

AL 98-16

Subject: Accuracy of Community Reinvestment Act Data in Large Banks

Date: October 20, 1998

TO: Chief Executive Officers and Compliance Officers of all National Banks, Department and Division Heads, and all Examining Personnel

Accurate home mortgage, community development, and small business data are essential for determining a bank's compliance with the Community Reinvestment Act (CRA). Erroneous data may mislead users of bank small business, community development, and home mortgage data including community organizations, community development advocates, government agencies, bank personnel, and examiners. Data errors also affect an examiner's ability to evaluate a bank's CRA performance appropriately and accurately. They also increase the burden on bank personnel during examinations and increase OCC examination time when data must be corrected during an examination.

While performing large bank CRA examinations, OCC examiners have found many errors in the collecting and reporting of CRA lending data prescribed under 12 CFR 25.42. [note:"Small banks," as defined in 12 CFR 25.12(t), are not subject to data collection and reporting unless they elect to be evaluated under the lending, service and investment test. See 12 CFR 25.42(f).] Additionally, examiners have been asked to consider as qualified investments activities that do not meet the definition of 12 CFR 25.12(s) and community development loans and service activities that do not meet the definitions under 12 CFR 25.12(I) and (j).

Bank management should evaluate their institution's processes for collecting, verifying, and reporting CRA data. They should also review how their employees are trained in the CRA data collection requirements. Banks should have effective internal controls for collecting the data, along with audit procedures to regularly test the internal controls and data accuracy. Data errors should be corrected before submitting data to the Federal Financial Institutions Examination Council or providing data to examiners.

Some common errors that OCC examiners have found include:

- Reporting renewals of small business loans as originations; [note:See OCC Bulletin 97-42, Interagency Questions and Answers, Q5 under Section .42(a) on page 52124 of Federal Register, Volume 62, No. 193, dated October 6, 1997.]
- Not reporting gross annual revenues, when known, for a business receiving a small business loan;
- In cases of an increase in a line of credit, reporting the total amount of the line of credit rather than the amount of the increase; [note:See OCC Bulletin 97-42, Interagency Questions and Answers, Q3 under Section .42 on page 52124 of Federal Register, Volume 62, No. 193, dated October 6, 1997.]
- Reporting loans that do not meet the definition of community

development in 12 CFR 25.12(h);

- Reporting loans as both a small business loan and a community development loan [note: Loans that meet the definition of small business loans must be reported in that category regardless of their purpose.]

OCC examiners will review national banks' processes for collecting, reporting, and verifying the integrity of CRA data during future compliance or CRA examinations. Results of the OCC's review will allow examiners to set examination scopes and time frames for the examination. Errors in data that affect an examiner's ability to evaluate a bank's CRA performance accurately and appropriately will not be used in examinations. The resubmission of reportable data may also be required and other supervisory actions may be taken.

If you have any questions concerning CRA data collection, please contact the assistant deputy comptroller or the examiner-in-charge assigned to your bank. If you have questions about this advisory letter, please contact the Community and Consumer Policy Department at (202) 874-4446.

Stephen M. Cross
Deputy Comptroller
Community and Consumer Policy