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**Office of the Comptroller of the Currency  
Federal Deposit Insurance Corporation  
Federal Reserve Board  
Office of Thrift Supervision**

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September 17, 1997

**Interpretive Letter #802  
October 1997  
12 U.S.C. 2901**

Dear [ ]:

It was a pleasure speaking to you recently. This responds to your August 25, 1997, letter requesting an interpretation and clarification of the Community Reinvestment Act (CRA). In particular, you asked whether favorable consideration would be given to financial institutions as part of their regulatory agencies' CRA review for participation in financial education and career training activities such as those offered by the [ ] ("Program"). As discussed more fully below, if the activities are targeted to low- and moderate-income individuals, examiners may view them favorably during a participating financial institution's CRA examination.

As I mentioned to you during our conversation, the four federal bank and thrift regulatory agencies promulgated substantially similar CRA regulations on May 4, 1995.<sup>1</sup> Staff from all four agencies have considered your inquiry and concur in the opinions expressed in this letter.

### **The Program**

The Program is one of three educational programs of the [ ],<sup>2</sup> a nonprofit 501(c)(3) organization. The purpose of the Program is to introduce high school students throughout the United States to career opportunities in the financial services industry, and, in the process, equip them to make sound choices for their future. Local Program activities in high schools across the country (hereinafter, "[ ]") provide students with

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<sup>1</sup> See 12 C.F.R. pts. 25, 228, 345, and 563e.

<sup>2</sup> The other two educational programs of the [ ] are the [ ] and the [ ]. This letter addresses a financial institution's activities only in connection with the [ ].

financial industry-related courses of study. The [ ] enable and encourage students to participate in paid internships at financial services corporations and to obtain employment in the financial services industry after graduation or pursue higher education. The Program's industry-validated, two- to four-year academic coursework augments the students' standard educational curricula.

### **Financial Institutions' Program Activities**

You specifically asked how financial institutions' participation in the following Program activities would be considered during the institutions' CRA examinations:

- Active participation by financial institution personnel on Program advisory boards and other involvement with the Program, such as appearing as guest classroom speakers, providing mentors to [ ] with mentoring programs, assisting school districts with local staff development through teacher mentoring programs and by having bank staff teach financial principles to Program instructors, and assisting the Program with national staff development, such as by providing guest speakers to further the financial knowledge of Program teachers;
- Financial contributions to the Program for student enrichment activities (e.g., field trips to stock exchanges, attendance at conferences, scholarships for exemplary graduates, etc.); and
- Providing paid summer internships for students who have completed their junior year academic requirements as well as successfully prepared for their internship experience. Internships are an extension of the curriculum of the Program in that they are educational activities that are monitored, structured and evaluated as part of the student's academic record in the Program. Participating institutions, therefore, provide students with meaningful and instructive internships, rather than merely "summer jobs."

### **Discussion**

The first step in determining whether examiners may favorably consider financial institutions' participation in the Program is to determine whether the Program has a primary purpose of community development. The CRA regulations define "community development" to include, among other things, "community services targeted to low- or moderate-income individuals."<sup>3</sup>

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<sup>3</sup> 12 C.F.R. §§ 25.12(h)(2), 228.12(h)(2), 345.12(h)(2) and 563e.12(g)(2). "Low income" means "an individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography." "Moderate-income" means "an individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family

Among the examples of “community services” that have been provided by the agencies are educational services targeted to low- and moderate-income persons.<sup>4</sup>

Examiners consider financial institutions’ qualified investments<sup>5</sup> and community development services<sup>6</sup> when they evaluate the institutions’ CRA performance.<sup>7</sup> “Qualified investments” are

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income that is at least 50 and less than 80 percent, in the case of a geography.” 12 C.F.R. §§ 25.12(n), 228.12(n), 345.12(n), and 563e.12(m).

<sup>4</sup> See, e.g., Interagency Questions and Answers Regarding Community Reinvestment (hereinafter, “Qs and As”), 61 Fed. Reg. 54,647, 54,650 (Oct. 21, 1996) (Q and A 1 addressing §§ \_\_.12(h) & 563e.12(g)).

<sup>5</sup> Large institutions’ CRA performance is typically evaluated under the lending, investment and service tests. Examiners consider large institutions’ qualified investments under the investment test. 12 C.F.R. §§ 25.23(a), 228.23(a), 345.23(a), and 563e.23(a). In a small institution examination, examiners may adjust an institution’s loan-to-deposit ratio, if appropriate, based on lending-related qualified investments. 12 C.F.R. §§ 25.26(a)(1), 228.26(a)(1), 345.26(a)(1), and 563e.26(a)(1). Qualified investments may also be considered to determine if a small institution merits an outstanding CRA rating. 12 C.F.R. pt. 25 app. A(d)(2), pt. 228 app. A(d)(2), pt. 345 app. A(d)(2), and pt. 563e app. A(d)(2). The community development test, which is appropriate for institutions designated as wholesale and limited purpose institutions, evaluates, *inter alia*, the number and amount of qualified investments. 12 C.F.R. §§ 25.25(c)(1), 228.25(c)(1), 345.25(c)(1), and 563e.25(c)(1). And, finally, institutions evaluated on the basis of a strategic plan must include in their plan how they intend to meet the credit needs of their assessment area(s). They may meet credit needs through lending, *investment*, and/or services, as appropriate. 12 C.F.R. §§ 25.27(f)(1), 228.27(f)(1), 345.27(f)(1), and 563e.27(f)(1) (emphasis added).

<sup>6</sup> Examiners consider large institutions’ community development services under the service test. 12 C.F.R. §§ 25.24(e), 228.24(e), 345.24(e), and 563e.24(e). In a small institution’s CRA examination, examiners focus on lending and credit-related activities. To the extent community development services enhance credit availability, they may be considered by examiners to determine if a small institution merits an outstanding CRA rating. 12 C.F.R. pt. 25 app. A(d)(2), pt. 228 app. A(d)(2), pt. 345 app. A(d)(2), and pt. 563e app. A(d)(2). The community development test, which is appropriate for institutions designated as wholesale and limited purpose institutions, evaluates, *inter alia*, the number and amount of community development services. 12 C.F.R. §§ 25.25(c)(1), 228.25(c)(1), 345.25(c)(1), and 563e.25(c)(1). And, finally, institutions evaluated on the basis of a strategic plan must include in their plan how they intend to meet the credit needs of their assessment area(s). They may meet credit needs through lending, investment, and/or services, as appropriate. 12 C.F.R. §§ 25.27(f)(1), 228.27(f)(1), 345.27(f)(1), and 563e.27(f)(1) (emphasis added).

<sup>7</sup> Qualified investments and community development services must benefit the institution’s assessment area(s) or a broader statewide or regional area that includes the assessment area(s). See 12 C.F.R. §§ 25.23(a), 228.23(a), 345.23(a), and 563e.23(a). A wholesale or limited purpose institution can also receive consideration for qualified investments and community development services that benefit areas

lawful investments or grants that have as their primary purpose community development.<sup>8</sup> “Community development services” are services that (1) have as their primary purpose community development; (2) are related to the provision of financial services; and (3) have not been considered in the evaluation of the institution’s retail banking services.<sup>9</sup>

In general, the activities about which you inquire involve the institution either making a financial contribution to the Program or providing personnel who will offer services and expertise that are related to banking and financial services. Examiners may determine that these activities have a community development purpose if they are targeted to low- and moderate-income individuals. If so, such activities could receive favorable consideration during a participating financial institution’s CRA examination. Thus, for example, if a contribution is given to the Program to provide financial training for Program instructors and staff, examiners may consider this activity to be a qualified investment. Or, if financial institution staff directly provide training for Program instructors, it would be considered a community development service. In either case, however, the instructors and staff that are trained must teach primarily low- and moderate-income students.<sup>10</sup>

Although providing employment generally is not considered as a qualified investment under the CRA, the agencies believe that a financial institution’s contribution to the Program to help finance the summer intern program, and thus provide financial services education to low- and moderate-income students, could be evaluated as a qualified investment. It is our opinion, therefore, that providing the same benefit to the Program by providing short-term, paid on-the-job training to low- and moderate-income summer interns as part of such a curriculum may receive the same favorable consideration.

In conclusion, financial education activities, such as those you described, if targeted to low- and moderate-income individuals, have a community development purpose. Therefore, examiners may consider them favorably during a participating financial institution’s CRA

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outside the institution’s assessment area(s) (or a broader statewide or regional area that includes that institution’s assessment area(s)), if the institution has adequately addressed the needs of its assessment area(s). See 12 C.F.R. §§ 25.25(e), 228.25(e), 345.25(e), and 563e.25(e).

<sup>8</sup> 12 C.F.R. §§ 25.12(s), 228.12(s), 345.12(s), and 563e.12(r). This letter assumes, but does not determine, that contributions or investments in the Program are lawful. The CRA and its implementing regulations do not provide authority for institutions to make investments or contributions that are not otherwise allowed under Federal laws and regulations.

<sup>9</sup> 12 C.F.R. §§ 25.12(j), 228.12(j), 345.12(j), and 563e.12(i).

<sup>10</sup> See Interagency CRA Staff Opinion Letter from Glenn E. Loney, Associate Director, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System (Aug. 29, 1997) (copy enclosed).

examination.

I trust this letter responds to your inquiry. If you have further questions, please contact me or Margaret Hesse, an attorney on my staff, at (202) 874-5750.

Sincerely,

/s/

Michael S. Bylsma  
Director  
Community and Consumer Law Division  
Office of the Comptroller of the Currency

Enclosure (1) - unavailable in electronic format