

Community Reinvestment Act (CRA)



Overview

- The Community Reinvestment Act was enacted in 1977 to encourage financial institutions to meet the credit needs of the communities where they are chartered. The appropriate federal regulatory agency assesses the bank's level of performance and then takes that record into consideration when evaluating the bank's application for new deposit facilities.
- CRA has gone through many changes since 1977. Public awareness of CRA has grown steadily since 1980 and community groups have used this law successfully to encourage banks to provide grants and special loan programs at favorable rates.

Exam Performance Evaluation



A small bank's performance is evaluated using a regulatory defined lending test. Procedures are streamlined with less record keeping and no regulatory reporting.

An intermediate small bank's performance is evaluated using the regulatory defined small bank-lending test plus a regulatory defined community development test.

Large banks are evaluated using a regulatory defined large bank lending test, investment test, and service test.

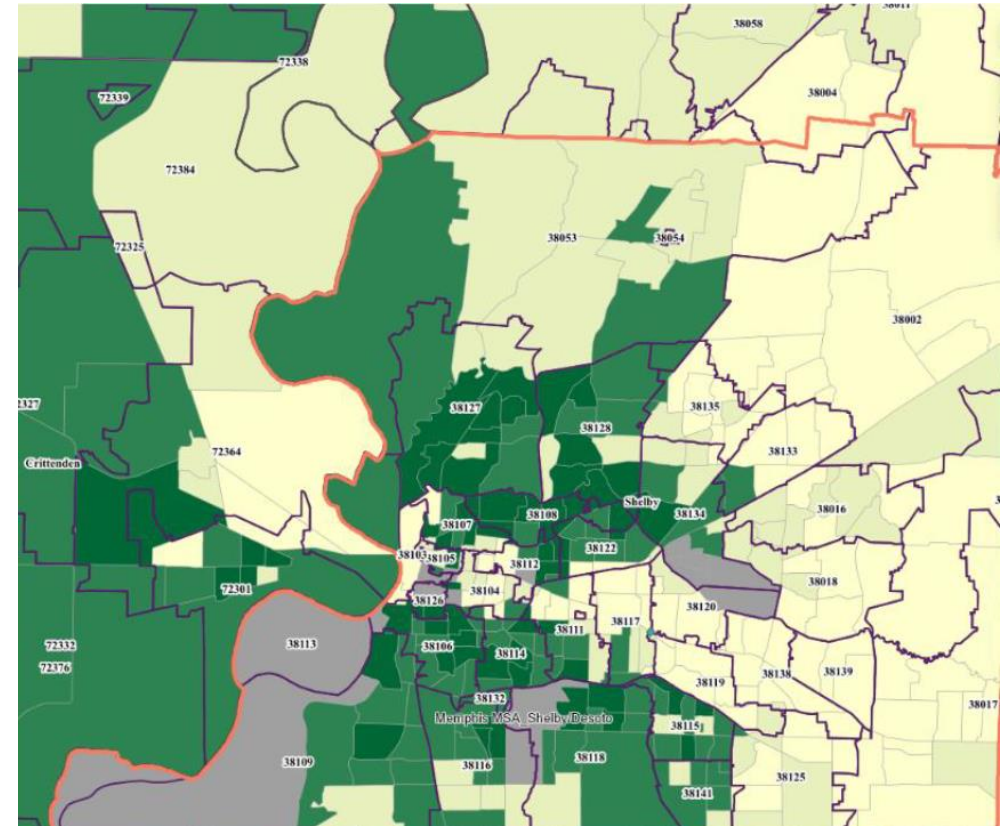
LENDING

Borrower & Geographic Distribution

Measures how well the bank has met credit needs for Low- and Moderate-Income (LMI) individuals and small businesses (including small farms)

Measures how well loans are distributed throughout the bank's assessment areas

The regulators compare the bank's performance to demographic information and peers. The regulators only look at loans in the bank's assessment area



Defining Community Development

- Affordable housing for LMI individuals
- Community services for LMI individuals
- Activities that promote economic development by providing financing for small businesses or small farms
- Activities, that revitalize or stabilize LMI geographies, distressed or underserved non-metro middle income areas, or designated disaster areas



The Three
Types of
Community
Development

COMMUNITY
DEVELOPMENT LOANS

QUALIFIED INVESTMENTS

COMMUNITY
DEVELOPMENT SERVICES

Community Development Loans

United Housing Inc. (UHI), is a nonprofit housing provider. Working with the Orange Mound Community Association, UHI will be developing new homes in the Orange Mound community.

Banks assist with these initiatives by providing loans to pay:

- fees and expenses in connection with the Facility,
- finance the construction of the properties,
- provide gap financing for both temporary financing needs and the difference between the cost of the project and the estimated sales price of the residential units.



EXAMPLE OF EVENING ROSE HOUSE

**Semmes Lot
Development
Public Meeting**

**My Cup of Tea
3027 Carnes Ave
Feb. 25th @
2:30PM**



EXAMPLE OF MERIGOLD COTTAGE

Qualified Investments



- Remember, primary purpose is always Community Development!
- When you think of “qualified investments” think about.....
 - Investments
 - Grants
 - Deposits
 - Shares

Our Mission

Working together to facilitate new solutions that bring racial equity to homeownership.

CONVERGENCE
UNITING FOR
HOUSING AFFORDABILITY **MEMPHIS**

Our Purpose

- CONVERGENCE Memphis is a partnership with the Mortgage Bankers Association and the Tennessee Housing Development Agency, which was created to *advance the mission of increasing Black homeownership in the Memphis area.*



Education & Counseling

Community Development Services

Questions to ask to determine if a service qualifies?

- The community service is offered by a nonprofit organization that is located in and serves a low- or moderate-income geography.
- The community service is targeted to the clients of a nonprofit organization that has a defined mission of serving low and moderate-income persons, or, because of government grants, for example, is limited to offering services only to low or moderate-income persons.
- The community service is conducted in a low- or moderate-income area and targeted to the residents of the area.



CRA Rating

The CRA rating reflects the regulatory agency's conclusion on how a bank is helping meet its responsibilities within its delineated assessment areas. An institution may receive one of the following overall CRA ratings:

- Outstanding
- Satisfactory
- Needs to Improve
- Substantial Noncompliance

The overall rating is determined by the rating assigned to each of the individual areas or tests (depending on the tests within the bank's size).

Consequences of Failing to Follow the CRA Requirements

Federal regulators can deny banks that receive a less than Satisfactory CRA rating permission to merge with or purchase other banks or open new branches until performance improves.

