Thrift Bulletin

Handbook: Compliance Activities
Subject: Community Reinvestment Act Evaluations

Section: 220
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Final Uniform Interagency Community Reinvestment Act Guidelines

Summary: The Office of Thrift Supervision (OTS) has approved changes to its Community Reinvestment Act (CRA) rating system and has set forth procedures for the public disclosure of written CRA evaluations. Identical rating systems and public disclosure procedures are being adopted by the Federal banking regulatory agencies. These changes will become effective July 1, 1990.

For Further Information Contact:
The District Office in which you are located, or the Compliance Programs Division, Office of Thrift Supervision, Washington, D.C.

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Background

Section 1212 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) amended the Community Reinvestment Act of 1977 (CRA) in three significant ways. It requires that (1) agencies evaluate an institution's CRA performance utilizing a four-tiered descriptive rating system, in lieu of the existing five-tiered numerical rating; (2) agencies provide a written evaluation with a public section that addresses each assessment factor in the regulation and sets forth the examiner's conclusion regarding the institution's performance under each one; and (3) CRA ratings for examinations commencing on or after July 1, 1990 be disclosed to the public. On December 22, 1989, the Federal Financial Institutions Examination Council (FFIEC) published in the Federal Register Notice of Request for Comments on a proposal to implement changes to the CRA rating system mandated by FIRREA. The Notice also set out proposed uniform procedures for disclosure of the CRA rating and the preparation of standard, written evaluations. After consideration of 129 comments, the guidelines and revised rating system were approved by the FFIEC on April 20, 1990, and recommended to the member agencies for adoption. OTS is hereby adopting those guidelines and the rating system.

Guidelines

The uniform interagency CRA final guidelines provide:

- a comprehensive and uniform method to be used by the agencies for evaluating the CRA performance of federally regulated depository institutions, and
- procedures for supervisory agencies and financial institutions to follow the disclosure to the public of an institution's CRA performance evaluation.

Evaluation of CRA performance

The assessment process utilized by examiners consists of five performance categories which represent a grouping of the twelve assessment factors contained in the existing regulation. These twelve assessment factors are not being revised - the assessment factors as they exist in the present CRA regulation will continue to be inherent in the examination procedures. After the examiner reviews an institution's performance in meeting the credit needs of its entire community, including low- and moderate-income neighborhoods utilizing the twelve assessment factors, a rating will be assigned. The overall CRA performance of financial institutions will be rated using a four-tiered descriptive rating system as follows:

- "Outstanding record of meeting community credit needs."
- "Satisfactory record of meeting community credit needs."
- "Needs to improve record of meeting community credit needs."
- "Substantial noncompliance in meeting community credit needs."

The rating system guidelines are generally descriptive to provide examiners with the flexibility to properly factor the nature and composition of a given institution into the overall assessment. CRA rating profiles have been developed to assist the agencies in providing meaningful written evaluations that best describe an institution's CRA performance. As there is no formal appeals process, examination procedures will continue to afford ample opportunity for an institution to

make sure that, prior to the assigning of a final rating, the examiner has all relevant information necessary to make an informed judgment about the institution's CRA record.

Disclosure of CRA Evaluation

The appropriate supervisory agency will prepare a CRA performance evaluation, separate from the CRA examination report, upon completion of CRA examinations commencing on and after July 1, 1990. The CRA performance evaluation will include the CRA rating and a narrative discussion of performance under the assessment factors with supporting facts. The performance evaluation will be made available to the public by the financial institution within 30 business days of its receipt. The evaluation will, at a minimum, be placed in the institution's CRA public file at the head office and at a designated office in each local community. The institution is encouraged, but not required, to include any response it makes to the evaluation in its CRA public file. The institution must also revise its CRA public notice posted in each depository facility within 30 business days of receipt of its first public evaluation, to reflect the availability of the public section of its most recent CRA performance evaluation. The institution will provide a copy of its most current evaluation to the public, upon request, and may charge a reasonable fee not to exceed the cost of reproduction and mailing (if applicable). The format and content of the evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner.

Regulatory Changes

Regulatory changes are necessary to make provisions of the guidelines enforceable. OTS will amend its CRA regulation to require the placement of the evaluation in the CRA public file within 30 business days of its receipt from the agency, and the addition of language to the CRA notice indicating that the evaluation is available, and the address(es) where it can be obtained. The temporary rule, though issued for comment, would be enforceable as of the July 1 effective date for FIRREA changes. OTS will issue permanent amendments to its regulation after July 1, 1990.

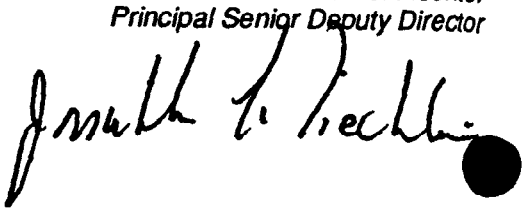
Institution CRA Self-Assessment

The Office of Thrift Supervision strongly believes that each institution should strive to achieve a rating of "satisfactory" or "outstanding" record of meeting community credit needs. Institutions should take advantage of the window of opportunity which exists before their first public CRA evaluation to perform a thorough self-assessment of their CRA programs. If necessary, an action plan should be developed to address any weaknesses in the institution's CRA program. The joint statement issued in March 1989 by the four federal financial supervisory agencies regarding the Community Reinvestment Act can be a useful guide for the further development of policies and procedures which contribute to fulfilling an institution's responsibilities under the CRA on an ongoing basis. One such procedure encouraged by the agencies is to expand the CRA Statement to include a description of the institution's efforts to ascertain the credit needs of its community and to communicate with members of the community regarding those needs, and the steps taken by the institution to help meet the community's credit needs. Refer to Federal Home Loan Bank Board Resolution #89-1036 for a copy of the joint statement. Another useful tool is OTS's publication, *Compliance: A Self-Assessment Guide*, which was issued to all savings associations in July 1988.

A copy of the Federal Financial Institutions Examination Council Uniform Interagency Community Reinvestment Act Final Guidelines For Disclosure of Written Evaluations and Revised Assessment Rating System is attached.

Attachment

Jonathan L. Fiechter
Principal Senior Deputy Director



FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

Uniform Interagency Community Reinvestment Act Final Guidelines For Disclosure Of Written Evaluations And Revised Assessment Rating System

AGENCY: Federal Financial Institutions Examination. Council on behalf of the Office of the Comptroller of the Currency, Treasury; Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation: and Office of Thrift Supervision Treasury.

ACTION: Notice of final guidelines and revised rating system.

SUMMARY: The Federal Financial Institutions Examination Council (FFIEC) is finalizing certain changes to the current format of the Community Reinvestment Act (CRA) rating system. These changes are in response to the recent amendments to the CRA occasioned by the passage of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) and will become effective July 1, 1990. The FIRREA amendments to the CRA may be summarized as: (1) Requiring disclosure to the public of an institution's CRA rating; (2) requiring that the Federal regulatory agencies provide a written evaluation of an institution's CRA performance utilizing a four-tiered descriptive rating system, in lieu of the existing five-tiered numerical system.

FFIEC Notice

On December 22, 1989, the FFIEC published for public comment in the **Federal Register** (54 FR 52914) proposals to implement all aspects of these amendments. The comment period ended on January 29, 1990. The FFIEC's notice, issued as a set of guidelines, proposed requirements for the examined institutions to make the CRA examination assessments and ratings public. It would have required the institutions to make public the written evaluation containing the rating for their most recent CRA examination by including it in their CRA public comment file. The CRA public comment file is already required by the existing CRA regulations. The FFIEC's notice would have required that an institution place the written evaluation in the public comment file within 30 days of its receipt from the supervisory agency. It would have limited the requirement to making evaluation available in the public comment file to the institution's head office. Also, the notice would have required the institution to make copies of the evaluation available upon request for no more than the duplicative cost.

Comments Received in Response to the FFIEC Notice

The agencies received and reviewed 129 comments from financial institutions, the public, research organizations, governmental agencies, and members of Congress. The major comments relating to the method proposed for making the written CRA Performance Evaluations and CRA ratings public are addressed below.

1. Appeals Process

Many financial institution commenters felt that a process is needed to appeal the agencies' CRA ratings and conclusions. These concerns reflected the view that due to the subjective nature of certain aspects of the rating system, there exists the possibility that examiners may assign different ratings based on a review of identical factual circumstances. Given the potential for adverse public and media reaction to these newly publicized evaluations and ratings, a method for appealing an agency's conclusions was viewed as essential.

The agencies are mindful of the sensitive nature of CRA ratings but do not believe there is a need to institute a formal appeals process. Further, such appeals would unduly prolong the examination process. The agencies believe that the present, consistently employed, examination procedures afford ample opportunity for an institution to make sure of that, prior to the assigning of the final rating, the examiner has all relevant information necessary to make an informed judgment about the institution's CRA record.

During the examination, the examiner engages in discussions with an institution's personnel to elicit all relevant information. Further, it is standard practice that the examiner meet with the appropriate levels of management prior to completing the examination to provide a preliminary assessment of the findings and to give the institution a final opportunity to correct any misunderstandings or supply any further information relevant to the institution's CRA performance. Furthermore, the agencies consider information obtained from community groups that are contacted to discuss the credit needs of community and especially those credit needs that are not being met by the financial institutions located in that community. Additionally, all public comments contained in the institution's CRA public

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file are reviewed and considered in assessing that institution's CRA performance, and commenters are contacted if deemed necessary.

The agencies believe that the proposals included in the FFIEC's Notice meet the purposes of the CRA, the needs of the public, and the interests of the institutions. The statue calls for public disclosure of the examiner's assessment of the institution's performance, not a record of the views of the examiner, the institution, and the public. Consequently, the agencies believe the examiner, and by extension the agency the examiner represents, is called upon by the CRA to give his or her own view during the examination process of the institution's performance, giving appropriate consideration to the views of, and facts presented by, the institution and the public. The FFIEC's notice attempted to accommodate the concerns by the financial institution commenters that their views would not be sufficiently reflected in the final evaluation by encouraging, but not requiring, the institution to comment on the written CRA Performance Evaluation and to place those comments in its public file. The public is currently permitted to place any comments it wishes to register in the institution's public comment file, and those might be directed toward the public CRA Performance Evaluation as well.

The agencies believe that their present system of local, regional, or district-level review, along with oversight at the headquarters level, will continue to assure to the greatest degree possible that their examiners produce factually accurate CRA Performance Evaluations and that they effectively communicate justified ratings. Institutions and the public are encouraged to bring to the examiners' attention any information that bears on an institution's record of helping to meet the credit needs of its community.

2. Distribution of Public Evaluations

The FFIEC's notice would have required, at a minimum, that the institution make its written CRA Performance Evaluation and CRA rating publicly available by placing it in the public comment file at the head office. It also would have required that this be done within 30 days of its receipt of the written CRA Performance Evaluation. The institution would have been required to revise the CRA Notice it is already required to maintain in the public lobby of each of its offices, other than off-premises electronic deposit facilities, to inform the public of the availability of the evaluation and where it can be obtained. This system was proposed by the FFIEC primarily to promote ease of administration and because it will be less likely to lead to errors (for example, where a branch inadvertently maintained an out-of-date evaluation in its public comment file). This was viewed as a potential problem, especially for larger institutions serving more than one community.

Community group comments argued strongly for wider availability of the evaluations throughout the various communities an institution might serve. They cited the difficulties, especially for low- and moderate-income people, of having to go to another community to personally retrieve a copy of the evaluation. This problem is most apparent where the institution operates over a large geographic area such as an entire state.

To address this concern, the FFEIC is modifying its proposal to require that the institutions place the evaluation in the CRA public file at the head office and at one designated office in each local community. In other words, the evaluation will be kept at all of the locations where institutions are at present required to keep their CRA public file. The agencies believe this modification enhances convenient public access to the evaluation and does not impose additional administrative burden on institutions.

Some community group commenters suggested requiring institutions to place more than the most recent CRA Performance Evaluation in the public files. While the agencies support disclosure of institutions' CRA performance, they do not believe that it is necessary for an institution to place more than the most recent evaluation in its public file. Such a requirement would exceed the record retention responsibility contemplated by the CRA. Retaining prior adverse evaluations which have become outdated would have minimal bearing on institutions' current CRA performance. Institutions may, at their discretion, include in the public file more than the most recent CRA evaluation.

3. Timing of Disclosure Availability

The FFIEC's notice would have required institutions to place the evaluation in the CRA public file within 30 days after its receipt and would encourage them to place a response in the file as well. Many financial institution commenters felt the 30 day time period was too short. They stated that additional time is needed for board of directors review of the evaluation and response preparation.

The agencies note that examining staffs, as a matter of standard practice, discuss their preliminary assessment of CRA performance with the institution's management at the time of the exit interview. Usually, after completion of the on-site portion of the examination, a report processing period of at least 30 days elapses before transmittal of the examination report to the institution. These practices give the institution ample time between conclusion of the examination and transmittal of the examination report and CRA Performance Evaluation to prepare a response. However, the agencies are modifying the proposal to afford institutions 30 business days to place the evaluation and, if they so choose, their responses, in the CRA public file.

4. Reproduction and Mailing Costs

Industry commenters want to charge reproduction costs and mailing costs. Institutions may charge a reasonable mailing fee since the public has the option to view the documents in the institutions' office at no cost. While the agencies' CRA regulations already permit institutions to charge a reproduction fee for CRA statements, the FFIEC is modifying the regulations to also permit the assessment of mailing fees in connection with public requests for CRA statements.

5. Use of CRA Ratings and Evaluations for Advertising Purposes

Two industry commenters and one community group commenter questioned whether, and how, institutions would be permitted to use CRA evaluations and ratings for advertising or marketing purposes. The FFIEC is not placing any limitations on the institutions' prudent use of this information. The agencies believe that an institution's use of its CRA rating or evaluation must not be misleading in nature. It must clearly represent the fact that the rating or evaluation reflect the institution's CRA performance and not its financial condition.

6. Annual Agency Compilations

Several community group commenters want the agencies to publish annual compilation of the ratings and evaluations for each institution examined in the preceding 12 months. The agencies believe this should not be an interagency undertaking and that they will sufficiently fulfill the intent of Congress by making the evaluations and ratings available to the public through the examined institutions.

FOR FURTHER INFORMATION CONTACT: Federal Reserve Board: Glenn E. Loney, Assistant Director, Consumer and Community Affairs (202) 452-3585.

S-041999 0022(01)(30-APR-90-11:44:19)

Federal Deposit Insurance Corporation: Janice M. Smith, Director, Office of Consumer Affairs (202) 898-3536.
Office of the Comptroller of the Currency: John H. McDowell, Director, Consumer Activities Division (202) 287-4265.
Office of Thrift Supervision: Jerauld C. Kluckman, Director, Division of Compliance Programs (202) 785-5442.

Uniform Interagency Community Reinvestment Act Final Guidelines For Disclosure of Written Evaluations And Revised Assessment Rating System.

The new section 807 of the Community Reinvestment Act (CRA) requires that the appropriate Federal depository institution regulatory agency shall prepare a written evaluation of the institution's record of meetng the credit needs of its entire community, including low- and moderate-income neighborhoods. Section 807, in addition, requires that these written evaluations have a public and confidential section.

The procedures detailed below will be followed by the supervisory agencies and the financial institutions to disclose to the public an institution's CRA performance evaluation.

Disclosure by the Financial Institution

The appropriate supervisory agency will prepare an institution's CRA performance evaluation upon completion of CRA examinations commencing on and after July 1, 1990 and will transmit the evaluation to the institution at the same time it sends the written CRA examination report. The CRA performance evaluation will be a separate document, distinct from the examination report, thereby maintaining the confidentiality of the examination report and complying with the statutory mandates.

This approach will provide convenient access by the public to each institution's evaluation as it will:

- Ensure public access to the evaluation in communities served by the institution;
- Be consistent with other requirements already imposed on financial institutions by current CRA regulations (*e.g.*, maintenance of CRA statements and public file, posting of CRA notice).
- Facilitate comparisons by the public of the CRA statement prepared by the institution with the evaluation prepared by the supervisory agency. Indirectly, it could encourage development of well documented, expanded CRA statements by each institution, as recommended by the *Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act.* See 54 13742 (April 5, 1989).
- Help encourage greater attention by the institution's board of directors, management and employees to the institution's CRA performance in all community areas served by local depository offices.

The financial institution would be required to:

- Make its most current CRA performance evaluation available to the public within 30 business days of its receipt;
- At a minimum, place the evaluation in the institution's CRA public file located at the head office and a designated office in each local community;
- Add the following language to the institution's required CRA public notice that is posted in each depository facility, within 30 business days of receipt of the first evaluation:

You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by (*name of agency*), at (*address of head office*) [*if the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community*].

- Provide a copy of its current evaluation to the public, upon request, and will be authorized to charge a fee not to exceed the cost of reproduction and mailing (if applicable):

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.

Format and Content of Required Written Evaluation

In addressing the format and content of disclosures, the agencies believe two considerations should be emphasized. First, the agencies strive to achieve consistency in preparing the evaluations. Consistency will facilitate public understanding of evaluations and promote a common understanding of CRA. A common understanding shared by community groups, regulators, and depository institutions regarding CRA should result in reasonable expectations and constructive dialogue with respect to CRA issues.

Second, the language used in preparing the CRA evaluations should be simple and concise. Evaluations should be written in a manner understandable to the public. Acronyms, technical banking or regulatory terminology, and unexplained banking concepts should not be used.

Uniform Format

Because of the need for confidential treatment of the examination report, the CRA evaluation will be prepared as a stand-alone document, that may be extracted from the CRA examination report, eliminating information precluded by statute or deemed by the agencies to be confidential. The relevant statutory provisions read as follows:

"(c) CONFIDENTIAL SECTION OF REPORT

(1) *Privacy of Named Individuals.*—The confidential section of the written evaluation shall contain all references that identify any customer of the institution, any employee or officer of the institution, or any person or organization that has provided information in confidence to a Federal or State depository institutions regulatory agency.

(2) *Topics Not Suitable for Disclosure.*—The confidential section shall also contain any statements obtained or made by the appropriate Federal depository institutions regulatory agency in the course of an examination which, in the judgment of the agency, are too sensitive or speculative in nature to disclose to the institution or the public.

(3) *Disclosure To Depository Institution.*—The confidential section may be disclosed, in whole or part, to the institution, if the appropriate Federal depository institutions regulatory agency determines that such disclosure will promote the objectives of this Act. However, disclosure under this paragraph shall not identify a person or organization that has provided information in confidence to a Federal or State depository institutions regulatory agency."

(Sec. 1212, FIRREA, Pub. L. No. 101-73, 103 Stat. 183)

Content of Evaluation

To facilitate understanding of the CRA, it is desirable to preface the evaluation with background information outlining the general purposes of the CRA and explaining the evaluation.

Evaluations will be based only on the examiners' findings from the time the examination starts until the CRA Performance Evaluation receives the final approval from the appropriate supervisory agency. The agencies will not include in the CRA Performance Evaluation an institution's verbal or written response to CRA examination findings that are received after the supervisory office has given its final approval to the examiner's Evaluation. The agencies encourage, but do not require, financial institutions to include their response to the evaluation in their CRA Public File.

Evaluation Format

To ensure maximum consistency, the agencies will use a standard format. The

evaluation will consist of four distinct sections:

Section I—Cover Page and General Information Page
Section II—Rating Information—Identification of Ratings
Section III—The Institution's Specific Rating and Narrative Discussing Performance under the Assessment Factors and Supporting Facts
Section IV—Additional Information

Section I—Cover Page and General Information

The cover page will include:

1. The date of the evaluation.
2. The name and address of the institution.
3. The name and address of the supervisory agency.
4. A cautionary note stating that the CRA evaluation is not an assessment of the financial condition of the institution.

A standard "General Information" page will address the purpose of both the CRA and the public written evaluation. It will also provide a statement on the basis for the rating.

Section II—Rating Information

This page will contain the four ratings specified in section 807 of the CRA. A brief description of each of the ratings will precede the presentation of the particular institution's rating and will provide a standard for comparison. For example, presentation of a "Needs to Improve" rating will clearly be identified as not being the worst possible rating.

Section III—Discussion of Institution's Performance

This page will contain:

- The rating for the institution resulting from the examination.
- The performance categories will be listed with the relevant assessment factors, as written in the regulation, spelled out and followed by a narrative supporting the conclusion under each factor.

Section IV.—Additional Information

This section may include any other relevant information that does not appropriately fit in other sections, such as the Metropolitan Statistical Area (MSA) in which the institution is located, the location of branches, and the location of the appropriate HMDA depository.

A sample evaluation is presented below.

Sample Evaluation

Public Disclosure

(Date of Evaluation)

Community Reinvestment Act Performance Evaluation

(Name of Depository Institution)
(Institution's Identification Number)

(Address)

(Name of Supervisory Agency)
(Address)

Note: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

General Information

This document is an evaluation of the Community Reinvestment Act (CRA) performance of (*Name of depository institution*) prepared by (*Name of agency*), the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of (*the date on the cover*). It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

Assignment of Rating

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Discussion of Institution's Performance

Institution's Rating:

This institution is rated [*Insert Applicable Rating*] based on the findings presented below.

I. Ascertainment of Community Credit Needs

Assessment Factor A—Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

(Conclusion/Support):

Assessment Factor C—The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

(Conclusion/Support):

II. Marketing and Types of Credit Offered and Extended

Assessment Factor B—The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

(Conclusion/Support):

Assessment Factor I—The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

(Conclusion/Support):

Assessment Factor J—The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

(Conclusion/Support):

III. Geographic Distribution and Record of Opening and Closing Offices

Reasonableness of Delineated Community

(Conclusion/Support):

Assessment Factor E—The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

(Conclusion/Support):

Assessment Factor G—The institution's record of opening and closing offices and providing services at offices.

(Conclusion/Support):

IV. Discrimination and Other Illegal Credit Practices

Assessment Factor D—Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

(Conclusion/Support):

Assessment Factor F—Evidence of prohibited discriminatory or other illegal credit practices.

(Conclusion/Support):

V. Community Development

Assessment Factor H—The institution's participation, including investments, in local community development and redevelopment projects or programs.

(Conclusion/Support):

Assessment Factor K—The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

(Conclusion/Support):

Assessment Factor L—Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

(Conclusion/Support):

Revised Uniform Interagency Community Reinvestment Act Assessment Rating System

Introduction

The revised CRA Rating System provides a comprehensive and uniform method used by the agencies for evaluating the Community Reinvestment Act (CRA) performance of federally regulated financial depository institutions. It ranks the overall performance of financial institutions in helping to meet community credit needs, including those of low- and moderate-income neighborhoods, using a four-tiered descriptive rating system, as mandated by the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA). This rating system is to be used in connection with examinations commencing on and after July 1, 1990.

According to Section 807 of the CRA, these ratings are:

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."

The overall assessment of an institution is based on its performance in helping to meet various community credit needs. The assessment process uses five "performance categories" which represent a grouping of the twelve assessment factors contained in the regulations which implement the CRA.

The assessment of an institution's record in helping to meet community credit needs takes into account a number of unique and complex factors. Among these factors are the financial capacity, type of operation and size of an institution, legal impediments, local and regional economic conditions and demographics, and the competitive environment in which an institution operates. All of these factors have a significant bearing on how an institution fulfills its obligation to help meet the credit needs of its local community. The overall performance of an institution, however, is primarily related to its efforts and success in helping to meet the credit needs of its local community. A comparison of an institution's performance with that of its peers is not a part of the assessment process.

Because of the various factors considered in the assessment of an institution's record of CRA performance, the rating system guidelines are generally descriptive. Moreover, the rating system recognizes that all attributes do not apply to every institution. Examiners are expected to use their judgment in determining the rating that best describes an institution's performance under CRA. The rating system provides examiners with considerable flexibility so that the nature and composition of a given institution can be properly factored into the overall assessment.

To maintain a balanced perspective, examiners must carefully consider information provided by both the institution and the community. Assessing the CRA performance of an institution is a process that does not rely on absolute standards. Consequently, the rating system purposefully does not preassign any relative weights to individual assessment factors or performance categories. In this way, the rating system provides the flexibility necessary for examiners to weigh the factors and categories consistent with their significance in the context of a particular institution. However, compliance with antidiscrimination laws and regulations, including fair lending and fair housing laws, has great significance in reaching the overall conclusion.

The CRA rating system considers and integrates the guidance provided in the *Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act.* (Joint Statement) See 54 Fed. Reg. 13742 (April 5, 1989). The Joint Statement identifies

the various types of policies, procedures and programs the agencies believe constitute a sound approach by an institution toward fulfilling its CRA responsibilities.

Pursuant to the Joint Statement, an effective CRA process should include methods to ascertain community credit needs on an ongoing basis through outreach efforts and methods to incorporate those findings into the development of products and services the institution decides to offer to meet identified credit needs. The CRA plan should include marketing and advertising programs for lending products and services that inform and stimulate awareness throughout all segments of the institution's local community. The duty to coordinate and monitor the CRA process should be assigned to a senior officer or committee charged with the responsibility to report periodically to the institution's board of directors about CRA efforts, performance, and areas for improvement, where appropriate. An employee training program should be established which addresses policies and procedures of the institutions designed to comply with antidiscrimination laws and regulations and help meet community credit needs.

As part of the management of the CRA process, the agencies also expect institutions to maintain reasonable documentation of the activities conducted to implement the institution's CRA policies, procedures and programs. Finally, the agencies believe it would be especially useful for an institution to expand its CRA statement to include a description of the activities the institution has undertaken to meet its responsibilities under CRA. This expansion would enhance the prospects for an informed dialogue about CRA-related issues between the institution and members of the public.

The following CRA rating profiles have been developed to assist the agencies in providing meaningful written evaluations that best describe an institution's CRA performance. By providing a thorough description of the attributes of performance for each rating category and assessment factor, the rationale for an institution's ultimate CRA rating may be more readily understood. In applying the profiles, it is not expected that each attribute will be met. Inherent in the rating system is the fact that each institution is different in type, size, product mix, customer orientation, and geography. The rating assigned to an institution will reflect the CRA rating profile that best, but perhaps not fully, describes the institution's CRA performance. An institution that is considered outstanding, for example, will have substantially exhibited the characteristics (to the extent applicable) found in the CRA rating profile for an outstanding performance.

CRA Rating Profiles

Outstanding Record of Meeting Community Credit Needs

An institution in this group has an outstanding record of ascertaining and helping to meet the credit needs of its entire local community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. CRA is a demonstrated and important component of the institution's planning process and is explicitly reflected in its formal policies, procedures, and training programs. The management of the CRA process is thorough and includes comprehensive and readily available documentation of the institution's CRA-related activities. The board of directors and senior management are highly involved in planning for, implementing, and monitoring the institution's CRA-related performance. The institution has played a leadership role in promoting economic revitalization and growth and/or has engaged in other activities to help meet community credit needs. The institution is highly involved with a broad spectrum of community organizations and the public sector. The institution employs affirmative outreach efforts to determine community credit needs and addresses them through innovative product development. The institution's marketing aggressively promotes credit services including, when appropriate, special programs which are responsive to the needs of the community and, as a result, the institution has extended loans which significantly benefit the community. The CRA statement correctly lists all of the institution's credit products available throughout its local community. The institution's delineated community meets the purpose of the CRA and does not exclude low- and moderate-income neighborhoods. The geographic distribution of the institution's credit extensions, applications, and denials reflect a reasonable penetration of all segments of its local community. Internal monitoring procedures are well documented. The institution is in substantial compliance with all provisions of the antidiscrimination laws and regulations, including fair lending and fair housing laws. The institution has demonstrated the ability to monitor and assess its own performance, and it presents no supervisory concern in CRA matters.

Satisfactory Record of Meeting Community Credit Needs

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire local community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. CRA is routinely considered in the institution's planning process. The CRA program, including goals, objectives and methodology for self-assessment, is articulated and generally understood by all levels of the institution, but may not be explicitly reflected in its formal policies, procedures, and training programs. Employee training for CRA is adequate. The management of the CRA process is satisfactory and includes adequate documentation of the institution's CRA-related activities. The board of directors and senior management have regular involvement in the institution's CRA planning, implementation and monitoring process. The institution has a satisfactory level of involvement with most community organizations and the public sector. The institution determines its community credit needs and normally addresses them through appropriate loan product development. The institution has played a supportive role in promoting and participating in economic revitalization and growth and/or has demonstrated a willingness to explore other activities which help to meet community credit needs. The institution has marketed credit services which address identified community credit needs and has extended loans which benefit its local community. The CRA statement correctly lists the majority of the institution's credit products available throughout its local community. The institution's delineated community meets the purpose of the CRA and does not exclude low- and moderate-income neighborhoods. The geographic distribution of the institution's credit extensions, applications, and denials demonstrates a reasonable penetration of all segments of its local community. The institution is in compliance with the substantive provisions of antidiscrimination laws and regulations, including fair lending and fair housing laws. The institution does not present a supervisory concern in CRA matters. It may, however, benefit from additional encouragement to ascertain and help meet community credit needs, initiate community contracts, or pursue special programs on an ongoing and more aggressive basis.

Needs to Improve Record of Meeting Community Credit Needs

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire local community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The institution's program for meeting responsibilities under CRA is inadequate; specific, identifiable weaknesses are apparent. The board of directors and senior management provide only limited support to the CRA training of personnel. The institution does not adequately document or monitor its CRA-related activities. The board of directors and senior management have limited involvement in the institution's CRA planning, implementation and monitoring process, if such process exists. The institution engages in limited affirmative outreach to the community, passively determines credit needs and addresses them primarily with existing standard loan products. The institution has limited, if any, involvement with local community organizations and the public sector. The institution has played only a limited role in developing projects to foster economic revitalization and growth, but management may express a willingness to consider participation in other activities which help meet community credit needs if they are presented to the institution. The institution has limited marketing of credit services responsive to community credit needs, and advertisements are not generally reflective of identified community credit needs. The CRA statement may not accurately reflect certain credit products that the institution makes available throughout its local community. The institution's delineated community is unreasonably and may exclude some low- and moderate-income neighborhoods. The geographic distribution of the institution's credit extensions, applications, and denials demonstrates an unjustified, disproportionate lending pattern, adversely impacting low- and moderate-income neighborhoods within its local community. The institution is not in compliance with the substantive provisions of antidiscrimination laws and regulations, including fair lending and fair housing laws. The institution is of supervisory concern in CRA matters and requires strong encouragement to improve the level of performance.

Substantial Noncompliance in Meeting Community Credit Needs

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire local community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. CRA responsibilities are rarely, if ever, considered within the institution's planning process or its policies, procedures, or training programs. The institution does not have a viable program for meeting responsibilities under CRA. The institution does not actively monitor its CRA activities. Little or no documentation exists to demonstrate an adequate level of performance. The board of directors and senior management have little, if any, involvement in the institution's CRA planning, implementation and monitoring process. The institution has no meaningful interaction with community organizations and the public sector. The institution has not actively promoted community economic revitalization or growth, and it has shown very limited interest in pursuing other activities to address community credit needs. The institution is not generally aware of existing credit needs and may not have appropriate loan products to address them. The institution does not advertise credit services based upon identified community needs. The CRA statement is materially inaccurate with respect to the types of credit the institution is willing to make available throughout its local community. The institution's delineated community is unreasonable and excludes low- and moderate-income neighborhoods. The institution's restrictive credit policies contribute to unjustified, disproportionate lending patterns, adversely impacting low- and moderate-income neighborhoods within its local community. The institution is in substantial noncompliance with antidiscrimination laws and regulations, including fair lending and fair housing laws. The institution is of significant supervisory concern in CRA matters and requires the strongest supervisory encouragement to be responsive to community credit needs.

Performance Categories Summary

To evaluate an institution's CRA performence, the twelve assessment factors and criteria are grouped into the following performance categories:

I. Ascertainment of Community Credit Needs.

II. Marketing and Types of Credit Offered and Extended.

III. Geographic Distribution and Record of Opening and Closing Offices.

IV. Discrimination and Other Illegal Credit Practices.

V. Community Development.

Performance Categories

Below are *guidelines* for determining the level of a financial institution's performance under each assessment factor as prescribed in the implementing regulations (designated below by the letters (A) through (L)). The various performance categories are generally descriptive, and *all* attributes do not necessarily apply to *every* institution.

I. Ascertainment of Community Credit Needs

The institution is evaluated in this category on its employment of effective techniques for gathering information to identify community credit needs. Examiners evaluate the effectiveness of an institution's review and development of products and services related to identified community credit needs. The evaluation process includes the following assessment factors:

(A) Activities conducted by the institution to ascertain the credit needs of its community, including the extent of its efforts to communicate with members of its community regarding the credit services being provided by the institution.

(C) The extent of participation by the institution's board of directors in formulating policies and reviewing the institution's performance with respect to the purposes of the Community Reinvestment Act.

Outstanding

Assessment Factor A

The institution has an outstanding record of determining the credit needs of its local community, including low- and moderate-income neighborhoods. This may take the form of:

- Ongoing, meaningful contracts with a full range of individuals and groups representing civic, religious, neighborhood, minority, small business, and commercial and residential real estate development;
- Ongoing contract with officials and leaders from city, county, state and federal governments and active participation in public programs; and,
- Established, productive releationships such as those with private, non-profit developers or financial intermediaries resulting in public/private partnership activities.

The institution regularly collects and analyzes local demographic data in relation to its leading activities.

The board of directors and senior management maintain a proactive attitude and a high degree of responsiveness in addressing community credit needs through product development, including loans for residential mortgages, housing rehabilitation, home improvement, small businesses, small farms, and rural development.

Senior management performs systematic and regular reviews of lending services.

The institution offers products well-suited to identified needs, which may include products that make use of government-insured and publicly-sponsored programs.

The board of directors and senior management demonstrate willingness to explore and offer conventional products with special features and more flexible lending criteria to make credit more widely available, throughout the institution's local community, within the bounds of safe and sound lending practices.

Assessment Factor C

CRA is a demonstrated and important component of the board of director's planning process.

A formal, written CRA program exists with goals, objectives and methodology for self-assessment.

The board of directors and senior management:

- Are an integral part of the CRA process and activities.
- Exercise active policy oversight and conduct regular reviews of CRA activities and performance.
- Ensure than an annual, or more frequent, analysis of the disposition of loan applications is made to ensure that potential borrowers are treated in a fair and nondiscriminatory manner.
- Are personally involved in activities designed to develop, improve and enhance the local community.
- Consistently support prudent but innovative underwriting criteria that help address community credit needs and that may not fall within the criteria of the institution's more conventional loan products.
- Provide active support to the CRA training of personnel.
- Have expanded their CRA Statement describing the institution's CRA policies and programs, discussing the results of their self-assessment, and summarizing documentation of the institution's performance.
- Effectively ensure that CRA technical regulatory requirements are consistently met.

Satisfactory

Assessment Factor A

The institution has a satisfactory record of determining credit needs of its local community, including low- and moderate-income neighborhoods. This may take the form of:

- Regular contacts with a large range of individuals and groups representing civic, religious, neighborhood, minority, small business and commercial and residential real estate development;
- Regular contact with officials and leaders from city, county, state, and federal governents and some participation in public programs; and,
- Regular contact with private, non-profit developers or financial intermediaries that may be used for public/private partnership opportunities.

The institution periodically reviews published, local demographic data in relation to its lending activities.

The board of directors and senior management satisfactorily respond to local input regarding community credit needs through product development, including loans for residential mortgages, housing rehabilitation, home improvement, small businesses, small farms, and rural development.

Senior management performs informal reviews of leading services.

The institution offers products reasonably suited to identified needs, which may include products that make use of government-insured and publicly-sponsored programs.

The institution offers a variety of conventional products, and may explore and offer conventional products with special features and more flexible lending criteria to make credit more widely available, throughout its local community, within the bounds of safe and sound lending practices.

Assessment Factor C

CRA is routinely considered in the board of directors' planning process.

The institution's CFA program, including goals, objectives and methodology for self-assessment, is articulated and generally understood by all levels of the institution, but may not be explictly reflected in its formal policies, procedures and training programs.

The board of directors and senior management:

- Are generally involved in the CRA process and activities.
- Exercise policy oversight and conduct occasional reviews of CRA activities and performance.
- Ensure that at least an annual analysis of the disposition of loan applications is made to ensure that potential borrowers are treated in a fair and nondiscriminatory manner.
- Have some involvement in activities designed to develop, improve and enhance the local community.
- Consider prudent but innovative underwriting criteria that help address community credit needs and that may not fall within the criteria of the institution's more conventional loan products.
- Provide adequate support to the CRA training of personnel.
- Generally ensure that CRA technical regulatory requirements are consistently met.

The institution's CRA Statement satisfactorily meets the regulatory requirements. The board of directors and senior management have expanded the statement to describe the institution's CRA policies, programs and results; however, the material in the expanded statement might not be fully descriptive of the institution's performance.

Needs to Improve

Assessment Factor A

The institution needs to improve its contacts within the community to determine the credit needs of its local community, including low- and moderate-income neighborhoods. This is represented by:

- limited contact with individuals and groups representing civic, religious, neighborhood, minority, small business and commercial and residential real estate development;
- limited contact with officials and leaders from city, county, state, and federal governments and marginal effort to participate in public programs; and,
- a lack of productive contact with private, non-profit developers or financial intermediaries that may be used for public/private partnership opportunities.

The institution occasionally considers or analyzes published demographic data in relation to its lending activities.

The board of directors and senior management show limited response to outside input regarding community credit needs through product development, including loans for residential mortgages, housing rehabilitation, home improvement, small business, small farms, and rural development.

Senior management infrequently reviews its CRA-related activities or its lending services in response to changing credit needs.

Credit products may not be structured or sufficiently varied to address the identified credit needs of certain segments of the institution's local community, especially in low- and moderate-income neighborhoods.

The institution is not a significant participant in government-insured and/or publicly-sponsored programs.

Limited efforts have been made to offer a variety of conventional products or explore special features and more flexible lending criteria to make sound credit more widely available throughout the institution's local community.

Assessment Factor C

CRA is sometimes considered in the board of director's planning process.

The institution's CRA program is inadequate and may lack goals, objectives and methodology for self-assessment.

The board of directors and senior management:

- Have limited involvement in the CRA process and activities.
- May exercise some policy oversight but conduct infrequent reviews of CRA activities and performance.
- Do no ensure that any more than a limited analysis of the disposition of loan applications is made to ensure that potential borrowers are treated in a fair and nondiscriminatory manner.
- Have limited involvement in activities designed to develop, improve and enhance the local community.
- May be reluctant to consider prudent but innovative underwriting criteria that help address community credit needs and that may not fall within the criteria of the institution's more conventional loan products.
- Provide only limited support to the CRA training of personnel.
- May be lax in ensuring that CRA technical regulatory requirements are met.

Substantial noncompliance

Assessment Factor A

The institution does not conduct, or has little involvement in, activities that determine credit needs of its local community, including low- and moderate-income neighborhoods. This is represented by few, if any, contacts with:

- Representatives of civic, religious, neighborhood, minority, small business and commercial and residential real estate development;
- Private, non-profit developers or financial intermediaries that may be used for public/private partnership opportunities; and,
- Officials and leaders from city, county, state and federal governments, and the institution makes little or no effort to participate in public programs.

The institution is unaware of, or ignores, the existence of demographic data and does not use it to analyze its lending activities.

The board of directors and senior management rarely (or, do not) respond to community credit needs through product development, including loans for residential mortgages, housing rehabilitation, home improvement, small businesses, small farms, and rural development.

Lending services are rarely (or, are not) reviewed in response to changing credit needs.

Customer input and/or information on credit needs is rarely (or, is not) taken into account in product development, especially from customers in low- and moderate-income areas.

There is nominal or no participation in government-insured and/or publicly-sponsored programs.

There is little or no effort made to offer a variety of conventional products or explore special features and more flexible lending criteria to make sound credit more widely available throughout the institution's local community.

Assessment Factor C

CRA is rarely (or, is not) considered in the board of director's planning process.

The institution does not have an articulated and implemented program for dealing with its responsibilities under CRA.

The board of directors and senior management:

- Have little, if any, involvement in the CRA process and activities.
- Exercise little, if any, policy oversight with respect to CRA and rarely (or, do not) conduct reviews of CRA activities and performance.
- Rarely (or does not) ensure that an analysis of the disposition of loan applications is made to ensure that potential borrowers are treated in a fair and nondiscriminatory manner.
- Have little, if any, involvement in activities designed to develop, improve and enhance the local community.
- Are reluctant to consider prudent but innovative underwriting criteria that help address community credit needs and that may not fall within the criteria of the institution's more coventional loan products.
- Provide little, if any, support to CRA training of personnel.
- Rarely (or, do not) ensure that CRA technical regulatory requirements are met.

II. Marketing and Types of Credit Offered and Extended

The institution is evaluated in this category on its marketing efforts to promote the types of credit it is prepared to offer to its community, product implementation, and overall delivery of credit services relative to the institution's CRA Statement. Emphasis is placed on special credit related programs. The evaluation process will consider the following assessment factors:

(B) The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services it offers.

(I) The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business and small farm loans within its community; or the purchase of such loans originated in its community.

(J) The institution's participation in governmentally-insured, guaranteed, or subsidized loan programs for housing, and small businesses or small farms.

Outstanding

Assessment Factor B

The institution has implemented sound marketing and adverstising programs that are approved, reviewed and monitored by senior management and the board of directors. The programs inform all segments of the institution's local community of general financial products and services offered, including those that have been developed to address identified community credit needs.

Marketing strategies ensure that products and services are responsive to identified community needs.

Advertisements are designed to stimulate awareness of credit services throughout the institution's entire local community, including low- and moderate-income neighborhoods. This includes use of special media aimed at particular segments of the community.

Complete, readily available marketing and advertising records are maintained and internally reviewed for compliance with applicable laws and regulations.

Personnel routinely provide assistance to individuals and groups in understanding and applying for credit.

Assessment Factor I

The institution has undertaken significant efforts to affirmatively address a substantial portion of the identified community credit needs through the origination and purchase of

loans, including those for residential mortgages, housing rehabilitation, home improvement, small businesses, small farms, and rural development.

Lending levels reflect exceptional responsiveness to the most pressing community credit needs. A substantial majority of loans are within the delineated community. Loan volume, in relation to the institution's resources and the community's credit needs, exceeds expectations.

The CRA Statement correctly lists all of the institution's credit products available throughout its local community.

Assessment Factor J

When an identified community credit need exists, the institution takes a leadership role in meeting that need and affirmatively participates in governmentally-insured, guaranteed, or subsidized loan programs for housing, small businesses, small farms, and rural development.

Satisfactory

Assessment Factor B

The institution has implemented adequate marketing and advertising programs that function outside the formal oversight of senior management and the board of directors. The programs are designed to inform all segments of the institution's local community of general financial products and services offered and any products that may have been developed to address identified community credit needs.

Although advertisements, including those for credit products, are carried in widely circulated local media, additional advertising in media directed toward low- and moderate-income neighborhoods may be needed in order for the advertising program to be effective throughout the institution's local community.

The institution maintains adequate records of its advertising, and these are occasionally reviewed for effectiveness in all segments of its local community. The institution may have established, but limited, policies and procedures to review proposed marketing campaigns for compliance with applicable laws and regulations.

Personnel generally provide assistance to individuals and groups in understanding and applying for credit.

Assessment Factor I

The institution has undertaken efforts to address a significant portion of the identified community credit needs through the origination and purchase of loans, including those for residential mortgages, housing rehabilitation, home improvement, small businesses, small farms, and rural development.

Lending levels reflect a general responsiveness to the most pressing community credit needs. A significant volume of loans are within the institution's delineated community. Loan volume is adequate in relation to the institution's resources and its community's credit needs.

The CRA Statement correctly lists the majority of the institution's credit products available throughout its local community.

Assessment Factor J

When an identified community credit need exists, the institution generally takes some steps to help meet that need and frequently participates in governmentally-insured, guaranteed, or subsidized loan programs for housing, small businesses, small farms, and rural development.

Needs to Improve

Assessment Factor B

The institution's marketing and advertising programs have limited oversight by senior management and the board of directors, and may require revision or expansion to inform all segments of the institution's local community of general financial products and services offered.

Marketing strategies are primarily designed to promote an image of the institution as a provider of general financial products and services or as a provider of only deposit services.

Although advertisements are primarily carried in local media, the institution does not advertise in media specifically directed to low- and moderate-income neighborhoods within its local community.

The institution maintains limited documentation of its advertising. The advertising is frequently reviewed for compliance with applicable laws and regulations. Marketing campaigns are infrequently reviewed for their effectiveness in informing all segments of the institution's local community.

Personnel make limited effort to assist individuals and groups in understanding and applying for credit.

Assessment Factor I

The institution is marginally involved in addressing identified community credit needs through organization and purchase of loans, including those for residential mortgages, housing rehabilitation, home improvement, small businesses, small farms, and rural development.

Lending levels reflect marginal responsiveness to the most pressing community credit needs. A significant volume of loans may be outside the institution's delineated community, and/or loan volume may be low in relation to the institution's resources and its community's credit needs.

The CRA Statement may not accurately list certain credit products that the institution makes available throughout its local community and/or may list some credit products that the institution does not make available.

Assessment Factor J

When an identified community credit need exists, the institution sometimes becomes involved in helping to meet that need and infrequently participates in governmentally-insured, guaranteed, or subsidized loan programs for housing, small businesses, small farms, and rural development.

Substantial Noncompliance

Assessment Factor B

The institution's marketing and advertising programs, if existent, are inadequate as they do not address credit products directed to all segments of the institution's local community, including low- and moderate-income neighborhoods.

The institution does not maintain sufficient documentation of its advertising. The advertising is rarely (or, is not) reviewed for compliance with applicable laws and regulations.

There is little, if any, effort to assist individuals and groups in understanding and applying for credit.

Assessment Factor I

The institution is minimally involved in addressing identified community credit needs through origination and purchase of loans, including those for residential mortgages, housing rehabilitation, home improvement, small businesses, small farms, and rural development.

Lending levels reflect little, if any, responsiveness to the most pressing community credit needs. A substantial majority of loans are outside the institution's delineated community, and/or loan volume is excessively low in relation to the institution's resources and its community's credit needs.

The CRA Statement is materially inaccurate with respect to the types of credit the institution is willing to make available throughout its local community.

Assessment Factor J

When an identified community credit need exists, the institution rarely (or, never) becomes involved in helping to meet that need or in participating in governmentally-insured, guaranteed, or subsidized loan programs for housing, small businesses, small farms, and rural development.

III. Geographic Distribution and Record of Opening and Closing Offices

The evaluation process under this category will consider the reasonableness of the delineated community, the geographic distribution of the institution's loans and the effects of opening or closing any offices, and the following assessment factors:

(E) The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

(G) The institution's record of opening and closing offices and providing services at offices.

Outstanding

Reasonableness of Delineated Community

The institution's delineated community meets the purpose of the CRA and does not exclude low- and moderate-income neighborhoods.

Assessment Factor E

The institution has a documented analysis demonstrating that the geographic distribution of its credit extensions, applications, and denials reflect a reasonable penetration of all segments of its local community, including low- and moderate-income neighborhoods.

The institution has formulated procedures to identify the geographic distribution of its loan products. This information is documented and used by the board of directors and senior management in the institution's establishment of loan policies, products and services, and marketing plans.

Assessment Factor G

Offices are readily accessible to all segments of the institution's local community. Business hours and services are tailored toward the convenience and needs of the community and are reviewed for their effectiveness on an ongoing basis.

Prior to closing offices, the institution assesses the potential impact on its ability to continue offering an appropriate level of services throughout its local community. This assessment includes the institution's taking into consideration information and ideas obtained from consultations with members of the community to minimize the adverse impact of an office closing.

The institution's record of closing offices has not had an adverse impact on its local community.

Satisfactory

Reasonableness of Delineated Community

The institution's delineated community meets the purpose of the CRA and does not include low- and moderate-income neighborhoods.

Assessment Factor E

The geographic distribution of the institution's credit extensions, applications, and denials demonstrates a reasonable penetration of all segments of its local community, including low- and moderate-income neighborhoods.

The geographic distribution of the institution's loan products may be used by the board of directors and senior management in the establishment of loan policies, products and services, and marketing plans.

Assessment Factor G

Offices are reasonably accessible to all segments of the institution's local community.

Periodic review of services and business hours assures accommodation of all segments of the institution's local community.

The institution makes an adequate assessment of the potential adverse impact of an office closing on its local community. This assessment includes contacts with members of the community for their views on the impact and ways to minimize it.

The institution's record of opening and closing offices has not adversely affected the level of services available in low- and moderate-income neighborhoods within its local community.

Needs to Improve

Reasonable of Delineated Community

The institution's delineated community is unreasonable and may exclude some low- and moderate-income neighborhoods. The institution's guidelines for defining its community need revision.

Assessment Factor E

The geographic distribution of the institution's credit extensions, applications, and denials demonstrates an unjustified, disproportionate pattern with respect to the activity inside its delineated community as compared to the activity outside the delineated community and/or with respect to the distribution of loans, applications and denials within the various segments of its community.

The board of directors and senior management may be unaware of the geographic distribution of the institution's loan products or accord inadequate or no review of lending policies and practices with regard to how they affect lending patterns within their local community.

Senior management has not taken adequate corrective action on previously identified unreasonable lending patterns.

Assessment Factor G

Accessibility to the institution's offices is difficult for certain segments of its local community.

Business hours may be inconvenient relative to the needs of the institution's local community, particularly low- and moderate-income neighborhoods, and they are infrequently reviewed for effectiveness.

The institution's assessment of the potential adverse impact an office closing will have on its local community and of methods needed to minimize that impact is inadequate and needs revision or expansion.

The institution's record of opening and closing offices indicates adverse impact upon certain segments of its local community, particularly low- and moderate-income neighborhoods, although the result may be unintentional.

Substantial Noncompliance

Reasonableness of Delineated Community

The institution's delineated community is unreasonable and excludes low- and moderate-income neighborhoods. The institution's guidelines for defining its community need substantial revision.

Assessment Factor E

The geographic distribution of the institution's credit extensions, applications, and denials does, in fact, indicate unreasonable lending patterns inside and outside its delineated community, particularly low- and moderate-income neighborhoods.

The board of directors and senior management disregard the geographic distribution of the institution's loan products and have taken limited or no corrective action on previously identified unreasonable lending patterns.

Loan policies and procedures contain restrictions which have or can be expected to have a significant adverse

impact on loan availability in low- and moderate-income neighborhoods within the institution's local community.

Assessment Factor G

There is limited accessibility to the institution's offices for certain segments of its local community, particularly low- and moderate-income neighborhoods.

Business hours are inconsistent with the needs of the institution's local community, and they are rarely, if ever, reviewed for effectiveness.

The institution rarely, if ever, makes an assessment of the potential impact of its office opening and closing practices on its local community.

The institution's record of opening and closing offices suggests a continuing pattern of adverse impact upon certain segments of its local community, particularly low- and moderate-income neighborhoods.

IV. Discrimination and Other Illegal Credit Practices

The institution is evaluated in this category on its compliance with antidiscrimination and other related credit laws, including efforts to avoid doing business in particular areas or illegal prescreening. The evaluation process will consider the following assessment factors:

(D) Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

(F) Evidence of prohibited discriminatory or other illegal credit practices.

Outstanding

Assessment Factor D

The institution affirmatively solicits credit applications from all segments of its local community, with a strong focus on low- and moderate-income neighborhoods.

The board of directors and senior management have developed complete written policies, procedures, and training programs to assure the institution does not illegally discourage or prescreen applicants.

The institution regularly assesses the adequacy of implemented, nondiscriminatory policies, procedures and training programs through internal review and management reporting mechanisms.

Assessment Factor F

The institution is in substantial compliance with all provisions of the antidiscimination laws and regulations, including: the Equal Credit Opportunity Act, the Fair Housing Act, the Home Mortgage Disclosure Act, and any agency regulations pertaining to nondiscriminatory treatment of credit applicants.

Satisfactory

Assessment Factor D

The institution generally solicits credit applications from all segments of its local community, including low- and moderate-income neighborhoods.

The board of directors and senior management have developed adequate policies, procedures and training programs supporting nondiscrimination in lending and credit activities. Minor revisions or expansion may be required.

The institution periodically assesses the adequacy of implemented, nondiscriminatory policies, procedures and training programs through internal reviews and management reporting mechanisms.

Assessment Factor F

The institution is in compliance with the substantive provisions of antidiscrimination laws and regulations, including, the Equal Credit Opportunity Act, the Fair Housing Act, the Home Mortgage Disclosure Act, and any agency regulations pertaining to nondiscriminatory treatment of credit applicants.

Any violations disclosed are nonsubstantive in nature, and corrections are promptly made by senior management.

Needs to Improve

Assessment Factor D

Although the institution accepts credit applications from all segments of its local community, available data suggests the possibility of isolated, illegal discouraging or prescreening of applicants.

The institution's policies, procedures and training programs are inadequate and require significant revision or expansion to support nondiscrimination in lending and credit activities.

The review and/or reporting mechanism developed by the board of directors and senior management need improvement to fully assure that the institution does not illegally discourage or prescreen applicants.

Assessment Factor F

The institution is not in compliance with the substantive provisions of antidiscrimination laws and regulations, including: the Equal Credit Opportunity Act, the Fair Housing Act, the Home Mortgage Disclosure Act, and any agency regulations pertaining to nondiscriminatory treatment of credit applicants.

Substantive violations are noted on an isolated basis. Violations may be repeated from previous examinations.

Substantial Noncompliance

Assessment Factor D

Available data indicates that the institution rarely, if ever, considers credit applications from all segments of its local community. The volume of applications from low- and moderate-income neighborhoods is very low or nonexistent.

The institutions's policies, procedures and programs are either nonexistent or in need of substantial revision to properly support nondiscrimination in lending and credit activities.

The review and/or reporting mechanisms developed by the board of directors and senior management and designed to assess implemented policies, procedures, and training programs to support nondiscrimination in lending and credit activities are inadequate and require substantial revision. Or, the institution has not developed any review or reporting mechanisms to assure that the institution does not illegally discourage or prescreen applicants.

Assessment Factor F

The institution is in substantial noncompliance with antidiscrimination laws and regulations, including: the Equal Credit Opportunity Act, the Fair Housing Act, the Home Mortgage Disclosure Act, and any agency regulations pertaining to nondiscriminatory treatment of credit applicants.

The institution has demonstrated a pattern or practice of prohibited discrimination, or has committed a large number of substantive violations of the antidiscrimination laws and regulations. Violations may be repeated from previous examinations.

V. Community Development

An institution is evaluated in this category on its participation in community development and/or other factors relating to meeting local credit needs. The evaluation process will consider the following assessment factors:

(H) The institution's participation, including investments, in local community development and redevelopment projects or programs.

(K) The institution's ability to meet various community credit needs based on its financial condition and size, and legal impediments, local economic conditions and other factors.

(L) Other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

Outstanding

Assessment Factor H

The institution has maintained, through ongoing efforts, a high level of participation in development and redevelopment programs within its local community, often in a leadership role.

Assessment Factor K

The institution has played a leadership role in developing and/or implementing specific projects promoting economic revitalization and growth, consistent with its size, financial capacity, location, and current local economic conditions. Its participation in these projects may have taken, for example, the form of investment, direct loans or loans through intermediaries, financial services, and technical assistance.

The institution has established good working relationships with government and private sector representatives to identify opportunities for the institution's involvement in addressing community development needs.

Assessment Factor L

The institution has engaged in other meaningful activities, not covered under other performance categories, which contribute to the institution's efforts to help meet community credit needs.

Satisfactory

Assessment Factor H

The institution is generally aware of any community development and redevelopment programs within its community, and periodically participates in such programs.

Assessment Factor K

The institution generally supports the development or implementation of specific projects promoting economic revitalization and growth, consistent with its size, financial capacity, location, and current local conditions. Its participation in these projects may have taken, for example, the form of investment, direct loans or loans through intermediaries, financial services, and technical assistance.

The institution has informed government and private sector representatives of its interest in participating in community development projects, and is already involved in some aspects of planning or implementation.

Assessment Factor L

The institution has demonstrated a willingness to explore other activities contributing to its efforts to help meet community credit needs which are not covered in other performance categories.

Needs to Improve

Assessment Factor H

The institution has limited awareness of any community development and redevelopment programs within its local community and rarely seeks them out or participates in them.

Assessment Factor K

The institution has played only a limited role in developing projects to foster economic revitalization and growth, and has taken limited action to learn or support the specific features of existing programs.

The institution has rarely contacted government and private sector representatives to discuss community development needs and opportunities.

Assessment Factor L

The institution expresses a willingness to consider participation in other activities designed to meet community credit needs only when specific proposals or requests are brought to its attention.

Substantial Noncompliance

Assessment Factor H

The institution is unaware of, or not interested in, the existence and nature of community development programs within its local community. The institution has made little or no effort to participate in these programs.

Assessment Factor K

The institution has played a very small, if any, role in developing or implementing specific projects promoting economic revitalization and growth.

The institution has made little, if any, effort to contact government or private sector representatives to learn about community development needs or the features of existing programs.

Assessment Factor L

Senior management has shown little, if any, interest in pursuing other activities, not covered under other performance categories, which would enhance the institution's effectiveness in helping address community credit needs.

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