

# 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 firms 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?