

1. A bank lends \$700,000 to a commercial developer to build an apartment building in a moderate-income census tract in the bank's assessment area. The project is designed to offer housing to low-income tenants. The loan is secured by the building, which has eight units. The bank's assessment area is in an MSA. Is this a community development loan?

2. In addition to the commercial loan, the bank also purchases low-income housing tax credits, for \$500,000, issued by the developer. The funds that the developer receives will help complete the housing project. Is this a qualified investment?

3. A Spanish-speaking employee teaches English to new immigrants at a night school program sponsored by the county employment commission. Is this a community development service?

4. Bank A makes an equity investment in a for-profit entity that makes micro loans to start-up businesses in the bank's assessment area. These start-up businesses are primarily service businesses, and most of their employees are low- and moderate-income. However, the for-profit entity is located in a middle-income census tract. Is this a qualified investment?

5. Bank B deposits \$99,000 in a Community Development Financial Institution, located in a middle-income census tract in its assessment area. How is this treated for CRA purposes?

6. Bank C invests \$500 thousand in an economic development organization that will construct a supermarket/pharmacy in a middle-income nonmetropolitan distressed census tract in the bank's assessment area. Presently, the closest supermarket/pharmacy is 25 miles away.

- a. Is this a qualified investment?
- b. Would your answer be different if the supermarket/pharmacy were located in a low-income census tract?
- c. Would your answer be different if the particular census tract was removed from the distressed list 6 months before the project was fully funded?

7. A bank employee serves as a volunteer on a "Habitat for Humanity" construction site on her day off. When the compliance officer asks for examples of community development services, she lists her volunteer experience, even though she did not attend as a representative of the bank.

- a. Is this a CD service?
- b. What about if the bank's Chief Financial Officer serves on the loan committee for the local Habitat for Humanity?

8. ABC Bank is located in an underserved middle-income nonmetropolitan area. The local municipality has recently issued two bonds and the bank wants CRA consideration for both. Bond #1 will fund the construction of a new high school, which will serve students from all income categories, although it will be located in a middle-income census tract. Bond #2 will fund major renovations and repairs to an existing sewer line that serves a new housing development that is targeted to middle- and upper-income families. Does the bank receive any positive CRA consideration?

9. The bank president serves on the fund raising committee of the local chapter of the boy scouts. Is this a community development service?

10. A \$2,000 grant to the local Credit Counseling Office, an entity that provides counseling to low- and moderate-income first time home buyers throughout the bank's assessment area. Is this a qualified investment?

11. The bank has holdings totaling \$100,000 in low-income housing mortgaged backed securities. Only 50% of the mortgages serving as collateral for the securities are located in the assessment area. The remaining collateral is in other parts of the state.

- a. Is this a qualified investment?
- b. How much would qualify?

12. A bank has a policy of granting each employee up to 20 hours per year of official work time for community volunteer activities. A review of the documentation retained by the bank for this employee benefit indicates that most of the employees used their time to help out in their children's schools and various church activities. One department of the bank focused their volunteer time on serving at a soup kitchen for the homeless. Do these hours qualify as community development services?

Interagency Q and A Excerpts:**§§ __.12(i) & 563e.12(h) – 1: What are examples of community development loans?**

A1. Examples of community development loans include, but are not limited to, loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing of multifamily rental property serving low- and moderate-income persons;
- Not-for-profit organizations serving primarily low- and moderate-income housing or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in low- and moderate-income areas or that serve primarily low- and moderate-income individuals;
- Financial intermediaries including Community Development Financial Institutions (CDFIs), Community Development Corporations (CDCs), minority- and women-owned financial institutions, community loan funds or pools, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development.
- Local, state, and tribal governments for community development activities; and
- Borrowers to finance environmental clean-up or redevelopment of an industrial site as part of an effort to revitalize the low- or moderate-income community in which the property is located.

The rehabilitation and construction of affordable housing or community facilities, referred to above, may include the abatement or remediation of, or other actions to correct, environmental hazards, such as lead-based paint, that are present in the housing, facilities, or site.

§§ __.12(s) & 563e.12(r) – 4: What are examples of qualified investments?

A4 (proposed revision). Examples of qualified investments include, but are not limited to, investments, grants, deposits or shares in or to:

- Financial intermediaries (including, Community Development Financial Institutions (CDFIs), Community Development Corporations (CDCs), minority- and women-owned financial institutions, community loan funds, and low-income or community development credit unions) that primarily lend or facilitate lending in low- or moderate-income areas or to low- and moderate-income individuals in order to promote community development, such as a CDFI that promotes economic development on an Indian reservation;
- Organizations engaged in affordable housing rehabilitation and construction, including multifamily rental housing;
- Organizations, including for example, Small Business Investment Companies (SBICs), specialized SBICs, and Rural Business Investment Companies (RBICs), that promote economic development by financing small businesses;
- Facilities that promote community development in low- and moderate-income areas for low- and moderate-income individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers,

- and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
 - State and municipal obligations, such as revenue bonds, that specifically support affordable housing or other community development;
 - Not-for-profit organizations serving low- and moderate-income housing or other community development needs, such as counseling for credit, home-ownership, home maintenance, and other financial services education; and
 - Organizations supporting activities essential to the capacity of low- and moderate-income individuals or geographies to utilize credit or to sustain economic development, such as, for example, day care operations and job training programs that enable people to work.

§§ __.12(i) – 3 (existing Q&A § __.12(j) & 563e.12(i) – 3): What are examples of community development services?

A3: Examples of community development services include, but are not limited to, the following:

- Providing financial services to low- and moderate-income individuals through branches and other facilities located in low- and moderate-income areas, unless the provision of such services has been considered in the evaluation of a bank's retail banking services under § __.24(d);
- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving low- and moderate-income housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations, including organizations and individuals who apply for loans or grants under the Federal Home Loan Banks' Affordable Housing Program;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home-buyer and home-maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs and developing or teaching financial education curricula for low- or moderate-income individuals;
- Providing electronic benefits transfer and point of sale terminal systems to improve access to financial services, such as by decreasing costs, for low- or moderate-income individuals;
- Providing international remittances services that increase access to financial services by low- and moderate-income persons (for example, by offering reasonably priced international remittances services in connection with a low-cost account); and
- Providing other financial services with the primary purpose of community development, such as low-cost bank accounts, including "Electronic Transfer Accounts" provided pursuant to the Debt Collection Improvement Act of 1996, or free government check cashing that increases access to financial services for low- or moderate-income individuals.

Examples of technical assistance activities that might be provided to community development organizations include:

- Serving on a loan review committee;
- Developing loan application and underwriting standards;
- Developing loan processing systems;
- Developing secondary market vehicles or programs;
- Assisting in marketing financial services, including development of advertising and promotions, publications, workshops and conferences;
- Furnishing financial services training for staff and management;
- Contributing accounting/bookkeeping services; and
- Assisting in fund raising, including soliciting or arranging investments.

§§ __.12(j) & 563e.12(i) – 2: Are personal charitable activities provided by an institution’s employees or directors outside the ordinary course of their employment considered community development services?

A2. No. Services must be provided as a representative of the institution. For example, if a financial institution’s director, on her own time and not as a representative of the institution, volunteers one evening a week at a local community development corporation’s financial counseling program, the institution may not consider this activity a community development service.