



Bankers & Community Reinvestment Act (CRA): How Bankers Promote Thriving Communities

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2024

Proprietary and Confidential

3 Fun Facts About Me

1. 

I HAVE BEEN AN AMERICAN CITIZEN FOR 5 YEARS

And love to chat about the civics questions covered in the naturalization test



2. 

I HAVE BEEN TALKING ABOUT COMMUNITY DEVELOPMENT FOR OVER 15 YEARS

The last 10 years exclusively in the banking industry, prior experience in economic development focus



3. 

VEGETARIAN

In my spare time, I love going to new local restaurants and back to some favorites to enjoy new and trusted dishes with family and friends



Disclaimer

Today's session is intended for educational purposes and is not intended to qualify as legal advice. All information, material, and content provided in this session is offered as general information and not tailored to or specific to any particular bank or regulator. These views are my own, and do not represent my employer, Atlantic Union Bank.

What we will cover today

- ▲ High-level overview of the Community Reinvestment Act
- ▲ Banks' role in community development
- ▲ A bankers role bringing CRA to life in a meaningful way

The Community Reinvestment Act (CRA)

- The Community Reinvestment Act of 1977 was enacted to encourage banks to help meet the credit needs of the communities that they serve, including LMI neighborhoods, consistent with the banks' safe and sound operations. In passing the CRA, Congress established that
 1. Banks are required by law to demonstrate that their deposit facilities serve the convenience and needs of the communities in which they are chartered to do business;
 2. The convenience and needs of communities include the need for credit services as well as deposit services; and
 3. Banks have a continuing and affirmative obligation to help meet the credit needs of the local communities in which they are chartered

The CRA impact in three key risks:

Reputation in the Community

- Since July 1, 1990, the agencies are required to make an institution's rating and written performance evaluation available to the public.
- The CRA ratings and performance evaluations are available at the regulators' websites.

Ability to Expand

- An institution's CRA record is taken into account in considering applications for deposit facilities, including mergers and acquisitions.

Frequency of CRA Examinations

- Maintaining a Satisfactory or better CRA rating will also result in less frequent CRA examinations.

Banks are analyzed based on their asset size

- Banks are analyzed based on their type as follows:
 - Small Bank (\$600 million or less)
 - Intermediate Small Bank (\$600 million to \$2.5 billion)
 - Large Bank (assets greater than \$2.5 billion)

- Most banks have to follow three tests:

Service (25%)

Investments (25%), and

Lending (50%)

The Service Test: where the branch network and volunteering are reviewed

- Designed to hold banks accountable for making **basic banking services readily available to all**, not just to those in communities of wealth
- Banking “services” relates primarily to the location of physical bank branches and ATMs, but also incorporates community development services such as conducting home buyer seminars, small business advising, and financial education
- **Volunteering by bank employees is considered a community development service and is a component of the rating on this test**
 - An organization is CRA-qualified when 51% of the clients it serves are LMI and/or the nonprofit exclusively operates in an LMI community

The Investment Test:

- Designed to hold banks accountable for financial investment in neighborhoods that are deemed LMI according to census data
- “Investment” related to grants, affordable housing, small businesses, and mortgage backed securities, provided they are not complex
- Grants to nonprofit organizations are one component of a bank’s investments, and are factored into the rating on this test

The Lending Test: carries the majority of the weight and work

- Designed to ensure that banks are responsive to the **credit needs of low-to-moderate income (LMI) communities**, and are safely lending to borrowers across the income spectrum
- Lending assessment include mortgages, small businesses, affordable housing construction, and lending policies and products that are specifically designed to help the lower income customers be successful
- Neither grants nor volunteering are considered in this test. It is strictly a review of the Bank's lending practices

The Lending Test: 3 Main Buckets

**HMDA
Reportable
Loans**



**Small Business
/ Small Farm**



**Community
Development
Loans**



HMDA Reportable Loans

- Collection and reporting of certain **mortgage lending activity** to ensure local housing needs are being served, to assist in attracting private investments to needed areas, and to identify potentially discriminatory lending patterns in order to enforce anti-discrimination laws.
- **Commercial purpose loans and lines of credit secured by a dwelling or mixed-use property** for the purpose of purchasing, refinancing, or improving the dwelling regardless of the borrowing entity (can be an individual, LLC, corporation, etc.).



Small Business/Small Farm Loans

- Loans reported on the CRA LAR
- Small Business Loans that are \leq \$1MM **and** defined on the Call Report as either “Loans secured by nonfarm or nonresidential real estate” or “Commercial and Industrial loans”
- Small Farm Loans that are \leq \$500K and were reported as either “Loans to finance agricultural production, and other loans to farmers” or “Loans secured by farmland”



Community Development Loans

- Loan that has a primary purpose of community development
- Has not been reported as a home mortgage, small business/farm or consumer loan
- Benefits the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area



All three tests have 4 Basic Pillars:

What Qualifies as CRA?

- Start with 4 Basic Pillars:
 - Affordable Housing
 - Community Services (Financial Literacy!)
 - Economic Development
 - Revitalization and Stabilization

CRA: bankers fosters strong community and economic development.

The Bank's CRA success depends on its employees

CRA presents and opportunity for the Bank to serve the community.



Great CRA Stories!

Affordable Housing

Dollar Bank, Pittsburgh, Penn. for its The Way Home program. The program offers first-time, low-to moderate-income homebuyers with free one-on-one credit counseling, down payment and closing cost assistance, and a shelf loan without a credit score requirement called “Rent No More.” Formerly known as “Mortgages to Mothers,” the program has had more than 9,000 applicants in 20 years. It has provided more than 700 hours of credit counseling, 800 hours of financial literacy and more than 200 loans to approximately 3,000 low-to moderate- income individuals since 2021.

Community and Economic Development

United Bank, Vienna, Va. for its Power of Partnership program. The program, which works alongside Jubilee Housing, focuses on maintaining the affordability of houses in Washington, D.C. neighborhoods and slowing or reversing the displacement of low-to moderate-income families. Through the partnership, Jubilee Housing has preserved and/or developed 484 units of affordable housing and created 24,333 square feet of commercial space for businesses dedicated to serving low-income households. More than \$75 million has been invested through 23 loans over the past 20 years, all within less than two square miles.

THANK YOU!!!

Question and Comments?

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