

Peer Bank Analysis

The Community Reinvestment Act does not specify quantitative performance standards. Instead, examiners rely on performance context data and a comparison to peer banks to assess an institution's performance. The Large Bank Exam Procedures, under the Lending Test, states that the examiner may consider using a peer bank comparison of an institution's lending performance if and when there are contiguous geographies within the institution's assessment with abnormally low penetration. The purpose of the comparison is to determine if there is a lack of performance by the institution within a specific geography.

The Federal Reserve website (www.frbsf.org/community) is an excellent resource to assist in the development of a performance context and a peer group. To develop a peer group:

1. Determine the geography
2. Look for institutions within the identified geography with a similar deposit market share
3. Look for institutions with similar asset size
4. Read Performance Evaluations for institutions that have both a similar asset size and deposit market share within the identified geography.
 - (a) Look for similar product mix
 - (b) Look for similar assessment area footprint
5. Aggregate your peer group's reported loans based on the Public disclosure reports.

A Peer Bank Analysis can provide insight as to the following:

1. The name (and number) of lenders marketing within the identified geography. A Peer analysis could identify anomalies that might cause distortions such as dominant lenders that are not subject to CRA.
2. Lack of penetration by similar situated institutions could indicate that there are similarities within the group that preclude them to service the area due to
 - (a) demographic characteristics, economic conditions, credit opportunities and lack of demand.; or
 - (b) institution's business strategies, capacities and constraints.
3. While weak in penetration, the analysis can identify the bank's rank of market share and lending activity in comparison to other similar situated institutions.