The New Community Reinvestment Act: Performance Over Process

CRA time line

Before 1977. Entire areas and groups of people are excluded from the lending territory of some financial institutions. Financial regulatory agencies begin to take notice.

1977. Congress enacts the Community Reinvestment Act (CRA) to encourage banks and thrifts to help meet the credit needs of their entire communities including low- and moderate-income neighborhoods consistent with safe and sound lending practices. Credit should become more available for small businesses, first-time home buyers in low- and moderate-income communities, construction and renovation of housing, and community development projects. Over time, industry and community and consumer groups cite failings of the regulation.

July 1993. President Clinton asks the federal financial supervisory agencies to reform the CRA regulatory system. The federal agencies involved are the Office of the Comptroller of the Currency, the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision. The reform would address the needs of these constituencies:

- The community’s need for access to credit
- Banks’ need for safe, sound, profitable loans
- Policymakers’/regulators’ desire for credit availability without credit allocation

December 1993. The agencies publish for comment a proposed revision of the CRA. This version would eliminate the 12 assessment factors and substitute a more performance-based evaluation.

October 1994. After considering the comments, the agencies publish a second proposal, which retains, but modifies, the lending, investment, and service tests for large retail institutions; the streamlined evaluation for small institutions; the alternative evaluation for limited purpose and wholesale institutions; and the preapproved strategic plan option available to all institutions.

April 1995. The agencies issue a new regulation which retains, to a significant extent, the principles and structure of the earlier proposals, but makes important changes to some details to respond to concerns raised in the comment letters and further agency considerations.

Highlights of the final rule

Here are some highlights from the Federal Reserve System’s amended CRA [12 CFR Part 228 (Regulation BB)].

Streamlined Examinations for Small Banks

Small banks are eligible for a streamlined exam. Small bank means a bank that, as of December 31 of either of the prior two calendar years had total assets of less than $250 million and (1) was independent or (2) was an affiliate of a holding company that had total banking and thrift assets of less than $1 billion. Ratings will be based on:

- Loan-to-deposit ratio, adjusted for seasonal variation
- Percentage of loans and other lending-related activities located in the bank’s assessment area(s)
- Record of lending to borrowers of different income levels and businesses and farms of different sizes

CONTINUED ON PAGE 2
Small Businesses and Small Farm Loans in the 9th District

Over two-thirds of the value of outstanding small business and small farm loans for banks in the Ninth District as of 6/30/94 is from loans of over $1 million. Large banks devote the majority of their loan dollars to these very large loans while small banks’ loan dollars are more evenly divided.

In their portfolios, small banks also have a substantially larger number of small loans than large loans. Small banks also hold two-thirds of all outstanding loans under $100,000 in the District.

<table>
<thead>
<tr>
<th>Large banks: size of loans (value of outstanding loans)</th>
<th>Small banks: size of loans (value of outstanding loans)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; $1 million</td>
<td>&gt; $1 million</td>
</tr>
<tr>
<td>85%</td>
<td>45%</td>
</tr>
<tr>
<td>$100M-$250M</td>
<td>$100M-$250M</td>
</tr>
<tr>
<td>5%</td>
<td>9%</td>
</tr>
<tr>
<td>$250M-$1 million</td>
<td>$250M-$1 million</td>
</tr>
<tr>
<td>3%</td>
<td>7%</td>
</tr>
<tr>
<td>&lt; $100M</td>
<td>&lt; $100M</td>
</tr>
<tr>
<td>7%</td>
<td>39%</td>
</tr>
</tbody>
</table>

Number of loans under $100,000 by size of bank (%)

<table>
<thead>
<tr>
<th>Large Banks</th>
<th>Small Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>32%</td>
<td>68%</td>
</tr>
</tbody>
</table>

Source: Consolidated Report of Condition and Income (call report), June 30, 1994

Bank size as defined by the CRA

A bank is small if

- It is an independent bank with total assets of less than $250 million,
- OR It has total assets of less than $250 million and is an affiliate of a holding company that has total banking and thrift assets of less than $1 billion.

A bank is large if

- It has total assets of $250 million or more,
- OR Regardless of total asset size, it is an affiliate of a holding company that has total banking and thrift assets of $1 billion or more.

**Geographic distribution of the bank’s loans**

**New Examination Tests for Large Banks**

All other banks (except wholesale or limited purpose banks and small banks as defined in the regulation) will be evaluated on lending, investment, and service tests. These replace the current 12 assessment factors. The lending test is given roughly twice as much weight as the other two tests in determining an institution’s composite rating.

**Lending test.** Is based on a bank’s lending activity in its assessment area(s). This would include the following information for home mortgage, small business, small farm, and community development loans:

- total number
- total dollar amount
- geographic distribution of loans
- borrower characteristics
- community development activity
- innovative or flexible lending practices consistent with safe and sound operation which address the credit needs of low- or moderate-income individuals or geographies

**Investment test.** Evaluates a bank’s record of making qualified investments that benefit its assessment area. The agencies evaluate the investment performance of a bank based on these criteria for qualified investments:
Strategic Plan

Any bank—large or small, wholesale, retail, or limited purpose—may elect to submit a strategic plan as an alternative to standard evaluation. Once approved by regulators, the plan will form the basis for evaluation of CRA performance.

To encourage strategic planning, banks that fail their own standards because they were unable to accurately predict economic downturns or other circumstances can be reevaluated under the lending, investment, and service tests or the small bank evaluation.

The plan can address one or more assessment areas and the activities of one or more affiliates. However, the plan must specify measurable goals for satisfactory performance for each assessment area covered and for each chartered affiliate participating in the plan.

Public comment will take place before a strategic plan is submitted to the primary regulator for approval. Institutions are required to solicit community input in developing their plans, but the institution will make all decisions on how it plans to meet the identified community needs. In reviewing public participation, the agencies will look at whether a bank has made an appropriate investigation of community needs and whether the goals of the plan serve those needs—not whether there is unanimous community support for the plan.

Data collection, reporting, and disclosure

The regulation expands data collection and reporting requirements for large banks and thrifts. They will now be required to report information on loan originations and purchases for home mortgages, small businesses and small farms, and community development.

Originations, the agencies determined, provide a more accurate picture of actual lending than loans outstanding during the period under review. The new regulation also encourages institutions to sell loans to the secondary market, which increases credit availability. Additionally, institutions can choose to provide data on loans outstanding.

CRA has been criticized for focusing too much on mortgage credit. The new regulation requires large banks to collect select data on small business and farm lending. This should allow examiners to more fairly assess compliance for banks that are engaged more in commercial lending and give examiners a more complete picture of a bank's lending in its community.

Loans to small businesses and small farms are defined by the size of the loan instead of the size of the dollar amount

innovativeness or complexity

responsiveness of qualified investments to credit and community development needs

the degree to which investments are not routinely provided by private investors

A qualified investment is a lawful investment, deposit, membership share, or grant that primarily benefits low- and moderate-income individuals or small farms or businesses and that addresses affordable housing or other community development needs.

Service test. Evaluates four areas of bank performance: branch distribution; the record of opening and closing of branches in geographies with low, moderate, middle, and upper income; availability and effectiveness of alternate retail banking services; and the range of services and the degree to which they are tailored to meet the needs of those areas.

Because convenient access to full-service branches within a community is an important factor in determining the availability of credit and noncredit services, the final rule does not equate ATMs with full service branches. However, the rule recognizes the multitude of ways in which a bank can provide services—ATMs, electronic mailing, mobile branches—and does not require an institution to expand its branch network or operate unprofitable branches. Nor does it require banks to open branches under a geographic quota system.

Questions about changes to the CRA? Call:

Ms. JoAnne Lewellen, Community Affairs Officer and Assistant Vice President, Banking Supervision
(612) 340-6913

Ms. Jackie Brunmeier, Assistant Vice President, Banking Supervision
(612) 240-2297
First Reactions to the New Community Reinvestment Act

Two years, two proposals, and thousands of comments later, we finally have a new Community Reinvestment Act (CRA). What will it mean for bankers and community groups? What do your peers think about it?

To get reactions to the final rule, we conducted an informal survey of seven community groups and 34 banks in the Ninth Federal Reserve District. This district stretches from the Upper Peninsula of Michigan and the northwestern third of Wisconsin westward through Montana. Eight of the surveyed banks are large by CRA definition and 26 small.

The new CRA imposes different data requirements for large and small banks. In the Ninth District, which is predominantly rural and agricultural, small banks make up almost all the banks (95.5%), yet these small banks hold just 42% of the total assets and 38% of total loans and leases.

Report card on CRA

The long and arduous process of crafting a new CRA begs this question: Has the current CRA, despite its drawbacks and limitations, brought about real change in our communities? Are the communities' credit needs better met because of it?

Almost half—45%—of the bankers surveyed perceive very little real change in their communities through the current CRA. Some feel the CRA is a necessary evil. Others say that they serve their communities in the ordinary course of business and that the CRA does not apply to them. Another 23% of the bankers surveyed view the current CRA as having neither very much nor very little real effect. But for 19%, particularly for the larger banks located in large cities or regional centers, the perception is that the CRA has brought about much real change.

Three of the seven community groups surveyed believe the current CRA has had a very strong effect. Overall, the groups feel positive about the CRA and its effect on some banks' lending practices, though some think it could have done more.

Actions louder than words

Much emphasis in revising the CRA was placed on letting actions speak louder than words in a bank's record of reinvestment in the community, that is, on performance rather than process. So how will the new CRA affect the way banks meet the credit needs of their communities and the way community groups deal with banks on this issue?

Opinions varied among the community groups as to how the new CRA will affect their operations. Some foresee that the new CRA will mean a large degree of change, while others predict almost no change.

Generally, banks see little change in the way they'll work. Overwhelmingly, they expect none or almost no change in the involvement by top management (68% expect no change) and by board of directors (64% say no change), and they expect very little change in the mission of their organization (66% expect no change). Furthermore, they do not anticipate much change in the time spent (23% say moderate change, 27% say almost no change, and 30% say no change) or much change in staffing (90% expect no change).

Getting away from a "process" emphasis was a significant expectation for bankers in the revision of CRA. A common theme, expressed by one banker, is that "in the small communities, you do everything you can because that's all the business there is."

One banker said of the current CRA, "The whole thing was more documentation than implementation." Forty percent of the bankers surveyed anticipate a decrease in time spent documenting. Bankers at large institutions expect that time spent overall on CRA will increase greatly.

Many voiced their hope that the new CRA will provide relief from paper work yet give more substantive results. One banker expects that the only real change will be for the regulators.

The findings of the survey suggest that while documentation requirements will decrease, staff
levels will remain the same. This apparent discrepancy could be attributed to many banks acknowledging that they probably would carry over many of the assessment factors they use under the current CRA.

Approximately 90% of the bankers responded that they would continue using the current CRA's assessment factors of ascertainment activities, participation in government loan programs, and community development activity.

The notable and not surprising exception is the geoanalysis assessment factor, which 30% of the respondents say they would no longer use. This was especially true for small banks without distinct low- to moderate-income neighborhoods in their communities. Geoanalysis requires showing number of loans by location and is not all that popular with banks, as we're well aware.

One rural banker proclaimed he would drop the assessment factors like "hot potatoes." Another intimated that he'd keep them, not because they would be useful, but in case the regulations change again.

Overall, it appears that while the 12 assessment factors used in the current CRA were not particularly savored by the banks, most did find them useful as business tools. Most seemed to feel that as long they were already set up to do the assessments, they might as well continue. One banker said, "My feeling is that we will need to do the same type of activities to achieve the results needed."

**An accurate measure?**

Accurate measurement of CRA performance is a common concern for regulators, bankers, and consumers alike. Will the new CRA more accurately measure a bank's real investment efforts in a neighborhood?

The community groups are not so sure that the new CRA will be more accurate in this regard. One group feels strongly that the new CRA will provide a much less accurate measure of reinvestment. The general skepticism is based in part on the perception that the new regulation will be easier on banks.

By and large, bankers tend to think the new CRA will measure real investment about the same or more accurately than the current CRA. While expressing relief about having to keep less documentation under the new regulation, there was some doubt about examiners' ability to make an accurate assessment without as much data. Thirteen percent felt the new CRA will measure a bank's real investment much less accurately than the current version.

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**Setting own criteria**

Under the new regulation, a bank has the option of being evaluated under a strategic plan of its own creation, subject to approval by the bank's regulator. This option also requires community input. Banks are generally undecided about whether they'd use the strategic criteria.

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**Ninth District Banks (12/31/94)**

<table>
<thead>
<tr>
<th>NUMBER OF BANKS</th>
<th>Large Banks</th>
<th>47 (4.5%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Banks</td>
<td>994 (95.5%)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL ASSETS ($)</th>
<th>Small Banks</th>
<th>42%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Banks</td>
<td>58%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL LOANS AND LEASES ($)</th>
<th>Small Banks</th>
<th>38%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Banks</td>
<td>62%</td>
<td></td>
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</tbody>
</table>

The thing is for us banks in small communities, we have to serve our community in order to survive. The government has us so busy being regulated and documenting things that we just don't have the time to do what we're supposed to be doing—serving our people. The new reg will improve things, but it doesn't go far enough.

—Bank president
CRA Remarks by Chairman Greenspan

The following is an excerpt from a speech by Alan Greenspan, chairman of the Board of Governors of the Federal Reserve System, given at the Social Compact Awards Luncheon on May 17, 1995.

... Let us bear in mind and pay tribute to the virtues of a system which made today possible—partnership, vision, and enlightened self-interest.

These same three factors have been in the regulators' minds during the recent regulatory reform process for the Community Reinvestment Act. Preparing the new regulations has been a very difficult task. Various facets had to be carefully weighed and balanced.

First was the President's request that the agencies produce a more objective system which would include less process and paperwork burden for the financial industry and produce greater results for the community. There was the communities' increased need for access to credit in all areas, including low- and moderate-income neighborhoods, and the needs of the financial industry to make safe, sound, and profitable loans.

Additionally, the regulators had to walk that fine line between trying to ensure credit availability without falling into the trap of credit allocation. In essence, there was partnership of interest in accommodating all these goals in the revised rules.

The new CRA regulations are surely not perfect, but they probably are the best that we could do given all the competing considerations. When conducted properly by banks who are knowledgeable about their local markets, who use this knowledge to develop suitable products, and who have adequately promoted those products to the low- and moderate-income segments of the community, CRA can be a safe, sound, and profitable business.

This seems to have been proven over the years of our experience since the law was enacted in 1977. CRA has helped financial institutions to discover new markets that may have been underserved before.

But what about the question of whether loans to low- and moderate-income borrowers have caused safety and soundness problems? To date there is very little hard data. A few studies suggest that the delinquency experience is not materially different. Beyond that, anecdotal information seems to suggest that loans to low- and moderate-income people perform with respect to repayment as well as, and in some cases better than, loans to others, though default rates of some mortgage loans may be higher.

Aside from the issue of repayment, there is the issue of profitability. The more successful programs involve credit counseling and other activities that add to cost, and whether they are fully recovered is unclear.

But on the broader question, there is little or no evidence that banks' safety and soundness have been compromised, and often bankers report sound business opportunities.

We at the Federal Reserve have stressed this market aspect of CRA in the past and will continue to do so in the implementation of the new regulations. I think this is crucial. If CRA is perceived by banks as a tax or credit allocation, it will fail in the long run.

Activities developed by banks to meet credit needs in low- and moderate-income neighborhoods should be well-planned and thoughtfully implemented within their overall business plan.

Banks should not try to throw money at a problem or "just write the check"—that's not to anyone's advantage. The latter type of activity will not be sustainable over the long haul. Banks are not philanthropic institutions. They are for-profit entities with obligations to their stockholders who require competitive rates of return, and are subject to a regulatory apparatus which protects their depositors from losses owing to unsound practices.

This is surely evidence to everyone, and I apologize for emphasizing what may seem to be obvious. But I think it bears repeating, for CRA must meet the test of the market if it is to provide the long-term benefits of revitalization that we all desire.

It's worth reminding all of us—community groups, policy-makers, and even bankers—of this fact from time to time, since it's sometimes tempting to emphasize short-term benefits at the expense of long-term commitments.

CRA has had a unique strength in that it has not been a bureaucratic, Washington-driven program that substitutes "inside the beltway" decision making by nonelected officials for the...
give and take of local community control.

Yet in recent years, it has seemed clear that some greater direction from the regulators was needed, and we have tried to provide that guidance in the new regulations. But in doing so, we must be vigilant to avoid turning a flexible locally determined program into a “one size fits all” approach.

This was one of the most difficult issues that we tackled in the revision process—trying to maintain some flexibility, yet further quantifying what is required for good performance. Centrally directed credit allocation by administrative agencies would interfere with the flow of credit, and runs the great risk of misallocating funds and underserving some of the unique and critical needs of localities. I don’t think you’ll find any argument on this point from any of the agencies, but it will be important for all of us, in implementing the new regulations, to remain alert to the risk of de facto credit allocation that is not sanctioned by the Congress, at the same time we are disavowing any such intention.

This brings me to the issue of implementation of the new rule. In a sense the work is just beginning. There will be difficult steps in developing training for the agencies, lenders, community groups and in successfully implementing the new rules.

We are committed to do this on an interagency basis to ensure maximum consistency both within and among the various regulatory agencies in the examination process. Since much of this will be new to everyone, we will be looking for, and paying close attention to, feedback from the lenders, community organizations, and other interested parties on our progress. With everyone working together, we think that this will continue to be important to sound community development.

Before closing, I would like to turn briefly to a matter of serious concern to us all that is distinct from community development, but not unrelated. That is racial discrimination whose specter has been at the roots of much effort at enhanced community development.

To be sure, much discrimination, perhaps most, in today’s society is subconscious, the result of habit and culture. But whether it is deliberate or not, the consequence is the same. Free market capitalistic systems, rooted in individual freedom, cannot and should not abide such unjust behavior. To the extent that individual contributions to the marketplace are judged, and rewarded, on any basis other than economic values, the system suffers, and the nation’s standard of living is impaired. We may never reach perfection in this regard, but we should never cease to persevere in this important matter.

It has been a great pleasure to be with you today and I am sure that as long as organizations such as yours exist, there will be imaginative, creative, and worthwhile projects that contribute to making our neighborhoods safer and better places to live.

Thank you.

Resource

Rural Development Strategies (Nelson-Hall Publishers, $34.50) discusses a wide range of approaches to rural development, including commonly used traditional tools, such as manufacturing recruitment, and interesting newer approaches such as peer lending to stimulate microenterprise development. It includes comprehensive, up-to-date information about the effectiveness of a variety of rural policy approaches.

The book also contains articles on the following economic development topics: defining development targets, mobilizing institutions for development, standard development techniques, targeting special opportunities for development, and strategic thinking for rural development.

To order a copy, send your name, address, and a check or money order to Nelson-Hall Publishers, Order Department, 111 N. Canal St., Chicago, IL 60606. Or call (312) 930-9446.
the business or farm. Generally, loan size roughly correlates with the size of the business or farm borrower. The agencies believed that the extra burden created in making lenders collect and report the size of each business or farm borrower would have outweighed the benefit. However, lenders that report this data are also required to identify whether a loan is to a business or farm that had $1 million or less in gross revenues during the previous year.

Small institutions are exempt from these new reporting requirements. In smaller institutions with relatively small levels of origination, examiners can get a good sense of what kind of loans a bank is making by looking through individual loan files. They will look specifically to see if loans at smaller institutions were made throughout the community and to borrowers at different income levels.

On their part, regulators will prepare small business and small farm loan data disclosure statements annually for each reporting institution and aggregate disclosure statements for each MSA and non-MSA portion of each state. Regulators will make aggregate disclosure statements available to the public at central depositories; banks must place their individual disclosure statements in their public CRA files. The aggregate data may help the agencies, banks, and consumers determine whether there are credit shortage problems in particular census tracts. This information might identify potential markets for banks and identify areas where community organizations and banks can work together to improve flow and accessibility of credit.

**Dates and deadlines**

Certain provisions of the new CRA rule go into effect beginning July 1, 1995. However, the two key dates are January 1, 1996, and July 1, 1997.

**January 1, 1996:**
- Small bank examinations will begin
- Banks may submit strategic plans
- Large banks will begin collecting additional loan data
- Banks may elect evaluation under large bank or wholesale (limited purpose) bank guidelines

**January 1, 1997:**
The final rule will be fully in effect, following submission and analysis of lending data collected by large banks during calendar year 1996.

**March 1, 1997:**
Data collected for calendar year 1996 is due.

**July 1, 1997:**
Evaluation under the three tests and the community development test for certain institutions becomes mandatory.

**Exam procedures**

The four agencies have jointly begun to draft exam procedures to implement the new rules. Upon completion, the exam procedures will be taught to examiners and copies of the procedures will be available to the industry and the public. A comprehensive training program and the use of more objective assessment criteria should contribute to more consistent examinations in the future.

**From the front lines**

"There was no magic bullet" in revising the Community Reinvestment Act, says Federal Reserve’s Associate Director and Community Affairs Officer Glenn Loney. Loney, who spent the last 18 months revising the CRA, says that principals from each agency “got in a room and rolled up their sleeves” to wrestle with the issues. He compares the CRA to a pot boiling long enough that the lid finally blows off. Loney hopes the water will cool down and relative tranquility will set in.
How Much Do You Know about the CRA?
Take this humorous quiz on CRA terminology

Asset Threshold
1. A stepping stone to new and greater assets.
2. The value of total assets that a bank must be below or the value that its holding company must be below for the bank to qualify as a small bank for CRA reporting purposes.
3. A donkey that got stuck in the doorway.
4. The value above which all further assets go directly to the IRS.

Clarifications
1. Pages and pages of complex detail that goes right over a normal person's head.
2. A method of removing impurities from butter.
3. A simple, straightforward sentence in words of two syllables or less.
4. The Federal Government's way of confusing the most straightforward explanations.
5. All of the above. We hope this clarifies the concept.

Loan Mix
1. The degree to which a bank's loans are distributed among different types of loans.
2. A prepackaged, computerized loan application.
3. Combining a mortgage and a small business loan for a home occupation in the same loan.
4. A ready made drink, very popular with bankers at cocktail parties. Not as popular with community groups.

Commitments
1. What happens to CRA Compliance Officers right after a difficult examination.
2. What happens to Fed examiners right after a difficult examination.
3. A bank's agreement to make a loan at a quoted rate during a specific future period.
4. The name of the new magazine sweeping the single's market.

Wholesale Bank
1. A bank that services credit cards for large distributors.
2. On discount at Sam's Club.
3. A bank that only deals with very large financial transactions.
4. A bank that doesn't make mortgage loans, small business or farm loans, or consumer loans.

Lending Performance
1. When the CRA Compliance Officer is able to make the bank look really good at community reinvestment, obviating the necessity of actual investment.
2. When a famous actor does a cameo for a movie that his/her friend is directing.
3. What a bank has done to meet the credit needs in its community.
4. A TV sitcom about the trials and tribulations of a loan officer.

Affiliate Lending
1. Lending money to an affiliate of the bank.
2. Loans made by an affiliate bank that the bank elects to report for CRA purposes.
3. The temporary loan of a bank's affiliate status to give the borrowing bank benefit of the "good name" of the lending bank.
4. Special low-interest loans commonly given to friends and affiliates of the bank's CEO.

PMSA
1. A freestanding metropolitan area within a CMSA.
2. Preemptive Marginal Savings Act
3. Primary Monetary Solvency Advance
4. When a woman suddenly becomes aggressive.

Answers on page 10.
plan option. A small number, 7%, thought it very likely that they would use it and one-third thought it was very unlikely.

One banker said, “We’d rather set up our own criteria to be evaluated under, since we were going to do a strategic plan anyway. The alternative is to have the examiners coming in and saying ‘this is what we think you should do, and you’re not meeting it.’ The strategic plan option seems like a win-win solution to me. The only problem is that if we don’t meet our goals, it can be held against us.”

Because of its newness, community groups, like bankers, aren’t sure either whether a bank’s use of a strategic plan would meet CRA’s goal of community reinvestment. They believe the community input component should result in a nonadversarial relationship with banks, but, as one group put it, “It all depends on how you do it.”

Banks are positive about the relationship that can develop between themselves and the community during the formation of a strategic plan. Fifty-five percent view the process as nonadversarial, 20% see it as somewhat nonadversarial, and 20% think it will be neutral. Just 5% anticipated this to be an adversarial process.

One banker felt that banking is not fully understood by some community groups and said, “They don’t understand safety and soundness issues.” This frustration was echoed by another banker: “[Some community groups] like to come in with an in-your-face attitude. We’d like the community groups to help us reach people.” Another banker pointed out the balancing act involved in working with a variety of groups, including governmental units, each of whom may be focused on their own needs.

Cautious optimism could best describe the reaction we found to the community/bank relationship with the strategic plan option. “We’re all on the same side, well, mostly we are,” said one banker. A community group summed up the situation by saying that community input “has every possibility of being nonadversarial but it depends on both sides.”

Stay tuned
In a year or so we’ll revisit the issues of this survey to learn what bankers and community groups are thinking after some experience with the new CRA. ✧

Answers to the CRA Quiz

Asset Threshold 2. The value of total assets that a bank must be below or the value that its holding company must be below for the bank to qualify as a small bank for CRA reporting purposes.

Clarifications 5. All of the above.

Loan Mix 1. The degree to which a bank’s loans are distributed among different types of loans.

Commitments 3. A bank’s agreement to make a loan at a quoted rate during a specific future period.

Wholesale Bank 4. A bank that doesn’t make mortgage loans, small business or farm loans, or consumer loans.

Lending Performance 3. What a bank has done to meet the credit needs in its community.

Affiliate Lending 2. Loans made by an affiliate bank that the bank elects to report for CRA purposes.

PMSA 1. A freestanding metropolitan area within a CMSA.
Calendar

July 24-28

July 27-28

July 29-August 1
Annual Nat'l Governors' Association meeting. Burlington, VT. Contact: (703) 631-6298.

August 17

August 17-20
Summer Institute. Sponsor: Nat'l Housing & Rehabilitation Assn. Woodstock Inn, VT. Contact: (202) 328-9171.

August 24-25

September 5-9
Making Cities Livable, 17th International Conference. Freiburg-im-Breisgau, Germany. Contact: (408) 626-9080.

September 6-7

September 14-15

September 16-18
Building Successful Communities with Rail. Sponsor: Rail-Volution. Portland, OR. Contact: (800) 788-7077.

September 23-27

September 24-26

September 23-26

October 1-3

October 1-3

October 17
An Introduction to the New CRA. Sponsor: Federal Reserve Bank of Minneapolis. Bozeman, MT. Contact: (800) 553-9656, ext. 6928.

October 19-23
Helping Small Towns Survive. Sponsor: Heartland Center for Leadership Development. Jackson Hole, WY. Contact: (800) 927-1115 or (402) 474-7667.

November 5-9

November 13-14
Community Dividend covers topics on community reinvestment and neighborhood lending. It reaches financial institutions, community-based organizations, development organizations, and government units throughout the Ninth Federal Reserve District.

We welcome your questions and concerns. Please write or call:
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Community Affairs, BSD
(612) 340-6913
Federal Reserve Bank of Minneapolis
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