

COMMUNITY REINVESTMENT ACT

EXAMINATION PROCEDURES FOR INSTITUTIONS WITH STRATEGIC PLANS

Examination Scope

1. For institutions with more than one assessment area, identify assessment areas for full-scope review. To select one or more assessment areas for full-scope review, analyze prior performance evaluations, available community contact materials, reported lending data and demographic data on each assessment area and consider factors such as:
 - a. The level of the institution's lending, investment, and service activity in the different assessment areas, including low- and moderate-income areas, designated disaster areas, or distressed or underserved nonmetropolitan, middle-income geographies designated by the agencies¹ based on (a) rates of poverty, unemployment, and population loss or (b) population size, density, and dispersion²;
 - b. The number of other institutions in the different assessment areas and the importance of the institution under examination in meeting credit needs in the different assessment areas, particularly in areas with a limited number of financial service providers;
 - c. The existence of apparent anomalies in the reported lending data for any particular assessment area(s);
 - d. The time since the assessment area(s) most recently received a full-scope examination;
 - e. Performance that falls short of plan goals based on a review of available data;
 - f. The institution's prior CRA performance in the different assessment areas; and
 - g. Comments from the public regarding the institution's CRA performance.

¹ The Board of Governors of the Federal Reserve System, The Federal Deposit Insurance Corporation, and The Office of the Comptroller of the Currency

² A list of distressed or underserved nonmetropolitan middle-income geographies is available on the FFIEC Web site at www.ffiec.gov.

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2. For interstate institutions, a rating must be assigned for each state where the institution has a branch and in every multistate MSA where the institution has branches in two or more of the states that comprise that multistate MSA. Select one or more assessment areas in each state for examination using these procedures.

Performance Context

1. Review the institution's public file for any comments received by the institution or the agency since the last CRA performance evaluation that assists in evaluating the institution's record of meeting plan goals.
2. Consider any information that the institution provides on its record of meeting plan goals.
3. Contact local community, governmental or economic development representatives to update or supplement information about the institution's record of meeting plan goals.
4. As necessary, consider any information the institution or others may provide on local community and economic conditions that may affect the institution's ability to meet plan goals or otherwise assist in the evaluation of the institution.

Performance Criteria

1. Review the following:
 - a. The approved plan and approved amendments;
 - b. The agency's approval process files; and
 - c. Written comments from the public that the institution or the agency received since the plan became effective.
2. Determine whether the institution achieved its performance goals for each assessment area examined.
 - a. Review the plan's measurable annual goals for each performance category and assessment area(s) to be reviewed.
 - b. Obtain information and data about the institution's actual performance for the period that has elapsed since the previous examination.
 - c. Compare the plan goals for each assessment area reviewed to the institution's actual performance since its last examination in each assessment area reviewed to determine if all of the plan's goals have been met.

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3. If any goals were not met, form a conclusion as to whether the plan goals were “substantially met.” In doing so, consider the number of unmet goals, the degree to which the goals were not met, the importance of those goals to the plan as a whole, and the reasons why the goals were not met (e.g., economic factors beyond the institution’s control).
4. Discuss preliminary findings with management.
5. Summarize conclusions about the institution’s performance.

Ratings

These instructions assume that the strategic plan covers all of the institution’s assessment areas. If not, the analysis of performance for the assessment area(s) covered by the strategic plan must be combined with the analyses for assessment areas that were subject to other assessment method(s) in order to assign a rating.

1. Group the analyses of the assessment areas examined by MSA³ and nonmetropolitan areas within each state where the institution has branches. If an institution has branches in two or more states of a multi-state MSA, group the assessment areas that are in that MSA.
2. If the institution has substantially met its plan goals for a satisfactory rating or, if applicable, an outstanding rating, in all assessment areas reviewed, summarize conclusions about the institution’s performance in each MSA and the nonmetropolitan area of each state in which an assessment area was examined using these procedures. Assign the appropriate preliminary rating for the institution and, as applicable, each state or multistate MSA and proceed to step 6, below.
3. If the institution did not substantially meet its plan goals in each assessment area, check to determine whether the institution elected in its plan to be evaluated under an alternate assessment method.
 - a. If the institution did not elect in the plan to be evaluated under an alternate assessment method, assign a “Needs to Improve” or “Substantial Noncompliance” rating to those assessment areas in which plan goals were not substantially met, depending on the number of goals missed, the extent to which they were missed, and their importance to the plan overall.
 - b. If the institution elected in its plan to be evaluated under an alternate assessment method, perform the appropriate procedures to evaluate and rate the institution’s performance in those assessment areas in which the institution did not meet plan goals.

³ The reference to MSA may also reference metropolitan division (MD).

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4. For institutions operating in multiple assessment areas, determine the relative importance of the assessment areas reviewed in forming conclusions for each MSA and the nonmetropolitan area within each state and for any multistate MSA where the institution has branches in two or more states. In making that determination, consider:
 - a. The significance of the institution's activities in each compared to the institution's overall activities;
 - b. The lending, service, and investment opportunities in each;
 - c. The significance of the institution's loans, qualified investments, and lending-related services, as applicable, for each, particularly in light of the number of other institutions and the extent of their activities in each; and
 - d. Demographic and economic conditions in each.
5. For an institution operating in multiple MSAs or nonmetropolitan areas in one or more states or multi-state MSAs, assign a preliminary rating for each state and multi-state MSA. To determine the relative significance of each MSA and nonmetropolitan area to the rating in a state, consider:
 - a. The significance of the institution's activities in each compared to the institution's overall activities;
 - b. The lending, service, and investment opportunities in each;
 - c. The significance of the institution's loans, qualified investments, and lending-related services, as applicable, for each, particularly in light of the number of other institutions and the extent of their activities in each; and
 - d. Demographic and economic conditions in each.
6. For institutions with operations in more than one state, assign a preliminary overall rating. In determining the relative significance of the institution's performance in each state or multistate MSA to its overall rating consider:
 - a. The significance of the institution's activities in each compared to the institution's overall activities;
 - b. The lending, service, and investment opportunities in each;
 - c. The significance of the institution's loans, qualified investments, and lending-related services, as applicable, for each, particularly in light of the number of other institutions and the extent of their activities in each; and
 - d. Demographic and economic conditions in each.

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7. Review the results of the most recent compliance examination and determine whether evidence of discriminatory or other illegal credit practices that violate an applicable law, rule, or regulation should lower the institution's overall CRA rating or, if applicable, its CRA rating in any state or multi-state MSA.⁴ If evidence of discrimination or other illegal credit practices in any geography by the institution, or in any assessment area by any affiliate whose loans were considered as part of the institution's lending performance, was found, consider:
 - a. The nature, extent, and strength of the evidence of the practices;
 - b. The policies and procedures that the institution (or affiliate, as applicable) has in place to prevent the practices;
 - c. Any corrective action the institution (or affiliate, as applicable) has taken, or has committed to take, including voluntary corrective action resulting from self-assessment; and
 - d. Any other relevant information.
8. Discuss conclusions with management and assign a final rating to the institution and state or multi-state MSA ratings, as applicable, considering the preliminary rating and any evidence of discrimination and other illegal credit practices.
9. Write comments for the public evaluation and the examination report.

Public File Checklist

1. There is no need to review each branch or each complete public file during every examination. In determining the extent to which the institution's public files should be reviewed, consider the institution's record of compliance with the public file requirements in previous examinations, its branching structure and changes to it since its last examination, complaints about the institution's compliance with the public file requirements, and any other relevant information.
2. In any review of the public file undertaken, determine whether branches display an accurate public notice in their lobbies, whether a complete public file is available in the institution's main office and in at least one branch in each state, and whether the public file available in the main office and in each state contains:

⁴ "Evidence of discriminatory or other illegal credit practices" includes, but is not limited to: (a) Discrimination against applicants on a prohibited basis in violation, for example, of the Equal Credit Opportunity Act or the Fair Housing Act; (b) Violations of the Home Ownership and Equity Protection Act; (c) Violations of section 5 of the Federal Trade Commission Act; (d) Violations of section 8 of the Real Estate Settlement Procedures Act; and (e) Violations of the Truth in Lending Act regarding a consumer's right of rescission.

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- a. A copy of the approved strategic plan;
 - b. All written comments from the public relating to the institution's CRA performance and any responses to them for the current and preceding two calendar years (except those that reflect adversely on the good name or reputation of any persons other than the institution);
 - c. The institution's most recent CRA performance evaluation;
 - d. A map of each assessment area showing its boundaries and, on the map or in a separate list, the geographies contained within the assessment area;
 - e. A list of the institution's branches, branches opened and closed during the current and each of the prior two calendar years, their street addresses and geographies;
 - f. A list of services (loan and deposit products and transaction fees generally offered, and hours of operation at the institution's branches), including a description of any material differences in the availability or cost of services between those locations;
 - g. The institution's CRA Disclosure Statement(s) for the prior two calendar years;
 - h. A quarterly report of the institution's efforts to improve its record if it received a less-than-satisfactory rating during its most recent CRA examination;
 - i. HMDA disclosure statements for the prior two calendar years for the institution and for each nondepository affiliate the institution has elected to include in assessment of its CRA record, if applicable;
 - j. The number and dollar amount of consumer loans, for large banks, if applicable; and
 - k. The loan-to-deposit ratio, for small institutions.
3. In any branch review undertaken, determine whether the branch provides the most recent public evaluation and a list of services generally available at its branches and a description of any material differences in the availability or cost of services at the branch (or a list of services available at the branch).