New CRA Means Drawing New Boundaries for Banks’ Assessment Areas

When the revised Community Reinvestment Act (CRA) goes into effect in January 1996, banks will have to draw assessment areas. Banks currently have a number of choices in defining their community delineations, which can be a combination of city or county boundaries, major streets, zip codes, or radius from the bank.

While these methods were acceptable for drawing community delineations, under the new CRA, they may not be acceptable for drawing assessment areas.

Here are some highlights of CRA’s subpart C, Assessment area delineation. The guiding principle is that assessment areas must “consist generally of one or more MSAs [metropolitan statistical areas] . . . or one or more contiguous political subdivisions, such as counties, cities, or towns.”

Because entire MSAs or political subdivisions may not be appropriate assessment areas for all banks, the regulation further states that banks may adjust the boundaries to include “only the portion of a political subdivision that it reasonably can be expected to serve.”

Be careful, though: The regulation goes on to say that an assessment area “must consist only of whole geographies.” According to the regulation, the smallest possible “whole geography” is a census tract or a block numbering area (BNA). Therefore, banks will need to know census tracts and BNA boundaries in their areas. Any bank that draws its assessment area with only parts of some census tracts or BNAs will have to redraw the boundary.

While there are several factors a bank must take into account when drawing its assessment areas, we focus in this article on what census tracts and BNAs are and where to get maps showing their locations. We also tell you what information is available for census tracts and BNAs and offer some ideas on using the data to help determine assessment areas and community needs.

What are census tracts and BNAs?

According to the 1990 Census Technical Documentation, both census tracts and BNAs are small statistical subdivisions of a county. Neither will cross county boundaries, but they occasionally cross city or town lines. Both are identified by a four-digit number that may have a two-digit suffix. The suffix is used when a geography has been subdivided. For example, if tract 1234 has too large a population, it will be divided into 1234.01 and 1234.02. When a tract or BNA does not have a suffix, it may be written as 1234, not 1234.00.

Census tract numbers range from 0001 through 9499.99. BNAs range from 9501 through 9989.99. Both census tract and BNA numbers are unique within a county. It’s possible to have identical tract or BNA numbers near each other, if they are in different counties. However, the combination of a county and a tract or BNA number is unique.

It is not unusual to see a geography identified by the Census Bureau’s two-digit state code, the three-digit county code, and the six-digit tract or BNA code. State and county codes are assigned alphabetically, and county codes are likewise unique only within a state.

Census tracts and BNAs usually have between 2,500 and 8,000 persons. In sparsely populated areas, they can have smaller populations and cover much more land than census tracts in urban areas.

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When the census tracts or BNAs grow too large in population, they are divided; if the population shrinks, the tracts or BNAs are sometimes combined. Because of the large variation of population size from area to area, comparing absolute numbers (such as number of loans) between tracts or BNAs can be misleading. For example, a tract with a population of 2,000 and 25 loans has a greater loan penetration than a tract of 8,000 with 25 loans.

You can get maps of census tracts and BNAs from census depository libraries and many other local sources. A list, by state, is on page 5.

**What is the difference between census tracts and BNAs?**

Census tracts are delineated for all metropolitan areas (as defined for the 1990 Census) and other densely populated counties. Established by local committees, tracts are considered relatively permanent. BNAs, on the other hand, are in nonmetropolitan counties only and are established by representatives at the state level or by the Census Bureau.

Census tracts are designed to be homogeneous in population characteristics, economic status, and living conditions, which, of course, can change over time. Homogeneity is not considered in the creation of BNAs. However, due to the nature of rural areas, they tend to also be homogeneous.

Census tract boundaries can be revised by dividing or combining whole tracts or by making minor adjustments in reaction to a change, such as the removal of a road. A combined tract boundary consists exactly of the sum of the divided tracts. Little precedent exists in revising BNAs. Boundaries could be kept the same or redrawn from scratch. So far, BNAs have been converted to tracts only when a county became part of a metropolitan area or when
a lot of local interest was shown. These changes are made with the help of local committees.

**What information is available for census tracts and BNAs?**

The data from the 1990 Census are available for census tracts and BNAs. These include population, race, household composition, education, employment, income, poverty, and housing information.

The Census Bureau updates the data between censuses, but unfortunately the updates are generally done for the larger census divisions such as counties, states, and the whole country. Little further information is routinely collected at the level of tract or BNA. An exception to that—in metropolitan areas only—is housing loan activity, which is mandated by the Home Mortgage Disclosure Act (HMDA). HMDA data are collected annually from individual banks, and aggregate reports are publicly available.

**How are data used with census tracts and BNAs?**

While drawing an assessment area can be accomplished by simply using maps of census tracts and BNAs, most bankers will probably choose to look at additional information such as loan activity and local demographics. In particular, under the new CRA, a banker must be careful not to arbitrarily exclude low- to moderate-income tracts from its assessment areas.

Census data and, in metropolitan areas, HMDA data can be used to help a bank determine its assessment areas, lending coverage, marketing strategies, competition, and the needs of targeted areas. Bankers can create a map or table of relevant tracts and BNAs showing, for example, population and demographic data, the bank’s loan information, and/or aggregate loan data from all of the banks serving the area.

Some mapping software will electronically supply the number of the census tract or BNA when you assign a loan to an address. Examples of potentially useful maps, using fictitious addresses and loan data, appear on the next page.

Different software products are available for speedy mapping and analysis of data. Some companies will do the mapping for a fee; larger banks often invest in their own software. All of the data can be mapped without computers, though it takes longer.
Mapping Allows Insight into Assessment Areas

This map shows:
- The level of income in census tracts and BNAs by using income data from the 1990 Census.
- How many loans in each tract or BNA. Computer software, like the product used here, will plot loan information. But be careful—this map doesn’t show population, and numbers of loans may be misleading without population figures. See the map below.
- How well different income areas are served.

Key:
- Low/moderate income
- Middle income
- High income

This map shows:
- The areas with greatest loan penetration rate per 1,000 persons in each tract and BNA. The deepest purple represents the largest ratio of loans to population.
- Where lending promotions might be targeted.

Key: Loans per 1,000 persons
- No loans
- .01 - .99
- 1.00 - 2.49
- 2.50 - 50.00
Sources for Data and Maps

Obtaining census data and maps of census tracts/block numbering areas

Many public libraries and university libraries are census depositories and have information available in their government documents divisions. Other possible resources are listed below. Some may refer your questions to a better local source. Most resources charge fees for data extraction and/or copies of data and maps.

Before requesting data or maps, we suggest you have a clear idea of what questions you want to answer and what physical area you want covered. These resources can find the closest fit to your needs when you have carefully thought out what those needs are. If you want “everything,” you should be prepared to have the computer space and the knowledge to use it.

Michigan
- Michigan Information Center, Lansing (517) 373-7910

Minnesota
- Demographer’s Help Line, St. Paul (612) 296-2557
- Metropolitan Council Data Center, St. Paul (612) 291-8140
- Machine Readable Data Center, Minneapolis (612) 624-6370
- Borchert Map Library, Minneapolis (612) 624-4549
- Government Publications Library, Minneapolis (612) 624-5073

Montana
- Census and Economic Information Ctr, Helena (406) 444-2896

North Dakota
- North Dakota State Data Center, Fargo (701) 231-8621

South Dakota
- State Data Center, Vermillion (605) 677-5287

Wisconsin
- State Cartographer’s Office, Madison (608) 262-3065
- Applied Population Lab, Madison (608) 262-3097
- Government Printing Office Bookstore (608) 297-1304
- Regional planning commissions: Check local directories

Obtaining Home Mortgage Disclosure Act data

Each metropolitan area has a Central Information Depository for HMDA data. These data are only available for metropolitan areas.

Billings, MT
- Yellowstone City Bd. of Planning (406) 657-8246

Bismarck, ND
- Veterans Mem. Public Library (701) 222-6410

Duluth-Superior, MN-WI
- Duluth Public Library (218) 723-3807
- L.E. Phillips Mem. Public Library (715) 839-5004

Fargo-Moorhead, ND-MN
- Fargo Public Library (701) 241-1492

Grand Forks, ND-MN
- Grand Forks Planning Dept. (701) 746-2660

Great Falls, MT
- City Planning Board (406) 277-5881

La Crosse, WI-MN
- La Crosse Public Library (608) 789-7122

Minneapolis-St. Paul, MN-WI
- Minneapolis Public Library (612) 372-6536

Rapid City, SD
- Rapid City Public Library (605) 394-4171

Rochester, MN
- Rochester Public Library (507) 285-8002

St. Cloud, MN
- Housing & Redevel. Authority (612) 252-0880

Sioux Falls, SD
- Community Development Dept. (605) 339-7125

Data available from the Census Bureau

Here are some of the general subjects in the Census tables. Many of the tables are also made using cross-tabulations of data items, for example, race by sex by age.

- Population
- Families
- Households
- Urban and Rural Population and Housing Units
- Sex
- Race and Ethnicity
- Age
- Household Type
- Marital Status
- Language Spoken
- Educational Attainment
- School Enrollment
- Employment Status
- Disability
- Labor Force Characteristics
- Household, Family, Nonfamily, and Per Capita Income
- Poverty Status
- Housing Units
- Occupancy and Vacancy Status
- Tenure
- Housing Characteristics
- Rent
- Housing Affordability

Data available from HMDA

Mortgage Applications, Action Taken
- Number and Total Value of Loans
- Type of Loans
- Applicant Race, Sex, and Income
- Characteristics of Tract or BNA of Loan
New Manager Named for Community Affairs Section

Margaret Bloyer was promoted to manager of the Community Affairs section in August from a senior consumer compliance examiner with the Minneapolis Reserve Bank. She succeeds David Bland and reports to Community Affairs Officer JoAnne Lewellen.

As manager, Margaret will carry on the job of the Community Affairs section to ascertain and disseminate information on credit needs in the Ninth Federal Reserve District, particularly in the areas of affordable housing and community development.

Like her predecessor, Margaret will also play a role in protests by community or other groups over issues surrounding the Community Reinvestment Act (CRA) by helping to define the issues, advise on procedure, and coordinate meetings.

Margaret holds a bachelor of arts degree in sociology from the University of Illinois, with minors in psychology and philosophy. She earned a master of business administration in finance from the University of Minnesota, which she put to use in the bankers' side of the banking industry. She worked in strategic planning and financial analysis for seven years in several divisions of First Bank System. She also helped set up CRA programs for First Bank's business lines.

Margaret brings a valuable perspective to Community Affairs. She knows compliance issues from five years in the field and from specializing in two important regulations: the Home Mortgage Disclosure Act and the Community Reinvestment Act, as it comes into play when banks and bank holding companies apply to the Fed to expand or merge.

Margaret is currently on the board of directors of the Domestic Abuse Project in Minneapolis. In the past, she was an active volunteer for the League of Women Voters and chaired major studies. In addition, she has held various appointed positions in Minneapolis city government. Margaret attributes her spirit of social responsibility to her mother, a group social worker for the Girl Scouts of Chicago, who modeled self-reliance and service to others.

"In my household," Margaret says, "you were expected to give back to your community."

What does the Community Affairs Office do?
The mission of the Community Affairs Office is to support community development activities and promote fair and equal access to credit by:

- encouraging partnerships among public and private organizations to help deliver credit to low- and moderate-income individuals and neighborhoods;
- informing financial institutions and community organizations about the availability of public and private community development resources;
- promoting understanding of the rights and responsibilities of individuals, communities, and institutions regarding CRA and HMDA; and
- providing information on and increasing understanding of a community's needs for affordable housing and small business development.
November 2-3

November 5-9

November 6-7

November 7-9
"Homeownership: The First Generation." Tampa, Fla. Sponsor: U.S. Department of Housing and Urban Development. Conference will be repeated November 28-30 in Albuquerque, NM and December 5-7 in San Diego, CA Call (703) 934-3392.

November 8

November 15

November 29

November 30 - December 1
"Sustaining Our Communities." San Francisco, Cal. Cosponsors: Federal Reserve Bank of San Francisco

Software

Partners: A Public-Private Partnership Model for Home Mortgage Lending, created by the Federal Reserve Bank of Atlanta, for lenders and community loan counselors. Lenders input characteristics of potential borrowers, then adjust variables such as interest rate, down payment and loan amount, to find a loan the applicant qualifies for. This software will be mailed free to all Fed member banks in November. Others can call (612) 340-2277 to order a free copy.

Publications

Community Development Investments, published by the Federal Reserve Board, guides bank holding companies and state member banks in the formation of CDCs and other uses of equity investments for community development. Newly revised. Call Community Affairs, Minneapolis Federal Reserve Bank, (612) 340-2277.

Resources

Spanish language. The American Bankers Association ((800) 338-0626) has three consumer booklets in Spanish:
- Administrando Su Cuenta Corriente (Managing Your Checking Account)
- Sus Derechos Y Obligaciones De Credito (Your Credit Rights and Obligations)
- Todos Sobre Bancos (The Bank Book)

Credit & Culture, published by the Federal Reserve Bank of Kansas City, explores credit, culture, ethics, discrimination, and alternative credit systems. Call the Kansas City Community Affairs Department, (816) 881-2867.


Lending a Hand: A Congregation’s Guide to Community Investing, published by Woodstock Institute, focuses on how congregations can make a real difference in communities by targeting their investments and banking relationships. Provides information on community investment options. Single copies, $10; bulk orders of ten or more, $3.50 each. Call (312) 427-8070.
The main thing to remember about assessment areas under the new CRA is that they must be composed of contiguous political subdivisions and that portions of subdivisions can be used if they are whole census tracts or whole block numbering areas. Numbers and maps for tracts and BNAs can be obtained from the sources listed with this article. ❖

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December 20

January 18-20, 1996