

The “A-Z” on CRA Examinations

Examination Process

Start to Finish

2008 National Interagency Community Reinvestment Conference

March 31, 2008

The “A-Z” on CRA Examinations Agenda

Highlights for you to consider:

- **How to prepare** (overall)
- **How to respond to the regulator**
(initial and ongoing information requests)

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Agenda (continued)

Highlights for you to consider:

- **How to facilitate the process** (be helpful)
- **How to prepare for meetings**
- **Consider Expectations** (of the regulator and your Bank’s Senior Managers)

Preparing for a CRA Examination

- **Review your Bank's prior CRA PE**
(become familiar with the applicable test criteria, your Bank's prior performance and ratings)
- **Determine which test type and criteria for the current examination** (Small, Intermediate Small, Large, Wholesale/Limited Purpose, Strategic Plan)

Preparing for a CRA Examination

- Become familiar with **performance context** applicable to your bank
- Gather **data and information** on an ongoing basis
- Complete a **self assessment** to determine your bank's likely CRA posture

Preparing for a CRA Examination

- All institutions (regardless of size or test) are evaluated based upon **performance context** factors such as:
 1. **Demographic data** on median income levels, distributions of household incomes, nature of housing stock and costs;

Preparing for a CRA Examination

2. Information about lending, investment and service **opportunities**;
3. The Bank's **product offerings** and **business strategies**;
4. The Bank's **capacity, constraints, size, and financial condition**;

Preparing for a CRA Examination

5. The Bank's **past performance** and the **comparable performance of similarly situated lenders** operating in the assessment areas;
6. Contents of **CRA Public File** (public comments and/or complaints), and;
7. Any other **relevant information**.

Preparing for a CRA Examination

- **Involve all appropriate staff with CRA-related activities, some examples:**
 1. Loan origination personnel;
 2. Investment (Treasury or CFO) personnel;
 3. Bank officials who approve/process donations;
 4. Bank officials who perform Community Development services;

(Branch staff, Directors, Officers, others)

Responding to the Regulator

Initial information requests:

- Prior to commencement of a CRA examination, your regulator will provide **written notification** including **requests for information** pertinent to the evaluation preparation.
 - ◆ Notifications are typically 60-90 days in advance
 - ◆ Include a detailed list of all requested information

Responding to the Regulator

Detailed list of all **requested information**, such as:

1. Information relative to your Bank's **lending and operating niches**.
2. Competitive, economic and housing **conditions in your assessment area**.
3. Community development **opportunities**.
4. **Other factors** relative to your Bank's ability to serve local area credit needs.

Responding to the Regulator

- Consider and imagine **your approach** to gather the requested information if you were conducting the examination and preparing the evaluation.
- Collect and **provide everything** needed – the examiner preparing the evaluation can include only that information provided.

Responding to the Regulator

- **Hardcopy** and/or **electronic** format.
- Be as **comprehensive, detailed and complete** as possible.
- **Logical separations** of information is helpful (community development - loans, investments, services).
- Data organized by separate **assessment area** components (Metropolitan Divisions MDs, States, Multi-State MSAs).

Responding to the Regulator

- **Non-HMDA reporter** – provide basic lending data (*talk to your regulator*)
- **Lending and Investments** - provide specific and detailed data (amounts, dates, loan or investment purposes, and descriptions)

Responding to the Regulator

Ongoing information requests:

- Maintain open communications
- Respond promptly to information requests
(examination time is concentrated)

The Regulator's preparation process

- Contextual information such as the bank's description, its designated assessment area, lending niches, operating environment and competitive factors are discussed;
- Lending distribution tables are completed (lending to low and moderate or LMI individuals and in LMI tracts, both within the assessment areas);

The Regulator's preparation process

- Service and Investment test (if applicable) is typically then analyzed and added;
- Community development activities (which can be lending, service or investments related) are analyzed and included if such activities do qualify as community development.

The Regulator's preparation process

The regulator's completion timeframe is mostly dependant on the test type and number of assessment area subcomponents. The CRA PE will typically take longer when:

- Test is large as opposed to ISB or small;
- Assessment area has several MSAs/MDs;
- Numerous Community Development activities;
- Affiliated entities are involved.

Preparing for Meetings

- Be familiar with your bank's prior CRA evaluation, ratings, contextual information, and any other issues.
- Be prepared to discuss specific issues such as substantiating community development activities as being “qualified”, and;

Preparing for Meetings

- Generally be as familiar as possible with all the bank's CRA activities (public file contents, self-assessments, internal audits, board involvement, management & staff involvement).
- In addition to the CRA Officer, other relevant Bank staff (CLO, Branch Administrator, CFO) are welcome to attend CRA meetings.

Meeting the regulator's as well as your senior manager's expectations

- Be proactive in your approach to monitoring the bank's CRA activities;
- Document ongoing CRA activities, and;
- Perform CRA self-assessments & reviews.

Meeting the regulator's as well as your senior manager's expectations

- Be diligent in terms of data and information gathering (from loan originations, retail banking/branch administration, accounting, treasury and executive management).
- Lastly, we try to meet your expectations via timely transmittal of the evaluation to you.

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Questions

Comments

Discussion