

Institutions with Strategic Plans

The regulations permit any institution to develop, and submit for approval by its primary supervisory agency, a strategic plan (Plan) for addressing its responsibilities with respect to CRA. The regulations require that the plan be developed in consultation with members of the public and that it be published for public comment. The plan must contain measurable annual goals. A single plan can contain goals designed to achieve only a “Satisfactory” rating or, at the institution’s option, can contain goals designed to achieve a “Satisfactory” rating, as well as goals designed to achieve an “Outstanding” rating.

This approach to addressing an institution’s CRA responsibilities presents an opportunity for a very straightforward examination. The first question an examiner should investigate is whether the goals were met. If they were, the appropriate rating should be assigned. The appropriateness of the goals will have already been determined in the process of public comment and agency review and approval. Consequently, further investigation relating to the context of the institution should not be necessary. Obviously, if some or all of the plan’s goals were not met, the examiner will be required to evaluate such issues as whether they were substantially met and in doing so will have to exercise some judgment regarding the degree to which they are missed and the causes.

However, the examiner should approach an examination of an institution operating under a plan understanding that part of the purpose for these regulatory provisions was to give the institution significant latitude in designing a program that is appropriate to its own capabilities, business strategies and organizational framework, as well as to the communities that it serves. Consequently, the institution may develop plans for a single assessment area that it serves, for some, but not all, of the assessment areas that it serves, or for all of them. It may develop a plan that incorporates and coordinates the activities of various affiliates. It will be the examiner’s challenge to evaluate institutions operating under one plan or a number of plans in a way that accurately reflects the results achieved and that sensibly wraps that evaluation into the overall assessment of the institution.

As with other aspects of the CRA examination, the examiner should first make the greatest use possible of information available from the agencies to evaluate performance under the plan. However, it is likely that some elements of a plan under review will not be reflected in public or other agency data. Consequently, the examiner may, of necessity, have to ask the institution for the data necessary to determine whether it has met its goals. The examiner should do so, to the greatest extent possible, by asking the institution to provide data for review

prior to going on-site for the examination. The examiner should also seek to mitigate burden by, wherever possible, using data in the form maintained by the institution.

Examination Procedures for Institutions with Strategic Plans

Examination Scope

1. For institutions with more than one assessment area, identify assessment areas for full scope review. To select one or more assessment areas for full scope review, analyze prior performance evaluations, available community contact materials, reported lending data and demographic data on each assessment area and consider factors such as:
 - a. The level of the institution’s lending, investment and service activity in the different assessment areas, including low- and moderate-income areas, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies designated by the Agencies¹ based on (a) rates of poverty, unemployment, and population loss or (b) population size, density, and dispersion²;
 - b. The number of other institutions in the different assessment areas and the importance of the institution under examination in meeting credit needs in the different assessment areas, particularly in areas with a limited number of financial service providers;
 - c. The existence of apparent anomalies in the reported lending data for any particular assessment area(s);
 - d. The time since the assessment area(s) most recently received a full scope examination;
 - e. Performance that falls short of plan goals based on a review of available data;
 - f. The institution’s prior CRA performance in the different assessment areas; and
 - g. Comments from the public regarding the institution’s CRA performance.
2. For interstate institutions, a rating must be assigned for each state where the institution has a branch and in every multistate MSA where the institution has branches in two or more of the states that comprise that multistate MSA. Select one or more assessment areas in each state for examination using these procedures.

1 The Board of Governors of the Federal Reserve System, The Federal Deposit Insurance Corporation, and The Office of the Comptroller of the Currency

2 A list of distressed or underserved nonmetropolitan middle-income geographies is available on the FFIEC web site at www.ffiec.gov.

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Performance Context

1. Review the institution's public file for any comments received by the institution or the agency since the last CRA performance evaluation that assists in evaluating the institution's record of meeting plan goals.
2. Consider any information that the institution provides on its record of meeting plan goals.
3. Contact local community, governmental or economic development representatives to update or supplement information about the institution's record of meeting plan goals.
4. As necessary, consider any information the institution or others may provide on local community and economic conditions that may affect the institution's ability to meet plan goals or otherwise assist in the evaluation of the institution.

Performance Criteria

1. Review the following:
 - a. The approved plan and approved amendments;
 - b. The agency's approval process files; and
 - c. Written comments from the public that the institution or the agency received since the plan became effective.
2. Determine whether the institution achieved its performance goals for each assessment area examined.
 - a. Review the plan's measurable annual goals for each performance category and assessment area(s) to be reviewed.
 - b. Obtain information and data about the institution's actual performance for the period that has elapsed since the previous examination.
 - c. Compare the plan goals for each assessment area reviewed to the institution's actual performance since its last examination in each assessment area reviewed to determine if all of the plan's goals have been met.
3. If any goals were not met, form a conclusion as to whether the plan goals were "substantially met." In doing so, consider the number of unmet goals, the degree to which the goals were not met, the importance of those goals to the plan as a whole, and the reasons why the goals were not met (e.g., economic factors beyond the institution's control).
4. Discuss preliminary findings with management.
5. Summarize conclusions about the institution's performance.

Ratings

These instructions assume that the strategic plan covers all of the institution's assessment areas. If not, the analysis of performance for the assessment area(s) covered by the strategic plan must be combined with the analyses for

assessment areas that were subject to other assessment method(s) in order to assign a rating.

1. Group the analyses of the assessment areas examined by MSA³ and nonmetropolitan areas within each state where the institution has branches. If an institution has branches in two or more states of a multi-state MSA, group the assessment areas that are in that MSA.
2. If the institution has substantially met its plan goals for a satisfactory rating or, if applicable, an outstanding rating, in all assessment areas reviewed, summarize conclusions about the institution's performance in each MSA and the nonmetropolitan area of each state in which an assessment area was examined using these procedures. Assign the appropriate preliminary rating for the institution and, as applicable, each state or multistate MSA and proceed to Step 6, below.
3. If the institution did not substantially meet its plan goals in each assessment area, check to determine if the institution elected in its plan to be evaluated under an alternate assessment method.
 - a. If the institution did not elect in the plan to be evaluated under an alternate assessment method, assign a "Needs to Improve" or "Substantial Noncompliance" rating to those assessment areas in which plan goals were not substantially met, depending on the number of goals missed, the extent to which they were missed, and their importance to the plan overall.
 - b. If the institution elected in its plan to be evaluated under an alternate assessment method, perform the appropriate procedures to evaluate and rate the institution's performance in those assessment areas in which the institution did not meet plan goals.
4. For institutions operating in multiple assessment areas, determine the relative importance of the assessment areas reviewed in forming conclusions for each MSA and the nonmetropolitan area within each state and for any multistate MSA where the institution has branches in two or more states. In making that determination, consider:
 - a. The significance of the institution's activities in each compared to the institution's overall activities;
 - b. The lending, service, and investment opportunities in each;
 - c. The significance of the institution's loans, qualified investments, and lending-related services, as applicable, for each, particularly in light of the number of other institutions and the extent of their activities in each; and
 - d. Demographic and economic conditions in each.
5. For an institution operating in multiple MSAs or nonmetropolitan areas in one or more states or multi-state

3 The reference to MSA may also reference metropolitan division (MD).

MSAs, assign a preliminary rating for each state and multi-state MSA. To determine the relative significance of each MSA and nonmetropolitan area to the rating in a state, consider:

- a. The significance of the institution's activities in each compared to the institution's overall activities;
 - b. The lending, service, and investment opportunities in each;
 - c. The significance of the institution's loans, qualified investments, and lending-related services, as applicable, for each, particularly in light of the number of other institutions and the extent of their activities in each; and
 - d. Demographic and economic conditions in each.
6. For institutions with operations in more than one state, assign a preliminary overall rating. In determining the relative significance of the institution's performance in each state or multistate MSA to its overall rating consider:
- a. The significance of the institution's activities in each compared to the institution's overall activities;
 - b. The lending, service, and investment opportunities in each;
 - c. The significance of the institution's loans, qualified investments, and lending-related services, as applicable, for each, particularly in light of the number of other institutions and the extent of their activities in each; and
 - d. Demographic and economic conditions in each.
7. Review the results of the most recent compliance examination and determine whether evidence of discriminatory or other illegal credit practices that violate an applicable law, rule, or regulation should lower the institution's overall CRA rating or, if applicable, its CRA rating in any state or multi-state MSA.⁴ If evidence of discrimination or other illegal credit practices in any geography by the institution, or in any assessment area by any affiliate whose loans were considered as part of the institution's lending performance, was found, consider:
- a. The nature, extent, and strength of the evidence of the practices;
 - b. The policies and procedures that the institution (or affiliate, as applicable) has in place to prevent the practices;

- c. Any corrective action the institution (or affiliate, as applicable) has taken, or has committed to take, including voluntary corrective action resulting from self-assessment; and
- d. Any other relevant information.

8. Discuss conclusions with management and assign a final rating to the institution and state or multi-state MSA ratings, as applicable, considering the preliminary rating and any evidence of discrimination and other illegal credit practices.
9. Write comments for the public evaluation and the examination report.

Public File Checklist

1. There is no need to review each branch or each complete public file during every examination. In determining the extent to which the institution's public files should be reviewed, consider the institution's record of compliance with the public file requirements in previous examinations, its branching structure and changes to it since its last examination, complaints about the institution's compliance with the public file requirements, and any other relevant information.
2. In any review of the public file undertaken, determine whether branches display an accurate public notice in their lobbies, a complete public file is available in the institution's main office and at least one branch in each state, and the public file available in the main office and in each state contains:
 - a. A copy of the approved strategic plan;
 - b. All written comments from the public relating to the institution's CRA performance and any responses to them for the current and preceding two calendar years (except those that reflect adversely on the good name or reputation of any persons other than the institution);
 - c. The institution's most recent CRA Performance Evaluation;
 - d. A map of each assessment area showing its boundaries and, on the map or in a separate list, the geographies contained within the assessment area;
 - e. A list of the institution's branches, branches opened and closed during the current and each of the prior two calendar years, their street addresses and geographies;
 - f. A list of services (loan and deposit products and transaction fees generally offered, and hours of operation at the institution's branches), including a description of any material differences in the availability or cost of services between those locations;
 - g. The institution's CRA Disclosure Statement(s) for the prior two calendar years;

⁴ "Evidence of discriminatory or other illegal credit practices" includes, but is not limited to: (a) Discrimination against applicants on a prohibited basis in violation, for example, of the Equal Credit Opportunity Act or the Fair Housing Act; (b) Violations of the Home Ownership and Equity Protection Act; (c) Violations of section 5 of the Federal Trade Commission Act; (d) Violations of section 8 of the Real Estate Settlement Procedures Act; and (e) Violations of the Truth in Lending Act regarding a consumer's right of rescission.

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- h. A quarterly report of the institution's efforts to improve its record if it received a less than satisfactory rating during its most recent CRA examination;
 - i. HMDA Disclosure Statements for the prior two calendar years for the institution and for each non-depository affiliate the institution has elected to include in assessment of its CRA record, if applicable;
 - j. The number and dollar amount of consumer loans, for large banks, if applicable; and
 - k. The loan-to-deposit ratio, for small institutions.
- 3. In any branch review undertaken, determine whether the branch provides the most recent public evaluation and a list of services generally available at its branches and a description of any material differences in the availability or cost of services at the branch (or a list of services available at the branch).

Public Notice

Determine that the appropriate CRA public notice is displayed as required by § 345.44.