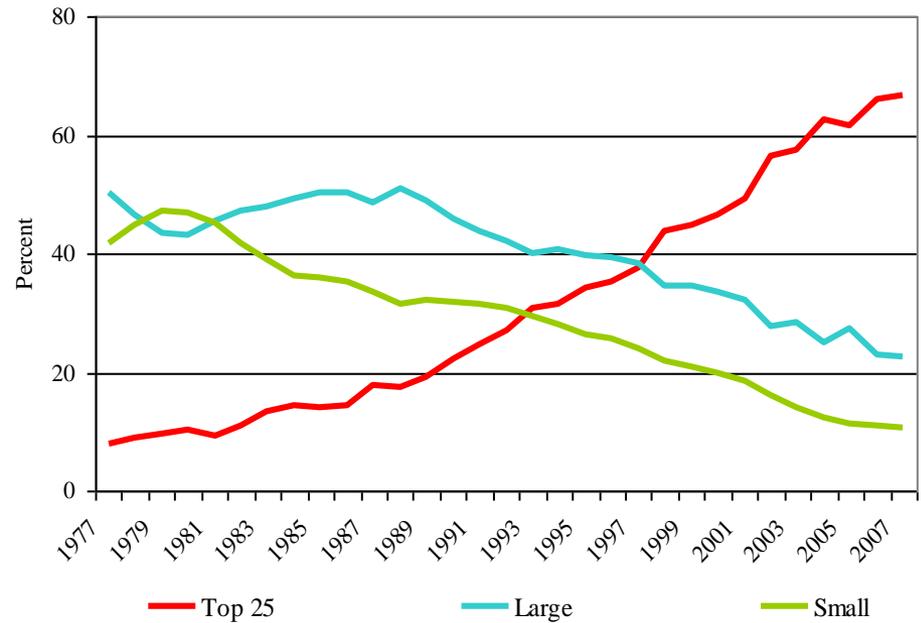
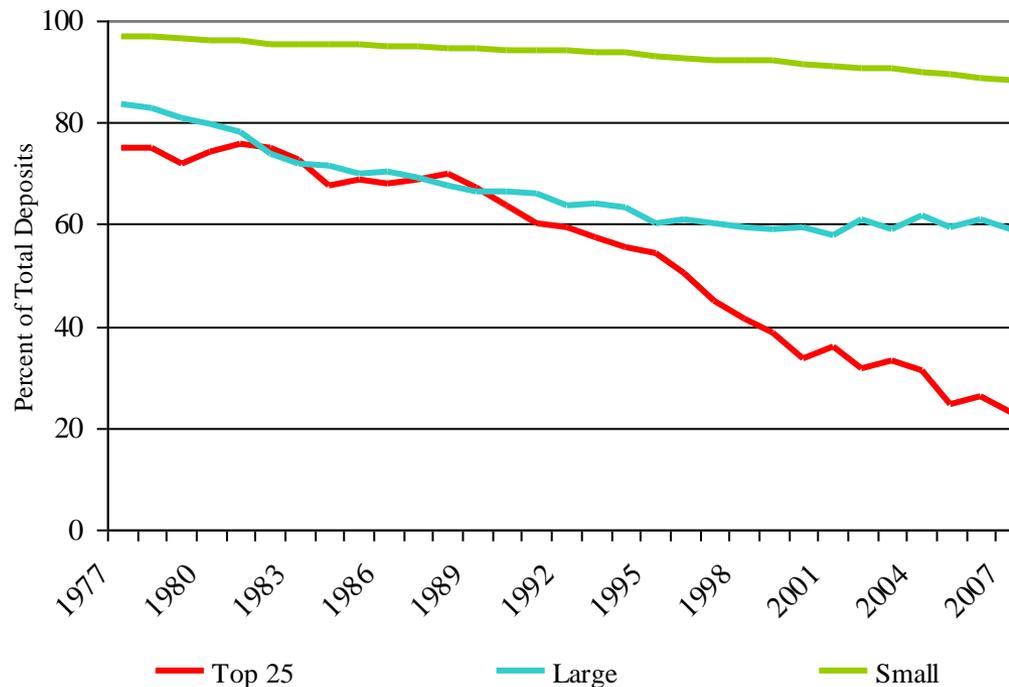


Exhibit 8
Market Share of 1-4 Family Home Mortgage Dollars



Top 25 CRA-regulated institutions obtain a declining share of their deposits from their headquarter MSA

Exhibit 6
Concentration of Deposits in same MSA as Main Office

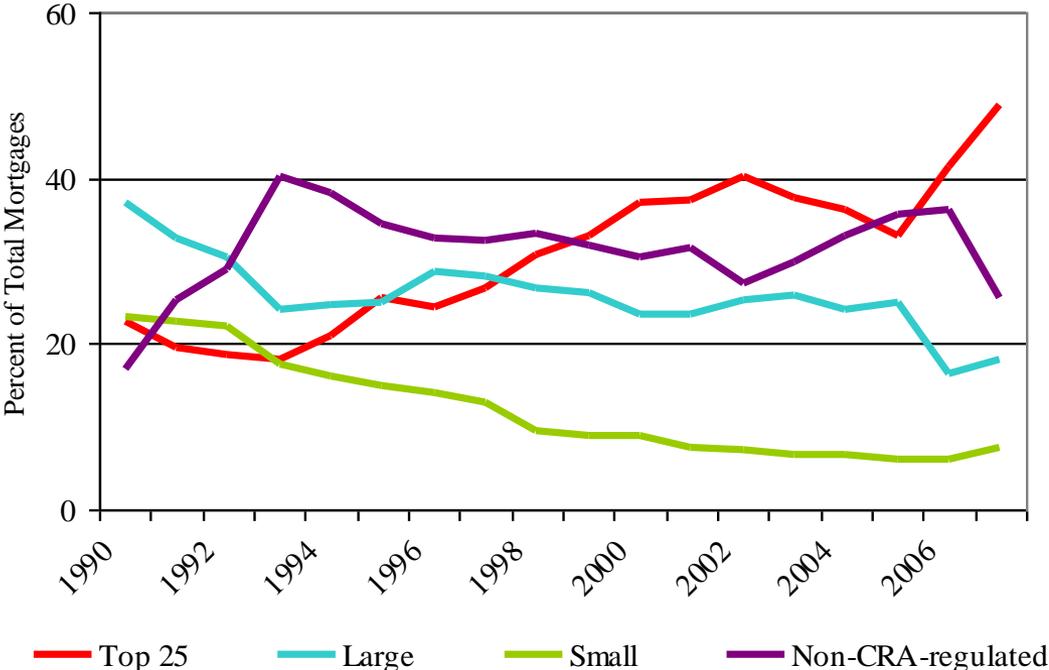


CRA-regulated institutions' low- and moderate-income service has arguably improved

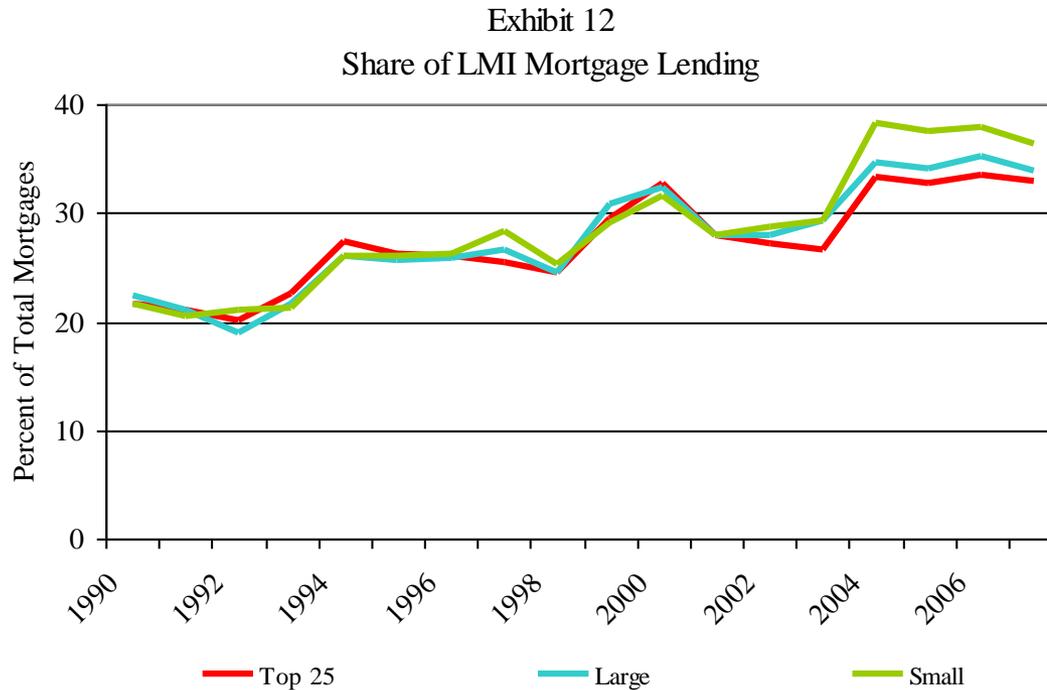
- CRA-regulated institutions have maintained their share of mortgage originations
 - CRA-regulated institutions have improved their overall service to low- and moderate-income households
 - The share of mortgage lending to low- and moderate-income households has increased for CRA-regulated institutions.
 - However, there are some potential areas of concern
 - **Service to low- and moderate-income tracts:** The share of offices in these tracts has declined, although the absolute number of banking offices in low- and moderate-income tracts has increased by 25%.
 - **In-assessment area lending:** Larger institutions originate an increasing portion of their mortgages outside their assessment areas, and their in-assessment area lending no longer has a higher low- and moderate-income share.
 - **Non-CRA-regulated institutions:** These institutions have shown similar improvement in service to low- and moderate-income households.
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CRA-regulated institutions have retained their share of mortgage originations

Exhibit 9
Mortgages Originated by Institution Type

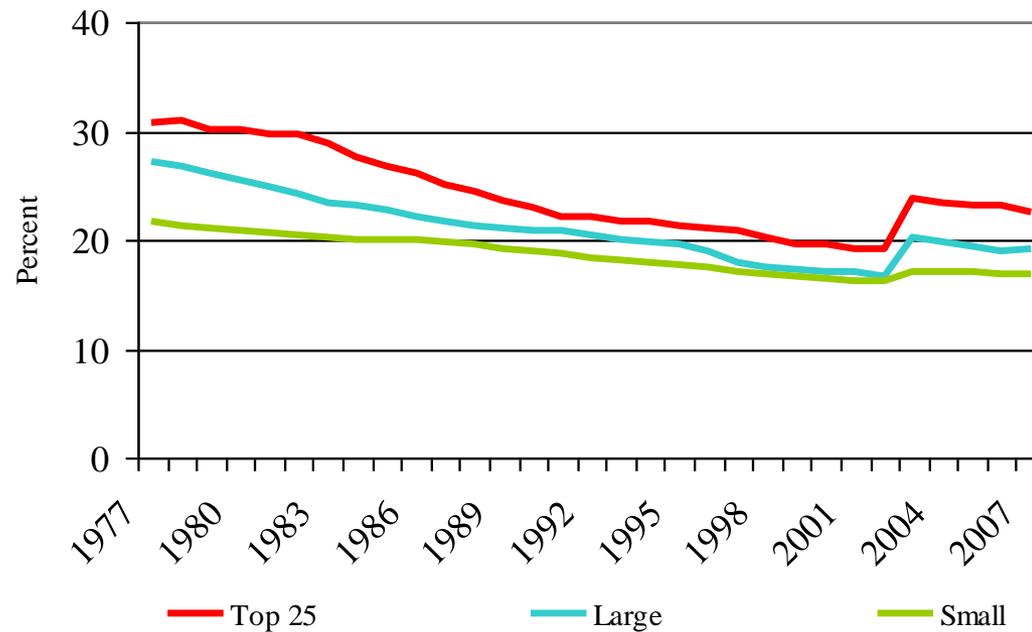


CRA-regulated institutions originate an increasing share of mortgages to low- and moderate-income households



The share of CRA-regulated institutions' offices in low- and moderate-income tracts has declined

Exhibit 11
Share of Offices in LMI Census Tracts



In-assessment area lending has declined, and less-favors low- and moderate-income households

Exhibit 13

Share of Mortgages in Assessment Area

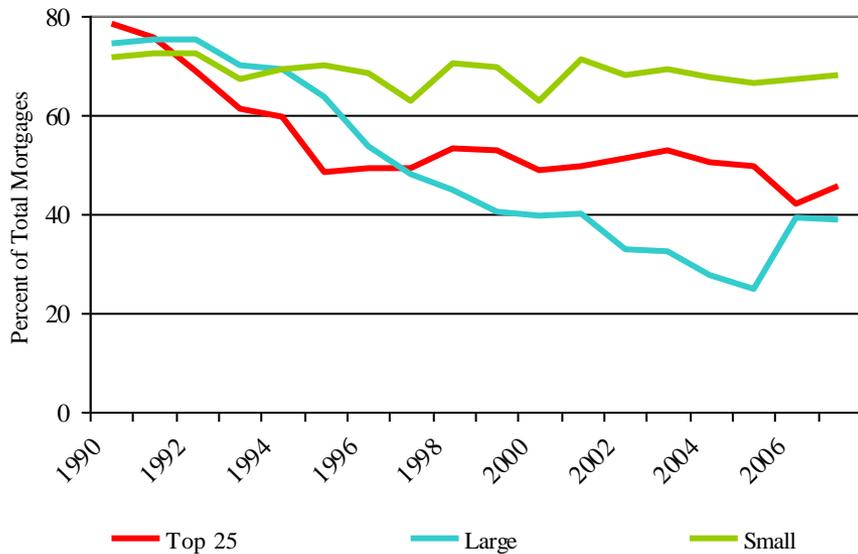
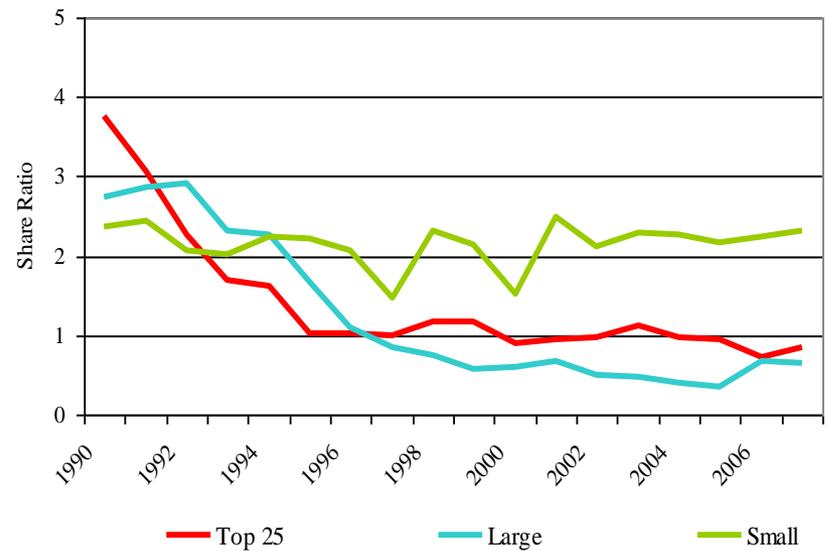


Exhibit 14

Ratio of Shares of LMI Lending that are in/out of Assessment Area



Overall CRA ratings have arguably improved

- Improvement is particularly noticeable for the top 25 CRA-regulated institutions
 - Top 25 CRA-regulated institutions disproportionately **do** get ‘outstanding’ ratings and **don’t** get ‘unsatisfactory’ ratings
- Ratings differ somewhat by regulatory agency
 - The Office of Thrift Supervision disproportionately gives ‘outstanding’ and ‘unsatisfactory’ ratings



Top 25 CRA-regulated institutions disproportionately do get 'outstanding' and don't get 'unsatisfactory' ratings

Exhibit 21

Percent of Outstanding Ratings by Institution Size

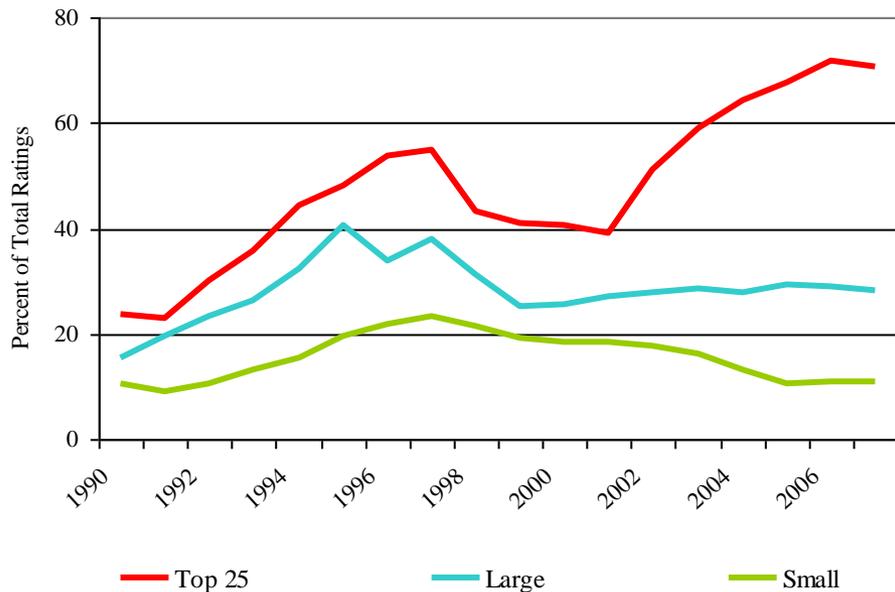
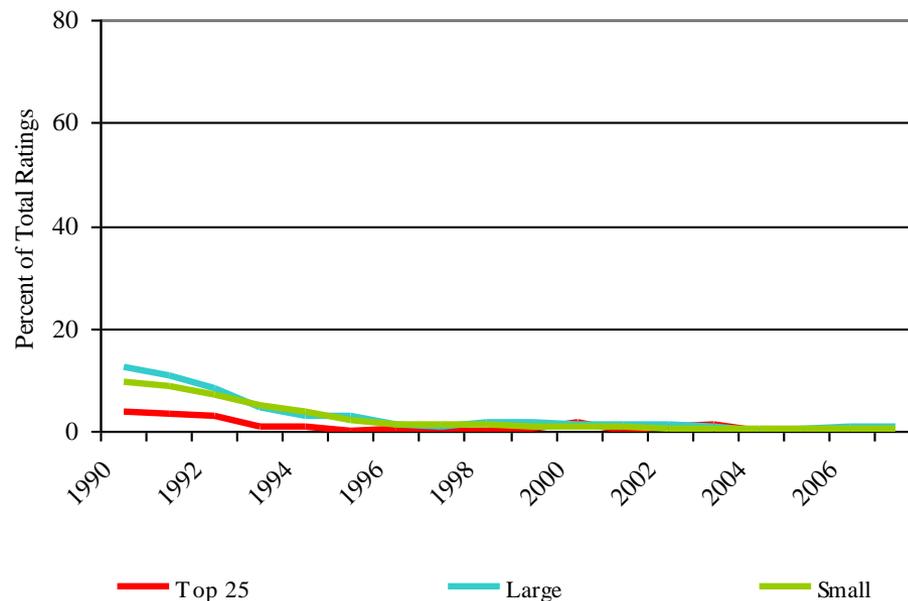


Exhibit 22

Percent of Unsatisfactory Ratings by Institution Size



The Office of Thrift Supervision disproportionately gives 'outstanding' and 'unsatisfactory' ratings

Exhibit 19
Percent of Outstanding Ratings by Agency

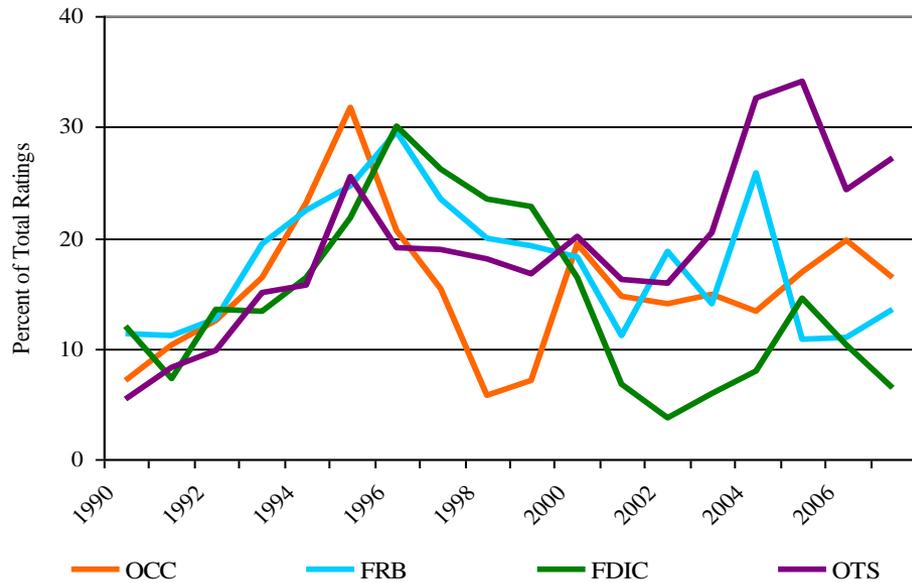
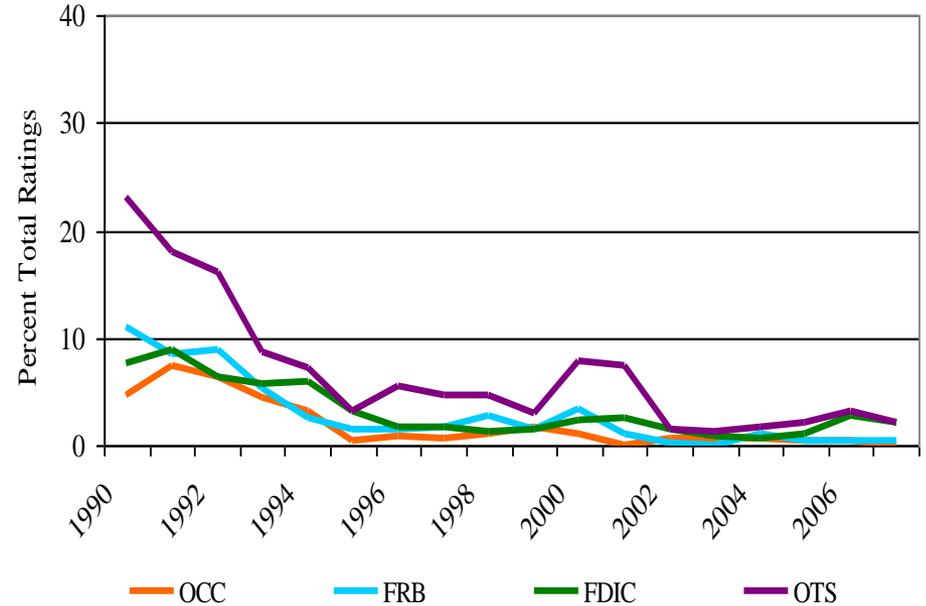


Exhibit 20
Percent of Unsatisfactory Ratings by Agency



Concluding comments

- We are currently experiencing an unprecedented upheaval in the U.S. financial markets
 - The structure of CRA-regulated institutions likely will evolve
 - We expect CRA-regulated institutions to gain market share
 - We expect CRA-regulated institutions to become increasingly concentrated and to have a larger footprint
 - The current industry-wide tightening of credit standards arguably increases the importance of ensuring service to low- and moderate-income households and neighborhoods
 - These circumstances offer both an opportunity and a challenge, and almost certainly increase the relevancy and importance of the CRA
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