

Community Reinvestment Act Sampling and Resubmission of CRA Data

In August 2001, the Board adopted a uniform policy for the sampling and resubmission of data collected and maintained by state member banks, in accordance with Regulation BB. Although the sampling approach and data-resubmission policy are similar to those used for the verification and resubmission of data required to be reported under the Home Mortgage Disclosure Act,¹ there are two differences. First, the key fields are different.² Second, examiners will need to verify the accuracy of the CRA data aggregation for those banks that do not use the FFIEC data entry software for editing and reporting small business and small farm loan data.

As with the HMDA sampling procedures, the approach outlined in the “Data-Integrity Sampling Procedures” section of this chapter and illustrated by the “CRA Sampling Schedule” employs a two-tier sampling method that allows examiners in certain scenarios to stop their file review after a minimal number of files have been reviewed. For example, if the institution reported data for 150 loan files, the total number of files that should be randomly sampled during the exam is 56. The policy, however, allows examiners to review a smaller number of loans initially and subsequently decrease the sample size, provided that no more than 1 file in the initial sample contains errors in any key field.

For example, as noted in the CRA sampling schedule, for a universe of 150 files, the initial review would encompass 29 files. If, after completing the review of these 29 files, the examiner noted no more than one error in any key field for these files, the examiner should stop the file review. No additional files should be reviewed.

However, if the examiner finds that between 2 and 5 files have one or more errors in key fields, the examiner must continue reviewing the 27 additional files, for a total sample size of 56 files. After completing the review of the total sample of 56 files, the examiner should determine the total number of files that have key-field errors and apply the new

CRA data-resubmission policy (see the “Data-Resubmission Standards” section of this chapter) to the entire sample, if necessary.

If, however, in a universe of 150 files, the examiner finds 6 or more files that have an error or errors in key fields during the initial file review, the examiner should stop after completing a review of the initial 29 files. In this case, the findings based on the initial files reviewed would constitute sufficient statistical evidence to conclude that a larger sample would have an unacceptable error rate, thus requiring resubmission. At this point, the examiner should apply the CRA data-resubmission standards to the total sample.

After analyzing the errors found during the sampling process, examiners may choose to perform supplemental targeted random sampling. For example, after completing a review of a CRA sample, an examiner may discover that CRA data errors appear to be coming from one particular loan decision center or are most prevalent in a particular product type. The examiner might decide to select a supplemental random sample of loan records specifically tied to that loan decision center or loan product. In these instances, supplemental samples should follow the same sampling process as the original sample, utilizing the two-tier approach found in the CRA sampling schedule. The statistical validity of this approach relies upon review of a random sample from the data maintained at each bank, as well as on a review of information year by year (separate universes) and not combined into one universe.

The following sections, “Data-Integrity Sampling Procedures,” “CRA Sampling Schedule for Data Accuracy,” and “Data-Resubmission Standards,” are based on attachments I, II, and III, respectively, to CA 00-2.

Data-Integrity Sampling Procedures

The following CRA data-integrity sampling procedures should be applied when reviewing data collected and maintained by state member banks, in accordance with the data collection, reporting, and disclosure requirements of Regulation BB:

1. *Identify and select the loan files to be reviewed.* For each CRA reporter, review applicable loan data for the current year and all other years since the last examination. The data collected and maintained for a single year constitute the universe from which a sample is taken. As a

1. These procedures are outlined in CA 00-2 and in the “Data-Integrity Sampling Procedures” section of this chapter.

2. Key fields for CRA are

- For small business and small farm loans: the loan amount at origination, the loan location (MSA, state, county, census tract), and an indicator whether the loan was to a business or farm with gross annual revenues of \$1 million or less;
- For community development loans: the loan amount at origination or purchase and an accurate community development purpose, as documented in supporting loan files; and
- For consumer loans collected and maintained at the bank’s option: the loan amount at origination or purchase, the loan location, and the gross annual income of the borrower.

result, it may be necessary to select multiple samples.

2. *Determine the total number of files to be sampled from column G in the “CRA Sampling Schedule for Data Accuracy” table, based on the size of the universe.* (This table, which will be referred to as the schedule, can be found in the next section of this chapter.)
3. *Select the total random sample.* (Instructions for selecting a random sample are contained in attachment 1 to CA 00-2.)
4. *Review the initial number of files shown in column B of the schedule.*
5. *The examiner may stop the sampling process after review of the initial number of files is completed, if the results indicate that a very small number of files had errors in key fields.* (See footnote 2 for a description of the key fields.) Using the schedule, this number can be determined by referencing column C.

For example, if a CRA universe contains 150 files, a total random sample of 56 files should be taken. The examiner may initially begin file review on 29 files. If, upon completing review of the initial 29 files, the examiner finds no more than 1 file with any error or errors in key fields, the examiner may end the sampling process for that CRA reporter for that universe. The examiner may then reach a statistically reliable conclusion that the findings are indicative of the universe and resubmission³ is not necessary.

6. *The examiner must complete a review of the total random sample of files if a larger number of files with errors in key fields are found during the initial file review.* The need for this additional file review can be determined by using the schedule and referencing column D titled “Number of files with errors—Additional file review required.” If the number of files that have errors in key fields from the initial review falls within the number reflected in this column, the examiner must review the additional files to complete the total random sample.

For example, if a CRA universe contains 150 files, a total random sample of 56 files should be taken. The examiner may initially begin file review on 29 files. If, upon completing review of the initial 29 files, the examiner finds 4 files with an error (or errors) in key fields, the examiner should then review 27 additional files, for a total sample size of 56 files. After completing review of the additional 27 files, the examiner should determine the total number of files that have key-field errors and apply the CRA data-resubmission standards to the total sample. (See the “Data Resubmission Standards” section of this chapter.)

7. *If an examiner determines that a large number of files reviewed in the initial file review have an error or errors in key fields, the examiner may stop the verification of loan data after the initial file review is completed and should apply the data-resubmission standards.* This maximum number can be determined by using the schedule and referencing column E. For example, if a CRA universe contains 150 files, a total random sample of 56 files should be taken. The examiner may initially begin file review on 29 files. If, upon completing review of the initial 29 files, the examiner finds 6 (or more) files that have an error or errors in key fields, the examiner should stop the file review. Sufficient statistical evidence has been obtained to conclude that a larger sample would have an unacceptable number of errors, thus requiring resubmission. At this point, the examiner should apply the CRA data-resubmission standards to the total sample.
8. *Determine the software used by the bank for editing and reporting small business and small farm loan data.* If the bank uses the FFIEC data entry software for editing and reporting small business and small farm loan data, no further review is needed. If the bank does not use the FFIEC software, verify the accuracy of the CRA data aggregation.

3. For consumer loan data, the decision would not be whether to require resubmission but if the data collected and maintained are used as part of the CRA examination. If a bank elects to have consumer lending data considered during its CRA examination, the data must meet these accuracy standards. If consumer lending constitutes a substantial majority of a bank’s business, the examiner should evaluate the bank’s consumer lending in one or more of the categories specified in section 228.12(k) of Regulation BB (motor vehicle loan, credit card loan, home equity loan, other secured consumer loan, or other unsecured consumer loan) using loan files sampled by the examiner.

CRA Sampling Schedule for Data Accuracy

A	B	C	D	E	F	G
CRA UNIVERSE	INITIAL FILE REVIEW				ADDITIONAL FILE REVIEW	TOTAL RANDOM SAMPLE
	Initial file review	Maximum number of files with errors*— Stop sampling	Number of files with errors*— Additional file review required (go to column F)	Minimum number of files with errors*— Stop sampling & apply resubmission standards		
1-12	Review all					
12-20	12	0	1	2	Review all	All
21-30	13	0	1	2	Review all	All
31-50	15	0	1-2	3	13	28
51-70	17	0	1-2	3	12	29
71-90	18	0	1-3	4	20	38
91-110	28	1	2-3	4	11	39
111-130	29	1	2-4	5	18	47
131-140	29	1	2-4	5	20	49
141-170	29	1	2-5	6	27	56
171-190	30	1	2-5	6	27	57
191-270	30	1	2-5	6	29	59
271-380	30	1	2-6	7	38	68
381-750	31	1	2-6	7	38	69
751-1100	31	1	2-7	8	48	79
1101-	32	1	2-7	8	47	79

*Files with one or more errors in key fields. See footnote 2 for a description of the key fields.

Data-Resubmission Standards

To ensure the integrity of the CRA data used for analysis, the following guidelines should be used when considering whether to have an institution resubmit CRA data.

Institutions should be required to correct and resubmit CRA small business and small farm data when at least 5.0 percent of the data collected and maintained in accordance with section 42(a) of Regulation BB were recorded incorrectly. The key fields covered by this 5.0 percent rule are

- The loan amount at origination,
- The loan location (MSA, state, county, census tract), and
- An indicator whether the loan was to a business or farm with gross annual revenues of \$1 million or less.

Institutions are required to correct the aggregate number and aggregate amount of community development loans originated or purchased if data for 5.0 percent or more of the number or amount of the underlying loans do not meet the definition of community development.

Rounding errors in the loan amount and income fields should not be counted towards resubmission.

In addition to basing a resubmission on the error rate for an individual field, if at least 10.0 percent of the institution's records have an error in at least one of the key fields, then the entire CRA file must be resubmitted. In this instance, the institution must verify the data in each of the fields and not just those with greater than a 5.0 percent error rate.

Community Reinvestment Act Community Contact Procedures

General Guidelines

The primary objectives of conducting interviews with local community contacts are to

- Gather information that might assist in the development of a community profile;
- Determine opportunities for participation by financial institutions in helping to meet local credit needs;
- Understand perceptions on the performance of financial institutions in helping meet local credit needs; and
- Provide a context on the community to assist in the evaluation of an institution's CRA performance.

This section provides information and procedures for conducting community contact interviews. It broadly addresses a wide variety of subjects to accommodate varying communities and types of institutions. As a result, it is *not* meant to be used in the order presented. Examiners should select those steps and procedures that apply to the unique circumstances of the institution and/or the community.

Coverage and Frequency of Community Contacts

Community contacts typically take the form of personal meetings. Telephone conversations or larger group meetings are permitted as necessary and appropriate. Information from other financial regulatory agencies is also available in electronic form. At least in conjunction with each examination, the [agency] will conduct community contacts in the MSA, county, or assessment area(s) that the financial institution in question is serving. When possible, those community contacts should be conducted early in the examination to help to provide a context on the community to assist in the evaluation of performance.

Selection of Community Contacts

The number and nature of contacts will depend upon a variety of factors, including the complexity of the community, the size and type of the institution examined, and the amount and age of community-driven information already available to the examiner.

Treatment of Confidential Information

Confidentiality of Institution's Records

Examiners must maintain the confidentiality of any institution's proprietary information. When making community contacts, the examiner should not reveal any confidential information obtained from the institution's files or through discussions with management, or any conclusions drawn about the institution's performance or CRA rating.

Protection of Community Contacts

Maintaining the confidentiality of the community contact's identity, when requested to do so, is essential. Examiners must not reveal the name or other identifying information about a community contact to anyone outside the agency without the contact's permission to do so.

Report of Examination and CRA Performance Evaluation

Include in the Report of Examination and the CRA Performance Evaluation, as appropriate, a discussion of the number and kinds of CRA-related community contacts that were consulted and relevant information obtained and used, if any, in the CRA evaluation. Information should be factual. While opinions of contacts may be included when applicable, examiners should refrain from drawing conclusions or making judgments based solely on anecdotal evidence.

Sharing Information

The agencies routinely share information obtained during outreach contacts. Whenever community contacts are made, the examiner initiating the contact should complete the Community Contact Form and submit it to the party designated within each agency. The designee will distribute copies of the form to their counterparts at the other regulatory agencies.

Preparation for the Interview

Before conducting interviews, review relevant background information to identify additional areas of inquiry. Adequate preparation for the interviews includes reviewing information on the assessment area, selecting community contacts, and structuring the interview.

Review of Information on Assessment Area

A review of all available background materials prior to the community contact process is vital in developing a working understanding of the community you are about to enter. The nature, extent, and age of the information available prior to conducting community contacts influences your objectives for the community contact process. A well-developed context also allows for more detailed and in-depth community contact interviews. The examiner should

- Assess prevailing economic conditions and demographic characteristics within and near the assessment area. This includes a review of available data on various population segments within the community, trends in migration, labor and employment characteristics, comparisons to state and county/MSA data, and housing and real estate market statistics.
- Assess infrastructural and geographic characteristics within the assessment area. This includes a review of maps; natural areas; major thoroughfares; access to public transportation; locations of low- and moderate-income census tracts; names of specific low- and moderate-income neighborhoods; and proximity of the assessment area to military bases, airport facilities, and metropolitan centers. Internal mapping software; information from the financial institution; and information from local planning, transportation, economic development, or real estate boards are good sources for possible information.
- Assess distribution and availability of branch and ATM services, especially with regard to low-income areas within the community. Include a review of check-cashing facilities, if possible. Internal mapping software, if available, can allow the examiner to map these locations.
- Assess, to the extent information is available, local development issues and priorities in the areas of affordable housing, commercial activity, and economic and community development.

A summary of such information may be available from the Community Affairs function. In addition, the examiner may wish to review previous community contacts for this locality, including those from other regulatory agencies. If the examiner is reviewing an MSA, he or she should contact the city's municipality and obtain a copy of its Consolidated Plan (Conplans). Conplans list the needs of an MSA as identified and prioritized by its officials. The examiner may also consider obtaining public reports from multiple listings services (MLS) and news articles on local development projects.

Quantitative sources may include feasibility studies, market analysis, or commercial appraisal reports for local development projects. State or local economic development agencies, utility companies, real estate organizations, and universities present in the immediate or surrounding area are often good sources for such material. Section II, "Identification of Potential Contacts," contains additional potential sources for these types of material.

- Determine the priorities of the community and the opportunities for financial institutions to participate with local governmental and nonprofit organizations in the areas of affordable housing, small business/farm development, and economic and community development. Review the number and nature of government agencies, nonprofit, and neighborhood organizations that provide programs and resources to the assessment area for these purposes. If possible, note the amount of funds devoted to these purposes. Also, attempt to determine which programs or organizations are particularly active with respect to the low-income individuals and/or areas located in the assessment area.

Sources of information for this step include prior community contacts in this area, information on local programs from the institution, and discussions with appropriate agency staff.

- Based upon information reviewed, above, identify areas that require further inquiry through the community contacts process. For example
 - a. Are there any significant conflicting pieces of information that may require further investigation in the contact interviews?
 - b. Are there any pieces of quantitative information, such as housing and rental values, that are considerably outdated and need to be verified in the contact interviews?
 - c. Do the data suggest particular areas of "need" in affordable housing, such as housing rehabilitation, multifamily development, or single-family home purchase, that you can investigate further and verify through the contact interviews? Or alternatively, are needs for specific areas of the population, such as housing for the elderly, still unclear and therefore require further study through the contact interviews?
 - d. Do the data suggest particular areas of need in services, such as ATMs, branches, or bilingual services, that can be investigated further and verified through the contact interviews?
 - e. Does the review identify organizations or projects requiring additional information?

Identification of Potential Community Contacts

This section discusses the number of types of community contacts that should be made during an examination. It also identifies potential community contacts and provides guidance on the sources of information that are available from them.

Number and Type of Contacts

Select contacts that can best provide information on the assessment area(s). Consider the nature of the information you are seeking to complete your analysis of the assessment area(s) and the purpose of the organizations in the assessment area(s). Examiners may wish to initially consult or select organizations on the telephone to determine which can best comment on particular issues.

Time constraints can limit the number of contacts that the examiner is able to conduct. The following factors may be considered when determining the appropriate number of contacts to make:

- The nature of any information provided by the institution, including information that specifies credit, service, or community development needs in the institution's assessment area
- The nature of public comments, including information that specifies credit, service, or community development needs in the institution's assessment area
- The amount of community contact information available from other examinations conducted for this area, both in number and substance, and the date the information was gathered
- The complexity of the community, including the size of its population, its geographic breadth, and the diversity of its population
- The characteristics of the institution examined

Organization Types

1. Grassroots Community Groups

Grassroots groups are formed when concerned individuals come together to solve common problems. Groups whose primary aim is to further the objectives of low-income residents are of particular interest. These groups can be difficult to identify because they tend to be smaller neighborhood groups and may not have readily recognizable names. However, they will often share the following characteristics:

- Low-income representation is evident in policy and implementation aspects of organization. This may be evident at the board level, in the committee structure, or in the day-to-day management.

- Input from low-income residents is clearly sought in functional/program aspects and information distribution to low-income individuals is a priority. Examples of this include door-to-door surveys and frequent neighborhood meetings.
- Low-income individuals are encouraged or empowered to solve problems collectively.

Types of organizations: Churches, block clubs, tenants associations, low-income advocacy groups, housing or credit counseling programs, senior citizen groups, shelter providers, health clinics, and community network/collaborative groups.

Types of information available: Development priorities and concerns of the local low-income populations; available development programs and resources; current partnerships and/or development projects in the area; and the role of financial institutions in the assessment area.

Secondary information: Completed questionnaires or surveys.

2. Community-Based Development or Financial Intermediaries

The primary aim of these organizations is typically to increase the economic standard of low-income individuals or areas. Thus, they tend to be involved in technical aspects of development, such as residential and commercial real estate ventures or financing. Though these groups encourage representation of low-income individuals, they are also likely to have a higher degree of staff or decision-makers who live outside of the low-income areas that the organization is serving.

Types of organizations: Nonprofit organizations, such as community development corporations (CDCs); church-based economic development programs; community loan funds; small business investment corporations (SBICs); specialized small business investment corporations (SSBICs); low-income housing organizations; technical assistance providers, low-income credit unions; development institutions; and micro-enterprise groups.

Types of information available: Low-income credit, service, and community development issues at the neighborhood level; quantitative information on housing values and actual real estate projects; qualitative information on financial institutions and financial practices of low-income individuals; technical details on financing and lending mechanisms for programs they offer; and information on other government and program resources or ventures in the community.

Secondary information: Feasibility studies, appraisal information on specific neighborhoods, local needs assessments, surveys of institutions' activ-

ity, surveys of financial practices of low-income clientele, and lending agreements by groups of local financial institutions.

3. Government Offices

Types of organizations:

- Local branches of federal agencies, such as the Department of Housing and Development (HUD), Small Business Administration (SBA), Department of Commerce Economic Development Administration (EDA), Farmers Home Administration (FmHA), Bureau of Indian Affairs (BIA), and U.S. Department of Agriculture (USDA)
- Local groups of federally funded or mandated programs: community action agencies (CAAs), neighborhood revitalization programs, and Office of Minority Business Enterprise (OMBE) business development centers
- Local elected officials: mayors, commissioners, tribal chiefs, city council members, and tribal council members
- State and local housing agencies or authorities
- Economic development agencies, including industrial and redevelopment agencies or authorities, county or regional planning agencies, transportation agencies, utility companies, rural electric cooperatives, economic development corporations (EDCs), and local planning or economic development directors
- School board superintendent and officials

Types of information available: Types of loan, grant, guarantee, or other programs available for use by institutions and housing, community, and economic development groups; the amount of funding available through such programs in the institution's assessment area(s); the extent to which local financial institutions participate in such programs and perspectives on barriers or issues related to their participation; specific project opportunities in which institutions could participate; and information on underserved neighborhoods or areas.

Secondary information available: Housing, small business, agriculture, and general economic conditions and trends in the assessment area; publicly sponsored comprehensive or general development and redevelopment plans and maps; other plans and studies, such as housing plans (e.g., the Consolidated Plan), economic development plans, and studies; and various community service needs in the assessment area. School boards can update census information by providing demographic

information on the makeup of their student body. This information is typically collected annually.

4. Business and Labor Groups

Types of organizations: Chambers of commerce, downtown and neighborhood merchants associations, small and minority business advocacy groups, realtors, minority and nonminority real estate agents, local venture capital companies, SBA/college-supported small business development centers (SBDCs), feed stores, cattlemen's associations, actual small business owners, and small business technical assistance providers (such as business incubators and local union representatives).

Types of information available: Data and perspectives on local business, economic conditions, recent economic activity, and trends in the community; the nature and extent of small business activity; the level of referrals from financial institutions to SBDCs; the existence of active SBA 504 programs, or SBIC or SSBIC programs; perspectives on financial institution efforts to provide financing and services to small businesses/small farms; the level of institution participation in other public/private programs for small business development and employment training; and other private and public sources of financing available for small businesses and small farms in the assessment area.

Secondary information available: Mortgage interest rate sheets from financial institutions or mortgage companies obtained from realtors.

5. Civil Rights and Consumer Protection Groups

Types of organizations: Open housing/fair housing organizations; local chapters of the National Association for the Advancement of Colored People (NAACP), Urban League, Urban Coalition, and National Organization of Women (NOW); legal aid/legal services offices; human relations commissions; and state attorney general or consumer protection offices.

Types of information available: Credit needs, issues, or priorities for any protected classes; complaints against specific financial institutions; and general perspectives on financial institutions in the assessment area.

Secondary information available: Studies using testers in financial institutions, formal complaints, or case write-ups.

6. Other

Types of organizations: Universities, research institutions, foundations, and hospitals or hospital extension programs.

Types of information available: Many and varied. Specific community projects by universities or hospitals may be involved.

Secondary information available: Demographic and economic data; independent research studies or reports on community development topics; and studies and data collection on development and economic trends or opportunities in the area. Automated “Conplans” may also be available.

Conducting the Interview

Having determined the groups and/or individuals to be contacted and the information to be solicited from each interview, the examiner must then plan the structure and content of questions prior to the interview. This section provides a sample list of questions that the examiner may wish to consider. The examiner should select and tailor questions from the list of sample questions that would be the most effective for each specific contact.

The questions highlight the type of information that the examiner is seeking through the community contact process. They are meant to serve as a guide to assist the examiner in planning the substance and structure of the interview. Obviously, not all questions will be appropriate to each specific contact. Nor is the list all-inclusive; particular questions may generate significant discussions and examiners are expected to probe and conduct follow-up questions appropriately. Examiners are encouraged to review the entire list before structuring their interview. As examiners gain experience, they are encouraged to engage in discussion with the community contact and not undertake a “question and answer” format.

Background Information on Community Contact

The examiner should ascertain the organization’s area of expertise and the role that it plays in the community.

General:

- a. What geographic areas does the organization serve?
- b. How old is the organization? How was it started? How much involvement by local residents and/or low-income residents was there initially?

- c. Whom does the organization represent? Roughly what percentage of your client base is very low- (defined as 25–50 percent of median area income), low-, moderate- or middle-income?
- d. What are the mission and the primary goals of this organization? What are the goals for this year?
- e. Is there a board of directors? What is the representation on the board? Are there low-income neighborhood residents on the board? Are banks/lenders or other financial institutions on the board?
- f. What projects or programs are you currently working on? Aside from programs, are there other means in which the mission is carried out?
- g. How many “clients” does this organization serve on a monthly or annual basis? If the organization is involved in development, how many real estate projects have been completed in the organization’s history? How many are ongoing?
- h. If direct loans have been provided through any programs, what type of loans are they? What segments of the community have benefited from these loans (low-, very low-, or moderate-income; the elderly; etc.)? What is the number and dollar volume of loans generated?
- i. What are the amounts and sources of the organization’s funding? How is the funding disbursed (i.e., what activities does it fund and how much of the budget is devoted to each activity)?
- j. Could you list the organization’s major accomplishments in the past five years? Is there such a list that you may have for purposes of your funders or funding proposals that I may have a copy of?
- k. What are some of the limits the organization is facing in serving its community? In what areas is it currently encountering opportunity?
- l. Is the organization interested in expanding its program or project areas at this time? In what area? Is there a timeline in place to implement these activities or expected to be in place?

Specific to Economic Development Agencies (Including Utility Companies):

- a. Are there empowerment zones (EZs), enterprise communities (ECs), or foreign trade zones (FTZs) in your area? Where? What types of monetary incentives are offered?
- b. What are examples of small business, small farm, and community-based development that the agency has been involved in? Has activity

been concentrated in a few areas? Which ones?

- c. Does the economic development agency also coordinate the housing program and monies for this jurisdiction? If not, is economic development coordinated with housing officials? What priority is accorded to affordable housing? What priorities, if any, are accorded to specific population segments (e.g., elderly, special assistance, female heads of households, homeless, other)?
- d. Are the economic development strategies or the availability of the programs communicated to local residents in any way? How? [Note to examiner: Did you find that local residents or community representatives were able to articulate strategies or various programs?]
- e. Does the agency have working relationships established with community organizations at the neighborhood level? Who? What are the names of the individuals that the agency has worked with? If so, what is the extent of the partnership that has been established?

Specific to Local Government:

- a. What is the structure of the local government? Is there an economic development department? Is this separate from housing development?
- b. Which department has responsibility for economic development policy?
- c. Does the local government have programs that target affordable housing, small business development, and/or community development projects? How much funding do they have?
- d. Has the local government identified priorities for its housing and economic development funds? Has the government determined what impact this will have for the population (e.g., for the elderly, low-income families, individuals with special needs, the homeless)? To the agency's knowledge, what has been the impact of its funds in the last several years?
- e. How much money has been allocated for affordable housing, elderly needs, special needs, etc.? What is the time frame for the disbursement of funds, particularly CDBG funds?

Specific to Real Estate Brokers:

- a. Do you have brokers who specialize in low- or moderate-income housing (single or multifamily)?

Obtaining a Community Profile

One of the primary objectives of the contact

process is to update the community profile. The examiner is expected to obtain and update information on current economic conditions and trends, current demographic characteristics, and existing credit needs.

General:

- a. What is the current demographic makeup of the community? What were the most significant demographics changes in the past five to ten years, if any (e.g., migration patterns, racial composition)?
- b. Which neighborhoods are in transition, if any? Has gentrification or the displacement of low- or moderate-income individuals become an issue in certain neighborhoods? In which neighborhoods? Is the potential displacement of individuals being managed in some process, for example, a relocation package? If so, how and who is involved?
- c. What major employers have either entered or left the community in the last few years? Has this impacted certain categories of the labor market and not others? If so, who was positively impacted? Negatively? How?
- d. Who or what organizations are the driving forces in the community (examples include churches, government, community groups, etc.)?
- e. What priorities have you identified for this area?
- f. Have you conducted any studies (e.g., neighborhood surveys or feasibility studies) that may provide insight into local credit, service, or community development needs? What were the results? (Obtain a copy, if available.) How was the study used and what was the distribution (any banks included)?
- g. Do zoning restrictions play a role in the availability of affordable housing units? How? Which neighborhoods are most impacted?
- h. Are absentee landlords a problem? For whom? In which neighborhoods?
- i. In your opinion, what credit needs have not been adequately satisfied by area financial institutions? (Give example: small business loans, home improvement loans, installment loans, etc.)
- j. To what extent are financial services available in the assessment area? What is the availability of ATMs or branches in this neighborhood?
- k. Are there many women- or minority-owned businesses in the area? If so, are they concentrated in any geographic location or occupational field?

Specific to Community-Based Organizations

- a. Does this community have a significant number of people who would be “uncounted” in official census figures? If so, why? Does your organization give estimates of the uncounted or real population?
- b. What are the primary and secondary issues that low-income people in this area are concerned with in the short term? In the long term?
- c. What are the most pressing concerns—e.g., adequate housing, access to retail goods, adequate public transportation facilities, adult education, job training and placement, English as a second language (ESL), health facilities—that you have been able to identify facing low-income residents?
- d. What language(s) are spoken in the community?

Specific to Economic Development Agencies (Including Utility Companies):

- a. What are the primary economic strengths of this area? Primary weaknesses? (Note: Economic development agencies typically operate at the county or MSA level. Using follow-up questions and probing techniques, attempt to get as local an assessment as possible.)
- b. Are there development plans currently underway for infrastructure-related projects, such as bridges, sewers, etc.? If so, what is the suggested timetable? Will the project generate or is it generating jobs for low- or moderate-income residents?
- c. What are the main economic development strategies (examples include business attraction, business retention, marketing, small business development, etc.) that you are currently pursuing for the overall county or MSA? For a particular neighborhood? What priority is given to small business, small farm, and community-based development (such as grocery stores, day care facilities, etc.)?

Specific to Housing Organizations (State, Local, Etc.):

- a. What is the waiting list for various affordable housing programs in the area?
- b. Have you received complaints from tenants that buildings are not in compliance with local building codes? In your perception, how widespread is this problem?
- c. What is the nature of demand for affordable housing? How does this compare to available housing stock, both in terms of number of units

and types of units?

- d. How would you rate the need for housing among various sectors of the community, such as the elderly, individuals on special assistance, female heads of households, the homeless, others?
- e. Are there structural inadequacies in the type of housing stock available for low-income populations in this area? Is housing rehabilitation a priority issue among those your organization has identified?

Specific to Real Estate Brokers:

- a. (Refer to specific geographic areas.) What are the current economic conditions in this general area? Are housing values going up or down? If it is an “up” market, what are some of the forces contributing to its success? If down, what are some of the issues contributing to its decline?
- b. Has there been any recent development activity in this area? What is the nature of the development (commercial, residential, affordable housing, public projects)? What has been the impact on the neighborhood?
- c. Are there mobile homes or concentrations of mobile homes, such as mobile-home parks, in any area?
- d. What is the average length of time that single-family homes are on the market in this neighborhood?
- e. Other types of residences? Other neighborhoods?
- f. Do you know of any changes in the near future that would impact the market for residential/commercial properties in a specific area? What are these changes (political, environmental, legal, etc.)?
- g. Do you have copies of any appraisal reports for commercial and residential properties? For which areas (obtain, when possible)?
- h. Are you aware of appraisal-related problems in this neighborhood, such as the lack of comparables?
- i. What credit products do your customers typically use to purchase a home? Conventional mortgages? Government loans? Land contracts? Why?
- j. What are the various sources of financing that your customers typically use? Banks? Thrifts? Mortgage companies? Home improvement dealers? Credit unions? Employer-related sources (i.e., GMAC)? Others? Are particular combinations of sources more typical than others?
- k. What are the characteristics of likely investors

for multifamily housing properties in a specific neighborhood? What are the likely financial risks and rewards for investors in this area? (Compare with other neighborhoods.)

Specific to Foundations:

- a. What types of eligibility criteria are currently established for community development programs?
- b. Which organizations and projects do you fund? How much money is committed to these organizations and/or projects for this year?
- c. How long is the money committed for?
- d. Out of the programs and/or organizations that you funded in this area, which are the most effective in the affordable housing area? In the small business development or community development area?

Assessing Opportunities for Financial Institution Participation

The degree to which financial institutions are involved in community development projects or services depends in some part on the extent of other resources and partners available within the community. Examiners are expected to obtain information on the availability of resources dedicated to the local credit or development needs that have been identified. Examiners are also expected to gauge the level of the contact's efforts in approaching local financial institutions and the mechanisms of any financing involved, if any.

In addition to any background materials reviewed in the preparation portion of the examination, contacts can provide relevant information on

- The number and nature of community development or credit-related projects being developed for the benefit of the community,
- The number of organizations or government programs committed to those activities,
- The extent to which partnerships or other forms of coordination are evident in the area,
- The level of resources devoted to these activities, and
- How active these programs or resources are with respect to promoting the credit or banking needs that local representatives or residents have identified.

Community-Based Organizations:

- a. Has your organization ever participated in activities, either formally or informally, with financial institutions? If so, which ones? For

what projects or products? For what clients (e.g., what were the income characteristics of those who benefited)?

- b. Does your organization partner with other groups, including religious organizations, government agencies, and neighborhood organizations, in conducting any of its program activities?
- c. Tell me about any other organizations you work with in meeting your clients' needs. What other organizations serve this community in the areas of affordable housing? Small business development? Commercial, day care, or other community-related facilities? Job training? Credit counseling? Low-income advocacy?
- d. Which of these organizations do you consider most active? If I wanted more information from them, whom should I contact?
- e. Which financial intermediaries do you consider particularly effective? Why?
- f. Are you seeking funds from local financial institutions for any current projects?
- g. What is the nature of the project? Is it a development-based product? Is it related to credit needs in the community? Is there a specific neighborhood or group of individuals that this project will benefit? How?
- h. What are the specific requirements for the financing that you are seeking?
- i. Are you aware of similar projects that other organizations are working on? What can you tell me about those? Whom can I contact to learn more?

State and Local Economic Development Agencies, Government Agencies:

- a. What, if any, commercial development projects are underway? Where are they located? Are jobs created? Will low- or moderate-income individuals benefit? How?
- b. What are the number and nature of various economic development programs funded by the city or state? How many residents do these programs benefit annually?
- c. Which of these programs, if any, are designed to leverage funds from financial institutions? What are the mechanics of the program? How many projects have been funded to date? Which financial institutions have participated in these programs? Is there a particular area or group that these funds target?
- d. Do you have programs designed specifically for affordable housing or small business development? If so, how many small businesses and/or

small farms benefit? What is your definition of small business?

- e. What are the funding levels of these programs? How many projects have been funded to date? Is there a particular neighborhood or group that these funds target? If so, what are they?
- f. Have any financial institutions participated in these programs? If so, which ones?
- g. Do you currently have other projects or have you had projects in the past that required either investment or other forms of financing from a financial institution? What are/were the characteristics of the project? Its financing? Include projects involving bond issuances, etc. What were the results? Innovative? Risky?
- h. What financing mechanisms are needed, planned, or in place for any development or infrastructure-related projects?

Real Estate Brokers:

- a. Do you know about local or state financing programs for affordable housing, small business, or commercial development? How did you hear of these programs?
- b. Are there specific home insurance or financing programs that you utilize or to whom you refer customers? Which ones? Which do you utilize specifically for your low-income customers?
- c. Which financial institutions in the area are you aware of that access these programs? How actively? Which do not?

Obtaining Local Perspectives on the Performance of Financial Institutions

In addition, another function of the community contact process is to obtain feedback from the community on the performance of local financial institutions. The examiner is expected to gather information on the willingness and responsiveness of financial institutions, including the institution under examination, to work with local residents and professionals in meeting credit and community economic development needs.

General:

- a. With which banks, savings and loans, or mortgage companies have you been involved? What was the nature of your involvement?
- b. Has your organization ever participated in activities, either formally or informally, with financial institutions? If so, which ones? How did this professional relationship develop?
- c. What were the results of your involvement with

financial institutions? In what ways has financial institution participation had a positive impact? In what ways has it had a negative impact? Probe for such project aspects as timing, financing terms, etc.

- d. Are local financial institutions proactive in developing relationships or offering assistance? If so, which ones?
- e. What financial institution(s) does your group recommend to your constituents? Why?
- f. What obstacles, if any, prevent greater involvement from financial institutions in meeting local credit needs?
- g. Have you ever been invited by institutions to participate in institution-sponsored activities? If yes, specify the activities' purpose and the role you played.
- h. Has your organization ever received complaints about individual institutions?
- i. Did the people affected know about the complaint process or were they informed about it?
- j. Did any of the complaints involve allegations that the institution(s) discouraged people from submitting an application? Did any complaints involve geographic or racial redlining, or any other forms of discrimination? What happened?
- k. Is anyone in your group or known to your group willing to offer specific evidence of discriminatory actions by specific institutions? (If allegations of discrimination, discouragement, or redlining are made with respect to an institution regulated by your agency, forward the relevant information to the institution's primary regulator.)
- l. In your opinion, which institutions in the area have been particularly outstanding in meeting the community's needs? Why? What, specifically, has been done by these institutions?
- m. In your opinion, which area institutions have been particularly notable for their unwillingness to respond to the community's needs? Why?
- n. In your opinion, how well does [institution name] meet the credit needs of this community?

Community-Based Organizations:

- a. Have you discussed local credit needs with any financial institutions? What were the results?
- b. Do any institutions provide in-kind services, i.e., loaned executives, etc.?
- c. What efforts are made to inform institutions and obtain their participation in the organization's activities? Which institutions participate and to what degree? Which institutions, if any,

declined to participate?

- d. If your organization works with government enhancement programs, do financial institutions work with you on that product? If so, which ones?
- e. What efforts have you employed to improve your organization's relationship with any institutions? Which institutions? How successful have your efforts been?

Real Estate Brokers:

(Be sure to include those operating in low- or moderate-income areas.)

- a. Do you frequently work with financial institutions or other lenders that originate home mortgages?
- b. Which institutions do you receive rate sheets from on a consistent basis? How are they typically delivered to you?
- c. Are local lenders willing to work with you for first-time homebuyers? If so, which ones? Why or why not?
- d. Are local lenders willing to work with you on exceptions on credit reports? If so, which ones? Why or why not?
- e. What knowledge, if any, do you have of credit standards being adjusted in either a preferential or discriminatory manner? Which lenders? What were the circumstances?
- f. Have you worked with lenders that have taken customers under the Fannie Mae 97 percent program? Freddie Mac? Others?
- g. Which lenders do not receive your referrals for home purchases and why? Which lenders do

not receive your referrals for small businesses and why?

- h. What percentage of referred homebuyers normally go to the recommended lenders?
- i. What percentage of referred homebuyers normally get loans from recommended lenders?
- j. What other methods could be used to increase the use of insured financial institutions by people in your market area? In particular, are some financial institutions attracting portions of the market and not others? For which products?
- k. Do women or minorities have more difficulty than men in obtaining mortgage loans? If so, why? Which institutions are perceived as not meeting the needs of women or minority applicants?
- l. Are there outreach activities by particular institutions for women or minority customers? Do you perceive these programs as positive?
- m. In your experience, are there certain institutions favored in the minority and/or women's business community?

*Business, Labor, or Consumer Groups
Working with the Women's or Minority
Business Community:*

- a. What is the general perception of financial institutions in the minority business community? In the women's business community? Why?
- b. Do any financial institutions have a small business department targeting women or minorities? Which ones? How is it done?
- c. Which institutions have separate minority or small business counseling services? Do the counselors also have lending authority?

Community Reinvestment Act FFIEC Community Contact Form

Examiners should summarize each interview they conduct on the Community Contact Form. The purpose of this form is to provide a consistent means by which financial institution regulators can share information obtained through interviews for a particular community. The individual conducting the interview should inform the interviewees that this information will be shared with other regulatory agencies.

1. Regulatory agency:

2. Date of contact:

3. Interviewee information:

Name: _____ Title: _____
Organization represented:
Type/organization category:
Address:
City: _____ State: _____
Interviewee's telephone:
Add area served:
Served state(s): _____ Served MSA(s): _____ Served counties: _____

4. Was this the first contact with this organization (in connection with a current examination) or a follow-up contact?

First _____ Follow-up _____

5. Was the interview conducted in conjunction with an examination? If yes, list financial institutions.

Institution name _____ Cert _____ Charter _____ Docket _____ RSSD _____

6. Summarize the organization's purposes, functions, and sources of funding. Include the organization's impact if applicable (for example, number of low-income clients served, number of units built, etc.).

7. Political or geographic boundaries of area focused on during this specific contact.

8. Interview summary.

(a) Community profile:

Current economic conditions; current demographic characteristics; general banking and credit needs; other (e.g., identifying names of low- or moderate-income neighborhoods).

(b) Opportunities for participation by local financial institutions:

Community development, other credit-related projects, or financing programs; level of opportunity for bank involvement.

(c) Performance of local financial institutions:

Perceptions or experience regarding the degree of involvement of the local financial institution industry and of the specific financial institution (if obtained) in the community.

9. Person in charge of examination:

Interviewer:

Reviewed by:

Community Reinvestment Act Instructions for Writing Public Evaluations

The format of all of the public evaluation templates follows the provisions of amendments to the Community Reinvestment Act that require the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and Federal Deposit Insurance Corporation (agencies) to

1. Rate the institution's overall performance in meeting the credit needs of its community;
2. For an interstate institution, rate each state in which the bank has branches or multistate metropolitan statistical area (MSA) in which the institution has branches in more than one state; and
3. Separately present the conclusions for the performance test(s) or criteria considered in arriving at the rating as well as the facts and data supporting those conclusions for each MSA in which the institution has branches.

The contents of the public evaluation will vary depending on the nature of the institution examined and the examination method used. Public evaluation templates for small institutions, intermediate small institutions, large institutions, wholesale and limited-purpose institutions, and institutions operating under approved strategic plans have been prepared by the agencies. These templates provide guidance regarding the structure and contents of the public evaluations. Except for the intrastate public evaluations for small institutions and intermediate small institutions, the templates are structured to meet the requirements that the CRA imposes on public evaluations for interstate institutions. The samples can easily be adjusted to suit the requirements for institutions with branches in only one state.

Evaluations for Institutions with Branches in Only One State

Regardless of the examination method used, the public evaluation for institutions with branches in only one state must contain the institution's overall CRA rating and the conclusions for the performance test(s) or criteria upon which the rating is based. No state or multistate MSA rating is needed for intrastate institutions. Also, there is no requirement to rate an institution's performance in each assessment area. Rather, the public evaluation must present conclusions about the institution's performance in the assessment area(s) subject to the following guidance:

1. If the institution has branches in more than one MSA, the public evaluation must present the conclusions for each performance test(s) or criterion, along with supporting facts and data, separately for each MSA.
2. If the institution has defined more than one assessment area within a nonmetropolitan statewide area, separate discussion of CRA performance within a nonmetropolitan statewide area for intrastate institutions that have branches in metropolitan and nonmetropolitan areas is optional because the performance in the nonmetropolitan areas has been discussed in the overall evaluation of the institution. Examiners may wish to discuss in greater detail, however, the assessment areas within the nonmetropolitan statewide areas that were reviewed using the examination procedures for (1) intrastate institutions with branches in MSAs or nonmetropolitan areas or (2) intrastate institutions with branches only in only nonmetropolitan areas.

More-detailed discussions of each assessment area examined should follow the appropriate MSA and nonmetropolitan-area presentation.

Evaluations for Interstate Institutions

In addition to the institution's overall CRA rating, public evaluations for interstate institutions must contain ratings for each state in which the institution has branches and multistate MSA in which the institution has branches in more than one state of the multistate MSA. The public evaluation for interstate institutions is, therefore, organized to present the institution's overall rating first, followed by the multistate MSA rating(s), and then the state rating(s). The discussion of the overall institution, multistate MSA, and state ratings must include the conclusions for the performance test(s) or criteria upon which the rating(s) is based. An institution's performance in each assessment area is not rated. Rather, the public evaluation must present the conclusions about the institution's performance in the assessment area(s) subject to the following guidance:

1. Multistate MSA presentations should be followed by discussions of the performance within assessment area(s) within the multistate MSA.
2. Separate MSA presentations for each MSA where the institution has branches should follow the appropriate state presentation. A discussion of an institution's CRA performance within a nonmetropolitan area statewide area is required

for institutions with branches in two or more states. Include a discussion about how the examination of the institution was performed, including a list of the individual branches examined.

Again, more-detailed assessment-area discussions should follow the applicable MSA and nonmetropolitan-area discussions.

Conclusions Based on Performance Tests

The CRA requires the agencies to present conclusions for each of the performance test(s) or criteria considered in arriving at a rating. The performance evaluations should reflect the conclusions reached under these performance tests.

- For large institutions, the public evaluation must indicate the conclusions reached under the lending, investment, and service tests.
- For intermediate small institutions, the public evaluation must indicate the conclusions under the lending and community development tests.
- For small institutions, the streamlined assessment method for small institutions focuses on lending performance. However, to the extent that investment and service performance were considered in rating a small institution Outstanding, the conclusions for each must be in the public evaluation.
- For wholesale and limited-purpose institutions, conclusions for the community development test must be discussed in the performance evaluation.

- Finally, for institutions that operate under an approved strategic plan, the performance evaluation for those institutions must contain conclusions for the tests used in the examination.

Hybrid Performance Evaluations

When an institution is examined under more than one examination method, the examiner should develop a hybrid performance evaluation. The evaluation should state the examination methods used in the “General Information” section. In addition, the discussion of the scope should indicate the examination method that was used in each assessment area examined. Finally, discussions of the analysis used under each assessment-area presentation should note the applicable examination method.

Charts, Tables, and Appendices

Charts and tables should be used throughout the public evaluation to facilitate discussion of the institution’s performance. In addition, the inclusion of one or more appendices may facilitate the presentation of information in the public evaluation. For example, appendix A is a chart describing the scope of the examination and should be used for institutions with numerous assessment areas. Appendix B should be used to summarize the state ratings for interstate institutions. Other charts and tables may be used to assist the reader and amplify the discussion of an institution’s performance.