

The Exam Process

Objectives

Upon completion of the CRA exam overview, you should:

- Understand CRA exam types;
- Understand CRA ratings;
- Understand the steps examiners and CRA Officers take to prepare for a CRA evaluation.

Exam Types

- Small bank
- Intermediate small bank (ISB)
- Large bank
- Wholesale and Limited Purpose
- Strategic Plan



Small Bank

- Banks with assets under \$290 million
- Lending Test:
 1. Loan to deposit ratio
 2. Lending in and out of the assessment area
 3. Distribution of loans by geography
 4. Distribution of loans by borrower income
 5. Responses to CRA complaints



Intermediate Small Bank (ISB)

- Banks with assets of at least \$290 million and \$1.160 billion
- Evaluated under the traditional small bank lending test **PLUS** a community development test
 - CD activities should be responsive to community needs



Large Bank

- Assets of \$1.160 billion or more
- Exam criteria:
 - Lending
 - Investments
 - Services

Evaluations

- An ISB bank must be rated Satisfactory on BOTH the traditional small bank lending test AND the CD test in order to achieve an overall Satisfactory rating
- Any small bank or intermediate small bank may opt to be evaluated under the large bank test

Technical Requirements

- CRA Public Notice
- Public File
- Delineation of Assessment Area



CRA Public Notices

- Must be displayed in the public lobby of each of its offices
- Details the public's right to review the institution's file and CRA-related comments.
- § __.44



Public File

- Full file
 - At the main office
 - At one office in each state
- Limited file at branch locations
 - Provide all information relative to the branch's assessment area within five days of request

Public file for all institutions

- All written CRA related comments for the current year and two previous years
- The most recent public evaluation 🏛️
- List of all branches - address and geographies
- List of services 🏛️
- Map of Assessment Area(s)
- Last two years HMDA Disclosure Statement



Public File -

Additional Requirements for Small Institutions

- Loan to deposit ratio for each quarter of the prior calendar year
- Information required by other institutions if it has chosen to be evaluated under the lending, service and investment tests



Pop quiz

- As a community-based organization, I don't have a role in the CRA exam process.

Overall Ratings

- Outstanding
- Satisfactory
- Needs to Improve
- Substantial Noncompliance

- Ratings “roll-up”



Overall Ratings – Large Bank

- Component ratings assigned a numerical value
- Composite rating is the sum of the numerical value of the component ratings
- Must receive at least a Low Satisfactory on the lending test to get an overall rating of Satisfactory or better

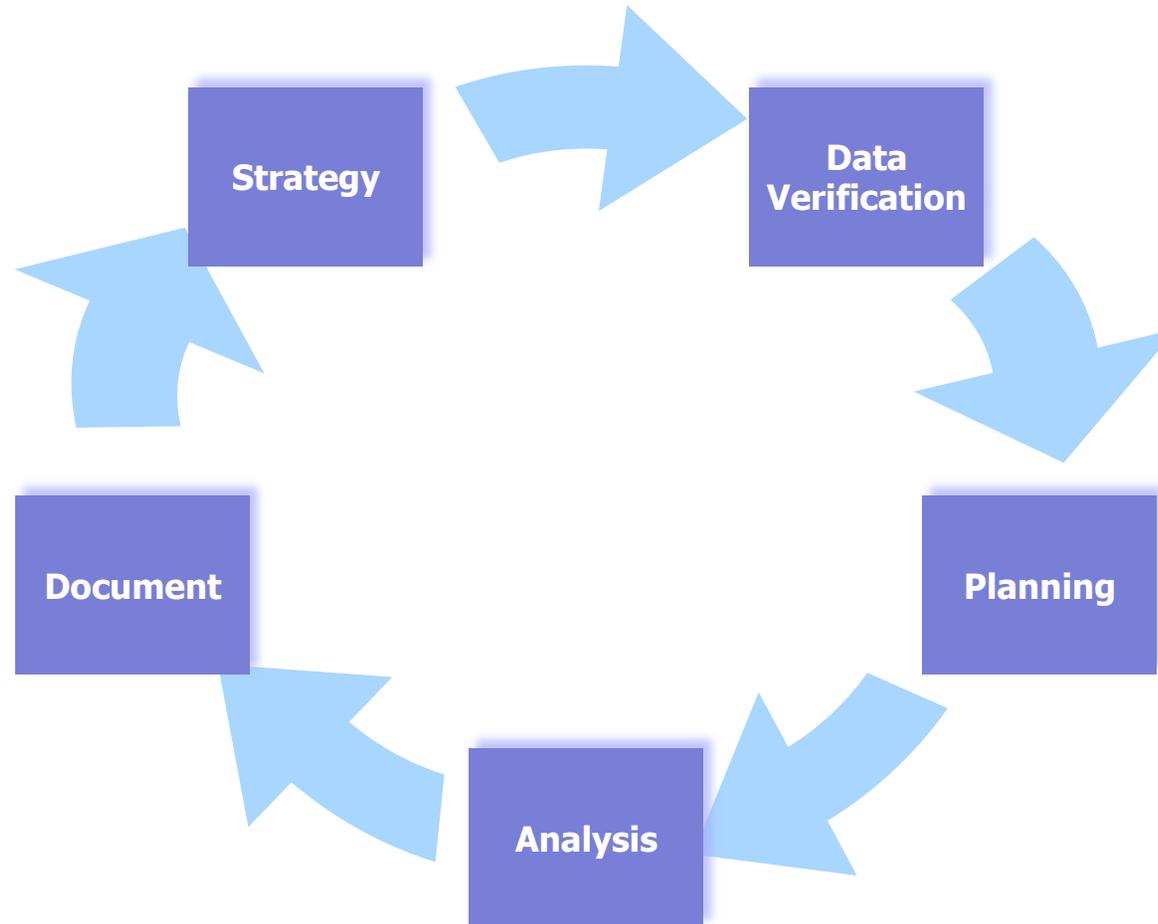
Public Evaluation

- Prepared by the agencies
- Exit discussion with Mgmt
- Exam completed and final ratings assigned and discussed with Mgmt
- Published on Agencies, FFIEC web site.
- Made available to the public on request

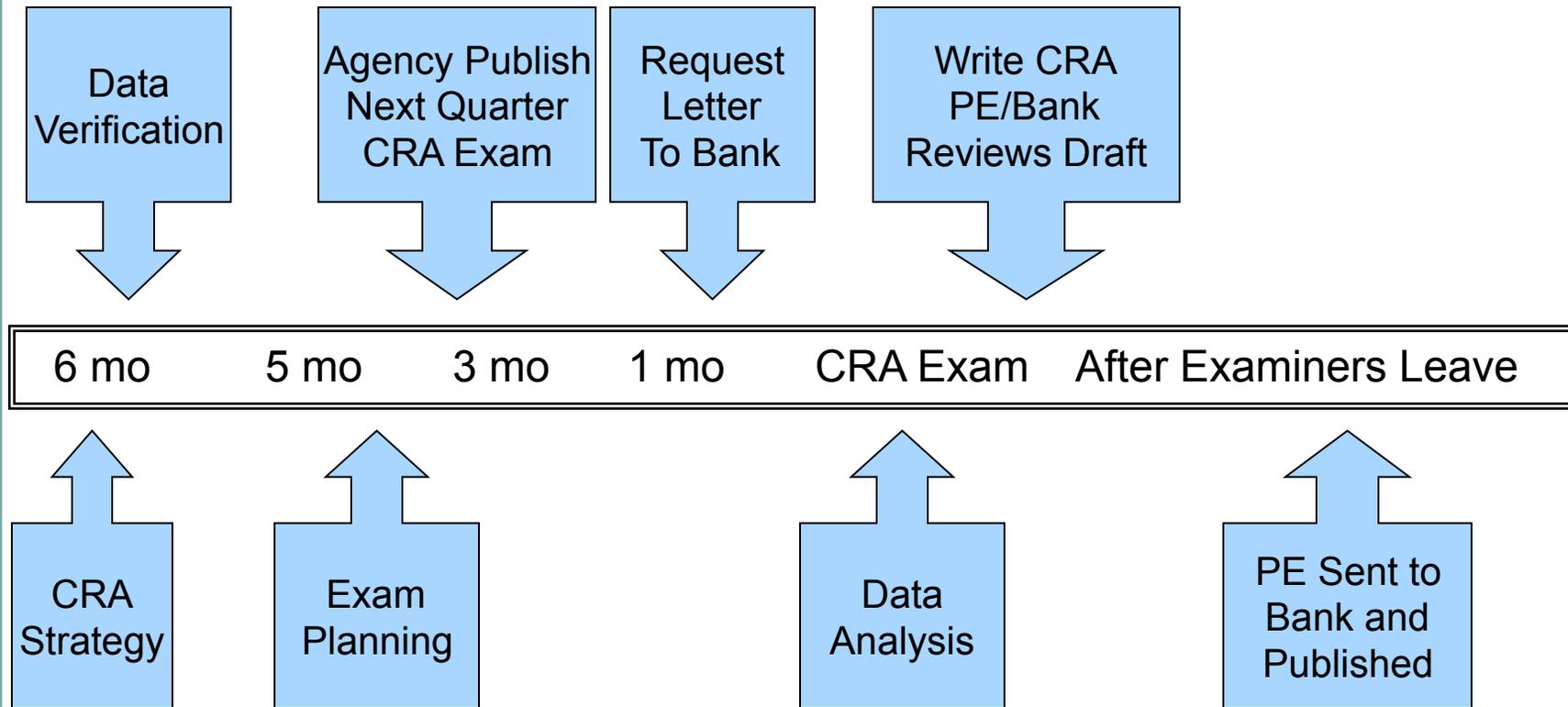
Why are CRA Ratings Important?

- Regulators must take into account the bank's record of helping to meet the community credit needs when considering any corporate or licensing action.
 - Examples include:
 - branching, mergers, acquisitions, consolidations

CRA Exam Cycle



Examiner Steps



CRA Officer Steps

- Review Exam Request Letter
- Know their bank's AA(s)
- Check CRA public files to make sure information is up to date
- Perform a self assessment (not required)
- Document any important performance context issues – ensuring that the bank understands its market



More CRA Officer Steps

- Document all items to be considered for community development credit
- Know the bank's primary products
- Prepare a communication plan—
 - either one bank liaison, or
 - a list of bank contacts



Questions

