Introduction

This section is divided into two parts: Part A—Compliance Rating System, and Part B—CRA Rating System. The CRA regulations were revised in May 1995. The new regulations were phased-in until July 1, 1997. Part B contains the rating systems for the new regulation.

Unless the scope of an examination is specifically altered to eliminate one phase (e.g., for a special or targeted examination), each compliance examination will address both (1) general compliance with fair lending, consumer protection, and other public interest laws and regulations, except for the Community Reinvestment Act ("CRA"), and (2) performance under the CRA. Separate ratings are given to these two areas, respectively; although the CRA Rating also takes into account compliance with fair lending regulations.

The instructions in this section should guide the examiner in assigning appropriate Compliance and CRA ratings, and in developing any necessary rating justifications that will appear in the Confidential Section of the examination report. They will also be useful as a reference throughout the examination and report writing process in regard to determining the relative importance of various findings.

Part A—Compliance Rating System

Background

A uniform, interagency compliance rating system was first approved by the Federal Financial Institutions Examination Council (FFIEC) in 1980. During the next year, the system was adopted by each of the Federal agencies represented on the Council, with the exception of the OTS which at the time elected to continue its practice of including consumer compliance as a component of its overall CAMELS rating. With the OTS's decision to separate consumer compliance examination reports from safety and soundness examination reports, it is appropriate that the ratings also be separated. Therefore, the OTS has adopted a Compliance Rating System substantially equivalent to the FFIEC-approved interagency compliance rating system.

The OTS Compliance Rating System differs from the interagency version primarily in terms of scope. The range of regulations covered under the term "Compliance" by the OTS is somewhat broader than was contemplated, at least initially, by the FFIEC. The FFIEC rating system was designed to reflect, in a comprehensive and uniform fashion, the nature and extent of an association's compliance with civil rights and consumer protection statutes and regulations. The OTS's implementation expands that coverage to encompass compliance with a number of other public interest regulations. Among these are the Bank Secrecy Act, Bank Protection Act, Equal Employment Opportunity Act, economic sanctions, and advertising.

Since associations receive separate Community Reinvestment Act (CRA) ratings [see Part B of this Section], the Compliance Rating System does not include or take into account an association's performance record with respect to the CRA statute and OTS's implementing regulations. Note also that an association's performance in the area of trust activities, often referred to as part of the "compliance" arena, is the subject of a separate examination report and rating. For additional information, refer to OTS's Trust Activities Handbook.

The Compliance Rating System is based upon a scale of "1" through "5," in increasing order of supervisory concern. A rating of "1" indicates excellence, while a rating of "5" represents the lowest, most critically deficient level of performance and the highest level of supervisory concern. The Compliance Rating System is a single-value rating system. The single rating value assigned reflects overall compliance performance and must be substantiated by the contents of the Report of Examination and the examination workpapers. Characteristics of the five Compliance Ratings available to the examiner are described in greater detail in subsequent paragraphs.

In assigning a Compliance Rating, all factors relevant to compliance with civil rights, consumer protection and other public interest statutes and regulations must be identified and evaluated. In general, these factors include the commitment of management, as evidenced by its ability and willingness to maintain compliance; the competence of management, as evidenced by the adequacy of operating systems, including internal procedures, controls and audits designed to ensure compliance; and the extent of actual present compliance as a measure of the effectiveness of management's efforts. Other factors unique to specific situations will require attention if the examiner determines they impact significantly upon the overall effectiveness of an association's compliance efforts.

The primary purpose of the Compliance Rating System is to help identify those associations whose compliance with civil rights, consumer protection and other public interest statutes and regulations displays weaknesses requiring special supervisory attention and is cause for more than a normal degree of supervisory concern. To accomplish this objective, the rating system identifies a central category of associations that have compliance deficiencies that warrant more than normal supervisory concern. These associations are not deemed to present a significant risk of financial or other harm to consumers, but do require a higher than normal level of supervisory attention. Associations in this category are generally rated "3." Associations displaying satisfactory and exceptional performance in compliance matters may be rated "2" or "1," respectively. Conversely, associations whose weaknesses are so severe as to represent, in essence, a substantial or general disregard for the law may be, depending upon the nature and degree of their weaknesses, rated "4" or "5."

The rating categories adopted by the OTS for its Compliance Rating System are substantially identical to the categories adopted by other regulators under the FFIEC-approved system. The uniform identification of associations giving cause for more than a normal degree of supervisory concern will help ensure that:

- The degree of supervisory attention and the type of supervisory response are based upon the severity and nature of the association's problems;
- Supervisory attention and action are, to the extent possible, administered uniformly and consistently, regardless of the type of association or the identity of the regulatory agency; and
- Appropriate supervisory action is taken with respect to those associations whose compliance problems entail the greatest potential for financial or other harm to consumers and the public generally.

In assigning ratings under this system, it is important to recognize that all the attributes under each rating may not necessarily apply to each association. Further, the rating system is not intended to automatically "pigeon-hole" associations into certain categories. Examiners should understand that there is flexibility in this rating system. For example, the profiles for associations rated "1" or "2" indicate that the association has a written compliance program. This means that associations that typically fall in the "1" or "2" categories typically have written compliance programs. The absence of a written compliance program should not, in and of itself, automatically place the association in the "3" category. However, the examiner would certainly want to encourage an association that has a good compliance program to commit it to writing. The rating system also indicates that the presence of restitution would require a rating of "3" or lower. Generally this is the case; however, if all other aspects of an association's compliance performance are at a satisfactory or better level, and management either completed or initiated restitution to affected borrowers during the examination, or promised to take appropriate corrective action in a timely manner, a rating of "2" could be assigned if properly justified and supported by the examination findings and explained in the confidential section of the report.

Five-Point Compliance Rating Scale

Compliance Ratings are defined and distinguished as follows:

Rating 1

An association in this category is in a strong compliance position. Management is clearly committed to and capable of, and staff is sufficient for, effectuating compliance. A qualified compliance officer or other specified personnel appropriate for the association have been given responsibility for compliance assurance, either overall or for specific areas of operations. An effective compliance program, including an efficient system of internal procedures and controls, has been reduced to writing and successfully implemented. The association provides adequate training for its employees. Changes in relevant statutes and regulations are promptly reflected in the association's policies, procedures and compliance training. If any violations are noted, they relate to relatively minor deficiencies in forms or practices that are easily corrected. There is no evidence of discriminatory acts, practices or policies; reimbursable violations; or uncorrected practices resulting in repetition of previously cited violations. Violations and deficiencies are promptly corrected by management. As a result, the association gives no cause for supervisory concern.

Rating 2

An association in this category is in a generally strong compliance position. Management is deemed capable of and committed to administering an effective compliance program. Appropriate personnel have been identified as responsible for compliance assurance and the compliance program reduced to writing. Compliance training is generally satisfactory and conducted routinely to keep staff informed of current requirements. Although the compliance program includes a system of internal operating procedures and controls to ensure compliance, violations have nonetheless occurred. These violations, however, involve technical aspects of the law or result from oversight on the part of operating personnel. Modifications of the association's compliance and training programs and/or the establishment of additional review/audit procedures should eliminate most of the deficiencies resulting in these violations. There is no evidence of discriminatory acts, practices or policies; reimbursable violations; or uncorrected practices resulting in a repetition of previously cited violations.

Rating 3

An association in this category is in a less than satisfactory compliance position. It is a cause for more than normal supervisory concern and requires immediate supervision to remedy deficiencies. Violations, while predominately technical in nature, may be numerous. In addition, previously identified practices resulting in violations may remain uncorrected. However, overcharges, if present, involve only a few consumers and are minimal in amount; and there is no evidence of discriminatory policies or practices. If one or more technical discriminatory acts are found, they are clearly isolated instances inconsistent with the policies and practices of the association and not indicative of a pattern of discrimination. Although management may have the ability to effectuate compliance, increased commitment and effort are necessary. The numerous violations discovered are an indication that management has not devoted sufficient time and attention to its compliance responsibilities. Operating procedures and controls have not proven effective and require strengthening. This may be accomplished by, among other things, designating a compliance officer, and developing and implementing a more comprehensive, effective compliance program and training effort. By identifying an association with marginal compliance early, additional supervisory measures may be employed to minimize future violations and prevent further deterioration in the association's less than satisfactory compliance position.

Rating 4

An association in this category requires close supervisory attention and monitoring to promptly correct the serious compliance problems disclosed. Numerous substantive as well as technical violations of one or more statutes or regulations are present. Overcharges, if any, affect a significant number of consumers and involve a substantial amount of money. Often, practices resulting in violations and cited at previous examinations remain uncorrected. Discriminatory acts, practices or policies may be in evidence. Clearly, management has not exerted sufficient effort to ensure compliance. Its attitude may indicate a lack of interest in administering an effective compliance program which may have contributed to the seriousness of the association's compliance problems. Internal procedures and controls have not proven effective and are seriously deficient. Staff training will generally be found non-existent or haphazard. Prompt action on the part of the supervisory agency may enable the association to correct its deficiencies and improve its compliance position.

Rating 5

An association in this category is in need of the strongest supervisory attention and monitoring. It is substantially in noncompliance with several of the civil rights, consumer and public interest statutes and regulations. The severity of its noncompliance creates legal and financial exposure of significant risk to the association. Management has demonstrated its unwillingness or inability to operate within the scope of these statutes and regulations. Previous efforts on the part of the regulatory authority to obtain voluntary compliance have been unproductive. Discrimination, substantial overcharges or practices resulting in serious repeat violations are present.

Compliance Rating Assessment Guidelines

The Compliance Rating scale has been presented in a narrative format describing the level of compliance for each of the five ratings. When assigning a rating, the examiner should choose the category whose description best reflects the association's overall compliance position. In many, if not all, cases an association's compliance posture may not reflect all the factors comprising a single rating category. Consequently, it is important that the extent and types of problems discussed in the examination report support the examiner's rating. The examiner's rating narrative, in the Confidential Section of the examination report, must draw together the import of the various comments presented in the Summary and Findings sections, forming a conclusion that translates into the numerical Compliance Rating to be assigned.

The association's compliance record and the internal routines and controls used to prevent violations are directly related to management and to the emphasis management places on compliance matters. Therefore, the examiner's rating narrative should commence with a discussion of management. The narrative should then briefly discuss the problem areas within the association, why the violations occurred, including deficiencies in internal routines and control procedures, and management's proposed corrections. Other matters pertinent to the examination not appropriate for the open report, as well as the names of persons in attendance at the final discussion or board meetings, may be included in the confidential section.

When rating the association, the examiner should consider and address the topics listed below. A more detailed discussion of these subjects follows.

(a) Management

- ability
- knowledge
- attitude
- succession

(b) Compliance

- nature and extent of violations
- repeat violations
- discriminatory practices and procedures
- overcharges

(c) Internal compliance program

- designation of compliance responsibilities
- audit/review procedures
- training programs

Assessment Guideline Questions

The following questions are meant solely as guidelines for the examiner. Answers to these questions, as well as responses to the examiner's checklists, should aid the examiner in determining the rating and targeting areas for discussion.

Management

Management is the most important component of a well-run organization. Operation of a successful compliance program depends largely upon management's ability, knowledge, and support. Therefore, an analysis of management is essential in determining a rating. When evaluating management, the following should be considered:

Ability:

- Is management technically competent? Does management exert the leadership and administrative abilities necessary to promote compliance with the laws?
- Is management able to interpret (understand) and implement the relevant laws and revisions to the laws? Or, does management rely heavily on the examiners to supply guidance in understanding the laws?
- Does management have the capability of operating the association within the scope of the regulations? Or, are the problem areas cited in the examination report beyond management's capabilities?

Knowledge:

- Is management familiar with the various civil rights, consumer, and public interest laws and regulations? The content of policy, procedures and training manuals, and the number and type of violations found in the association, indicate management's knowledge of the laws.
- Does management keep abreast of changes in the laws and regulations? Are training programs instituted to ensure that the association's staff is informed of the changes?

Attitude:

- Does management have a positive attitude toward regulatory compliance?
- Once identified, are causes of violations promptly corrected, or are there many repeat violations?
- Does management emphasize the importance of compliance with civil rights, consumer and other public interest laws? Designation of appropriate staff with specific responsibilities for compliance assurance, prompt identification and correction of violations and causes of violations, expressed willingness to comply with the regulations, and general responsiveness to supervisory concerns are all indicative of a positive attitude toward compliance.

Management Succession:

- Is there provision for adequate management succession? Although its importance is not limited to compliance matters, management's provision for succession indicates a long range perspective of the association's future that generally will include a commitment to comply with applicable laws and regulations.

Compliance with the Laws

Violations are indicative of the level of compliance within the association. The number and types of violations signal the extent of an association's problems and are therefore of paramount importance in determining a rating. When rating the association, the examiner should consider the following:

Nature and extent of violations:

- Are the violations primarily technical in nature and easily corrected? Examples include: failing to include the telephone number of a "required provider" on a good faith estimate; failing to display an "Equal Housing Lender" poster in a branch office; providing the wrong address on adverse action notices; omitting the OTS address in a Community Reinvestment Act Notice; failing to cross-out old early withdrawal penalty notices placed on the back of CD forms when new penalty notices are given to the consumer.
- Are the violations concerned with practices and procedures that may be more difficult to

correct? These violations may have a greater direct impact on the consumer or may subject the association to liability. For example, the failure to establish separate credit histories or the failure to give rescission notices may directly harm the consumer.

- What is the cause of the violations? Are they the result of established practices and procedures? Is a particular individual primarily responsible?
- How widespread are the violations? Are they restricted to isolated instances?
- Are the violations inadvertent or willful? A violation committed in intentional adherence to an established procedure that is itself in error may be considered inadvertent if (1) creation of the procedural error was inadvertent and (2) the violation is not obvious in its execution and therefore may be carried out with no intention to violate the law.

Types of violations:

- Are the violations substantive?
- Are substantial overcharges and reimbursements involved?
- Are discriminatory practices involved?
- Are there any repeat violations reflecting a continuing policy or practice noted in previous examination reports yet still uncorrected? How often were the violations repeated?
- Are there many violations of the same type, thus constituting a “pattern” of noncompliance?
- What are management’s plans for correction? Are these plans likely to correct the cause(s) of the violations?

Internal Compliance Program

Management is directly responsible for the establishment of an effective compliance program. This program will include the designation of compliance responsibilities, assure proper operating procedures and policies, establish a system of internal routines and controls. Such a system may prevent many compliance violations and can usually be implemented with little cost to the association. Assistance to member associations wishing to establish or evaluate their internal compliance programs has been provided by the OTS in the handbook, *Compliance: A Self-Assessment Guide.*

When evaluating the effectiveness of an association’s program, the examiner should focus on its results rather than its specific structure, which may be quite varied between associations. The following areas should be considered when evaluating internal routines and controls:

Designation of compliance responsibilities:

- Does the association have a compliance officer?
- If no compliance officer has been formally designated, have specific responsibilities for compliance assurance been assigned to other appropriate members of the staff?
- Is the designated person(s) knowledgeable about the civil rights, consumer and public interest laws? How much time does this person(s) devote to compliance assurance? How much autonomy does this person(s) possess?
- If a compliance officer has been designated, has the officer been granted sufficient authority and resources to effectively carry out the functions assigned?

Audit/review procedures:

- Does the association’s audit program include compliance test checks? Are they adequate?
- Does the legal counsel review forms and procedures for compliance?
- Does the association employ audit/review procedures in its daily work? Does someone recheck forms and calculations for accuracy? Are the files checked to make sure that all necessary forms are complete and that the customer has been given all the correct information?

Training programs:

- Does the association have an adequate training program? Does the program include training regarding changes in the laws and regulations? Are specific persons responsible for assuring that the training materials are complete and up to date?
- Does the program encompass enough employees or is it limited to only a few employees?

Part B-CRA Rating Systems for the Revised CRA Regulation

Introduction

The Federal financial regulatory agencies revised the regulations implementing the CRA in May 1995. The regulations became effective on January 1, 1996, but were not fully implemented until July 1, 1997. The new regulations set out four separate and distinct CRA assessment methods: the lending, investment and service tests for large, retail institutions; the streamlined examination method for small institutions; the community development test for wholesale and limited purpose institutions; and the strategic plan option for all institutions.

As of January 1, 1996, the new regulatory provisions applied to small institutions (i.e., those with less than $250 million in assets or part of a holding company with total banking and thrift assets of less than $1 million). In addition, large, retail institutions may opt to be assessed under the new regulations if they provide the data required under 563e.42. Finally, as of January 1, 1996, institutions may file requests for designation as wholesale or limited purpose institutions or submit strategic plans for agency approval.

Under the revised CRA regulations, an institution will be assigned one of the four assigned ratings required Section 807 of the CRA:

1. “Outstanding record of meeting community credit needs.”

2. “Satisfactory record of meeting community credit needs.”

3. “Needs to improve record of meeting community credit needs.”

4. “Substantial noncompliance in meeting community credit needs.”

An institution’s performance under the tests and standards in the rule is judged in the context of information about the institution, its community, its competitors, and its peers. Among the factors to be evaluated in an examination are the economic and demographic characteristics of the assessment area(s), the lending, investment and service opportunities in the assessment area(s), the institution’s product offerings and business strategy, the institution’s capacity and constraints, the prior performance of the institution and, in appropriate circumstances, the performance of similarly situated institutions, and other relevant information. An institution’s performance need not fit each aspect of a particular rating profile in order to receive that rating, and exceptionally strong performance with respect to some aspects may compensate for weak performance in others. The institution’s overall performance, however, must be consistent with safe and sound banking practices and generally with the appropriate rating profile as described, below. In addition, the OTS adjusts the evaluation of an institution’s performance under the applicable assessment method in accordance with § 563e.21, and § 563e.28, which provide for adjustments on the basis of evidence of discriminatory or other illegal credit practices.

Institutions Evaluated under the Lending, Investment and Service Tests

Retail institutions that are evaluated under the lending, investment and service tests will be assigned a rating based upon the component tests and a composite rating matrix that implements several rating principles, with adjustment for any evidence of discrimination. The lending, investment and service tests are evaluated using a level component rating system. Examiners will assign ratings of “outstanding,” “high satisfactory,” “low satisfactory,” “needs to improve,” or “substantial noncompliance” to each of the three component tests, reflecting the institution’s lending, investment and service performance. This level system will permit OTS, thrifts and their customers to recognize the stronger performances on the lending, investment and service tests of those institutions that are doing a very good, but not quite outstanding, job of helping to meet the credit needs of their communities.

Lending Performance Rating

The OTS assigns each institution's lending performance one of the five following ratings.

- Outstanding. The OTS rates an institution's lending performance "outstanding" if, in general, it demonstrates:
  - — Excellent responsiveness to credit needs in its assessment area(s), taking into account the number and amount of home mortgage, small business, small farm and consumer loans, if applicable, in its assessment area(s);
  - — A substantial majority of its loans are made in its assessment area(s);
  - — An excellent geographic distribution of loans in its assessment area(s);
  - — An excellent distribution, particularly in its assessment area(s), of loans among individuals of different income levels and businesses (including farms) of different sizes, given the product lines offered by the institution;
  - — An excellent record of serving the credit needs of highly economically disadvantaged areas in its assessment area(s), low-income individuals, or businesses (including farms) with gross annual revenues of $1 million or less, consistent with safe and sound operations;
  - — Extensive use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals or geographies; and
  - — It is a leader in making community development loans.
- High satisfactory. The OTS rates an institution's lending performance "high satisfactory" if, in general, it demonstrates:
  - — Good responsiveness to credit needs in its assessment area(s), taking into account the number and amount of home mortgage, small business, small farm and consumer loans, if applicable, in its assessment area(s);
  - — A high percentage of its loans are made in its assessment area(s);
  - — A good geographic distribution of loans in its assessment area(s);
  - — A good distribution, particularly in its assessment area(s), of loans among individuals of different income levels and businesses (including farms) of different sizes, given the product lines offered by the institution;
  - — A good record of serving the credit needs of highly economically disadvantaged areas in its assessment area(s), low-income individuals, or businesses (including farms) with gross annual revenues of $1 million or less, consistent with safe and sound operations;
  - — Use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals or geographies; and
  - — It has made a relatively high level of community development loans.
- Low satisfactory. The OTS rates an institution's lending performance "low satisfactory" if, in general, it demonstrates:
  - — Adequate responsiveness to credit needs in its assessment area(s), taking into account the number and amount of home mortgage, small business, small farm and consumer loans, if applicable, in its assessment area(s);
  - — An adequate percentage of its loans are made in its assessment area(s);

— An adequate geographic distribution of loans in its assessment area(s);

— An adequate distribution, particularly in its assessment area(s), of loans among individuals of different income levels and businesses (including farms) of different sizes, given the product lines offered by the institution;

— An adequate record of serving the credit needs of highly economically disadvantaged areas in its assessment area(s), low-income individuals, or businesses (including farms) with gross annual revenues of $1 million or less, consistent with safe and sound operations;

— Limited use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals or geographies; and

— It has made an adequate level of community development loans.

- Needs to improve. The OTS rates an institution's lending performance "needs to improve" if, in general, it demonstrates:

— Poor responsiveness to credit needs in its assessment area(s), taking into account the number and amount of home mortgage, small business, small farm, and consumer loans, if applicable, in its assessment area(s);

— A small percentage of its loans are made in its assessment area(s);

— A poor geographic distribution of loans, particularly to low- or moderate- income geographies, in its assessment area(s);

— A poor distribution, particularly in its assessment area(s), of loans among individuals of different income levels and businesses (including farms) of different sizes, given the product lines offered by the institution;

— A poor record of serving the credit needs of highly economically disadvantaged areas in its assessment area(s), low-income individuals, or businesses (including farms) with gross annual revenues of $1 million or less, consistent with safe and sound operations;

— Little use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals or geographies; and

— It has made a low level of community development loans.

- Substantial noncompliance. The OTS rates an institution's lending performance as being in "substantial noncompliance" if, in general, it demonstrates:

— A very poor responsiveness to credit needs in its assessment area(s), taking into account the number and amount of home mortgage, small business, small farm and consumer loans, if applicable, in its assessment area(s);

— A very small percentage of its loans are made in its assessment area(s);

— A very poor geographic distribution of loans, particularly to low- or moderate- income geographies, in its assessment area(s);

— A very poor distribution, particularly in its assessment area(s), of loans among individuals of different income levels and businesses (including farms) of different sizes, given the product lines offered by the institution;

— A very poor record of serving the credit needs of highly economically disadvantaged areas in its assessment area(s), low-income individuals, or businesses (including farms) with gross annual revenues of $1 million or less, consistent with safe and sound operations;

— No use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals or geographies; and

— It has made few, if any, community development loans.

Investment Performance Rating

The OTS assigns each institution's investment performance one of the five following ratings.

- Outstanding. The OTS rates a institution's investment performance "outstanding" if, in general, it demonstrates:

— An excellent level of qualified investments, particularly those that are not routinely provided by private investors, often in a leadership position;

— Extensive use of innovative or complex qualified investments; and

— Excellent responsiveness to credit and community development needs.

- High satisfactory. The OTS rates a institution's investment performance "high satisfactory" if, in general, it demonstrates:

— A significant level of qualified investments, particularly those that are not routinely provided by private investors, occasionally in a leadership position;

— Significant use of innovative or complex qualified investments; and

— Good responsiveness to credit and community development needs.

- Low satisfactory. The OTS rates an institution's investment performance "low satisfactory" if, in general, it demonstrates:

— An adequate level of qualified investments, particularly those that are not routinely provided by private investors, although rarely in a leadership position;

— Occasional use of innovative or complex qualified investments; and

— Adequate responsiveness to credit and community development needs.

- Needs to improve. The OTS rates a institution's investment performance "needs to improve" if, in general, it demonstrates:

— A poor level of qualified investments, particularly those that are not routinely provided by private investors;

— Rare use of innovative or complex qualified investments; and

— Poor responsiveness to credit and community development needs.

- Substantial noncompliance. The OTS rates a institution's investment performance as being in "substantial noncompliance" if, in general, it demonstrates:

— (A) Few, if any, qualified investments, particularly those that are not routinely provided by private investors;

— (B) No use of innovative or complex qualified investments; and

— (C) Very poor responsiveness to credit and community development needs.

Service Performance Rating

The OTS assigns each institution's service performance one of the five following ratings.

- Outstanding. The OTS rates an institution's service performance "outstanding" if, in general, the institution demonstrates:

— Its service delivery systems are readily accessible to geographies and individuals of different income levels in its assessment area(s);

— To the extent changes have been made, its record of opening and closing branches has improved the accessibility of its delivery systems, particularly in low- or moderate-income geographies or to low- or moderate-income individuals;

— Its services (including, where appropriate, business hours) are tailored to the convenience and needs of its assessment area(s), particularly low- or moderate- income geographies or low- or moderate-income individuals; and

— It is a leader in providing community development services.

- High satisfactory. The OTS rates an institution's service performance "high satisfactory" if, in general, the bank demonstrates:

— Its service delivery systems are accessible to geographies and individuals of different income levels in its assessment area(s);

— To the extent changes have been made, its record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals;

— Its services (including, where appropriate, business hours) do not vary in a way that inconveniences its assessment area(s), particularly low- and moderate- income geographies and low- and moderate-income individuals; and

— It provides a relatively high level of community development services.

- Low satisfactory. The OTS rates an institution's service performance "low satisfactory" if, in general, the institution demonstrates:

— Its service delivery systems are reasonably accessible to geographies and individuals of different income levels in its assessment area(s);

— To the extent changes have been made, its record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals;

— Its services (including, where appropriate, business hours) do not vary in a way that inconveniences its assessment area(s), particularly low- and moderate- income geographies and low- and moderate-income individuals; and

— It provides an adequate level of community development services.

- Needs to improve. The OTS rates an institution's service performance "needs to improve" if, in general, the institution demonstrates:

— Its service delivery systems are unreasonably inaccessible to portions of its assessment area(s), particularly to low- or moderate-income geographies or to low- or moderate-income individuals;

— To the extent changes have been made, its record of opening and closing branches has adversely affected the accessibility its delivery systems, particularly in low- or moderate-income geographies or to low- or moderate- income individuals;

— Its services (including, where appropriate, business hours) vary in a way that inconveniences its assessment area(s), particularly low- or moderate-income geographies or low- or moderate-income individuals; and

— It provides a limited level of community development services.

- Substantial noncompliance. The OTS rates an institution's service performance as being in "substantial noncompliance" if, in general, the institution demonstrates:

— Its service delivery systems are unreasonably inaccessible to significant portions of its assessment area(s), particularly to low- or moderate-income geographies or to low- or moderate-income individuals;

— To the extent changes have been made, its record of opening and closing branches has significantly adversely affected the accessibility of its delivery systems, particularly in low- or moderate-income geographies or to low- or moderate-income individuals;

— Its services (including, where appropriate, business hours) vary in a way that significantly inconveniences its assessment area(s), particularly low- or moderate-income geographies or low- or moderate-income individuals; and

— It provides few, if any, community development services.

Composite Rating

The OTS assigns each institution a preliminary composite rating based on the numerical values assigned to the component test ratings using the table, below:

Component Test Ratings	Lending	Service	Investment
Outstanding	12	6	6
High Satisfactory	9	4	4
Low Satisfactory	6	3	3
Needs to Improve	3	1	1
Substantial Non-compliance	0	0	0

A preliminary composite rating for the institution is assigned by totaling the numerical values of the component test ratings under the lending, investment and service tests and referring to the chart, below.

Points	Composite Assigned Rating
20 or over	Outstanding
11 through 19	Satisfactory
5 through 10	Needs to Improve
0 through 4	Substantial Noncompliance

Wholesale or Limited Purpose Institutions

The OTS assigns each wholesale or limited purpose institution's community development performance one of the four following ratings.

- Outstanding. The OTS rates a wholesale or limited purpose institution's community development performance "outstanding" if, in general, it demonstrates:

  — A high level of community development loans, community development services, or qualified investments, particularly investments that are not routinely provided by private investors;

  — Extensive use of innovative or complex qualified investments, community development loans or community development services; and

  — Excellent responsiveness to credit and community development needs in its assessment area(s).

- Satisfactory. The OTS rates a wholesale or limited purpose institution's community development performance "satisfactory" if, in general, it demonstrates:

  — An adequate level of community development loans, community development services, or qualified investments, particularly investments that are not routinely provided by private investors;

  — Occasional use of innovative or complex qualified investments, community development loans or community development services; and

  — Adequate responsiveness to credit and community development needs in its assessment area(s).

- Needs to improve. The OTS rates a wholesale or limited purpose institution's community development performance as "needs to improve" if, in general, it demonstrates:

  — A poor level of community development loans, community development services, or qualified investments, particularly investments that are not routinely provided by private investors;

  — Rare use of innovative or complex qualified investments, community development loans, or community development services; and

  — Poor responsiveness to credit and community development needs in its assessment area(s).

- Substantial noncompliance. The OTS rates a wholesale or limited purpose institution's community development performance in "substantial noncompliance" if, in general, it demonstrates:

  — Few, if any, community development loans, community development services, or qualified investments, particularly investments that are not routinely provided by private investors;

  — No use of innovative or complex qualified investments, community development loans, or community development services; and

  — Very poor responsiveness to credit and community development needs in its assessment area(s).

Institutions Evaluated under the Small Institution Performance Standards

The OTS rates the performance of each institution evaluated under the small institution performance standards as follows.

- Eligibility for a satisfactory rating. The OTS rates a institution's performance "SATsfactory" if, in general, the institution demonstrates:

  — A reasonable loan-to-deposit ratio (considering seasonal variations) given the institution's size, financial condition, the credit needs of its assessment area(s), and taking into account, as appropriate, lending-related activities such as loan originations for sale to the secondary markets and community development loans and qualified investments;

  — A majority of its loans and, as appropriate, other lending-related activities are in its assessment area(s);

  — A distribution of loans to and, as appropriate, other lending related-activities for individuals of different income levels (including low- and moderate-income individuals) and businesses and farms of different sizes that is reasonable given the demographics of the institution's assessment area(s);

  — A record of taking appropriate action, as warranted, in response to written complaints, if any, about the institution's performance in helping to meet the credit needs of its assessment area(s); and

  — A reasonable geographic distribution of loans given the institution's assessment area(s).

- Eligibility for an outstanding rating. An institution that meets each of the standards for a "satisfactory" rating under this paragraph and exceeds some or all of those standards may warrant consideration for an overall rating of "outstanding." In assessing whether a institution's performance is "outstanding," the OTS considers the extent to which the institution exceeds each of the performance standards for a "satisfactory" rating and its performance in making qualified investments and its performance in providing branches and other services and delivery systems that enhance credit availability in its assessment area(s).

- Needs to improve or substantial noncompliance ratings. An institution also may receive a rating of "needs to improve" or "substantial noncompliance" depending on the degree to which its performance has failed to meet the standards for a "satisfactory" rating.

Strategic Plan Assessment and Rating

- Satisfactory goals. The OTS approves as "satisfactory" measurable goals that adequately help to meet the credit needs of the institution's assessment area(s).

- Outstanding goals. If the plan identifies a separate group of measurable goals that substantially exceed the levels approved as "satisfactory," the OTS will approve those goals as "outstanding."

- Rating. The OTS assesses the performance of a institution operating under an approved plan to determine if the institution has met its plan goals:

— If the institution substantially achieves its plan goals for a satisfactory rating, the OTS will rate the institution's performance under the plan as "satisfactory."

— If the institution exceeds its plan goals for a satisfactory rating and substantially achieves its plan goals for an outstanding rating, the OTS will rate the institution's performance under the plan as "outstanding."

— If the institution fails to meet substantially its plan goals for a satisfactory rating, the OTS will rate the bank as either "needs to improve" or "substantial noncompliance," depending on the extent to which it falls short of its plan goals, unless the institution elected in its plan to be rated otherwise, as provided in § 563e.27(f)(4).