

FDIC
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CRA Large Bank Test

Qualitative
Considerations

FDIC Qualitative VS Quantitative

**Community Development
Activities**



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FDIC Quantitative Considerations

- Evaluate CD Activity by # and \$
- Calculate activity relative to objective measure that speaks to bank's capacity
 - ♦ Loans – % of assets or total loans
 - ♦ Investments - % of assets, capital, or the investment portfolio
- Review activity by year
- Compare relative to bank's previous activity and similarly-situated banks

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FDIC Qualitative Considerations

- Qualitative weight for loans and CD activities is based on a number of factors
- They should be assessed based on:
 - ♦ Complexity
 - ♦ Flexibility
 - ♦ Innovativeness
 - ♦ Degree Provided by Private Investor
 - ♦ Responsiveness/Impact of CD activity



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FDIC QvQ Community Development

Because of the qualitative impact consideration for CD items, higher dollar activities/loans may not receive as much weight in the overall CRA evaluation as lower-dollar activities that have a stronger impact on the community



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FDIC Presenting to Examiners

- Discuss the qualitative issues in any CRA self assessment and support for why activities receive more qualitative consideration
- Explain how the CD items are responsive to CD needs
- Identify the level of complexity and innovation



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FDIC Supporting Responsiveness under CRA

- Provide specific numbers of individuals, families, businesses, or housing units affected
- Describe how the investment aligns with the most salient needs in the community
- Detail the manner in which the investment serves as a catalyst or leverages additional investment
- Identify the characteristics of the geographies that are affected by the investment

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FDIC Supporting Responsiveness under CRA

- Describe the length of time in which the effect will be felt
- Indicate if commitment is fully funded during the evaluation period
- If the entire amount of an investment is not tied to a CD purpose, identify the percentage that is qualified
- See Q&A -345.23(e) -1



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FDIC Supporting Innovativeness under CRA

- Highlight unique investments that are often more difficult to get off the ground, as there is typically no investment performance history
- Innovations may also be acknowledged if it is the first time the investment was utilized in the local area or if structured in a new or unique way
- Innovative investments often offer complexities as well



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FDIC Supporting Complexity under CRA

Elevated levels of credit to investments that involve or require:

- Greater levels of expertise or “sweat equity”
- Multiple partnerships with other public and/or private entities to achieve the CD purpose
- Government programs and funds that add requirements or parameters beyond those required for conventional investments

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FDIC Needs/Opportunity Assessment

- Demographics (LMI, small businesses/farms, etc.)
- Areas Targeted for Redevelopment (EZ/EC, TIF districts, State/Local Designations)
- Presence of CD Organizations (CDCs, CDFIs, SBIC/SBDCs, Community Service Orgs)
- Community Outreach
- CRA Performance Evals for Other Banks

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FDIC Learning Assessment #1 – Which gets greater credit?

- 1) A \$4MM investment in a micro-loan pool sponsored by a small business incubator in a low-income area which creates new jobs for LMI individuals
- 2) A \$5MM investment in a small business fund in the same area (low-income), which simply retains jobs

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FDIC Learning Assessment #2 – Which gets greater credit?

- 1) A \$5MM deposit in a woman-owned financial institution that does not serve your bank's assessment area
- 2) A \$2MM participation in a \$10MM loan consortium that provides construction financing for a new, local HUD-sponsored AH project that involves the first use a federal government subsidy and complex structure. Bank officers were instrumental in getting the project going (lobbying for state/city grants & zoning, serving on loan committee etc.)

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Any Questions?



Steve Murphy
(312) 382-7535
stmurphy@fdic.gov

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