

# CRA Strategy Development

## Developing A Bank CRA Strategy

# CRA Strategy Development

## Training Topics:

- **1. Developing a Bank CRA Strategy**
- **2. Monitoring and Tracking Progress**

# CRA Strategy Development

- 1. Developing a CRA Strategy**

# Why Develop a CRA Strategy?

- Treat CRA as a line of business:
- Help bank management and staff:
  - ▶ When you fail to plan you are planning to fail

# Why Develop a CRA Strategy?

- **Board Approval of CRA Plan**
- **Implications on CRA performance**

# Steps in Developing a CRA Strategy

**Step 1.** *Understand CRA Performance Evaluation Criteria*  
(i.e. Small Bank v. ISB criteria)

**Step 2.** Assess bank performance context

**Step 3.** Assess community credit needs

**Step 4.** Match bank products, services with community credit needs

**Step 5.** Develop performance and rating goals, objectives

# CRA Strategy Development

*Step 1.* **Understanding Bank  
CRA Performance  
Criteria**

# Understand CRA Evaluation Criteria

- **Determine Bank Evaluation Criteria**
  - ***Small Bank***
    - Streamline Small Bank Evaluation Criteria
  - ***Intermediate Small Bank***
    - Lending
    - Community Development
- **Review prior CRA Performance Evaluation**



# CRA Strategy Development

*Step 2.*

***Assess your  
CRA Performance  
Context***

# Assess Bank Performance Context

- Identify and build on bank capacity, strengths and business model
- Analyze your bank's loan to deposit ratio and HMDA and Small business data to determine in/out ratio and loans to borrowers of different incomes.
- Track economic and demographic trends in your community housing stock, costs and income levels.

# Assess Bank Performance Context

- Read local revitalization plans, such as HUD consolidated plans and those reports prepared by the Federal Home Loan Banks and others to help determine community credit needs
- Develop a peer analysis of similarly situated institutions
- Catalogue CD opportunities to lend, invest or provide services

# CRA Strategy Development

***Step 3. Assessing  
Community  
Credit Needs***

# Assessing Community Credit Needs

- Review written reports and publications on credit needs and programs to serve LMI families
- Become knowledgeable of reports by entities that specifically research and analyze policies affecting underserved areas
- Explore needs of the least-served areas, where opportunities may be greatest and the competition is least.
- Compare and contrast products and services provided to best served areas.

# Assessing Community Credit Needs

- **Community Contacts**
  - Make contact and develop relationships with community groups, CD practitioners
  - Develop relationships with local and state government officials.
  - Make contact with small business advocates
  - Make use of bank regulatory resources
- **Competitive Analysis**
  - What are other banks doing?

# CRA Strategy Development

Step 4. ***Matching Bank Products,  
Services and Community  
Credit Needs***

# Matching Bank Products, Services with Community Credit Needs

- Compare performance context, products and services to community credit needs.
- Identify gaps in lending and service by borrower income, geography or product
- Evaluate products and service offerings



# Matching Bank Products, Services with Community Credit Needs

- Develop an internal strategy for delivering CD loan products or CD services to fill gaps:
  - Staff expertise in CD finance and knowledge of bank risk tolerance
  - Responsibility, Resources, Reporting
- Develop and maintain a relationship with bank business units and branch network managers
- Train staff to be aware of CRA objectives and CD lending, investment and service opportunities

# Matching Bank Products, Services with Community Credit Needs

- Consider developing new loan products to meet needs
- Explore option for CD product delivery by establishing a bank-owned CDC or investment in a multi-bank CDC, loan fund or loan pool
- Use government loan programs as resources to manage and mitigate risk.
- Match contributions and grants with CRA objectives

# CRA Strategy Development

***Step 5.      Develop CRA  
Performance Goals  
and Objective***

# Develop CRA Performance Goals and Objectives

- Performance Benchmarks:
  - **Lending**
    - Mortgage Lending (Consumer-optional)
    - Commercial / Small Business Lending
    - Community Development Lending
  - **Investments**
    - Qualified Community Development Investments
  - **Services**
    - Qualified Community Development Services

# Develop CRA Performance Goals and Objectives

- Consider establishing goals for business units and staff within each unit
  - Review and adjust incentive and compensation plans
  - Devote sufficient resources to CD activity
  - Allow time for products marketing and delivery mechanisms
  - Be patient and allow time for relationships to mature.
- Look at process for internal inefficiencies and obstacles!

# Developing product considerations

- Determine needs
- Determine costs of development and implementation
- Ensure management buy-in of timeline expected and total costs
- Develop strong marketing program
- Implement and initiate periodic progress report
- Measure impact
- Report to Management and Board

# CRA Goals and objectives

- Understand and communicate the role and function of CD activities
  - CD products generate revenue
  - CD initiatives can expand your bank's market
  - CD initiatives complement existing product lines
  - CD initiatives may involve specialized knowledge
  - CD risks can be mitigated and managed

# Develop a CRA Strategy

- **Integrate CRA strategy into bank business plan**
  - How will CRA strategy impact bank business plan?
  - How will CRA strategy support bank growth plan?
  - How will CRA strategy affect decision of the bank?
  - How will strategy impact marketing activity of bank?



# Steps to Successful CRA Performance

***Module 3.***

***Monitoring and  
Tracking Progress***

# Monitoring and Tracking Progress

- Board approval of amendments to CRA plan
- Formal CRA committee
- Board Reporting - How does your bank compare?

# Monitoring and Tracking Progress

- **Monitoring and Tracking Systems**
  - Loan approval sheet
  - Loan application register
  - Loan origination system or software
- **Self Evaluation**
  - Impact and effectiveness of marketing efforts
  - Periodically review and document performance
  - Understand performance strengths and weaknesses
  - Don't try to paper over performance issues

# Monitoring and Tracking Progress

- **Internal Reporting**
  - Identify and report performance weaknesses
  - Develop plan to address weaknesses
  - Identify end users
- **Exam Preparation**
  - Penetration rates in LMI census tracts
  - Be thorough
- **Mapped Data Systems**
  - Data management systems i.e. CRA Wiz, Tactician, others

# CRA Strategy Development

- Conclusion, a strong CRA Strategy:
  - **Is by plan and not by chance,**
  - **Is integrated into bank business plan,**
  - **Has Board and management commitment,**
  - **Is founded on Facts and Research,**
  - **Is the responsibility of all staff.**