

## Limited Purpose and Wholesale CRA Examinations

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## Definitions

- ◎ Limited Purpose – An institution that offers only a narrow product line (such as credit card or motor vehicle loans) to a regional or broader market
- ◎ Wholesale – An institution that is not in the business of extending home mortgage, small-business, small-farm, or consumer loans to retail customers

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## Designation as Limited Purpose / Wholesale Institution

- ◎ Institution must file a request
  - In writing, and
  - At least 3 months before proposed effective date
- ◎ If approved, remains in effect until
  - Institution requests revocation, or
  - One year after primary regulator has notified the institution that its designation has been revoked

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## Number of Institutions Designated Limited Purpose/Wholesale

Primary Regulator	Limited Purpose	Wholesale
FDIC	9	22
Federal Reserve	2	6
OCC*	22	15
Total	33	43

\* Includes former OTS-supervised institutions

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## Performance Criteria

- ◎ Regulators evaluate an institution's performance through –
  - Community development loans
  - Qualified investments
  - Community development services
- ◎ Criteria used –
  - Number and dollar amount
  - Innovativeness or complexity of activities
  - Responsiveness to credit and community development needs

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## Indirect Activities

- ◎ Regulators will consider, at the institution's option –
  - Qualified investments or community development services of an affiliate
    - if not claimed by another institution
  - Community development lending by affiliates, consortia, and third parties
    - if not claimed by another institution, investor, or participant

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## Benefit to Assessment Area

- ◎ Inside Assessment Area –
  - all qualified investments, community development loans, and community development services that benefit
    - the bank's assessment area(s) or
    - a broader statewide or regional area that includes the bank's assessment area
- ◎ Outside Assessment Area –
  - qualified investments, community development loans, and community development services that benefit
    - areas outside the bank's assessment area(s) or statewide or regional area if the bank has adequately addressed the needs of its assessment area(s)

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## Ratings

Characteristics	Outstanding	Satisfactory	Needs to Improve	Substantial Non-Compliance
CD Loan, Qualified Investment, and CD Service Activity	High level	Adequate level	Poor level	Few, if any
CD Loan, Qualified Investment, and CD Service Initiatives	Extensive use of innovative or complex activities	Occasional use of innovative or complex activities	Rare use of innovative or complex activities	Does not use innovative or complex activities
Responsiveness to Community Development Needs	Excellent responsiveness	Adequate responsiveness	Poor responsiveness	Very poor responsiveness

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## Questions?

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## Community Development - Group Activity

- ⦿ Read the different community development activities
- ⦿ Rank them based on which activities you feel would have the greatest impact on a limited purpose/wholesale bank CRA rating
- ⦿ We will then have a group discussion about the activities

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