

**COMMUNITY REINVESTMENT ACT EXAMINATION TECHNIQUES
(CRA)**

Federal Reserve Board

**Course Description
for _____ CRA**

Course Catalog Detail

COMMUNITY REINVESTMENT ACT EXAMINATION TECHNIQUES (CRA)

Type of Participant Targeted

The Community Reinvestment Act (CRA) Examination Techniques School is designed for assistant consumer compliance examiners and others who are preparing to participate on a CRA exam and assist in the writing of the Performance Evaluation for the CRA portion of a Consumer Compliance bank examination. *All assistant examiners involved in the consumer affairs specialty must complete this course before being commissioned.*

Prerequisites

Participants should have:

- Completed the Examiner Orientation Program, Banking and Supervision (BaSE) course, and the Introduction to Consumer Compliance Examinations (CA I) course or received a waiver from these courses.
- Become proficient with the Sametime collaboration technology (that is, performed the steps as outlined in the Participant Letter) in preparation for the Week 1 Daily Calls.

Course Overview

Participants must be familiar with the CRA regulation and possess a minimum of actual CRA examination experience before attending this school. Participants will apply this knowledge and understanding to solve problems and assess bank performance.

This blended learning course builds on CRA material introduced during the Examiner Orientation Program, BaSE and the CA I course, and will address detailed examination issues banks examined under all five CRA examination methodologies (small bank, intermediate small bank, large bank, wholesale / limited purpose, and strategic plan).

This course emphasizes interactive and team learning by using the case study approach. Week 1 introduces important concepts via computer-based training (CBT) modules, interactive individual and group exercises reinforced through daily phone calls and electronic bulletin board postings. Week 2, in large part, is devoted to case study activities for an intermediate small interstate bank, allowing participants to reinforce and apply week one's subject matter.

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Course Objectives

After completing this 9 1/2-day blended format course, the participant, at a minimum, will be able to complete the following objectives.

- Assist the Examiner in Charge (EIC) by working on any portion of the CRA examination of a small, large, or intermediate, wholesale, or limited purpose bank or a bank operating under an approved CRA strategic plan
- Evaluate the effectiveness of a bank's CRA program and apply System guidelines for determining a bank's CRA rating.
- Utilize the tools and resources used to conduct CRA examinations
- Recommend appropriate courses of action to bank management

Post-Course Intervention

After completing the CRA Examination Techniques course, the participant should be given on-the-job assignments that will allow application of the concepts and competencies covered in the class. . Such on-the-job assignments include the following examples.

- Assist in evaluation of a bank's CRA lending, service, and investment activities.
- Develop a performance context analysis for a CRA examination.
- Evaluate small and intermediate small banks according to the CRA performance criteria.
- Write a Performance Evaluation for small and intermediate small banks, which includes a thorough presentation of the facts, data, and analysis that support the conclusions reached.

Week 1 - Overview of CRA Examination Techniques Curriculum (Major Topics)

As described above, week 1 consists of in-depth computer-based training modules, supplemented and reinforced by daily Sametime phone calls, and online exercises and discussion boards.

Topics include the following: Community Development, Types of CRA Exams, Preparing for the Exam, Identifying the Performance Context, Evaluating Performance Criteria, Developing a Rating, and Writing the Performance Evaluation.

During week 2, concepts covered the week before are summarily reviewed, before participants apply the learning to comprehensive case study activities that simulate the analysis required for an interstate intermediate small bank CRA examination.

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Week 2 - Overview of CRA Examination Techniques Curriculum (Major Topics)

Subject	Approximate Class Hours /Minutes	Homework Hours*
Course Introduction	2.00	--
Assessment Area	2.30	1
Scoping a CRA Exam	2.00	--
Performance Context	1.30	--
Lending Test – LTD Ratio	1.30	--
Lending Test – Lending in the AA	1.15	--
Geographic Distribution	1.00	--
Borrower Distribution	1.45	--
Complaints	0.30	--
Community Development Test - Loans	2.30	--
Community Development Test – Investments	2.30	--
Community Development Test – Services	3.30	--
Ratings	3.30	--
Intro. to a Large Bank	2.00	--
Total	27.10	—

Learning Objectives

After completing each subject area, the participant, at a minimum, will be able to demonstrate the following skills and knowledge.

WEEK-ONE: ONLINE MODULE COURSE CONTENT

Course Introduction

- Discuss the overview of the CRA course and week one online learning experience
- Discuss the history and purposes of the CRA

¹ Homework for this course consists of daily unfinished in-class exercises or case study work.

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Community Development under the CRA

- Describe community development as it pertains to CRA
- Identify the types of community development activities evaluated for all types of banks, including large banks, intermediate small banks, small banks, wholesale/limited purpose banks and strategic plan banks
- Describe the primary purpose rule for community development activities
- Assess the community development benefits to larger statewide or regional areas

Community Development Financing

- Describe the purpose of community development financing
- Explain a banker's financing considerations when evaluating community development projects
- Recognize community development financing gaps and identify opportunities bankers have for filling those gaps
- Identify actual and potential participants in the community development lending market

Community Development – Disclosure and Reporting of CRA-related Agreements

- Define covered agreements as they relate to the CRA
- Explain disclosure rules for covered agreements
- Identify the examination procedures for Regulation G

Types of Exams – Technique Similarities and Differences

- Differentiate some of the high-level similarities and differences between the various CRA exam types

Types of Exams – Large Bank

- Define a large bank under the CRA
- Describe the three tests and the components used in a large bank CRA examination

Types of Exams – Small Bank

- Define a small bank under the CRA
- Describe the lending test used in a small bank's CRA examination
- Explain the components of a small bank CRA examination

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Types of Exams – Intermediate Small Bank

- Define an intermediate small bank under the CRA
- Describe the two tests used in an intermediate small bank CRA examination
- Explain the components of an intermediate small bank CRA examination

Types of Banks – Wholesale/Limited Purpose Bank

- Define wholesale and limited purpose institutions
- Describe the designation process for Wholesale / Limited Purpose institutions

Types of Exams – Strategic Plan

- Discuss why bank management might desire to have its bank evaluated under the strategic plan option
- Discuss the core elements a bank must consider while developing a strategic plan under the CRA
- Identify the three steps in developing a strategic plan under CRA

Preparing for the Exam – Scoping and Planning a CRA Exam

- Discuss the importance of scoping in the overall CRA evaluation process
- List the key factors to be covered when scoping a CRA examination
- Identify whether assessment areas to be examined will receive a full-scope or a limited-scope review
- Name the sources of information necessary for developing the exam scope
- Sample or review loan data in preparation for the examination
- Review a bank-created CRA analysis that may aid in the CRA scoping and evaluation process

Preparing for the Exam – The Public File

- Describe the purpose of a bank's public file
- List the contents of the public file
- State the regulatory requirements relating to the maintenance of a bank's public file

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Preparing for the Exam – Assessment Area

- Describe the terms that relate to assessment area delineation
- Discuss the regulatory requirements for retail bank assessment areas
- Define “redlining” and how it may potentially affect a bank’s CRA rating.
- Describe the role of the assessment area, in context of the overall CRA evaluation process
- Identify when an assessment area is appropriate, or conversely, when and how to modify an inappropriately designated assessment area

Identifying the Performance Context

- Define performance context with respect to a CRA examination
- Identify bank characteristics to be considered in the performance context
- Identify assessment area and geographical characteristics (both demographic and economic) to be considered in the performance context
- Identify resources for building a performance context
- Describe how the performance context influences the evaluation of a bank’s CRA performance

Evaluating Performance Criteria – Introduction

- Describe how to identify the performance criteria regarding retail banks
- Describe how to identify the performance criteria regarding wholesale & limited purpose banks
- Describe how to identify the performance criteria regarding strategic plan exams
- Discuss the high-level comparison of exam criteria

Developing a Rating- Developing Ratings Under the CRA and Regulation BB

- Explain key terms relating to the CRA rating system
- Describe various CRA rating categories
- Identify ratings considerations when dealing with multiple assessment areas
- Identify key factors affecting a bank's ratings under the various performance criteria

Developing a Rating- IBBEA Section 109

- Discuss the purpose of Section 109 of the IBBEA and its relationship to the CRA exam
- Explain key terms relating to bank review under Section 109 of the IBBEA
- Describe the two-step test to review a bank's compliance with Section 109
- Identify the materials needed to complete a Section 109 review, along with the sources for such materials

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- Explain the consequences for a bank found not to be in compliance with Section 109

Writing the Performance Evaluation

- Identify basic writing rules and tips for writing performance evaluations
- Identify the components of large bank, small bank and intermediate small bank performance evaluations
- Identify the different parts of a performance evaluation applicable to intrastate and interstate banks
- List the resources available for writing performance evaluations for wholesale and limited purpose banks, as well as those for banks operating under a strategic plan

WEEK-TWO: IN-CLASS COURSE CONTENT

Assessment Area

- Discuss how to assist on a CRA exam in reviewing a bank's assessment area(s) to ensure that it meets the technical requirements of Regulation BB

Scoping the Exam

- Discuss how to assist the examiner-in-charge in setting the scope of a CRA exam by:
 - Identifying the central objectives of the examination; and
 - Analyzing the information necessary for scoping a CRA exam

Performance Context

- Analyze information sources to obtain relevant demographic, economic, and loan data on each assessment area under review
- Analyze Call Report, supervisory reports and prior CRA evaluations to help understand the institution's capacity, etc.
- Discuss the information provided to you from the institution on its local community and economy, business strategy, lending capacity
- Review community contact information to assist in the evaluation of the institution

Loan-to-Deposit-Ratio

- Analyze the net loan-to-deposit ratio for an intermediate small bank

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Concentration of Lending in the Assessment Area

- Analyze the lending concentration inside the assessment area(s) for an intermediate small bank

Geographic Distribution

- Calculate the actual distribution of loans within the geographies of the assessment area(s)
- Identify census tracts with minimal penetration
- Analyze the effect of the performance context issues on geographic distribution
- Evaluate the bank's geographic distribution of lending

Borrower Distribution

- Calculate the actual distribution of loans made to borrowers in the assessment area(s) based on income level of the borrower and revenue size of the business
- Make comparative analysis against proxies and aggregate / peer data
- Analyze the effect of performance context issues on borrower distribution
- Evaluate the bank's borrower distribution of lending

Complaints

- Analyze complaints for an intermediate small bank

Community Development Test

- Review lending, investments, and services activities to determine if they qualify as community development as defined by CRA
- Evaluate quantitative and qualitative aspects of a bank's performance
- Reach conclusions for community development test for intermediate small banks

Ratings

- Assign a CRA rating to an interstate intermediate small bank with multiple assessment areas

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Introduction to Large Bank CRA

- Explain the components of the large bank CRA examination method
- Understand how the case study analysis would have been different using large bank exam procedures

Class Size

The optimal class size for CRA Examination Techniques is 20 participants. To provide sufficient variety of interaction among class participants, the minimum class size is 10-12 participants. Because week 2 relies on case study work to present hands-on experience with the material, sufficient instructors are available to assist small groups. Accordingly, to ensure a manageable instructor workload and maintain a reasonable participant-to-instructor ratio, a maximum class size is 20 participants.

Instructors

CRA Examination Techniques includes one lead instructor and three additional instructors with consumer compliance CRA examination experience to instruct during the week 1 online and week 2 in-class portions of the course.