Developing Banking Partnerships

CRA for Community Based Organizations
Federal Reserve Bank of St. Louis
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Steps to Partnerships

• Understand CRA
• Understand the local market
• Understand local banks
• Identify your sources of influence
• Talk with bankers
Motives of Bankers for Partnering:

- Welfare of the community and the bank
- Market Share
- Income
- Risk Mitigation
- Reputation
- Community Reinvestment Act
Concentric Circles of Opportunity

- Actual Market Share
- Market Share Available with Extra Effort
- Deals Bankable if Enhanced
- Universe of Economic Needs
Understand CRA: Definition of Community Development

- **Affordable housing** for low- or moderate-income (LMI) individuals
- **Community services** for LMI individuals
- Promoting **economic development** by providing financing for small businesses or farms
- Revitalize or stabilize certain geographies
- Activities that support “eligible uses” under the **Neighborhood Stabilization Program (NSP)**
Banks undertake three types of community development activities:

- CD Loans
- CD Investments*  
- CD Services

* a/k/a “Qualified Investments”
Understand CRA: Aligning Banks with CD Activities

- Large Banks ($1.16B+)
- Intermediate Small Banks ($290MM - $1.26B)
- Wholesale & Limited Purpose Banks
- Small Banks (<$290MM)

- CD Loans
- CD Investments
- CD Services
Understand CRA: CD Evaluation Factors

- “Primary Purpose”
- Geography: Bank’s AA or broader regional area that includes the bank’s AA(s)
- May be direct or indirect
- Quantitative Assessment: # and $
- Qualitative assessment:
  - Responsiveness
  - Degree provided by private investors
  - Innovative and complex (for large banks)
Understand CRA: Sources

• You’re here
• Ask the regulators
• Your CD associates
• CD trade associations
• www.FFIEC.gov
• Q&A on CRA
Understand the Market:
Ascertain Credit & CD Needs

- Economy
- Demographics
- Housing conditions
- Business demographics
- Financial services providers
- Public and private investment
- Sources of support and subsidy
Understand Local Banks

• What sizes are they?
• What geographies do they serve?
• Who are their customers?
• Who are their competitors?
• What are their CD activities?
Understand Local Banks: Sources of Information

- CRA Public Evaluations
- HMDA & CRA Data
- Uniform Bank Performance Report
- FDIC Summary of Deposits
- FDIC Institution Directory
- FRB National Information Center
- CRA examination schedules
- Notices of applications
Developing Effective Partnerships

• Is there significant community support for your idea or initiative?
• Can you help the bank reach new customers?
• Is your proposal consistent with the bank’s business model?
• Can you provide publicity for the bank?
• Is your proposal appropriate for your organization’s financial condition?
• Do you have a strong leadership team and business plan?
Partnership Examples

- Loans, accounts and other services
- Customer sharing and referrals
- Loan layers and participations
- Investments
- Donations
- Operations and governance
Talk to the Regulators

• Public File in each bank
• Comment to the agencies on:
  – Credit and financial services needs
  – CD needs and opportunities
  – Bank performance
  – Your relationships with banks
  – Applications
  – Changes in regulations
  – New issues
Questions or Comments?

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