

FEDERAL RESERVE BANK OF CHICAGO

LARGE INSTITUTION CRA COMPLIANCE

EXAMINATION OVERVIEW

The opinion expressed in the presentation is intended for informational purposes, and not formal opinions of, nor binding on, the Federal Reserve Bank of Chicago or the Board of Governors of the Federal Reserve System.

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Objectives

- Review examination asset-size thresholds and data collection and reporting requirements
- Provide an overview of the performance tests included in the Large Bank CRA examination
- Outline the Large Bank CRA rating system
- Discuss the differences between the Large Bank and Intermediate Small Bank (ISB) examinations
- Review recent CRA updates and examination resources

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Asset-Size Thresholds

- Large Bank: Any institution, that as of December 31st of both of the prior two calendar years, had assets of \$1.160 billion or greater
- Intermediate Small Bank: Any institution with assets of at least \$290 million as of December 31st of both of the prior two calendar years, but less than \$1.160 billion in either of the calendar years

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Data Collection and Reporting

Required Data

- Small Business Loans (\$1 million or less)
- Small Farm Loans (\$500M or less)
- Community Development Loans

Aggregate data is reported; data for individual loans is maintained

Optional Data – collected and maintained

- Consumer Loans
- Other Loan Data

Home Mortgage Loans

- HMDA Data

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Large Bank Performance Tests

The evaluation consists of three tests:

1. Lending Test*
2. Investment Test
3. Service Test

**The Lending Test is weighted more heavily than the Investment and Service Tests*

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Lending Test

- Lending Activity/Assessment Area Concentration
- Geographic Distribution
- Borrower Distribution
- Community Development Lending
- Innovative or Flexible Lending Practices

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Investment Test

- Dollar Amount of Qualified Investments
 - Current and Outstanding
- Innovativeness and Complexity
- Responsiveness to Assessment Area Needs
- Degree to Which Investments are not Provided by Private Investors

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Service Test

Two components:

- Retail Banking Services
 - Branch Distribution and Record of Branching Activity
 - Alternate Delivery Systems
 - Banking Products and Services
- Community Development Services
 - Requires a Provision of Financial Expertise
 - Innovativeness and Responsiveness

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Community Development Activities

- Affordable housing for low- or moderate-income individuals
- Community services targeted to low- or moderate-income individuals
- Activities that promote economic development
- Activities that revitalize or stabilize low- or moderate-income areas, designated disaster areas or distressed or underserved non-MSA middle-income areas

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Rating System

- Each of the three tests is assigned a rating
 - Individual test ratings equate to point values
- The composite rating is assigned by summing the points for each test rating
 - Must receive at least a Low Satisfactory on the lending test in order to be assigned a composite rating of Satisfactory
 - The composite rating can be no more than three times the point total assigned to the lending test

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Rating System (cont.)

Individual Test Ratings			
Ratings	Lending	Investment	Service
Outstanding	12	6	6
High Satisfactory	9	4	4
Low Satisfactory	6	3	3
Needs to Improve	3	1	1
Substantial Noncompliance	0	0	0

Composite Ratings	
Points	Composite Rating
20+	Outstanding
11 – 19	Satisfactory
5 – 10	Needs to Improve
0 – 4	Substantial Noncompliance

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Intermediate Small vs. Large Bank

Differences	ISB	Large Bank
Number of Tests	Two	Three
Key Requirement	Must pass <u>both</u> tests to receive a Satisfactory	Must pass the <u>lending test</u> to receive a Satisfactory
Lending Volume	Loan to Deposit Ratio	Lending Activity
Reporting Flexibility	Bank may elect to submit loans for community development credit that would otherwise be reported elsewhere	None
Innovative or Flexible Lending	No	Yes
Innovativeness and Complexity of Investments	No	Yes
Response to Performance Related Complaints	Yes	No

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Recent Updates

2010

- Revisions to CRA Questions & Answers
- CRA consideration for:
 - Low-cost education loans to low-income borrowers
 - Participation with minority-owned financial institutions, women-owned institutions and low-income credit unions.
 - Neighborhood Stabilization Program activities in NSP-targeted areas, including middle-income geographies

2012

- 36 month extension for CRA consideration of community development activities in Hurricanes Rita and Katrina Disaster Areas

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CRA Resources

- Large Bank Examination Procedures
 - www.ffiec.gov/cra/pdf/cra_exlarge9.pdf
- Interagency Questions & Answers
 - www.ffiec.gov/cra/qnadoc.htm
- Data Collection and Reporting
 - www.ffiec.gov/cra/guide.htm
 - www.dallasfed.org/ca/pubs/craloan.pdf
- Other Resources
 - www.dallasfed.org/ca/pubs/quickref.pdf
 - www.federalreserve.gov/newsevents/default.htm
 - www.federalreserve.gov/boarddocs/caletters
 - www.occ.gov/news-issuances/index-news-issuances.html
 - <http://www.fdic.gov/news/news/financial/>

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Questions



Contact Information
 Joe Nashar
 (312) 322-8245
joseph.nashar@chi.frb.org

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