

# Preparing for the Large Institution CRA Examination

Get Ready, Get Set, GO!



# Preparing for the Large Institution CRA Examination

- ✦ We plan to cover
  - What happens before an examination
  - Lending, Investment, & Service Tests
  - Data Collection and Reporting
  - Trouble Spots and Solutions
  - Regulator Breakout



# Before the Exam Begins

- ✦ Full-scope Vs Limited-scope reviews
- ✦ Weighting of Assessment Areas
- ✦ What's the deal with Performance Context?
- ✦ How do examiner know who to interview?



# Lending Test

- ◆ In/Out Ratio
- ◆ Geographic Distribution
- ◆ Borrower Distribution
- ◆ Community Development Lending
- ◆ Innovative or Flexible Lending Practices

# Lending Test

- ◆ Common Hurdles

- ◆ Ideas for Your Next Exam



# Investment Test

- ✦ Dollar Amount of Qualified Investments
- ✦ Current and Prior Period Investments
- ✦ Geographic Areas That Benefit



# Investment Test Qualitative Factors

- ✦ Innovativeness or Complexity
- ✦ Responsiveness to Credit and Community Development Needs
- ✦ Degree to Which Investments are not Provided by Private Investors

# Investment Test Common Problems

- ✦ Proposed Investments do not Qualify
- ✦ Insufficient Documentation
- ✦ Prior Period Investments not Presented
- ✦ Other Problems or Suggestions



# Service Test

- ◆ Delivery System Accessibility
- ◆ Changes in Branch Locations
- ◆ Convenience of Services and Business Hours
- ◆ Community Development Services

# Data Collection

## ✦ CRA Data

- Small Business (\$1MM or less)
- Small Farm (\$500M or less)
- Community Development Loans

## ✦ HMDA

## ✦ Consumer Loans

## ✦ "Other" Loan Data

# Data Collection

- ✦ Who is required to collect and report CRA data?
  - Banks that, as of December 31 of both of the prior two calendar years, had total assets of at least \$1.061 billion are considered “large institutions”
  - Collection begins on January 1, following the second consecutive December 31 that your bank crossed the \$1.061 billion threshold
  - Annual reporting begins March 1 of the following year

# Data Collection

- ✦ Accurate HMDA and CRA data are essential
- ✦ Identification of errors can cause serious delays
- ✦ Unreliable data cannot be used
- ✦ Common errors



# Data Collection

- ✦ If reportable as small business, small farm or HMDA loan, cannot also report as a community development loan
- ✦ Exception – A multifamily loan with a community development purpose



# Data Collection

- ◆ Establish procedures and tests to ensure the accuracy of HMDA and CRA data
- ◆ Verification of data should not be a last minute item
- ◆ Evaluate process for collecting, verifying and reporting HMDA and CRA data.
- ◆ Review employee training

# Data Collection

## ◆ Resources:

### – CRA Loan Data

#### ◆ FFIEC Website ([www.ffiec.gov/cra/](http://www.ffiec.gov/cra/))

- "A Guide to CRA Data Collection and Reporting"
- Annual CRA Asset-size Threshold Adjustments for Small and Intermediate Small Institutions
- 2008 Data Entry Software, Edits and File Specs

#### ◆ Federal Reserve Bank of Dallas "CRA Loan Data Collection Grid" ([www.dallasfed.org/ca/pubs/craloan.pdf](http://www.dallasfed.org/ca/pubs/craloan.pdf))

### – HMDA Loan Data

#### ◆ FFIEC Website ([www.ffiec.gov/hmda/](http://www.ffiec.gov/hmda/))

- "A Guide to HMDA Reporting: Getting it Right!"
- 2008 Data Entry Software, Edits and File Specs
- FAQs