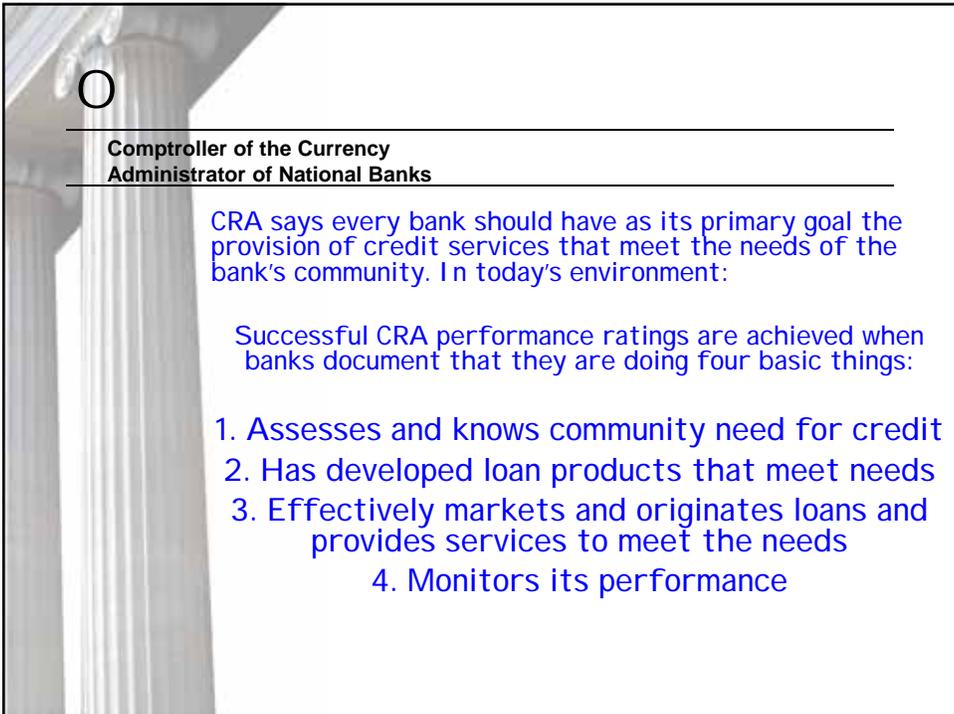


O

Comptroller of the Currency
Administrator of National Banks

CRA in the Changing Economic Environment



O

Comptroller of the Currency
Administrator of National Banks

CRA says every bank should have as its primary goal the provision of credit services that meet the needs of the bank's community. In today's environment:

Successful CRA performance ratings are achieved when banks document that they are doing four basic things:

1. Assesses and knows community need for credit
2. Has developed loan products that meet needs
3. Effectively markets and originates loans and provides services to meet the needs
4. Monitors its performance

O

Comptroller of the Currency
Administrator of National Banks

Step 1. Understand CRA Performance Evaluation Criteria (i.e. SB v. I SB criteria)

Step 2. Assess bank performance context

Step 3. Assess community credit needs

Step 4. Match bank products, services with community credit needs

Step 5. Develop performance and rating objectives and monitoring procedures

Understanding Performance Context

- **Know your Institution:**
 - » Know bank business strategy, products, services
 - » Know how they compare to other institutions
 - » Know what role bank plays in the market
 - » Know similarly situated institutions
 - » Know your competitors





Understanding Performance Context

- Identify and build on bank capacity, strengths and business model
- Analyze your bank's loan to deposit ratio and HMDA and Small business data
- Track economic and demographic trends



Understanding Performance Context

- Know your Assessment Area
 - » Know your geographic area, boundaries, demographics
 - » Understand the credit implications of your local demographics
 - » Know the economic trends
 - » Know resources that exist in the community
 - » Know CD groups with a mission that aligns with bank's
 - » Know how the resources to help the bank manage risks





Step 2-

Assess Bank Performance Context

- Identify and build on bank capacity, strengths and business model
- Analyze your bank's loan to deposit ratio and HMDA and Small business data
- Track economic and demographic trends



Step 2-

Assess Bank Performance Context

- Develop a peer analysis of similarly situated institutions
- Read local revitalization plans,
- Catalogue CD opportunities to lend, invest or provide services





Step 3-

Assessing Community Credit Needs

- Review written reports and publications on credit needs and programs to serve LMI families
- Community Contacts
 - » Develop relationships with community groups, CD practitioners, local and state government officials, small business advocates
- Explore needs of the least-served LMI areas
- Competitive Analysis
 - » What are other banks doing?



Step 4 -

Matching Bank Products, Services with Community Credit Needs

- Identify gaps in lending and service by
 - » borrower income
 - » business size
 - » geography
 - » Products
- Compare and contrast LMI bank products and services with those provided to best served areas.





Step 5 -
Develop CRA Performance Goals, Objectives

- **Integrate CRA strategy into bank business plan**
 - » How will CRA strategy enhance bank business plan?
 - » How will CRA strategy support bank growth?
 - » How will CRA strategy affect bank business decisions?
 - » How will strategy impact bank marketing activity?



Step 5-
Develop CRA Performance Goals and Objectives

- **Performance Goals:**
 - » **Lending**
 - Mortgage Lending (Consumer-optional)
 - Commercial / Small Business Lending
 - Community Development Lending
 - » **Investments**
 - Qualified Community Development Investments
 - » **Services**
 - Qualified Community Development Services





Step 5 -

Develop CRA Performance Goals, Objectives

- Look at process for internal inefficiencies and obstacles!
- Consider establishing goals for business units and staff within each unit
 - » Review and adjust incentive and compensation plans
 - » Devote sufficient resources to CD activity
 - » Allow time for products marketing and delivery mechanisms and be patient and allow time for relationships to mature.

13



Step 5

- CRA Goals and Objectives

- Understand and communicate the role and function of CD activities
 - » CD products generate revenue
 - » CD risks can be mitigated and managed
 - » CD products complement bank product lines
 - » CD initiatives involve specialized knowledge
 - » CD initiatives can expand bank's market

14



ACTION STEPS

- Develop a performance context team;
- Develop strategy to maintain contact with various sectors of the community;
- Utilize the local resources and visit community leaders that provide a source for information on credit needs
- Finally, once you have developed your performance context keep it updated.