



2004 COMMUNITY REINVESTMENT CONFERENCE

Performance under the Investment Test & Service Test

John Gilliam, OCC

Gilberto Cooper, FRB-SF

Curt Wise, FRB-SF



Objectives

- **Ratings Matrix**
- **Performance Context**
- **Definitions & Qualification Process**
- **Worksheets**
- **Common Errors**



Investment Test Guidance

- Regulatory Matrix Format
- CRA Qs & As
- Assess Community Opportunity Versus Bank Responsiveness



Community Development

- §____.12(h) Community Development means:
 - 1 Affordable Housing (including multifamily rental housing) for low- and moderate-income (LMI) individuals;
 - 2 Community Services targeted to LMI individuals;



Community Development

- § ____.12(h) Community Development means (continued):
 - 3 Activities that promote economic development by financing businesses & farms that meet the size standards of the SBA's Development Company or SBIC programs or have gross annual revenues of \$1 million or less ;
 - 4 Activities that revitalize or stabilize LMI geographies.



Qualified Investment

- §__.12(s) means a lawful investment, deposit, membership share, or grant that has as its **primary purpose** community development. (Emphasis added.)

Community Development Service

§__ .12(j)

1. Community Development is the **primary purpose** (emphasis added)
2. Is related to the **provision of financial services** (emphasis added)
3. Has not been considered in the evaluation of the bank's retail banking services



Worksheet Attributes

- Assessment Area(s) that benefited.
- Dollar Amount (Commitment & Funded)
- Community Development Purpose(s)
- Complexity of the transaction
- Challenges to consummate the transaction
- Willingness of other participants
- Opportunity and Hurdles



Resources To Assist You In Assessing Your Investment Performance

- Consider Outside Resources
 - Community Affairs Offices of your Regulator
 - State & Municipal Redevelopment Offices
- Partnering With Community Groups



Open Discussion

- Questions
- Comments
- Ideas

Investment Test Matrix

Characteristic	Outstanding	High Satisfactory	Satisfactory	Needs to Improve	Substantial Noncompliance
Investment and grant activity	The institution has an excellent level of qualified community development investment and grants, often in a leadership position, particularly those that are not routinely provided by private investors.	The institution has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors.	The institution has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors.	The institution has a poor level of qualified community development investments and grants, but not in a leadership position, particularly those that are not routinely provided by private investors.	The institution has a few, if any, qualified community development investments or grants, particularly those that are not routinely provided by private investors.
Responsiveness to credit and community development needs	The institution exhibits excellent responsiveness to credit and community economic development needs.	The institution exhibits good responsiveness to credit and community economic development needs.	The institution exhibits adequate responsiveness to credit and community economic development needs.	The institution exhibits poor responsiveness to credit and community economic development needs.	The institution exhibits very poor responsiveness to credit and community economic development needs.
Community development initiatives	The institution makes extensive use of innovative and/or complex investments to support community development initiatives.	The institution makes significant use of innovative and/or complex investments to support community development initiatives.	The institution occasionally uses innovative and/or complex investments to support community development initiatives.	The institution rarely uses innovative and/or complex investments to support community development initiatives.	The institution does not use innovative and/or complex investments to support community development initiatives.

Service Test Matrix

Characteristic	Outstanding	High Satisfactory	Satisfactory	Needs to Improve	Substantial Noncompliance
Accessibility of delivery systems	Delivery systems are readily accessible to all portions of the institution's assessment area(s).	Delivery systems are accessible to essentially all portions of the institution's assessment area(s).	Delivery systems are reasonably accessible to essentially all portions of the institution's assessment area(s).	Delivery systems are accessible to limited portions of the institution's assessment area(s).	Delivery systems are inaccessible to significant portions of the assessment area(s), particularly low- and moderate-income geographies and/or low- and moderate-income individuals.
Changes in branch locations	To the extent changes have been made, the institution's record of opening and closing branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.	To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.	To the extent changes have been made, the institution's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.	To the extent changes have been made, the institution's record of opening and closing branches has adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.	To the extent changes have been made, the institution's opening and closing of branches has significantly adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.
Reasonableness of business hours and services in meeting assessment area(s) needs	Services (including where appropriate, business hours) are tailored to the convenience and needs of the assessment area(s), particularly low- and moderate-income geographies and/or individuals.	Services (including, where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment area(s), particularly low- and moderate-income geographies and/or individuals.	Services (including, where appropriate, business hours) do not vary in a way that inconveniences portions of the assessment area(s), particularly low- and moderate-income geographies and/or individuals.	Services (including, where appropriate, business hours) vary in a way that inconveniences certain portions of the assessment area(s), particularly low- and moderate-income geographies and/or individuals.	Services (including, where appropriate, business hours) vary in a way that significantly inconveniences many portions of the assessment area(s), particularly low- and moderate-income geographies and/or individuals.
Community development services	The institution is a leader in providing community development services.	The institution provides a relatively high level of community development services.	The institution provides an adequate level of community development services.	The institution provides a limited level of community development services.	The institution provides few, if any, community development services.

Table 14. Qualified Investments

QUALIFIED INVESTMENTS									
Geography: WASHINGTON									
Evaluation Period: APRIL 1, 1998 TO SEPTEMBER 30, 2001									
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$000's	#	\$000's	#	\$000's	% of Total	#	\$000's
Full Review:									
Seattle-Bellevue-Everett MSA	2	1,850	126	1,280	130	\$ 190	88.55	1	882
Limited Review:									
Bremerton MSA	0	0	1	2	1	2	0.08	0	0
Kittitas AA	0	0	5	8	5	8	0.18	0	0
Olympia MSA	0	0	2	3	2	3	0.09	0	0
Skagit AA	0	0	2	4	2	4	0.12	0	0
Spokane MSA	1	86	22	156	23	244	7.57	1	58
Tacoma MSA	1	128	56	247	57	376	11.38	1	88
Western Rural AA	0	0	6	6	6	6	0.24	0	0
Yaloma MSA	1	450	6	21	7	471	14.23	0	0

* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

** 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS				Geography: WASHINGTON				Evaluation Period: APRIL 1, 1998 TO SEPTEMBER 30, 2001									
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population					
	# of Rated Area Deposits in AA	# of BANK Branches	# of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches + or -				# of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review:																	
Seattle-Bellevue-Everett MSA	85.17	62	88.1	0.0	23.2	58.1	20.7	19	18	0	0	1	2	2.2	18.2	82.9	18.8
Limited Review:																	
Bremerton MSA	2.77	5	4.0	0.0	40.0	80.0	0.0	0	1	0	0	-1	0	0.3	19.2	89.0	11.5
Kititas AA	1.51	2	1.8	0.0	100.0	0.0	0.0	0	0	0	0	0	0	0.0	10.1	89.9	0.0
Olympia MSA	1.87	2	1.8	0.0	0.0	100	0.0	0	2	0	0	-1	-1	0.0	3.0	87.5	9.5
Slagit AA	0.87	1	0.8	0.0	0.0	100	0.0	0	0	0	0	0	0	0.0	0.0	81.3	38.7
Spokane MSA	7.28	8	8.5	25.0	12.5	82.5	0.0	1	3	0	0	-2	0	3.4	23.9	52.9	19.8
Tacoma MSA	17.11	18	14.5	11.1	11.1	81.1	18.7	4	3	0	0	1	0	4.7	18.1	58.2	23.1
Western Rural AA	1.38	3	2.4	0.0	33.3	88.7	0.0	0	0	0	0	0	0	0.0	12.5	77.2	10.3
Yakima MSA	2.45	3	2.4	88.7	0.0	33.3	0.0	0	0	0	0	0	0	1.3	32.1	41.9	24.8