

A blue-tinted photograph of the Federal Reserve Building in Washington, D.C. The building is a grand neoclassical structure with a prominent portico supported by columns. An American flag flies on a tall pole in front of the building. The sky is a clear, bright blue.

Perspectives from Main Street: Stakeholder Feedback on Modernizing the Community Reinvestment Act

June 2019



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Overview

The Community Reinvestment Act (CRA) regulations are a critical tool for encouraging investment in low- and moderate-income (LMI) communities and promoting economic development. However, much has changed since the CRA was enacted in 1977—including technology-driven innovations in financial services. The Federal Reserve and other federal banking regulators are engaged in efforts to strengthen and modernize the CRA. As part of this process, the Federal Reserve System¹ has sought feedback from a variety of groups—including bankers and local community groups.

The Federal Reserve's CRA Role

The CRA requires the Federal Reserve and other federal banking regulators to encourage financial institutions to help meet the credit needs of the communities in which they do business, including LMI neighborhoods.

The Federal Reserve supervises state member banks for CRA compliance.² To carry out its role, the Federal Reserve

- examines state member banks to evaluate and rate their performance under the CRA;
- considers banks' CRA performance in context with other supervisory information when analyzing applications for mergers, acquisitions, and branch openings; and
- shares information about community development techniques with bankers and the public.

¹ The Federal Reserve System is composed of the Federal Reserve Board of Governors in Washington, D.C., and the 12 Federal Reserve Banks around the country.

² State member banks are state-chartered banks that have applied for and been accepted to be part of the Federal Reserve System. The Board engages in rulemaking around the CRA and oversees the Reserve Banks in their roles related to CRA examinations and community development.

For more information on the Federal Reserve's CRA responsibilities and the institutions it supervises under the CRA, visit https://www.federalreserve.gov/consumerscommunities/cra_about.htm.

Gathering Stakeholder Feedback

The CRA is a complex regulation, and the Federal Reserve believes that nuanced perspectives from multiple channels are vital to preserving what is best about the CRA while maximizing its relevance and impact. Reviewing comments via proposed rulemaking is one channel—and Federal Reserve staff have read the nearly 1,500 comments that were submitted in response to an Advanced Notice of Proposed Rulemaking on reforming the CRA regulatory framework issued by Office of the Comptroller of the Currency in 2018.³ Hearing from stakeholders in person is another channel—and an important one. Between October 2018 and January 2019, the Federal Reserve Board of Governors and the Reserve Banks hosted 29 roundtables around the country to gather stakeholder feedback on the current state of the CRA and potential revisions to the CRA regulation. Over 400 bankers and community group members attended these roundtables. The Federal Reserve also invited representatives of other banking regulatory agencies to attend. Roundtables were held in both urban and rural geographies, in diverse locations such as Lynchburg, Virginia; Dallas, Texas; San Juan, Puerto Rico; Rapid City, South Dakota; and Salt Lake City, Utah. For a full list of the roundtable dates, locations, and attendee groups, see [appendix A](#).

This report summarizes feedback received during the Federal Reserve's roundtable outreach initiative. The views of roundtable participants provided in this report are offered without taking a position or com-

³ The notice is available at <https://www.occ.gov/news-issuances/news-releases/2018/nr-occ-2018-87a.pdf>.

menting on the feasibility, legal permissibility, or likelihood of making any of the suggested changes.

Each roundtable consisted of a small group of regional bankers and/or community stakeholders and was facilitated by Federal Reserve staff from the Community Development and Consumer Affairs departments. All roundtables used a consistent set of questions (refer to [appendixes B](#) and [C](#), respectively, for questions posed to community groups and bankers).

Topics covered during the roundtables, and addressed in the next section, included the following:

1. Assessment Areas
2. CRA in Underserved Communities
3. Performance Test Structure
4. Evaluating Performance
5. Defining Community Development Activities
6. Additional Comments

Roundtable Feedback by Topic

Given the number of roundtables, capturing the total breadth of feedback received in a summary document is difficult. However, this report attempts to summarize common themes mentioned by participants while capturing unique suggestions for CRA reform. This section highlights participant feedback by topic.

Assessment Areas

Currently under the CRA, a bank's assessment area is based on geography: where a financial institution has its main office, branches, and deposit-taking automated teller machines (ATMs). There was general agreement among roundtable participants that the regulation needs to be updated due to the changing landscape of financial services and the increasing use of technology to deliver banking products and services. However, many participants noted that the current approach of defining assessment areas generally works well for smaller community banks that operate primarily through retail branches. They also noted that banks with a significant online or digital presence find the current assessment area requirements challenging.

Geography, Asset Thresholds, or Both?

Several issues were raised regarding how assessment areas should be defined. Many participants believed that assessment areas should be expanded and based on a combination of a bank's lending activities, deposits, and/or market share (defined by both the bank's physical and online presence). However, at several roundtables, some participants expressed concern with relying primarily on deposits to define assessment areas. First, these participants noted that it can be challenging to track the source of deposits because financial institutions can assign deposits to a bank branch that is not near where a customer currently lives. Additionally, these participants noted that the largest concentrations of deposits are typically in urban areas, so if assessment areas are based on deposits, some rural areas could be excluded.

Some participants also noted the challenge with defining the geography of a bank's digital presence. Finally, several participants suggested that loan production offices (LPOs) should be included in determining assessment areas, but there was not widespread agreement on this across all roundtables.

The geographic scale of assessment areas was also discussed. Some bank participants indicated that partial counties should continue to be acceptable as an assessment area, and having to take a full county felt too large given the footprint in which they actually conduct their lending and deposit-taking activities. Some representatives from banks from rural areas with large counties stated that they were only able to serve a portion of a county.

Some bankers also raised fair lending concerns related to the geographic scope of assessment areas. Some participants stated that banks may be reluctant to expand their assessment areas due to the impact it could have on which markets would be reviewed for fair lending risk. Alternatively, some participants believed that a bank may not want to add a new branch if it cannot adequately serve the entire county because of the potential for increased fair lending scrutiny with a partial county assessment area. Several bankers noted that the CRA can be a deterrent to growth because banks are hesitant to add branches or enter new markets due to all the CRA-related requirements associated with a new assessment area.

Community group participants stressed the importance of maintaining a focus on physical branches and continuing to evaluate the geographic distribution of bank branches, even as banks expand their online presence. They noted that LMI individuals, the elderly, and rural populations rely heavily on branches. Branches are also considered important for economic development and community stabilization in LMI, rural, and underserved communities. Additionally, many community groups urged the regulators to discourage banks from only using mobile and

online banking as a means to reach underserved populations, as many of these same populations lack reliable cellular or broadband internet access.

When asked what thresholds of loans or deposits should trigger the establishment of an assessment area, few specific suggestions were offered. However, nearly everyone who commented on this agreed that the threshold should be specific and clear. Additionally, one community stakeholder urged the regulators to give consideration to how important the bank is to the community, not just how important the market is to the financial institution.

Assessment Area Designations Should Consider Community Needs

A common point that was made by both bankers and community stakeholders is that assessment area designations should reflect where there are community needs. Individuals offered different views on exactly how to incent this in the regulation. Several participants suggested flexibility to go beyond a bank's defined assessment area to receive credit for activities in areas that are not currently being served and where there are the greatest needs.

Clear, Consistent Treatment for Community Development Activities

One of the primary issues raised with the current assessment area framework is the perception that it creates confusion and restricts community development activities outside a bank's assessment area.

Many participants stated that the current treatment of community development activities in a broader statewide and regional area was not consistent across the regulatory agencies and indicated the review process was too subjective. One of the reasons bankers offered for wanting to see the assessment area definition updated was to ensure that institutions could receive credit for activities that they were engaged in outside of their current geographic assessment areas. Some participants also stated that the current assessment area framework creates uneven CRA investment around the country ("hotspots" and "deserts") since banks are only interested in those activities within their assessment areas.

CRA in Underserved Communities

Roundtable participants offered many suggestions for how the CRA could be implemented more

effectively to address the needs of all communities across the country.

Creating CRA Zones

Several roundtable respondents recommended creating specific "CRA zones" and providing CRA credit for any qualified CRA activity in that zone. However, respondents offered different views as to how these zones should be designated. Some suggested that the zones should be designated by the regulators based on data and indicators of need (poverty, education levels, etc.). Others suggested that local jurisdictions should designate the zones, or that zones should overlap with areas that have already been targeted for investment, such as Opportunity Zones or disaster areas.

Regardless of how these zones could be designated, many participants stated that these areas should be clearly defined, and banks should know exactly how their activities in these zones will be evaluated and what documentation (if any) would be required to show how area lending, investment, or service needs were met.

Clarifying Standards for Meeting Needs within Assessment Areas

Stakeholders urged the regulators to establish clear standards to determine whether a bank has satisfactorily met the needs within its assessment areas, so that the bank will definitely know when it is permitted to engage in activities outside of its assessment area. Suggestions included allowing for a certain percentage of the loan or investment activity to be outside of a bank's assessment area (e.g., 30 percent); providing credit for any activity in a rural area or other underserved area; or creating a multiplier for investment in underserved rural areas, such as Indian Country. Several participants suggested that if a bank had a "satisfactory" rating or better at its last examination, then it would be presumed it was meeting the needs of its assessment areas, and the bank could pursue activities outside of its assessment areas.

Increasing Full-Scope Reviews in Rural Areas

Some community groups urged the regulators to select more rural assessment areas for full-scope reviews. Under the current examination procedures, if a bank has more than one assessment area, examiners must select assessment areas for full-scope or

limited-scope reviews. For interstate banks, a minimum of one assessment area per state and a minimum of one assessment area from each multistate metropolitan statistical area must be subject to a full-scope review. Several community organization participants offered the view that banks generally know which assessment areas will be reviewed under full-scope procedures and therefore concentrate their efforts in those markets, to the detriment of the limited-scope areas, which are often smaller markets.

Updating What Constitutes LMI and Underserved Populations

Several roundtable participants noted that the current definitions of LMI are leaving out communities and populations that could benefit from CRA investments. For example, some participants noted there are rural areas with overall lower household incomes, but because the regulators calculate incomes based on statewide median incomes, individuals living in poverty may not be considered “low- or moderate-income” under the CRA. Therefore, some participants urged that regulators revise income definitions and other evaluation criteria for rural areas.

Though many roundtable participants noted that banks should be encouraged to do more CRA activities in underserved and rural geographies, many community groups urged regulators to retain a connection between the locations of banks and their CRA activities. They stated that branches are still important and should be prioritized.

Similarly, participants thought that regulators need to somehow balance incentivizing work in high-need places without letting banks “off the hook” for neighborhoods in their assessment areas that are also underserved. Some community groups noted that banks are not currently serving all of the high-need neighborhoods within their assessment areas and, therefore, allowing the banks to work more outside of their assessment areas might harm these still-underserved areas.

A common theme mentioned at the roundtables was that rural communities are unique; smaller investments can be more impactful, transactions may be more complex, and there may be limited capacity when it comes to nonprofit intermediaries and/or local government. Additionally, some banks, though sympathetic to the branching needs of rural customers, noted that low population density and declining

populations often mean rural branches are not profitable.

Lastly, many roundtable participants urged the regulators to think more broadly about underserved populations and focus more on people than geography. For example, some participants stated that the elderly, racial minorities, immigrants, students, veterans, and the physically and mentally disabled are also populations that are underserved by the banking system. In particular, some community stakeholders thought that the CRA should be revised to include an explicit racial lens.

Performance Test Structure

Currently, there are five different CRA evaluation methods tailored to a bank’s size and business model. Bankers and representatives from community groups agreed that the performance test structure could use reform, and there was widespread agreement that different evaluation methods should be maintained.

Updating Asset Thresholds

Several bankers added that the asset thresholds used to determine if a bank is a small bank, intermediate small bank (ISB), or a large bank are out of date, placing regulatory burden on smaller institutions and creating compliance challenges for a range of larger ones. Several smaller ISBs indicated that they did not have the institutional support and staffing to meet the CRA-related expectations of a bank their size.

Some participants suggested that the regulators raise the ISB threshold to somewhere between \$1 billion and \$5 billion, believing that, at that level, banks would have the capacity for a CRA program that could meet the letter and spirit of the regulation. Many roundtable participants noted that the CRA Strategic Plan option should remain; participants liked that it incorporates both a needs assessment and a forward-looking plan with certain thresholds to achieve ratings.

Similarly, bankers representing large banks suggested that a single large bank category puts smaller large banks at a disadvantage. Their rationale was that a regional large bank (by asset definition) does not have the capacity to compete with much larger banks that have a national footprint. Moreover, when there are few opportunities within markets for community

development loans, investments, and services, some large banks on the lower end of the asset scale find that they are not able to offer the same financial, product, and/or personnel partnership opportunities that their larger peers can. To address this, some bankers suggested adding a fourth threshold (e.g., intermediate large) and adjusting compliance requirements accordingly.

Many community groups also supported different evaluation methods and expectations for banks of different sizes, believing larger institutions should have more responsibility while smaller banks should have less. However, some community groups noted that if asset thresholds were raised significantly, it would reduce the incentive for banks to pursue loans, investments, and services.

Specifically, there was concern that removing or significantly altering the ISB community development test would ultimately strip community groups of one of their most important partners. One participant cited a study that said eliminating ISBs' community development test would lead to a loss of \$3 billion in annual community development lending and investments.⁴

Improving Community Development Evaluation

Another part of the performance test that was the subject of considerable discussion was the evaluation of community development activities. There was significant concern expressed regarding the adoption of a single metric or ratio. Bankers stated that the metric would not be flexible enough to adjust to changing economic and community conditions. Community group participants expressed concern that a single metric would not encourage banks to be responsive to the needs of the communities they are serving. Additionally, nearly all bankers were strong in their support of the use of performance context in CRA examinations.

Roundtable participants were asked if it would be beneficial to create a single community development test by combining community development loans, investments, and services into one test or “bucket.”

⁴ Adam Dettelbach, Josh Silver, and Bruce C. Mitchell, *Intermediate Small Banks: The Forgotten but Significant Resource for Affordable Housing and Community Development* (Washington: National Community Reinvestment Coalition, October 2017), <https://ncrc.org/wp-content/uploads/2017/11/NCRC-ISB-Banks-October-2017.pdf>.

Some participants indicated this would give banks the flexibility to develop better partnerships without the pressure to meet specific performance expectations for each individual type of activity. Moreover, some bank and community group participants suggested that the one bucket test might allow banks to pursue more innovative and responsive opportunities in their assessment areas.

However, other community stakeholders opposed the idea of combining all activities into one test. They stated that the Low-Income Housing Tax Credit, New Market Tax Credit, and Community Development Financial Institutions (CDFI) ecosystem depends on CRA investments, and demand for investments might decline if banks could meet the majority of their CRA obligations with community development loans and services. They added that with one equally weighted test, banks might dedicate their CRA resources to the easiest and least complex activities.

Evaluating Performance

Nearly all meeting participants stressed the need for more clarity, consistency, and timeliness with CRA examinations. While many participants raised significant concerns about a single metric approach, they expressed openness to more quantitative assessments of CRA performance and supported the use of more data in CRA performance evaluations.

Improving and Clarifying Performance Metrics

Bankers, in particular, mentioned the need for greater clarity in examination expectations ahead of the review and expressed a desire for a better understanding of what level of activity was required to achieve certain ratings. Bankers were particularly interested in greater transparency and uniformity on regulator calculations for how much is “enough,” especially on the investment test.

Several participants cautioned, however, that setting thresholds of activity for a certain rating could incentivize banks to focus on high-value markets or the highest-value activities. If this type of framework was adopted, some said that there would need to be incentives for banks to seek out smaller-dollar activities that might have greater impact in the community. The role of performance context in evaluating a bank's performance was also discussed, and both

bank and community group participants expressed some concern that a single metric could be too rigid to take into account economic cycles or unique needs and conditions in different communities.

While the use of metrics was discussed in all meetings, there were very few specific metrics proposed to evaluate performance. There were some concerns raised regarding the metrics used for the current lending analysis, such as the selection of peers for the comparison and standards for the loan-to-deposit ratio and in-out assessment.

Without getting into the specifics of the calculations, some participants weighed in on how to construct the various metrics and how to measure bank capacity. Some suggested that metrics should be based on the bank's financial capacity, using factors such as overall tier 1 capital, deposits, or income. Others suggested that overall bank size is not the best measure of capacity, and suggested that metrics could be based on the number of employees at a bank or the share of the bank's overall CRA activities within a community.

Several participants agreed that metrics based on bank characteristics would make comparisons across banks easier. However, it was also noted by some participants that to better measure performance, more data is needed. Specifically, several participants noted that aggregated community development data is lacking. Also, many participants stated that if metrics are used in examinations, they need to be transparent and utilized consistently across agencies.

Updating and Strengthening Performance Factors

Another common theme, particularly among community stakeholders, was that bank performance should be based on more than just the number and dollar amount of CRA activities, and that banks should be measured based on the impact of their activities. In many meetings, participants noted that it was challenging to define impact and leadership, though one community representative stated it should be defined as whether the community, or person, is better off due to the bank's activities.

Meeting participants were asked about how they define "responsiveness" as one of the qualitative factors considered in assessing performance. Specific

answers to this question were limited; however, many participants noted that there needed to be more clarity in the definitions of innovative, complex, and responsive and on how these qualities are measured.

Many bankers and community group members agreed that qualitative information and performance context should remain an integral piece of the examination process. Several bankers noted that with a more metrics-driven evaluation, performance context could become even more important because there could be situations where the bank fails to meet the metric due to economic or other changes in the community.

It was suggested at several roundtables that the regulators develop a standard set of data-driven factors to outline community conditions and needs. Participants indicated that this could help all stakeholders more consistently assess the bank's performance and, specifically, the responsiveness of the bank's activities to identified needs.

To inform performance context, some meeting participants stated that community needs assessments based on input from banks, community groups, nonprofits, and municipalities would be beneficial. Participants at many of the roundtables lamented the fact that there is not a more consistent way for the needs of a community to be determined. Some suggested looking at the "community needs assessments" deployed by hospitals in certain geographies. Others suggested looking to new and different data sources that went beyond income as part of the determination. While recognizing that community needs can change dramatically between geographies and due to changing circumstances (disasters, gentrification, etc.), participants still sought consistency and new methods to be able to determine community needs.

Improving the Rating System

The current CRA rating system was discussed at several roundtables. Some community group participants suggested that the current "outstanding," "satisfactory," "needs to improve," and "substantial non-compliance" rating system does not provide enough detail to gauge a bank's true performance, especially because so many institutions currently receive a "satisfactory" rating. Some participants suggested that switching to a letter-grade (A, B, C, D, or F) or

numerical (1–10 or 1–100) system would allow the public to better understand a financial institution’s commitment to their community.

While not specifically endorsing a letter-grade or numerical rating, some bankers did say a more detailed rating would help them compare their activity to peers. A few banks suggested splitting “satisfactory” into “high satisfactory” and “low satisfactory” for all banks.

Relatedly, some community group participants expressed the need for greater clarity about what achieving an “outstanding” rating means and the impact of that rating on a community. They also thought that if a bank achieves an “outstanding” rating, there should be some benefit to the bank so that this can help incentivize banks to do more in the community. Suggestions for this included providing discounted Federal Deposit Insurance Corporation insurance, or streamlining other regulatory actions or approvals for banks that have achieved an outstanding CRA rating.

Strengthening Public Input

Meeting participants also discussed the role of public input in the evaluation process. Examiners are required to talk to members of the community to assess community conditions and needs (community contacts), but some community group participants indicated that the current process is not effective. Several suggested that selecting community contacts and soliciting public input should be a more open process and that examiners should contact a wider range of community stakeholders to get a better sense of community needs and the performance of banks in meeting those needs.

Improving Data Collection and Reporting

Finally, participants discussed data collection and reporting. As noted earlier, the lack of community development data was a concern for many stakeholders, and many participants stated that community development lending, investment, and services data should be aggregated and made publicly available for banks of all sizes and at different geographic levels, similar to the Home Mortgage Disclosure Act data.

Many community group participants suggested that additional data collection and reporting was needed to increase transparency and to help them better understand what banks are doing in local communi-

ties, as well as to identify areas for further engagement. Several noted that banks already collect much of the required data, and with technological advances, additional data collection and reporting requirements should not be a significant concern for banks.

However, bank participants noted that data collection can be very time consuming and documenting the work can take away from the time they have to actually do the work in their communities. Many bankers did not feel that the additional benefit of collecting data would outweigh the increased regulatory burden.

Defining Community Development Activities

Both banks and community groups emphasized the need for more clearly defining what qualifies as an eligible “community development” activity.

Clarifying Which Activities Are Eligible

Bankers generally want to know if they will get credit for a community development loan, investment, or service in advance (prior to an examination). One banker referred to the need for a community development “hotline” that could be called in advance to ask if a project will be eligible for CRA consideration. Several of the participants stressed the need for transparency, about what activities are eligible, while others noted the benefit of having a national registry or “menu” of eligible activities to help banks determine whether an activity will qualify.

Improving Definitions and Measurements

Participants noted that impact, innovation, and flexibility are difficult to measure and are very subjective. Many agreed that impactful investments should be given more weight in a CRA evaluation, but there was not clear consensus on which activities are more important and impactful.

The lack of concrete measurements and goals for community change were identified as problems in the quest to better identify and quantify “impact.” However, some community stakeholders indicated that banks should not use the lack of data availability as an excuse; in their view, if nonprofits can measure impact, then banks should be able to do so as well.

Nearly all participants—bankers and community groups—stated that performance context is critical to understanding community needs.

Several roundtable participants from CDFIs suggested that banks should receive CRA credit for the life of the loan, rather than just the year that the loan was originated (they cited the need for patient and transformative capital). In a similar vein, they urged that prior period community development loans should be treated similarly to how prior period community development investments are counted. Additionally, they urged that activities with CDFIs, as well as disaster relief efforts, should automatically qualify for favorable CRA consideration, or qualify without burdensome documentation.

Many bankers expressed frustration that certain volunteer activities in connection with an otherwise qualified organization for CRA lending and investment purposes often do not qualify for CRA credit on the service test. The example most frequently cited was that banks do not receive CRA service credit for volunteering for a Habitat for Humanity project, even though contributions to such an organization would likely qualify. Some bankers also questioned why dollars given or hours spent were not sufficient for describing the impact of their work. To address this concern, some suggested that community development service hours could be quantified with a metric that would use the number of service hours as the numerator and either the number of employees or total assets of the bank as the denominator.

Expanding Eligible Products and Services

Some bankers and community groups urged an expansion of products and services that could be considered eligible for favorable CRA consideration. Some roundtable participants recommended that the CRA should better encourage banks to offer financial services and products aimed at helping customers get on a healthier financial path by including educational assistance loans, payday loan alternatives (short-term and small-dollar loans as well as payroll cards), automobile loans, and individual development accounts. Additionally, some community group participants suggested that regulators should evaluate whether banks are providing affordable checking and savings accounts for LMI consumers and not just access to credit. Conversely, many noted that banks should be penalized for offering products with high fees or other potentially harmful features.

Several participants asked that public infrastructure investments such as school buses and fire trucks be given universal or automatic community development credit. In fact, many bank participants stated that community development credit should be given for financing vital community services such as health clinics, police cars, etc., even if the activity does not meet the explicit purpose test or is not in a distressed or underserved non-metropolitan middle-income geography.

Some participants suggested that mortgage-backed securities (MBS) and secondary market purchases should not be considered for CRA credit, or that they should be considered only once. However, other participants noted that there are certain banks that have considerable mortgage operations and are able to deliver mortgages in a more efficient manner as a result of such secondary market flexibility. Several participants noted that they see MBS and secondary market purchases as a means of providing liquidity in the most efficient manner.

Additional Comments

In addition to the above feedback, roundtable participants raised additional issues that did not fall into any of the preceding categories. Some of these items would require a statutory change while others are related to CRA examination procedures and training.

Expanding Institutions Subject to the CRA

Many participants—both bankers and community stakeholders—noted that they would like to see the CRA expanded to apply to credit unions, insurance companies, financial technology companies, mortgage brokers, and other non-regulated and/or non-depository institutions. They stated that such an expansion would be more “fair” to the banks that are currently subject to the CRA and would increase the overall resources available to LMI communities.

Enforcement of Community Benefits Agreements

Several community group participants asked that privately negotiated community benefits agreements (CBAs) be overseen and enforced by regulators, and if a bank does not follow through, there should be consequences. Banks occasionally enter into CBAs with community groups in the context of merger

applications or to improve CRA performance; community groups would like regulators to have more oversight of these privately negotiated agreements.

Regulatory Process Improvements

The timeliness of examinations was also brought up as a concern, as some bankers, in particular, stated that there was an unnecessary lag between examinations and the issuance of performance evaluations. Similarly, other regulatory requirements, such as maintaining a paper public file, were mentioned as being burdensome in a digital age.

Improving Examiner Training

Finally, regardless of how the CRA is reformed, many participants urged the regulators to improve and standardize examiner training across the agencies. Many roundtable participants indicated that current CRA examinations lack consistency from examiner to examiner and from agency to agency. Participants stated that properly and consistently training examiners at all three regulatory agencies would go a long way toward correcting this imbalance.

Appendix A: CRA Roundtable Dates, Locations, and Attendees

Table A. Dates, locations, and attendees of Federal Reserve System CRA roundtables

Date	District	Location	Attendee groups
October 15, 2018	Kansas City	Denver, CO	Banks
November 8, 2018	Chicago	Oak Brook, IL	Banks
November 8, 2018	Richmond	Lynchburg, VA	Banks and community stakeholders
November 14, 2018	Chicago	Detroit, MI	Banks and community stakeholders
November 14, 2018	New York	New York, NY	Community stakeholders
November 14, 2018	New York	New York, NY	Banks
November 15, 2018	Board of Governors	Washington, DC	Minority depository institutions
November 26, 2018	Boston	Boston, MA	Banks
November 27, 2018	Boston	Boston, MA	Community stakeholders
November 28, 2018	Chicago	South Bend, IN	Banks
November 30, 2018	Chicago	Milwaukee, WI	Banks and community stakeholders
December 6, 2018	Cleveland	Cleveland, OH	Banks and community stakeholders
December 10, 2018	Dallas	Dallas, TX	Banks
December 10, 2018	New York	Rochester, NY	Banks
December 10, 2018	New York	Rochester, NY	Community stakeholders
December 11, 2018	Dallas	Dallas, TX	Community stakeholders
January 9, 2019	Chicago	Chicago, IL	Banks and community stakeholders
January 15, 2019	St. Louis	Memphis, TN	Banks and community stakeholders
January 15, 2019	San Francisco	San Francisco, CA	Community stakeholders
January 16, 2019	Atlanta	Atlanta, GA	Banks
January 16, 2019	Atlanta	Atlanta, GA	Community stakeholders
January 16, 2019	New York	San Juan, PR	Community stakeholders
January 16, 2019	St. Louis	St. Louis, MO	Banks and community stakeholders
January 17, 2019	Minneapolis	Rapid City, SD	Banks and community stakeholders
January 17, 2019	San Francisco	Salt Lake City, UT	Banks
January 23, 2019	Philadelphia	Philadelphia, PA	Banks
January 23, 2019	Philadelphia	Philadelphia, PA	Community stakeholders
January 30, 2019	Board of Governors	Washington, DC	Community stakeholders
January 31, 2019	Board of Governors	Washington, DC	Community stakeholders

Appendix B: CRA Roundtable Questions for Community Groups

Below are the sets of questions posed to community groups to facilitate roundtable discussions.

1. Assessment Areas

The current definition of a bank's CRA assessment area is based on where banks have their main office, branches, and deposit-taking ATMs. Many have observed that this approach may not adequately reflect the community that banks serve using online and mobile technology. The following questions are related to how we might better define the community that banks serve:

- a. Should assessment areas be based on the physical presence of the bank, the market presence of the bank (concentration of loans and deposits), or some combination of both?
- b. Is there a certain threshold of activity that should trigger a review of a bank's performance in that geography even if the bank has no physical presence?

2. Performance Test Structure

The current CRA regulations feature five evaluation methods tailored to the size and business models of various institutions.⁵ We are interested in learning what aspects of the regulations work well and what aspects you would suggest revising based on your experiences. The following questions are related to the structure of the regulation's performance tests and criteria:

⁵ Banks with assets of \$1.284 billion or more are generally examined under the lending, investment, and service tests for large banks; banks with assets greater than \$321 million and less than \$1.284 billion are examined under the intermediate small bank test; banks with assets less than \$321 million are examined under just a retail lending test. In addition to these asset thresholds, wholesale and limited purpose banks are examined under a community development test. And any bank may opt to be examined under a regulator-approved strategic plan developed by the bank with community input.

- a. Should we retain different evaluation methods for banks of different asset sizes or business models?
- b. Could the regulations raise the asset threshold for small banks without adversely affecting the communities that they serve?
- c. If asset thresholds were raised, at what asset size do you see banks being able to effectively engage in community development lending, investments, and services in communities?
- d. The current large bank evaluation method weighs lending more heavily than investments and services. Should the emphasis on lending be retained?
- e. Would it be helpful to consider all community development activities (community development lending, investments and services) under one test? Why or why not?
- f. Currently the retail services test is based primarily on the physical location of the bank's branches and their record of opening and closing branches. Should this be changed? What type of alternative delivery systems are more effective at delivering financial services to LMI consumers? How can the effectiveness of these systems be measured?

3. Evaluating Performance

Many stakeholders have expressed a desire for more clarity and consistency in how performance is measured and evaluated. Others have argued that the CRA performance evaluations should incorporate more public input. The following questions relate to evaluating performance and opportunities for public input in the evaluation process:

- a. What quantitative metrics, if any, would be meaningful to evaluate a bank's performance

in helping to meet the credit and community development needs of the communities it serves?

- b. How could we continue to incorporate the performance context and qualitative aspects of performance?
- c. How do we define responsiveness? What factors (quantitative and qualitative) could be used to determine the level of responsiveness to community needs of different community development activities?
- d. How should we incorporate public input into the CRA evaluation process? Should banks be required to incorporate more public input when developing their CRA programs, and should that be reflected in the performance evaluation?

4. **Defining Community Development Activities**

The following questions relate to the types of activities that should be considered as Community Development:

- a. How should community development definitions be revised or updated? Are all appropriate community development activities covered? If not, what needs to be included?
- b. Are there certain community development activities or organizations that should always

be considered eligible for CRA consideration? How would this be determined?

- c. Should all types of community development activities be treated equally, or should different weights be given to loans and investments?
- d. Should additional weight be given to certain high-impact, responsive, and/or difficult-to-provide activities?

5. **CRA in Underserved Communities**

Stakeholders have observed that the CRA has created a pattern of CRA hot spots and deserts. These questions relate to how the CRA can be implemented more effectively to address the needs of all communities across the country:

- a. How do we make the CRA more relevant in underserved rural communities?
- b. What would be the most powerful incentive for banks to reach areas currently underserved by the CRA?

6. **Concluding Remarks**

Please feel free to provide any additional thoughts to help guide us as we think about modernizing the CRA.

Appendix C: CRA Roundtable Questions for Bankers

Below are the sets of questions posed to bankers to facilitate roundtable discussions.

1. Assessment Areas

The following questions will help us gain a better understanding of how banks define the communities that they serve:

- a. Should assessment areas be based on the physical presence of the bank (branches, deposit-taking ATMs, any ATM, offices, LPOs, etc.); the market presence of the bank (concentration of loans and deposits); or some combination of both?
- b. Is there a certain threshold of activity that should trigger a review of a bank's performance in that geography even if the bank has no physical presence?

2. Performance Test Structure

We are interested in learning what aspects of the regulations work well and what aspects you would suggest revising based on your experiences. The following questions relate to the structure of the regulation's performance tests and criteria:

- a. Should there be different criteria for different business models? What assessment criteria would be appropriate for institutions that do not have a physical presence?
- b. At what asset size threshold do you see banks being able to engage in community development lending, investments, and services in your community?
- c. The current regulations weight lending more heavily than investments and services—should that be maintained?
- d. Would it be helpful to consider all community development activities (lending, investments and services) under one test? Why or why not?

e. How do you think the retail services test should be changed?

- i. How should the effectiveness of services in serving LMI individuals be measured?
- f. Have you considered the strategic plan option? If yes, and opted not to, why? If not, why not?

3. Evaluating Performance

Many stakeholders have expressed a desire for more clarity and consistency in how performance is measured and evaluated. The following questions relate to data collection and measuring performance:

- a. What metrics would be meaningful to evaluate a bank's performance in helping to meet the credit and community development needs of the communities it serves?
- b. How could we continue to incorporate the performance context and qualitative aspects of performance?
- c. How should regulators weigh the benefit of greater clarity and consistency provided by collecting additional data on retail and community development activities with the potential of increased burden?
 - i. Is there an asset size threshold that should be considered for collecting and reporting additional data in a uniform manner?

4. CRA in Underserved Communities

Stakeholders have observed that the CRA has created a pattern of CRA hot spots and deserts. These questions relate to how the CRA can be implemented more effectively to address the needs of all communities across the country:

- a. How do we make the CRA more relevant in rural communities?

- b. What would be the most powerful incentive for banks to reach areas currently underserved by the CRA?

5. **Concluding Remarks**

Please feel free to provide any additional thoughts to help guide us as we think about modernizing the CRA.

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