

**COMMUNITY REINVESTMENT ORGANIZING  
PROJECT**

**How To Use The Community Reinvestment Act (CRA)  
To  
Negotiate  
Community Benefits Agreements (CBA's)**

A Community Reinvestment Organizing  
and  
Training Manual for Community Benefits

**Prepared by:  
Community Reinvestment Organizing Project (C.O.P.)  
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# Introduction

The Community Reinvestment Act (CRA) is a federal law passed in 1977 which requires financial institutions to define their service (lending, banking) area, and to help meet the credit needs of that area. The CRA came out of a fight, started in Chicago, against a practice of financial institutions called "Redlining". Literally, banks would draw a "redline" on a map that "defined" a neighborhood or community where they would "not lend in". CRA outlawed this practice, and in the years since passage of the CRA, and the Home Mortgage Disclosure Act or "HMDA", the CRA was originally an effective tool for community groups and leaders to utilize to negotiate what were called "Community Reinvestment Agreements".

Today, 30 years later, the CRA is under attack. The banking lobby has taken successful steps to get new laws passed by Congress that limits how they are evaluated and assessed for their efforts to "meet the credit needs of their area".

Further, many banks have affiliate lending relationship with mortgage companies that are often considered "sub prime" or "predatory" lenders- companies that will lend to individuals, usually low-income minorities who have challenged credit histories. This provides an opportunity for some banks to "meet the credit needs of their area" by participating in affiliate lending relationships such as these. Additionally, some banks will focus on "meeting the credit needs of an area" for those who need banking services, by actually promoting "check cashing" services like a currency exchange, because an individual can open a bank account due to poor credit.

...and that's just the point of this manual.

If a community needs access to credit, and it is a community that has credit challenges that would otherwise prevent them from opening a bank account, saving to buy a home, need a small loan until payday. then no longer is the "CRA Agreement" useful; we must leverage the Community Reinvestment Act to negotiate Community Benefits Agreements with banks that offer "benefits that communities can use that reflects what credit those communities actually needs". Currently, under CRA, banks can make the case that they are meeting the credit needs of an economically distressed area within their "market" by placing an ATM in the area.

This organizing manual will focus negotiating Community Benefits Agreement (CBA)

# Getting Started: Using CRA To Negotiate A CBA

## Research

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To begin the process of negotiating a Community Benefits Agreement using the Community Reinvestment Act; we must first begin with research on the banking institution targeted for negotiation. Know what to research, find and ask for, starting by:

### step One:

Visit the financial institution that your organization is interested in starting a community benefits agreement dialogue with to gather your research on the institution. Key information you want to get from the institution are:

### step Two:

#### **- Review the CRA Notice of the Bank**

Definition: This notice, often posted in the lobby of the bank, provides the public with information about its' willingness to comply with the requirements of the Community Reinvestment Act.

### step Three:

#### **- Review the CRA Statement**

Definition: This is a often broad statement that informs the public and the bank's customers that it will seek to meet the credit needs of each banking and lending area.

Note: Because the CRA requires the bank to "make a good faith" effort to meet the needs of its' community, the "community" is not necessarily define as the community that your organization is working in and where the branch is located within a low-income community, but may also refer to the institution's "global" community where all of its branch locations are at, including those in middle and upper income communities.

### step Four:

#### **- Review CRA Public File**

Definition: All financial institutions are required to keep and maintain a CRA Public File which allows community organization's, individuals and others to submit comments, complaints, concerns or challenges to an institutions banking, lending and investment policies and procedures that are productive or counterproductive to its' community or "a community" where the bank as a branch, banking, or lending presence.

**Note:** The CRA Public File is an **EXTREMELY** important tool to begin to get a dialogue going with a financial institution. **Each time you write to a bank, request in the letter that a copy of the letter is placed in the institution's CRA Public File, and request a written acknowledgement of the later and AND a response in writing to your concern or issue raised.**

**Regulators read these letters when conducting the bank's CRA Performance Evaluation Examination**

Additionally, you can send a copy of the letter to the appropriate bank regulator.

## step Five.

Review Home Mortgage Disclosure Act (HMDA) Information:

The Home Mortgage Disclosure Act provides data on where a bank is making loans by census tracts, and will help you to assess if a bank is making loans within census tracts or areas of your community that needs mortgage lending.

## step Six.

### Review the- CRA Performance Evaluation/Rating of a Bank from its Regulator

Definition: The CRA Performance Evaluation is the regulatory rating each bank is given to by its regulator to determine how it is or not meeting the credit needs of its community.

### Who Are The Bank Regulators?



Federal Financial Institutions Examination Council  
Interagency regulatory body



Office of the Comptroller of the Currency  
regulates national banks

Office of the Thrift Supervision  
regulates thrifts and S&L's

Federal Deposit Insurance Corp.  
regulates non-federal reserve member state banks



The Federal  
Reserve Board

Federal Reserve Board  
regulates member banks and holding companies

## CRA Bank Ratings System

The CRA Performance Evaluation is public information, and you may request a copy of the evaluation from the institution. You can also search for a bank's rating online at:

[www.ffiec.gov/cracf/crarating/main.cfm](http://www.ffiec.gov/cracf/crarating/main.cfm)

Note: The CRA Performance Evaluation looks "generally" at the overall market performance of the bank, including specific low-income communities where the bank may have a branch presence. A bank may receive an "Satisfactory" or "Outstanding" rating because of its "overall, good faith" efforts, but its' specific efforts in your community where banking, lending, and investment needs are significant, may still go unmet by the bank.

## Criteria for a Bank's CRA Rating <sup>a</sup>

	<b>CRA Ratings</b>			
<b>Performance Criteria</b>	<b>Outstanding</b>	<b>Satisfactory <sup>b</sup></b>	<b>Needs to Improve</b>	<b>Substantial Noncompliance</b>

### Lending <sup>c</sup>

Responsiveness to credit and community development needs through lending practices, qualified investments, and services	excellent	good or adequate	poor	very poor
Percentage of loans made in the assessment area	substantial majority	high or adequate	small	very small
Distribution of loans among geographic areas, people of different income levels, and businesses of different sizes	excellent	good or adequate	poor	very poor
Quality of service for credit needs of extremely economically disadvantaged areas, low-income individuals, and small businesses	excellent	good or adequate	poor	very poor
Use of creative lending practices to address credit needs of low- or moderate-income people or neighborhoods	extensive	limited	little	No

### Investment

Level of qualified community	excellent	significant or adequate	poor	few
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development investments and grants, particularly those not routinely provided by private investors				
Use of innovative or complex qualified investments to support community development needs	extensive	extensive or occasional	rare	no
<b>Service</b>				
Accessibility of services to all geographic areas and people of different income levels	readily accessible	reasonably accessible	unreasonably inaccessible <sup>d</sup>	unreasonably inaccessible <sup>d</sup>
Way in which openings and closings of branches have affected access to services, particularly for low- or moderate-income areas or individuals	have made more accessible	have not adversely affected	have adversely affected	have significantly adversely affected
Way in which services are provided throughout the assessment area for the convenience and needs of customers	services are tailored	services do not vary in a way that inconveniences	services vary in a way that inconveniences	services vary in a way that significantly inconveniences

# **Twelve CRA Assessment Factors Used By Regulators**

## **In CRA Performance Evaluation Examinations**

- 1) Activities conducted by the institution to ascertain the credit needs of its community, including the extent of efforts to communicate with members of its community regarding the credit services being provided by the institution.
- 2) The extent of the institution's marketing and special credit related programs to make members of the community aware of the credit services offered by the institution.
- 3) The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.
- 4) Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement.
- 5) The geographic distribution of the institution's credit extensions, credit applications, and credit denials.
- 6) Evidence of prohibited discriminatory or other illegal credit practices.
- 7) The institution's record of opening and closing offices and providing services at offices.
- 8) The institution's participation, including investments, in local community development and redevelopment projects or programs.
- 9) The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans and small business or small farm loans within its community, or the purchase of such loans originated in its community.
- 10) The institution's participation in governmentally insured, guaranteed, or subsidized loan programs for housing, small businesses, or small farms.
- 11) The institution's ability to meet various community credit needs, based on its financial condition and size, and legal impediments, local economic conditions and other factors.
- 12) Other factors that, in the agency's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

# Decide What Your Community Wants

## Conduct Your Own Credit Needs Survey

You must develop your own survey process for assessing what are the banking, lending, investment and credit needs of your community.

Your assessment should focus on specific areas of need and opportunity such as:

- How many individuals, families would participate in an account program that provided direct deposit services for public benefits recipients within a low-income zip code of a community?
- How many landlords and property owners need specialized lending programs to maintain their properties within city code, and what apply for financing from a bank that provided this type of lending services?
- What are the community development investment opportunities within the community?
  - 1). A community center
  - 2). A community development corporation
  - 3). A job training center
- Your survey should be simple and based on what access to banking, lending or investment problem (just one to start with) that your organization wants to have addressed.

# The Community Benefits Negotiations Process

1. **YOU** have a right to have banks serve your community by providing products and services that meet the needs you **DEFINE** as well. It has to work both ways!

2. Now that you have completed your research and written letters to the bank outlining your issues and concerns, what's next? **BEFORE** meeting with bank leaders to discuss community benefits, you should:

- Have A Clear Idea of Who You Are.
- What Does the Community Need or A Target Group You Are Working With Needs?
- Why The Bank Should Do It

Example: The Englewood Food Network is an anti-hunger coalition of 32 food distribution agencies that seek to provide basic human needs services and assistance to families and individuals in the Englewood community.

Our coalition is seeking to develop a **COMMUNITY BENEFITS AGREEMENT** with ABC Bank that will allow clients served by our network agencies who receive public benefits to enroll in direct deposits services at your bank.

This **COMMUNITY BENEFITS AGREEMENT** will provide an ongoing opportunity for ABC Bank to provide an alternative to the check cashing fees of currency exchanges, and provide a safe environment for individuals to conduct their financial transactions.



# NEGOTIATIONS

- Negotiations should be based on the needs of the community or a target group within the community that you represent or are advocating for and it **DOESN'T HAVE TO BE COMPLICATED. KEEP IT SIMPLE WORKS!**

- Negotiation should be clear and specific like the example above
- What is requested in the negotiation have to be WINNABLE.
- Negotiations should be achievable-within the ability to reasonably do within a limited period of time.

NOTE: Be prepared to compromise The **CRA/CBA** negotiation process is a two-way street.

Expect them to stall and bluff. Negotiations take time and expect to take time to negotiate the "changing of a mindset".

# **SAMPLE SURVEY TO COMMUNITY**

## **The Englewood Food Network Community Benefits Needs Survey**

**Dear Food Pantry Client:**

**To better serve you, we are conducting a survey to help connect you with direct deposit banking services that will make cashing your benefits checks easier and safer.**

**Please take a moment to answer the following questions by “checking off” your responses.**

- Do you have a checking account?     Y \_\_\_    N \_\_\_

- Do you have a savings account?     Y \_\_\_    N \_\_\_

- Where? Name of Bank:

\_\_\_\_\_

- If no, do you pay your bills at the currency exchange? Y \_\_\_    N \_\_\_

- If so, why?

\_\_\_\_\_

- Are you on a fixed income? Y \_\_\_    N \_\_\_  
Public Assistance, Social Security, SSI, other? Y \_\_\_    N \_\_\_

Other: \_\_\_\_\_

- Are you employed and deposit your check at a bank? Y \_\_\_    N \_\_\_

- Are you employed and cash your check at a bank or currency exchange? Y \_\_\_    N \_\_\_

## **Analyze and Compare the Data**

Once you have completed your survey, compare your data with the data the bank provides in its' CRA Performance Evaluation to determine if that is or is not a relationship between how the institution states its meeting the community needs with those that you how found in your survey of community banking, lending and investment needs.

However, note that there will often be specific types of data you may not get from the CRA Performance Evaluation of a bank, which means you will have to request specific information that you need directly, such as:

- How many accounts were opened for low-income individuals and families?
- How many accounts were opened for individuals, families receiving public benefits?
- How many grants were made to support community development initiatives in your community by the bank? What were the amounts, and what were the results?
- What specialized lending programs has the bank provided within your community?

Setting Up the Meeting

**Requesting the Meeting - Writing the Letter**

Date

Dear (Name of Bank President)

We are a community organization/coalition involved in neighborhood reinvestment in the \_\_\_\_\_ area. We are concerned that there are unmet credit needs in our community.

We have conducted our own investigation of the credit needs of our community, and would like to meet with you to discuss our findings, as well as share ideas of how these credit needs can best be met.

We request that this letter be placed in your CRA file. We will be happy to cooperate with any federal regulatory agency examining your banking activities in our neighborhood for CRA compliance.

We look forward to working with you to improve our community's access to credit and financial services. We will contact your office next week to arrange a convenient meeting time.

Sincerely,

You're Name  
Organization

Cc: Chairman of the Board Official of appropriate regulatory agency  
Community Affairs Officer

**Note:** When writing a letter to request a meeting with the president of the bank, be sure that you have up to date information on who the leadership of the bank is. Don't rely on the website of the bank or "word of mouth" information. Go into the bank and obtain the information directly.

# What Do You Want?

## Community Reinvestment or Community Benefits? What's the Difference?

Deciding what do you want, community reinvestment or community benefits is really based on the level of need and opportunity in your community. However, the leveraging one can result in the other-**Community Benefits!**

## Your organizing and leadership group should always focus on Negotiating Community Benefits- Why?

### The Difference:

The Community Reinvestment Act (CRA) is law that requires CRA regulated banks "to meet the credit needs of its' community". Regulators look at how banks comply with this requirement based mostly on what the bank is doing to meet the "credit needs of its market" in a general, metropolitan market, with little emphasis often on how its meeting the credit needs within low-income markets. Additionally, with the banking lobby aggressively working to diminish the original impact of the 1997 Community Reinvestment Act, community organization's and its leaders have to focus more on utilizing the CRA to negotiate and leverage **COMMUNITY BENEFITS AGREEMENTS** with banks.

### What's a Community Benefits Agreement?

A Community Benefits Agreements (CBA's) is a detailed written agreement between a community organization(s) and its' leaders and a target bank to provide specific types of products, services and support that will create a BENEFIT(s) that will provide opportunities for the unbanked, unloaned, uninvested communities to realize real and sustaining opportunities through negotiated products, services and opportunities through a community bank

### What is an example of a Community Benefit?

Sometimes it's important to start with the basic needs of communities, which is often access to banking and savings products and services that provides REAL alternatives to currency exchange "banking" and "check cashing services", or even "payday and title loan" services.

# Community Benefits Examples

Here are some examples of potential Community Benefits Agreement negotiation points that most communities can benefit from that leverages the Community Reinvestment Act

**BANK** will work with **ABC Organization** to develop a payday loan product that will assist account holders referred to BANK by ABC Organization to obtain 30 day loans, and BANK will underwrite a counseling program at ABC Organization to provide financial literacy and credit counseling to product applicant's prior to apply for a payday loan

Or

**BANK** will work with **ABC Organization** to provide develop and market a direct deposit account program for clients served by **ABC Organization's** food distribution program.

**The product features will include:**

- No credit scoring
- No monthly service fees
- Minimum monthly balance is \$ 10
- ATM/Debit Card
- BANK will notify account holder if balance falls below \$ 10 and will provide account holder 14 days to bring the account current before closing it

Or

**BANK** will work with **ABC Organization** to identify potential branch or satellite location(s) in an underserved area of its' market on the Southside (or any side of town), that is part of the **BANK's** market.

Or

**BANK** will work with **ABC Organization** to develop and implement a target market community development grant investment program that will provide capacity building support to not for profit organization's engaged in community development, housing and economic development programs' with **BANK**

# **Community Reinvestment Benefits Glossary**

**APPLICATION:** The application banks submit to federal regulators when they want to branch, merge, or acquire another bank.

**CENSUS TRACT:** A federally designed division of communities into small, numbered areas. It is used for census count, and other statistical purposes.

**CHALLENGE:** When community members challenge a financial institutions right to branch, merge or expand due to problems with their lending record.

**COMMENT FILE:** A file kept by every bank where the community can submit letters of complaints regarding lending practices. Later the file can strengthen a challenge.

**COMMENT PERIOD:** The time when the community can submit comments on the lender's record to the federal regulators. It begins when the bank's application is publicized in the newspaper or Federal Register (a government paper) and continues for 30 days. A 15-day extension can be requested.

**COMMITMENT:** The bank's agreement to devote at least a certain amount of money to CRA loans as demanded by the group.

**CRA:** The Community Reinvestment Act is a federal law passed in 1977 requiring lending institutions to "help meet the lending needs" in the area they serve.

**CRA STATEMENT:** This is a document every lender must have, which describes what they are doing to meet the lending needs of the community. It often has to be read carefully and taken with a grain of salt.

**FFIEC:** The Federal Financial Institutions Examination Council can tell you where to get access to HMDA data for a particular lender, whether that lender has submitted an application and can also provide HMDA individual and aggregate data for a lender.

**HMDA** The Home Mortgage Disclosure Act is a federal law passed in 1975 which requires lenders to print reports showing which census tracts where the lenders have made at least one loan. HMDA reports show how many loans were made, type of loans made and how much money the loans represent. Reports are annual.

**REDLINING:** The practice of drawing a red line around communities where a lender does not want to make loans. It refers to disinvestment in low income, minority and/or other older communities.

**REGULATIONS:** There are supervisory bodies governing every kind of financial institution, and these bodies conduct reviews of a lender's CRA performance. There are four of them: The Federal Reserve Board, The Office of Thrift Supervision, The Federal Deposit Insurance Corporation, and The Comptroller of the Currency.

**SERVICE AREA:** All regulated financial institutions must include in their CRA Statement, a map of their service area. This is the area where their customers live, and consequently, where they must meet the credit needs.