



Brownfields for Bankers Workshop

Community Reinvestment Act: Defining Community Development

Faith Weekly

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CRA Review

Role of Community Development

- Key factor for two types of institutions
 - **Intermediate Small Institution (ISB)** Assets over \$304 million and below \$1.126 billion for past two years (2016 CRA Asset-Size Threshold).*
 - **Large Institution** – Assets of \$1.216 billion as of 12/31 for two years and at least 12 months of data collected

*These thresholds are updated annually.

Topics

- **Community Development Activities**
- **Community Development Categories**
- **Identifying Community Development**

CD Overview - Affordable Housing

In order to receive community development (CD) consideration under CRA, a bank must engage in any or all of the following ***three activities***:

- **Loans**
- **Investments**
- **Services**

CD Purposes

1. Affordable Housing
2. Community Services
3. Economic Development
4. Revitalizing or Stabilizing Certain Geographies
5. Neighborhood Stabilization Program Activities

Affordable Housing

1. Primary purpose must be for low- or moderate-income individuals
 - Single and multifamily
 - Rental and ownership

Community Services

2. **Community Services** targeted to low- or moderate-income individuals

- Youth programs
- Homeless services & facilities
- Health care facilities
- Battered women's centers
- Job training programs
- Others?

Economic Development

Two part test:

1. Size test – by Small Business Administration (SBA) standards or have gross annual revenues of \$1 million or less.
2. Purpose test – Permanent job creation, retention or improvement

- For LMI individuals
- In LMI census tracts (need to be LMI jobs, or
- Areas designated for redevelopment (need not be LMI jobs or in LMI areas

*Can presume qualified: SBIC, SBDC, Rural Business Investment Company (BIC), New Markets Venture Capital Company, eligible for New Markets tax credits

Revitalize and Stabilize

4. Activities that revitalize or stabilize LMI Census Tracts or designated geographies
 - Designated disaster areas
 - Distressed or underserved nonmetropolitan middle-income areas*

**Updated annually & available at ffiec.gov*

Neighborhood Stabilization

5. Activities in areas with HUD-approved **NSP** plans

- Make loans and investments
- Provide services to support NSP activities in areas with HUD-approved plans
- May also benefit middle-income

CD Categories

In order to receive community development (CD) consideration under CRA, a bank must engage in any or all of the following ***three activities***:

- **Loans**
- **Investments**
- **Services**

Examples

CD Loans:

- Affordable housing rehabilitation and construction
- Loans to nonprofit organizations with CD purpose
- **Loans to finance environmental cleanup or redevelopment of an industrial site**

Examples

Investments*:

- Investments, grants, deposits, or shares in or to:
 - Minority- or women-owned banks
 - Organizations engaged in affordable housing
 - Organizations promoting economic development by financing small businesses

****Investment must be legal.***

Community Development Services:

- Must be related to the provision of financial services or the employee's area of expertise

Summary

- **Community Development Explanation**

Must be for a defined purpose.

- **Community Development Activities & Examples**

Loan, Investment, Service

QUESTIONS

