

A large, stylized, black-outlined letter 'P' is positioned on the left side of the page, partially overlapping a blue horizontal bar. The 'P' is set against a light purple triangular background that points downwards.

erspectives

A Guide to Small Bank Public Performance Evaluations Under the Community Reinvestment Act

This guide provides an overview of the Community Reinvestment Act (CRA) Public Performance Evaluation for small banks, which are defined as banks with total assets of less than \$250 million and independent or affiliates of holding companies that have total banking assets of less than \$1 billion. The content of the public performance evaluation may vary from bank to bank to reflect the uniqueness of each institution and the community it serves.

The CRA requires a bank's federal supervisory agency to prepare a written evaluation of its record of meeting the credit needs of its community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the bank. This document is the CRA Performance Evaluation. A copy of the public section of the bank's most recent CRA Performance Evaluation must be in the bank's public CRA file, which is available for public inspection upon request at no cost. Requests for copies or mailings may include a reasonable fee to cover costs.

A small bank's CRA Public Performance Evaluation will include the following information.

General information

- Name of the bank
- Name of the supervisory agency
- Date of the examination

Bank's CRA rating

- Assigned rating; a small bank will be given one of four ratings: Outstanding, Satisfactory, Needs to Improve or Substantial Noncompliance
- Summary explaining the major factors supporting the rating given by the supervisory agency
- If rated Outstanding, discussion of the bank's performance in making qualified investments and delivering services, in addition to lending

A small bank can receive an Outstanding rating without a review of investments and services only when its lending performance is so exceptional that the examiner determines a review of investments and services would not further improve the bank's rating.

Description of the bank, including relevant information on:

- The ability to meet various credit needs, based on facts and data about its financial condition and size, product offerings, prior performance, legal impediments and other factors
- Prior CRA rating
- Total assets, asset/loan portfolio mix, primary business focus, branching network, any merger or acquisition activity and relationship with a holding company and affiliates

Description of the bank's assessment area, including, as appropriate:

- Information on population, median income, employment, community credit needs and business opportunities
- Information on the number and percentage of low-, moderate-, middle- and upper-income geographies and families within the assessment area
- Information obtained from community contacts that the examiner used in forming conclusions about the bank's performance. Information from community contacts will be specific enough that the reader can understand the contact's background and knowledge of the area and how conclusions are reached, but not so specific as to identify the contact.

Conclusions with respect to the five small bank performance criteria

General conclusions for each of the criteria will be based on an analysis of facts and data derived from the examination process and allow the reader to understand how the examiner arrived at those conclusions, including the bank's strengths and areas for improvement. The narrative will explain how the performance criteria were analyzed. The evaluation will also include an analysis of performance, supported by information used to develop the examiner's understanding of loan demand in the various areas with different income levels, as appropriate.

1 Loan-to-deposit ratio

This ratio is the average loan-to-deposit ratio since the previous examination. It is derived from data contained in reports submitted quarterly by banks. Loan-to-deposit ratios will vary, depending on a bank's charter, its business strategy, the demographics of its assessment area and other factors that make up the context in which the bank performs.

- Discussion of the examiner's conclusions regarding the bank's performance under this performance criteria
- Reference the information used to support the conclusion that the ratio is or is not reasonable

2 Lending in assessment area

- Discussion of the examiner's conclusions regarding the bank's performance under this performance criteria
- Number and types of loans that were reviewed to conduct the analysis of the extent of lending inside and outside the bank's assessment area

Activities that are in the planning stage that have not resulted in loan originations are not considered in evaluating the bank's performance.

3 Lending to borrowers of different incomes and to businesses/farms of different sizes

- Discussion of the examiner's conclusions regarding the bank's performance under this performance criteria
- Identification of income distribution and other relevant demographic information for the assessment area
- Identification of how the loans are distributed among low-, moderate-, middle- and upper-income borrowers
- Identification of how small business and small farm loans are distributed among businesses and farms of different sizes
- Narrative analyzing the distribution of loans across income categories, and among small businesses and small farms of different sizes, within the context in which the bank performs

4 Geographic distribution of loans

- Discussion of the examiner's conclusions regarding the bank's performance under this performance criteria
- Identification of the number of households in low-, moderate-, middle- and upper-income census tracts and block numbering areas and other relevant demographic information for the assessment area
- Identification of the geographic distribution of loans across low-, moderate-, middle- and upper-income census tracts and block numbering areas in the bank's assessment area
- Narrative analyzing the geographic distribution of loans across low-, moderate-, middle- and upper-income census tracts and block numbering areas

5 Response to complaints

- If written complaints were received regarding CRA performance, a narrative evaluating the bank's record of taking action

Analysis of qualified investments and services

At the bank's option, a review of its performance in making qualified investments and providing branches and other services and delivery systems will be performed. If qualified investments and services contribute to a bank receiving an Outstanding rating, the small bank public performance evaluation will include:

- Narrative analyzing the extent to which qualified investments and services enhance the bank's ability to make credit available in its assessment area(s)
- Identification of the investments and services that were considered in the analysis

Compliance with antidiscrimination laws (Equal Credit Opportunity Act, Fair Housing Act or Home Mortgage Disclosure Act)

- Statement regarding the bank's compliance with antidiscrimination laws

If substantive violations are found, the narrative will state that substantive violations were found, whether they caused the CRA rating to be adjusted downward, and why the rating was or was not adjusted. The narrative will also discuss the nature and extent of the violations, and it will characterize how responsive the bank's management was in acting on the issues.

Federal Reserve Bank of Dallas
Community Affairs Office
P.O. Box 655906
Dallas, Texas 75265-5906
(214) 922-5276
www.dallasfed.org

Small Bank

CRA Rating Matrix

Characteristic	Outstanding	Satisfactory	Needs to Improve	Substantial Noncompliance
Loan-to-Deposit Ratio (considering seasonal variations and taking into account lending-related activities)	MORE THAN REASONABLE given the bank's size, financial condition and assessment area(s)' credit needs.	REASONABLE	LESS THAN REASONABLE	UNREASONABLE
Assessment Area(s) Concentration	A SUBSTANTIAL MAJORITY of loans and other lending-related activities are IN the assessment area(s).	MAJORITY IN	MAJORITY OUTSIDE	SUBSTANTIAL MAJORITY OUTSIDE
Borrower's Profile	EXCELLENT penetration among individuals of different income (including low- and moderate-income) levels and businesses and farms of different sizes.	REASONABLE	POOR	VERY POOR
Geographic Distribution of Loans	The geographic distribution of loans reflects EXCELLENT dispersion throughout the assessment area(s).	REASONABLE	POOR	VERY POOR
Response to Substantiated Complaints	The bank has taken NOTEWORTHY, CREATIVE action in response to substantiated CRA complaints.	APPROPRIATE	INADEQUATE	UNRESPONSIVE
Investments	The investment record ENHANCES credit availability in assessment area(s).	N/A	N/A	N/A
Services	Record of providing branches and/or other services ENHANCES credit availability in assessment area(s).	N/A	N/A	N/A