
Interagency Questions and Answers Regarding Community Reinvestment (aka "the Q&A")

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CRA Bankers Roundtable – San Joaquin Valley

May 20, 2009

For guidance on specific activities, please consult your federal supervisor.

Overview

- I. Finalized Q&A**
 - II. New Q&A for comment
(comment period closed March 9)**
 - III. CRA in a new environment**
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MWLIs

- **MWLIs = minority- or women-owned financial institutions and low income credit unions**
 - **Activities that qualify: deposit, investment, loan participation, technical assistance, financial education, office facilities**
 - **MWLI must meet the credit needs of the community in which it is chartered**
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Community Development for ISBs

- **ISBs can now select affordable home mortgage, small business, and small farm loans to be considered as community development loans**
 - **Must not select loans that are required to be reported under another law (e.g. HMDA)**
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Letters of Credit

- Denied request have LOCs analyzed as loan originations
 - Will still be in “other loan data” category
 - Agencies “plan to remind examiners that letters of credit may deserve specific mention in the narrative”
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Investments in National Funds

The Problem

- **Issue is with investment funds, e.g. LIHTC funds, that invest nationally**
 - **Examiners: Want to make sure investments are benefitting the assessment area**
 - **Bankers: Most efficient investment is with a national fund (instead of local one-off investments)**
 - **Result: Documentation acrobatics**
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Investments in National Funds

The New Q&A

- **Examiners will look at purpose, mandate, or function of the fund – does it include assessment area or broader region?**
 - **Bank can provide written documentation that the fund will use its “best efforts” to find investments that meet the geographic requirements**
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Investments in National Funds

The New Q&A (con't)

- **Bank can provide information about how the fund has “earmarked” investments for CRA purposes (no double counting)**
 - **An allocation method may be used that permits banks to claim a pro-rata share of each project in the fund**
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Reporting CD Loan Participations

- **Only report purchased amount of participation**
 - **Small business: report whole loan amount**
 - **Will impact comparisons of CD lending year-to-year**
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Community Development Services

New items in list of qualified CD services:

- **Opening or maintaining a branch that helps to revitalize or stabilize an LMI geography**
 - **Providing low-cost checking and savings accounts, IDAs, low-cost check-cashing**
 - **Providing foreclosure prevention programs to LMI homeowners (with the objective of providing affordable, sustainable, long-term loan modifications and restructurings)**
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Revitalizing and Stabilizing LMI Geographies

- **Providing foreclosure prevention programs in LMI geographies (with the objective of providing affordable, sustainable, long-term loan modifications and restructurings)**
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Responsive Lending Activities

- **Affordable, sustainable, long-term relief to homeowners facing foreclosure**
 - **Note: not limited to LMI borrowers**
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New Proposed Q&A

Documenting CD services

- **Show the organization has a defined mission of serving LMI persons**
 - **Show that the organization is located in and serves an LMI geography**
 - **Show that the organization's service is conducted in an LMI area and targeted to residents of the area**
 - **Show that the organization's service is offered at a workplace to LMI workers**
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New Proposed Q&A

Mixed-income housing

- **Partial consideration for the fraction of the development that is affordable**
 - **Example: \$10 million loan with 10% of units set aside as affordable = \$1 million CD loan**
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CRA in a New Environment

Discussion

- **Changes to performance context? Economy, peers, constraints.**
 - **Changes to underwriting criteria? Investment criteria?**
 - **Changes to charitable giving budgets?**
 - **How do you manage CRA in this new environment?**
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