

Serving and Investing in Your Community



Community Development

- ❑ An understanding of community development is critical, and this is an evolving area
- ❑ Aside from reviewing the regulations, check the current FFIEC Questions and Answers for the most recent interpretations and clarifications



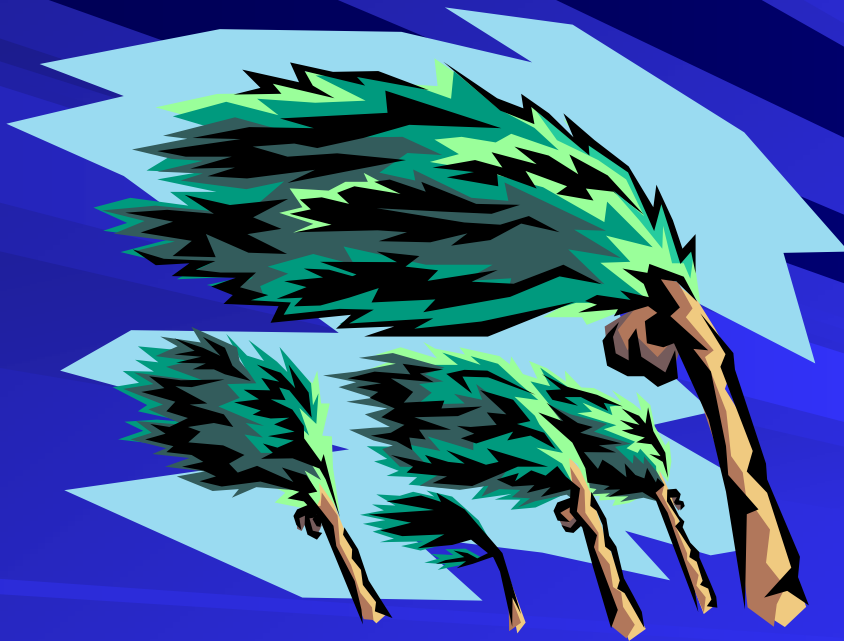
Community Development

- ❑ Affordable housing
- ❑ Community services targeted to LMI residents
- ❑ Activities that promote economic development by financing small businesses or farms
- ❑ Activities that revitalize or stabilize:
 - I. LMI geographies;
 - II. Designated disaster areas; or
 - III. Distressed or underserved rural MI geographies (activities in these areas must help meet essential community needs, including needs of LMI residents)

Community Development

Per the Q&As, qualifying activities include community or tribal-based child care, educational, health, or social services targeted to LMI residents.

Designated Disaster Area



- Areas designated by the federal government (for example, major disaster declarations by FEMA)
- Eligible for 36 months following the date of declaration
- Refer to FEMA website for disaster declarations (www.fema.gov)

Distressed or Underserved Area

- Includes middle-income tracts in nonmetropolitan areas
- Nonmetropolitan means outside of an MSA
- The agencies publish a list of covered tracts [refer to the FFIEC website for a listing at www.ffiec.gov]



Criteria

Distressed*

- ☐ Unemployment rate of at least 1.5 times the national average
- ☐ Poverty rate of 20% or more
- ☐ Population loss of 10% or more between the previous and most recent census
- ☐ Net migration loss of 5% or more over the 5-year period preceding the most recent census

*A community is considered distressed if it meets one or more of the above

Underserved

- ☐ Small population
- ☐ Distant from a population center
- ☐ Identified by USDA Urban Influence Codes 7,10,11, or 12

Qualified Investment

- ❖ Must be lawful under your charter authority
- ❖ Investment, deposit, membership share, or grant with a primary purpose of community development
- ❖ Will consider:
 - \$ amount
 - Innovativeness or complexity
 - Responsiveness to credit and community needs
 - The degree to which private investors do not provide

Qualified Investments

❑ Some Examples:

- Low-income Housing Tax Credits
- CDs in Community Development Bank
- Equity investments in SBICs
- Mortgage Backed Securities (targeted to LMI)
- Municipal Redevelopment Bonds
- New Market Tax Credits

Qualified Investments

- o Outstanding Performance
 - **EXCELLENT** of level qualified investments and grants, particularly those not routinely provided by private investors, **OFTEN** in a leadership role.
 - **EXTENSIVE** use of innovative or complex community development investments.
 - **EXCELLENT** responsiveness to credit and community development needs.

Community Development Service

- ❖ Service with a primary purpose of community development
- ❖ Related to the provision of financial services
- ❖ Not already considered as part of the evaluation of retail banking services
- ❖ Will consider:
 - The extent of community development services
 - The innovativeness and responsiveness of such services

Community Development Service

□ Some Examples:

- Member of Loan Committee for a small business micro-loan provider
- Sitting on a board for an organization that provides services to LMI residents
- Fundraising for a neighborhood housing organization
- Marketing for a non-profit that targets LMI or small businesses

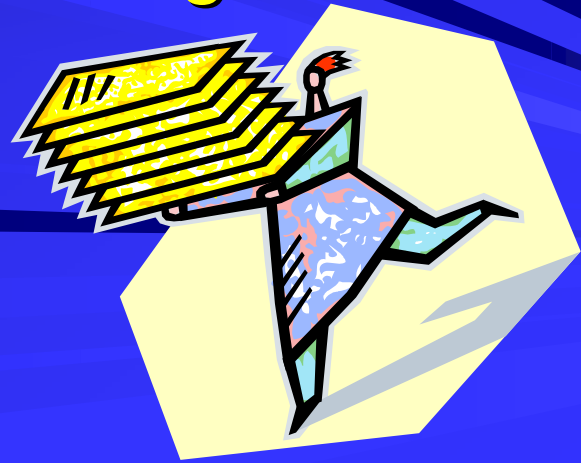
Community Development Service

o Outstanding Performance

- Delivery systems are **READILY ACCESSIBLE**
- Record of opening and closing branches has **IMPROVED ACCESSIBILITY**, particularly to LMI
- Services are **TAILORED** to the convenience and needs, particularly for LMI
- Institution is a **LEADER** in providing community development services

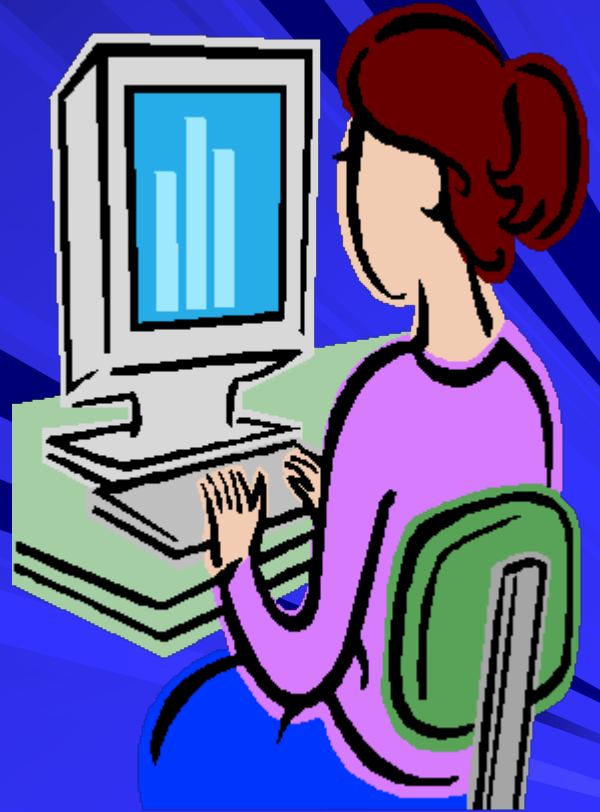
Recordkeeping

- Try to keep a running record of eligible investments and services—we can't give credit for things we don't know about or cannot verify
- Be prepared to document or explain why an investment or service is eligible for credit



Tracking Suggestions

- Collect data in a spreadsheet format—it can then be sorted geographically and by other fields to meet examiner needs



Tracking Suggestions

- Investment data should include the following fields:
 - Geography (assessment area)
 - Type of investment
 - Organization or investment name
 - Date(s) of investment
 - Original amount of investment during review period
 - Original amount of investment during prior review periods
 - Current value of investment
 - Community development qualifier

Tracking Suggestions

- Retail offices and retail services must be tracked geographically (to the census tract level)
 - Alternate delivery systems should also be tracked geographically
 - Hours and specific services should also be tracked (focus on offices with different hours or services)
 - Track changes in offices, hours, and services

Tracking Suggestions

- Community development service data should include the following fields:
 - Geography (assessment area)
 - Date of service
 - Name of organization (or type of organization) being assisted
 - Community development qualifier
 - Level of employee providing service
 - Hours of service provided
 - Number of individuals assisted (particularly for any financial education provided)

- ✓ Large institutions have an advantage in more resources and the ability to do big things
- ✓ However, even small efforts or investments can have a big community impact—but **be prepared to describe the impact**
- ✓ Also, no one has cornered the market on innovation—some of the smallest institutions have created some of the most imaginative programs



What Examiners Need to Know

- ❖ That you know your community
- ❖ That you know your institution's capabilities and limitations
- ❖ Who your partners are in community development
- ❖ That CRA is happening from the top, middle, and throughout the organization
- ❖ That you know your own performance (impact on the community)

We'd like to share some interesting and unusual investments and services we've seen

