OCC Bulletin Clarifies CRA Supervisory Policies and Processes

The Community Reinvestment Act (CRA) requires the federal banking agencies to assess a financial institution's record of helping to meet the credit needs of the institution's local community (or communities), including low- and moderate-income (LMI) neighborhoods, consistent with safe and sound operations. On June 15, 2018, the OCC issued Bulletin 2018-17 clarifying its supervisory policies and processes for conducting CRA exams and communicating the results. OCC Bulletin 2018-17 is available at the OCC's website at **www.occ.treas.gov/news-issuances/bulletins/2018/bulletin-2018-17.html**.

The bulletin, which applies to all national banks, federal savings associations, and federal branches and agencies subject to CRA, provides that the supervisory policies that are addressed are effective immediately. In addition the bulletin provides clarifications regarding standard processes related to CRA evaluations, which were communicated to examiners and became effective on May 2, 2017.

Frequency and timing of CRA exams. Subject to statutory limitations for smaller banks, OCC policy governs the frequency of CRA exams, as illustrated below.

Bank Type	Frequency
$250 million or less in total assets rated satisfactory at the prior exam	No sooner than 48 months after exam (set by statute)
$250 million or less in total assets rated outstanding at the prior exam	No sooner than 60 months after exam (set by statute)
More than $250 million in total assets	Every 36 to 48 months
Less than 30 "rating areas" at the previous exam (a rating area is a state or multistate MSA)	36-month evaluation cycle
30 or more rating areas at the previous exam	48-month evaluation cycle

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In general, the OCC determines the start date for the next CRA exam using the start date of the previous exam. While the OCC's request letter indicates the start date, OCC policy generally provides a three-month scheduling window, although banks that qualify for a minimum of 48- or 60-month exam cycles, the OCC generally provides a six-month scheduling window.

CRA performance evaluation period. Examiners will consider retail and community development (CD) activities in full calendar year increments, regardless of bank size. The evaluation period for small and intermediate small banks is three full calendar years. For large banks, the evaluation period includes each full calendar year starting with the end date of the previous CRA evaluation.

Performance context. Performance context is a broad range of economic, demographic and bank- and community-specific information. The written performance evaluation (PE) includes performance context information. The Bulletin notes that examiners should share the following with banks as a means to confirm the accuracy of data: PE data tables, the description of the bank, descriptions of operations in each rating area, the scope of the evaluation, and community profiles for full-scope assessment areas.

Selecting areas for full-scope and limited-scope review. The OCC considers various factors in determining whether to conduct a full-scope review or a limited-scope review of a bank's assessment areas. A full-scope (FS) review considers both quantitative factors (for example, geographic distribution, borrower distribution and total number and dollar amount of investments) and qualitative performance context factors (for example, innovativeness, complexity and responsiveness). In general, the OCC selects assessment areas (AA) for FS review if the AA represents a significant portion of a bank's activity or the bank's activity represents a significant portion of total industry activity in an AA relative to deposit or loan market shares. For banks with multiple AAs in a single state, examiners will evaluate at least one AA using FS procedures. Examiners may evaluate the remaining AAs in that state using FS or limited-scope procedures.

Evaluating home mortgage loans. For banks subject to the Home Mortgage Disclosure Act (HMDA), examiners will include HMDA data in evaluating performance.

The Bulletin emphasizes that examiners may use demographic data or other comparators (that is, benchmarks) when assessing bank performance. However, examiners should not apply standardized, artificial benchmarks to gain perceived consistency in ratings across banks. Such practice fails to account for each bank's performance context, including whether activities are responsive to credit and CD needs and opportunities.

Related OCC action. Comptroller Joseph Otting has publicly stated that the OCC is planning to revamp the CRA regulations. As a preliminary step, Otting has indicated that the OCC will issue an advanced notice of proposal rulemaking (ANPR) in the next few weeks. And while Otting is hoping the FDIC and the Federal Reserve Board will join in the ANPR, Otting has said the agency is willing to go it alone if necessary.