

# DOCTOR CRA

by John Olson



Dear Dr. CRA:

*My community partners have been asking more frequently about what my bank is doing to promote financial education in our community. It's becoming a more prominent issue and quality financial education has become especially important in light of the financial crisis. I want to increase financial education activity in my community, but will I get CRA credit for it?*

Signed,  
Ready to Step Up

Dear Ready,

Let's take a look at what's in the CRA Questions and Answers document for our answer. The regulation mentions ways in which financial education activities may be considered under the Lending, Service, or Investment Tests for large institutions. For Intermediate Small Institutions, the sections on community development investment and service activities may be considered under the Community Development Test.

## Lending Test

For the Lending Test, we look to question .22(a)-1:, which asks whether there are "types of lending activities that help meet the credit needs of an institution's assessment area(s) and that may warrant favorable consideration as activities that are responsive to the needs of the institution's assessment area(s)?" One of these types of lending that warrants favorable consideration is "providing loan programs that include a financial education component about how to avoid lending activities that may be abusive or otherwise unsuitable."

## Investment Test

For the Investment Test, we look to question .12(t)-4, which lists examples of qualified community development investments. One of the examples listed is contribution to "not-for-profit organizations serving low- and moderate-income housing or other community development needs, such as counseling for credit, homeownership, home maintenance, and other financial literacy programs."

## Service Test

For the Service Test, we look to question .12(i)-3:, which lists examples of community development services. A couple of the examples include references to financial education:

- Providing credit counseling, homebuyer and home-maintenance counseling, financial planning or other financial services education to promote community development and affordable housing, including credit counseling to assist low- or moderate-income borrowers in avoiding foreclosure on their homes;
- Establishing school savings programs or developing or teaching financial education or literacy curricula for low- or moderate-income individuals.

As you can see, there are several ways to get involved in financial education as you prepare your CRA program, but there are a few things to keep in mind:

- Remember that the definition of community development focuses on low- and moderate-income individuals, so you'll want to focus on these populations as you develop your own program or select community partners.
- In order to have your financial education activities considered as "responsive" lending activities, which don't have the same income restrictions as the community development activities, you'll want to make sure that you're pairing your lending with education that equips borrowers with information that will help them avoid abusive lending practices.

And, as always, if you're not sure about how your program will be considered in your CRA exam, don't be afraid to consult your supervisor while you're developing your program!