North Carolina Housing Conference

Leveraging the Community Reinvestment Act:

Partnerships between Banks and Affordable Housing Stakeholders

Victor Galloway, Community Affairs Specialist

FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

Presenter

Victor Galloway,
Community Affairs Specialist



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Presentation Objectives

- Increase awareness of the Community Affairs Program
- Increase awareness of the purpose of the Community Reinvestment Act and key definitions
- Share examples of how nonprofits, community-based organizations, and other stakeholders can work with financial institutions to expand community and economic development

WHO WE ARE and WHAT WE DO

FDIC Community Affairs Program

- Provide information and technical assistance to banks to help them respond to the credit and banking needs of the communities they serve;

- Convene banks, state and local governments, and community-based organizations to explore resources and promising practices to expand access to banking relationships and financial services
- Promote collaborations among financial institutions and national, regional, and local organizations to advance economic inclusion and support community development projects, including those in low- and moderate-income markets
- Promote the use of financial education tools and initiatives that expand economic inclusion and financial well being

Economic Inclusion for All US Households



CREATE AND SUSTAIN FOUNDATIONAL BANKING RELATIONSHIPS

Establish an on-ramp to the U.S. financial system, setting the stage for future financial success.



ACHIEVE A SECURE FINANCIAL FUTURE

Build household wealth through investments that can foster savings and accumulate value over time.



BUILD HOUSEHOLD FINANCIAL STABILITY

Help households save and increase access to consumer credit to better manage ongoing and emergency expenses.



LIVE IN STRONG AND HEALTHY COMMUNITIES

Encourage bank lending, investments, and services that support strong and healthy communities, including low- and moderate-income (LMI) neighborhoods and other underserved communities.

Affordable Mortgage Lending Center

FDIC FEDERAL DEPOSIT INSURANCE CORPORATION ABOUT RESOURCES ANALYSIS NEWS

- Affordable Mortgage Lending Center Home
- CRA Related Information
- Activities and Events
- Mortgage Rules Videos
- Money Smart Financial Education Tools
- Archive: Affordable Mortgage Lending Guide >

Mortgage Lending

Mortgage lending is an important element of many community banks' business and Community Reinvestment Act (CRA) strategies. The FDIC's Affordable Mortgage Lending Center is designed as a resource for community banks to help them compare a variety of current affordable mortgage programs and to identify the next steps if they seek to expand or initiate affordable mortgage lending. Offering affordable mortgage loans to a wide range of customers can deepen bank customer relationships and provide an important pathway for borrowers to own their own homes and participate in the mainstream banking system.



FEDERAL AGENCIES AND GOVERNMENT SPONSORED ENTERPRISES PROGRAMS & PRODUCTS

Includes guarantee, loan purchase, and subsidy programs that can facilitate

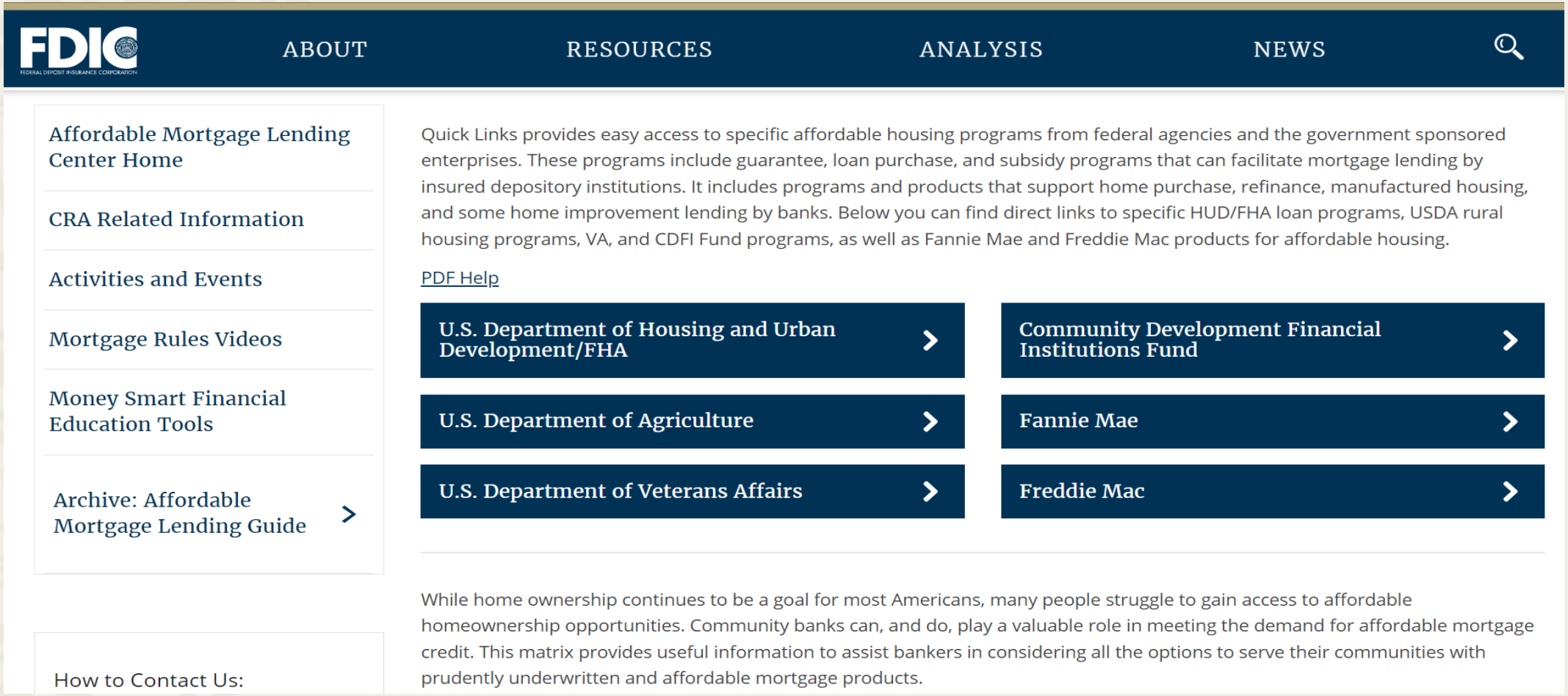


STATE LINKS FOR HOUSING FINANCE AGENCIES

State Links provide easy access to specific affordable housing programs and products offered by each State Housing Finance

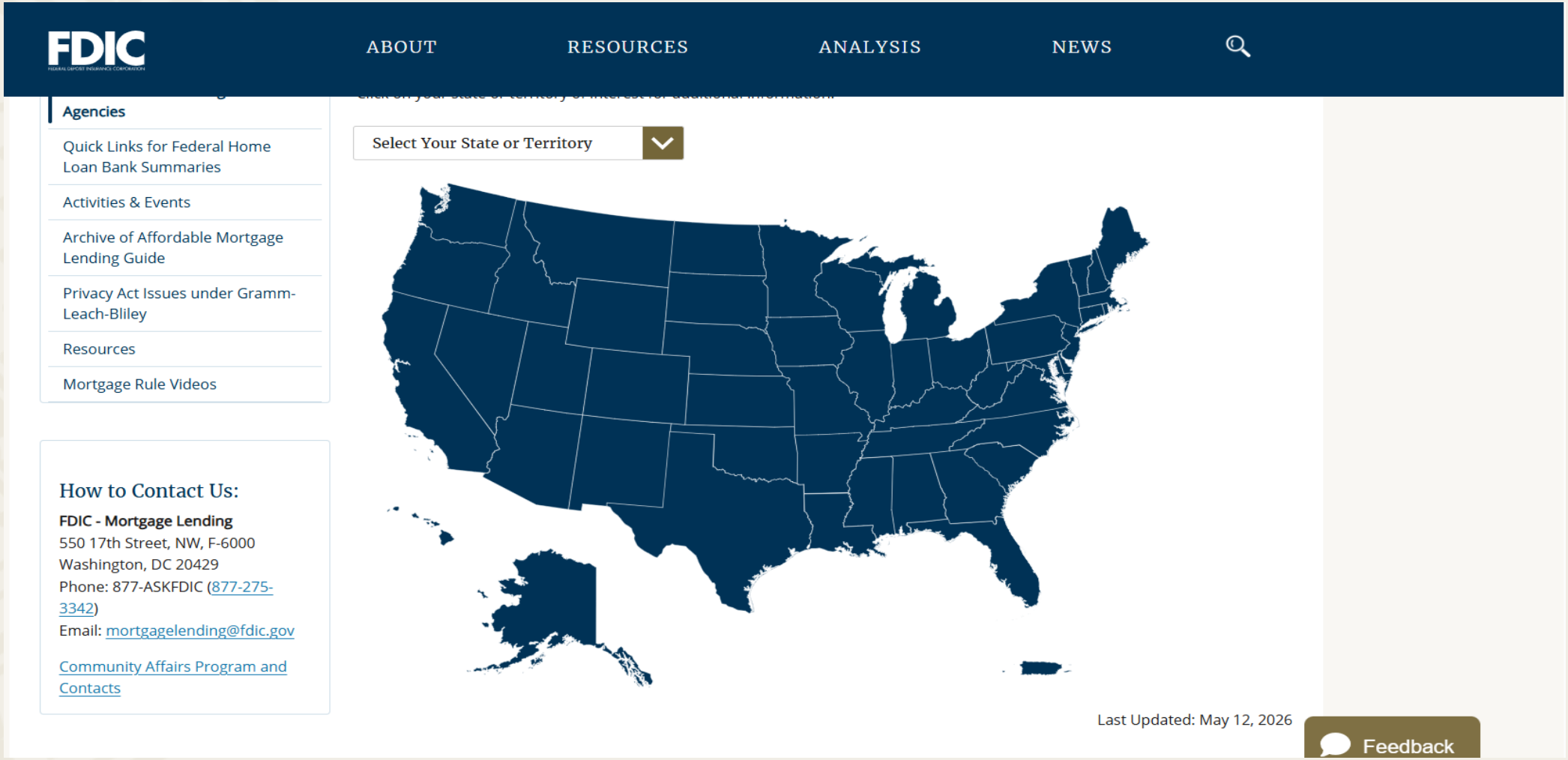
Source: [Affordable Mortgage Lending Center | FDIC.gov]

Federal Agencies and Government Sponsored Enterprises Programs & Products



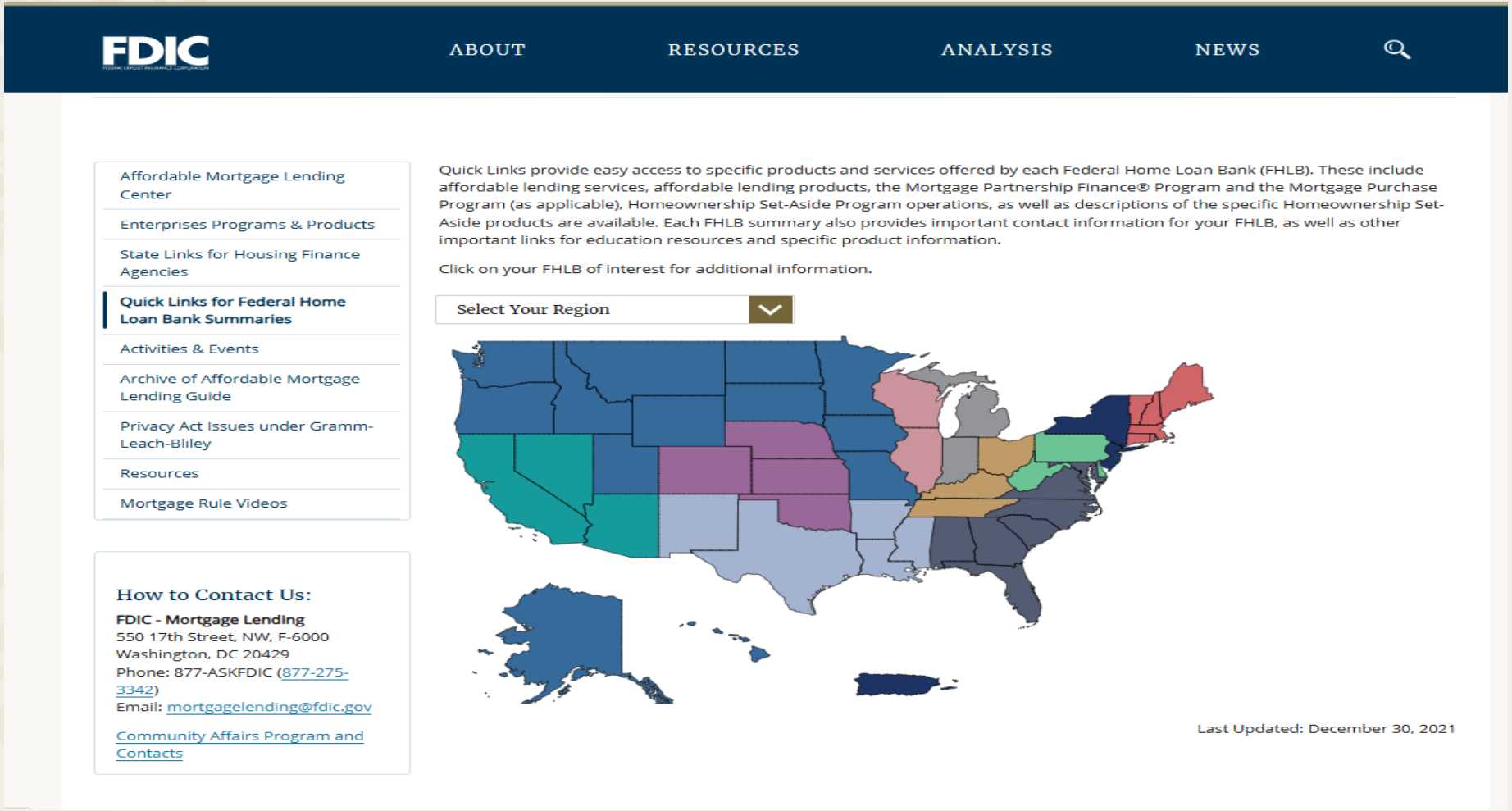
Source: [Federal Agencies and Government Sponsored Enterprises Programs & Products | FDIC.gov]

State Links for Housing Finance Agencies



Source: [State Links for Housing Finance Agencies | FDIC.gov]

Quick Links for Federal Home Loan Bank Summaries



Source: [Quick Links for Federal Home Loan Bank Summaries | FDIC.gov]

Banks and Community Organization Resources



Source: [Resources | FDIC.gov]

Consumer Resource Center: Mortgages

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ABOUT RESOURCES ANALYSIS NEWS

- Consumer Resource Center
- Economic Inclusion
- Alliance for Economic Inclusion
- Consumer Assistance Topics
- Consumer News
- Consumer News en Español
- Money Smart
- Small Business Topics
- Upcoming Community Affairs Events

When Applying for Your First Mortgage, Loan Information is Key

Shopping for a mortgage is, in some ways, like shopping for a car or other large item-- the price and terms may be negotiable. To get the best deal, you should compare all the costs involved in obtaining a mortgage. Shopping, comparing, and negotiating may save you thousands of dollars.

This guide will help you understand mortgage terms, provides tips for obtaining the best terms, explains consumer protections, and provides other useful information for consumers who are looking for the best home loan deal.

- Mortgage Basics
- Consumer Protections on Mortgages



CRA Basics: Purpose and Key Definitions

Outline

- CRA Basics: Purpose and Key Definitions
- Community Development Examples for CRA
- Performance Context
- Bank Partnerships

The Community Reinvestment Act

CRA was enacted in 1977 to encourage regulated financial institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods, consistent with safe and sound banking operations.



Understanding CRA

Banks engage in a variety of lending, investment, and service activities in their communities to respond to credit and community development needs.

Banks provide their CRA activities to regulators to demonstrate responsiveness in meeting those needs.



Federal Agency Evaluations of CRA

Type	Regulator
State-chartered banks and savings associations that are not members of the Federal Reserve System	Federal Deposit Insurance Corporation FDIC
State-chartered banks that are members of the Federal Reserve System	Federal Reserve System – a Federal Reserve Bank
National banks and federal savings associations	Office of the Comptroller of the Currency Office of the Comptroller of the Currency
Credit unions	N/A. A state law similar to CRA may apply.

Key Terms & Definitions

- Median Family Income (MFI)
- Low- and Moderate-Income (LMI)
- Assessment Area (AA)

Exam Process

- Exam date is set and published by the regulatory agency
  - Opportunity for public to comment on community needs and bank performance
- Examiners conduct the review
- Public Evaluation (PE) is completed and made available to the public

Evaluating CRA Performance, #1a

Bank Lending Test Activities – Small and Intermediate Small Banks

- Loan-to-Deposit Ratio
- Assessment Area Concentration
- Geographic Distribution of Loans
- Borrower's Profile
- Response to Substantiated Complaints

Evaluating CRA Performance, #1b

Bank Lending Test Activities – Large Banks

- **Lending Test**
  - ❑ Lending Activity
  - ❑ Geographic Distribution
  - ❑ Borrower Characteristics
  - ❑ Community Development Lending
  - ❑ Use of Innovative or Flexible Lending Practices

- **Investment Test**
  - ❑ # and $ of Qualified Investments
  - ❑ Innovative and Complex
  - ❑ Response to Available Opportunities

- **Service Test**
  - ❑ Retail Banking Services
  - ❑ Community Development Services

Evaluating CRA Performance, #2

Bank Community Development Activities

- Loans
- Investments, including grants and in-kind donations
- Services

How Banks are Rated for CRA

Rating	Description
• **Outstanding**	• An outstanding record…
• **Satisfactory**	• A satisfactory record…
• **Needs to Improve**	• Needs to improve its overall record…
• **Substantial Noncompliance**	• Substantially deficient record…

….of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Bank Community Development Activities in CRA

Loans, Investments, and Services for:

- Affordable **housing** for LMI individuals
- Community **services** for LMI individuals
- Promoting **economic development** by providing financing for small businesses or farms
- **Revitalizing** or **stabilizing**:
    - LMI geographies,
    - Distressed or underserved nonmetropolitan middle-income geographies, or
    - Designated disaster areas

Community Development Examples for CRA

Examples: Community Development Loans

- Borrowers that rehabilitate or construct affordable housing LMI people
- Borrowers that construct or rehabilitate community facilities that are located in LMI geographies or that primarily serve LMI individuals
- Nonprofit organizations primarily serving LMI populations or meeting community development needs
- Local, state, and tribal governments for community development activities

Examples: Qualified Investments

Investments, grants, deposits, or shares in/to:

- Financial Intermediaries including:
  - Community Development Financial Institutions (CDFIs)
  - Community Development Entities (CDEs)
  - Community Development Corporations (CDCs)
  - Minority- and Women-Owned Financial Institutions
  - Community Loan Funds
  - Low-Income or Community Development Credit Unions
- Low-Income Housing Tax Credits
- New Market Tax Credits

More Examples of Qualified Investments

Investments, grants, deposits, or shares in/to:

- Organizations engaged in affordable housing rehabilitation and construction, including multi-family rental housing
- Organizations serving LMI housing or other community development needs, such as counseling for credit, homeownership, home maintenance, and other financial literacy programs
- Facilities that promote community development by providing community services for LMI individuals, such as youth programs, homeless centers, soup kitchens, healthcare facilities, battered women's centers, and alcohol and drug recovery centers (if they promote community development by providing community services for LMI individuals)
- Organizations supporting activities essential to helping LMI individuals or geographies to sustain economic development, such as daycare facilities and job training programs that enable LMI individuals to work

Examples: Community Development Services

- Serving on the board of directors of an affordable housing-related organization
- Technical assistance to community development organizations
- Technical assistance to nonprofits, tribal, or government organizations serving LMI or economic revitalization and community development needs

More Examples of Community Development Services

"**Technical Assistance**" includes:

- Serving on a loan review committee
- Developing loan application and underwriting standards
- Developing loan-processing systems
- Developing secondary market vehicles or programs
- Assisting in marketing financial services, including development of advertisements, promotions, publications, workshops, and conferences
- Furnishing financial services training for staff and management
- Contributing accounting/bookkeeping services

Bank Partnerships

Bank Partnerships: Bank Perspective

Factors banks consider in CRA partners:

- Capacity
- Proven Performance
- Sustainability
- Assessment and Responsiveness
- Innovation
- Target Market Penetration
- Recordkeeping and Accountability
- Reputation

Bank Partnerships: Regulatory Impact

- Impact Bank's Long-Term Strategy by:
  - Preventing bank from opening new branches,
  - Merging with another bank, or
  - Acquiring another bank

Bank Partnerships: How to Get Started

- Go to the FDIC.gov (Resources > Data Tools > BankFind Suite) to identify the banks that operate in your area.
- Introduce yourself to bankers at outreach events or call the bank to identify a contact in your area or reach out to whom your organization banks with.
- Develop relationships with area banks to understand and assess whether there is mutual alignment between your goals and priorities.
- Consider why the bank would want to partner with you, and how you can help the bank achieve its goals.
- Grant funding is oversubscribed and very competitive. However, banks have substantial capital available to lend and invest.
- If you do partner with a bank, follow-up on impact and outcomes created.

Resource Summary

FFIEC | www.ffiec.gov/cra

- One-stop for CRA ratings, exam schedules, and data

FDIC | www.fdic.gov

- Deposit Insurance, BankFind, Industry Analysis, Deposit Market Share Report
- Banker Resource Center: Community Reinvestment Act (CRA)
- Economic Inclusion

OCC | www.occ.gov

- OCC CRA
- Community Affairs Publications

Federal Reserve Bank of San Francisco | www.atlantafed.org/

- www.fedcommunities.org – FRB system research publications

Thank You!

Victor Galloway

vgalloway@fdic.gov

Community Affairs General Mailbox:
ATLCommunityAffairs@fdic.gov