Definitions

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

A bank must first be designated as limited-purpose or wholesale before it can be evaluated under that standard



To receive such a designation the bank must file a written request at least three months prior to the proposed effective date of the designation



Such a designation remains in effect:

Until the bank requests revocation of the designation

Or

 Until one year after the regulator notifies the bank it has revoked the designation

Frequency of Examinations

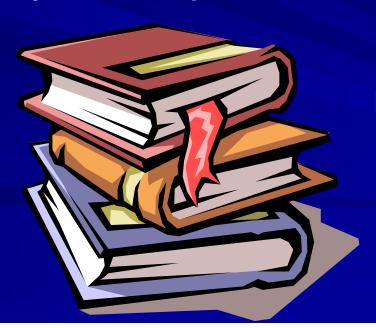
- Depending on your rating, you will typically be examined every one to three years
- Designated institutions are typically on a "large" institution cycle
- Talk to your regulator if you have questions about this

Current number of institutions with the designation

- FDIC—3
- Federal Reserve—6
- **■** OCC—34
- OTS—6
- Total—49

A designated bank's record of meeting the credit needs of its assessment area(s) under the community development test is assessed through:

- Its community development lending
- Its qualified community development investments
- > Its community development services



Community Development means

- Affordable housing for LMI individuals
- Community services targeted to LMI individuals
- Activities that promote economic development by financing farms and businesses meeting certain size limits
- Activities that revitalize or stabilize:
 - LMI geographies
 - Federally designated disaster areas
 - Distressed or underserved nonmetropolitan MI geographies

Performance Criteria

- ✓ The number and amount of community development loans (originated or purchased), qualified investments, or community development services
- ✓ The use of innovative or complex qualified investments, community development loans, or community development services
- Responsiveness to credit and community development needs

Indirect Activities

At the bank's option, will consider:

- 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)

Inside Assessment Area(s)

Will consider all qualified investments, community development loans, and community development services that benefit bank's assessment area(s) or a broader statewide or regional area

Outside Assessment Area(s)

Will consider qualified investments, community development loans, and community development services that benefit areas outside the bank's assessment area(s) if the bank has adequately addressed the needs of its assessment area(s)

Ratings are subject to contextual data, business strategy, and available resources



Ratings Reflect the Dynamic Environment

To Determine How Much is Enough, Consider:

- What's your size and what are your current constraints?
- Who's your competition and what are they doing?
- What are the needs and opportunities within the assessment area(s)?

Ratings are described as follows:

Performance is considered "Outstanding" if the bank demonstrates:

- A high level of community development loans, community development services, or qualified investments
- Extensive use of innovative or complex qualified investments, community development loans, or community development services
- Excellent responsiveness to credit and community development needs in its assessment area(s)

Performance is considered "Satisfactory" if the bank demonstrates:

- An adequate level of community development loans, community development services, or qualified investments
- Occasional use of innovative or complex qualified investments, community development loans, or community development services
- Adequate responsiveness to credit and community development needs in its assessment area(s)

Performance is considered "Needs to Improve" if the bank demonstrates:

- A poor level of community development loans, community development services, or qualified investments
- Rare use of innovative or complex qualified investments, community development loans, or community development services
- Poor responsiveness to credit and community development needs in its assessment area(s)

Performance is considered "Substantial Noncompliance" if the bank demonstrates:

- Few, if any, community development loans, community development services, or qualified investments
- **No use** of innovative or complex qualified investments, community development loans, or community development services
- Very poor responsiveness to credit and community development needs in its assessment area(s)

The Q&As clarify that a designated institution does not need to engage in all three activities (lending, investment, and service) to perform well under the community development test

Work closely with your regulator during an exam to ensure that a complete and accurate story is told—make sure your performance is adequately documented



Remember that nothing is written in stone—if you're unsure about an issue, start a dialogue with your regulator

QUESTIONS?