

COMMUNITY REINVESTMENT ACT (CRA)

An Introduction to CRA and Strategic Implementation Plan for Credit Unions

Lacie Banks (Lacie.Banks@DeltaCommunityCU.com)
Delta Community Credit Union Atlanta, GA
Kembirley Henderson (K.Henderson@DeltaCommunityCU.com)
Delta Community Credit Union Atlanta, GA
Brian Leger (BLeger@LSFCU.net)
Lafayette Schools' FCU Lafayette, LA

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INTRODUCTION

Background

The Community Reinvestment Act (CRA) was passed by Congress to address concerns that the banking industry was not meeting the credit and financial needs of their communities. Specifically, CRA was passed in order to stop the bank practices of redlining, or not providing equal access to service in low-income and minority communities.

Recently, there have been calls to expand the reach of CRA to credit unions. In light of the current financial crisis, recent attempts of banking industry leaders to include credit unions in CRA assessments are beginning to become more likely to be considered by legislators seeking to tighten regulations on the financial industry in general. There has been no evidence, however, that credit unions have engaged in some of the negative lending practices of their bank counterparts. In fact, true to the credit union philosophy of "people helping people," credit unions regularly practice some of the positive activities associated with CRA requirements such as providing financial education and providing access to low-cost loans to people of low-to-moderate means.

This paper will provide background information on the current CRA movement and an overview of the regulations that banks are currently required to comply with. We will also explore the current argument for credit unions to be included in CRA legislation. Finally, we'll provide a strategic business plan for credit unions to follow, and a specific outline for Delta Community Credit Union, should the industry be required to comply with CRA regulations.

The CRA Movement/History

The Community Reinvestment Act was signed into law by President Jimmy Carter on October 12, 1977 as part of the Housing and Community Development Act. Title VIII requires federal financial supervisory agencies to include in their examinations, an assessment of financial institutions' history of meeting the needs of low to moderate income (LMI) individuals in the communities in which they are chartered. The results of these assessments are scrutinized when financial institutions request permission to open new deposit facilities.

The intention of this legislation was to prevent discrimination in lending practices to LMI neighborhoods, a practice commonly known as "redlining." The "redlining" of certain neighborhoods originated with the Federal Housing Administration (FHA) in the 1930s. The "residential security maps" created by the Home Owners' Loan Corporation (HOLC) for the FHA were used by private and public entities for years afterwards to withhold mortgage capital from neighborhoods that were deemed "unsafe."

Pressure from community groups prompted Illinois to pass the first anti-redlining regulation. Following Illinois' enactment of its anti-redlining legislation, victims of redlined communities throughout the United States demanded state, and eventually, national regulation. Congress' first step in addressing redlining was the enactment of

the Home Mortgage Disclosure Act (HMDA). HMDA was passed in 1975 and signed into law on January 3, 1976. It required lending institutions to report public loan data and create aggregate and disclosure reports for each metropolitan area. The first HMDA report concluded, "It was clear that redlining was a problem throughout the nation's cities and that something needed to be done." This realization led to the enactment of the Community Reinvestment Act in 1977. HMDA proved that redlining was a reality, CRA made it illegal.

RESEARCH

Legislative Overview

The CRA statute is recorded in the Housing and Community Development Act of 1977 as Title VIII – Community Reinvestment. CRA is currently codified to Title 12, Chapter 13: Community Reinvestment. CRA is implemented by Regulations 12 CFR part 25,iv 228,v 345,vi and 563e. § 2901, states that Title VIII may be cited as "Community Reinvestment Act of 1977."

Federal Requirements

According to the Community Reinvestment Act, regulated financial institutions are required by law to demonstrate that their deposit facilities serve the convenience and needs of the communities in which they are chartered to do business. The convenience and needs of communities include the need for credit in addition to deposit services. Regulated financial institutions include all insured depository institutions as defined by the Federal Depository Insurance Act. In addition, institutions subject to CRA are required to act "consistent with the safe and sound operation of such institutions."

All institutions regulated by federal financial supervisory agencies that meet the size threshold are subject to CRA evaluation, data collection and reporting requirements. The following types of financial institutions are subject to CRA regulation:

- Federally insured depository institutions
- National Banks
- Thrifts (savings and loan institutions)
- State-chartered commercial and savings banks

Federal supervisory agencies are responsible for keeping track of CRA compliance of the financial institutions that they regulate. § 2901 states that "it is the purpose of CRA to require each appropriate federal financial supervisory agency to use its authority when examining financial institutions." The following federal supervisory agencies regulate institutions' implementation of CRA:

- Federal Deposit Insurance Corporation (FDIC)
- Board of Governors of the Federal Reserve System (FRB)
- Office of Thrift Supervision (OTS)
- Office of the Comptroller of the Currency (OCC)

The Federal Financial Institutions Examination Council (FFIEC) publishes information about the CRA ratings of individual banking institutions from the four responsible agencies (Federal Reserve, FDIC, OCC and OTS), on the FFIEC website. These ratings were first made available by the Clinton Administration to enable public participation and public comment on CRA performance. In addition to regulating an institution's implementation of CRA, the above federal supervisory agencies work to educate regulated institutions on successful methods of implementing CRA programs and also make suggestions on strategies for helping in the development of their communities.

CRA Evaluation

§ 2903 requires federal supervisory agencies to "assess the institution's record of meeting the credit needs of its entire community, including low and moderate income neighborhoods."

First, financial institutions are required to define their assessment area. This area is generally comprised of one or more metropolitan statistical areas and includes geographies where the main office, branches and deposit-taking ATMs are located and geographies in which the financial institution has originated or purchased a substantial portion of loans.

Initially, federal regulators analyze the make-up of a financial institution's community and how they fit into it:

- Makeup of the community
- The local and regional economic conditions
- Opportunities that exist for serving the community through lending and investments
- Strategy and products provided
- Institution's financial conditions
- Past CRA ratings of financial institution
- CRA ratings of local institutions
- Institution's considerations of its community's credit needs
- Individuals', communities', and civic organizations', and businesses' evaluation of institution's efforts toward meeting the community's credit needs

Regulated institutions are divided into the following categories: small institutions, intermediate small bank, large retail institutions, limited purpose and wholesale institutions, and institutions with strategic plans. Institutions are evaluated according to the size of their assets. The two more common categories of regulated financial institutions are large and small.

Large Financial Institutions - Financial institutions with assets of \$250 million or more, or that are affiliated with holding companies with assets of \$1 billion or more, are evaluated in three areas: lending, investment, and service.

The lending portion of the examinations focuses on loans for home mortgages, small businesses, small farms, and community development, and in some cases, consumer loans.

Examiners consider:

- Total number and total dollar amount of loans
- Geographic distribution of loans
- Characteristics of borrowers: how loans are distributed to people at the various income levels, and to small businesses and small farms
- Institution's community development activities
- Whether institution uses flexible lending practices to address credit needs of LMI individuals and neighborhoods

The investment analysis of the institution's local, state and regional assessment areas takes into account:

- Size of institution's investment portfolio
- Innovation and complexity of investments
- Investments' response to credit and community development needs
- Difference between institution's investments and those of other institutions

The service evaluation focuses on the success of institution's retail and community development services in meeting the credit needs of the institution's community including:

- Distribution of branch locations
- History of opening and closing branches, specifically those serving LMI geographic areas
- Alternate systems – i.e.: ATMs, telephone, computer, and by-mail banking services – provided for delivering services to LMI areas
- Whether the range of services provided meets the needs of various neighborhoods at all income levels

Regulatory agencies also consider the responsiveness of a large institution in assisting other institutions to provide financial services that address the credit needs of their community or region.

Small Financial Institutions - Institutions with assets of less than \$250 million, either independent or an affiliate of a holding company with total assets of less than \$1 billion, are evaluated by more streamline standards than those applied to larger institutions. At small institutions, examiners consider:

- Share of the institution's deposits used to provide loans
- Percentage of loans made within an institution's assessment area
- Record of lending to borrowers of different income levels as well as businesses and farms of different sizes

- Geographic distributions of its loans
- Record of taking action in response to written complaints about its performance in helping to meet the community's credit needs

All regulated institutions, large or small, are required to maintain a public file to be updated on April 1 of every year. Public files consist of the following information:

- All written comments from the public regarding institution's efforts to meet community credit needs for the current and previous two years
- Copy of public section of institution's most recent CRA performance evaluation.
- List of institution's existing branches including the geographic areas that they serve
- List of services offered at institution's branches
- Map of institution's assessment area showing its boundaries and identifying the various geographic areas
- Information on loans included in institution's review
- Copy of institution's strategic plans if it is evaluated by one
- For a large bank, a CRA disclosure statement prepared by its regulator, containing information about small businesses and small farm loans and the population's income levels for each country in which the institution operates

In addition, regulated institutions can choose to develop their own plan for evaluation in place of the defined standards. Such plans must be open to public comment and must be approved by the institution's federal regulatory agency before it is implemented.

Written Evaluation

§ 2906 states that "the appropriate federal financial supervisory agency shall prepare a written evaluation of the institution's record of meeting the credit needs of its entire community, including LMI neighborhoods." Written evaluations are required to consist of public and confidential sections.

The public section of the evaluations states the supervisory agency's findings and conclusions for each assessment area and discusses facts and data supporting these conclusions. A final, composite rating is assigned to the financial institution from the following categories: Outstanding, Satisfactory, Needs to Improve, and Substantial Noncompliance. The final rating is accompanied by a statement that explains the overall basis for the rating.

The confidential section of the evaluation was created to keep individuals named in the report private. Also included in this section are any issues that are too sensitive to be released to the public. The information disclosed in this section may or may not be released to the institution being evaluated at the discretion of the supervisory agency.

Public Notice

A regulated financial institution's CRA file must be made available at its main office. If the institution operates in more than one state it must maintain a CRA file at a branch office in each of these states. The public can review CRA files at any time during the institution's hours of operations. Branch offices are required to keep a CRA file consisting of the public section of the institution's most recent CRA performance evaluation and a list of services provided by the branch. CRA ratings are available on the internet for public review as well.

Use of CRA Records

§ 2903 requires federal supervisory agencies to consider CRA records when evaluating applications for depository facilities. Depository agencies consist of:

- Charters for national banks or federal savings and loan associations
- Deposit insurance for a newly chartered state bank, savings bank, savings and loan association or similar institution
- Establishment of a domestic branch or other facility with the ability to accept deposits
- Relocation of a home office or a branch office
- Merger or consolidation with, or the acquisition of the assets, or the assumption of the liabilities of a regulated financial institution
- Acquisition of shares in, or assets of, a regulated financial institution

CRA Reform

CRA regulation was substantially revised in May 1995 and amended several times since being signed into law. The results of these revisions helped to further define the criteria under which financial institutions would be examined and set forth more specific guidelines for regulators.

On March 12, 2009, the Community Reinvestment Modernization Act of 2009 (HR 1479) was introduced by Representative Eddie Bernice (D-TX). This bill was written to broaden the scope of CRA requirements to include credit unions. Since then, a hearing entitled "Proposals to Enhance the Community Reinvestment Act" was held before the House Committee on Financial Services. During his testimony, Steven L. Antonakes, Commissioner of Banks of Massachusetts, spoke of the successful application of CRA regulations to state chartered credit unions in Massachusetts. He then went on suggest that CRA be extended to credit unions using his state as a model.

The regulatory burden associated with the implementation of this bill would undoubtedly distract credit unions from their core mission of serving their members. As currently written, this bill would impose significant, unnecessary regulatory burdens on credit unions. These requirements could potentially overwhelm credit unions that do not have the appropriate staff level to meet the compliance burdens associated with CRA.

It is unknown what the CRA requirements would be for credit unions should the act be extended to cover the industry. However, as discussed above, the credit union regulations would likely emulate those governing banks or those state-chartered credit unions that are currently complying with CRA. These laws would likely serve as the model for national requirements. Although the credit union industry opposition to this argument is strong, we believe that credit unions should begin preparations to become CRA compliant.

The next section of this paper will provide an outline for Delta Community Credit Union to begin this process and may serve as an implementation plan for credit unions across the country.

RECOMMENDATIONS/SOLUTIONS

CRA PRE-IMPLEMENTATION

Designate CRA Committee/Staff

The credit union institution should designate committee or staff to assess its performance in meeting CRA criteria. This group/person will track the credit union's performance in meeting the needs of its community, specifically LMI neighborhoods.

CRA Officer

The CRA Officer should be responsible for developing, implementing, and administering all aspects of the credit union's Community Reinvestment Act Compliance Program.

If Delta Community Credit Union (DCCU) were to establish such a position, the CRA Officer would likely report directly to the Vice President of Audit/Loss Prevention. He or she would also work very closely with the Marketing Department to develop strategies and initiatives to target individuals that fall into the LMI range. The CRA Officer would collaborate with the Lending Department to ensure that loan programs are in compliance with CRA, while also continuing to practice safe and sound operations. He or she would also work very closely with the Strategic Planning and Performance Department to utilize its expertise in reporting and analysis of the credit union's information. The CRA Officer would also be responsible for analyzing various data from software programs to compare the current performance of DCCU to other competitors in the market.

The CRA Officer would be responsible for establishing, participating in and maintaining relationships with community-based, charitable, and non-profit organizations. He or she would also develop and implement programs to ensure that DCCU meets the needs of the community and attains CRA compliance goals in order to receive a favorable score on CRA exams.

The CRA Officer would also work very closely with all levels of management to ensure staff is up to date on any compliance issues and upcoming changes to the program. He or she would also ensure that DCCU is well represented on various boards and community organizations across the counties that the credit union serves. Finally, the CRA Officer will be responsible for assisting the regulators during a CRA examination.

CRA Committee

A credit union preparing to implement a CRA Program should also have a CRA Committee that meets on a quarterly basis. These meetings should be designed to review the credit union's current performance as well as give suggestions of what can be done to further support the goals of the Community Reinvestment Act.

Delta Community's CRA Committee would consist of at least one member of the Executive Team as well as three or four members at the Leadership/Vice President Level.

CRA Specific Software

Specialized CRA reporting software can be a helpful tool for credit unions that may embark on CRA compliance. Several software programs are available like Questsoft, TruePoint CRA GeoAnalysts and Rata Comply. There is also a free version of the CRA software available on the Federal Financial Institutions Examination Council (FFIEC) website.

Delta Community Credit Union has purchased CRA Relief and HMDA Relief by Questsoft for CRA and HMDA analysis and reporting. Questsoft allows the credit union to directly upload its consumer and mortgage loan information into the program for analysis. This program analyzes the credit union's loan portfolio and its performance in serving its LMI membership. The software also creates a geographical view of the credit union's service area and helps to identify opportunities to better serve this demographic with additional branches or ATMs.

Delta Community faced some technical problems with the uploading the credit union's data into the QuestSoft CRA software. Because the CRA Relief software is designed and geared toward banks, the credit union found that it does not report and track some of the required information in the way the software requires. DCCU will continue to analyze these areas for future tracking and reporting and compatibility with the CRA software.

IDENTIFY GEOGRAPHICAL SERVICE AREA

After appointing appropriate staff and obtaining CRA software, one of the next steps a credit union should take to prepare for CRA implementation is to determine its Assessment Area. The Assessment Area is the geographic area in which the institution will be evaluated for its CRA performance. Generally, the Assessment Area must consist

of one or more Metropolitan Statistical Areas (MSAs) or one of the contiguous political subdivisions, such as counties, cities, or towns, and include the geographies in which the institution has its main office, branches and deposit-taking ATMs.

Delta Community Credit Union currently has 22 branches to serve its membership. The majority of these branches, 19 currently with two additional branches planned to open by year-end 2010, are located in metro Atlanta in or about the 11 counties within Delta Community's field of membership. The credit union, therefore, has delineated those counties as its Assessment Area. They are: Cherokee, Clayton, Cobb, Coweta, DeKalb, Fayette, Forsyth, Fulton, Gwinnett, Hall and Henry.

Identify Demographics and Borrower Trends in Assessment Area

Under CRA, lending is reviewed amongst low-, moderate-, middle-, and upper income borrowers. These income classifications are determined by using the HUD estimated median family income for specific metropolitan statistical areas where loans are originated. The credit union should evaluate changing demographics in the assessment area such as the distribution of loans to the various income levels. Census data, software programs and HMDA data can be helpful in identifying this information for the credit union.

When assessing CRA performance for credit unions, examiners will likely consider the constraints of the credit union including size, field of membership, financial condition, economic climate, safety and soundness limitations and any other factors that the credit union can demonstrate significantly impacts its ability to provide lending, investments or services in the assessment area.

With over \$3.6 billion in assets, under current CRA examination categories, Delta Community would likely be considered a large institution (assets of \$1 billion or more). Delta Community is no longer a closed-SEG (special employee group) credit union open only to its original sponsor, employees of Delta Air Lines; the credit union is now also open to residents of several metro Atlanta counties. The credit union, therefore, would likely be evaluated against the CRA performance of peers, possibly both community banks and other credit unions with similar structures in its operating area.

According to the 2003 American Community Survey Profile, the Atlanta, GA MSA population was 4.4 million, comprised of 1.6 million families (households). The median income of households was \$51,654 and 10% of people were in poverty.

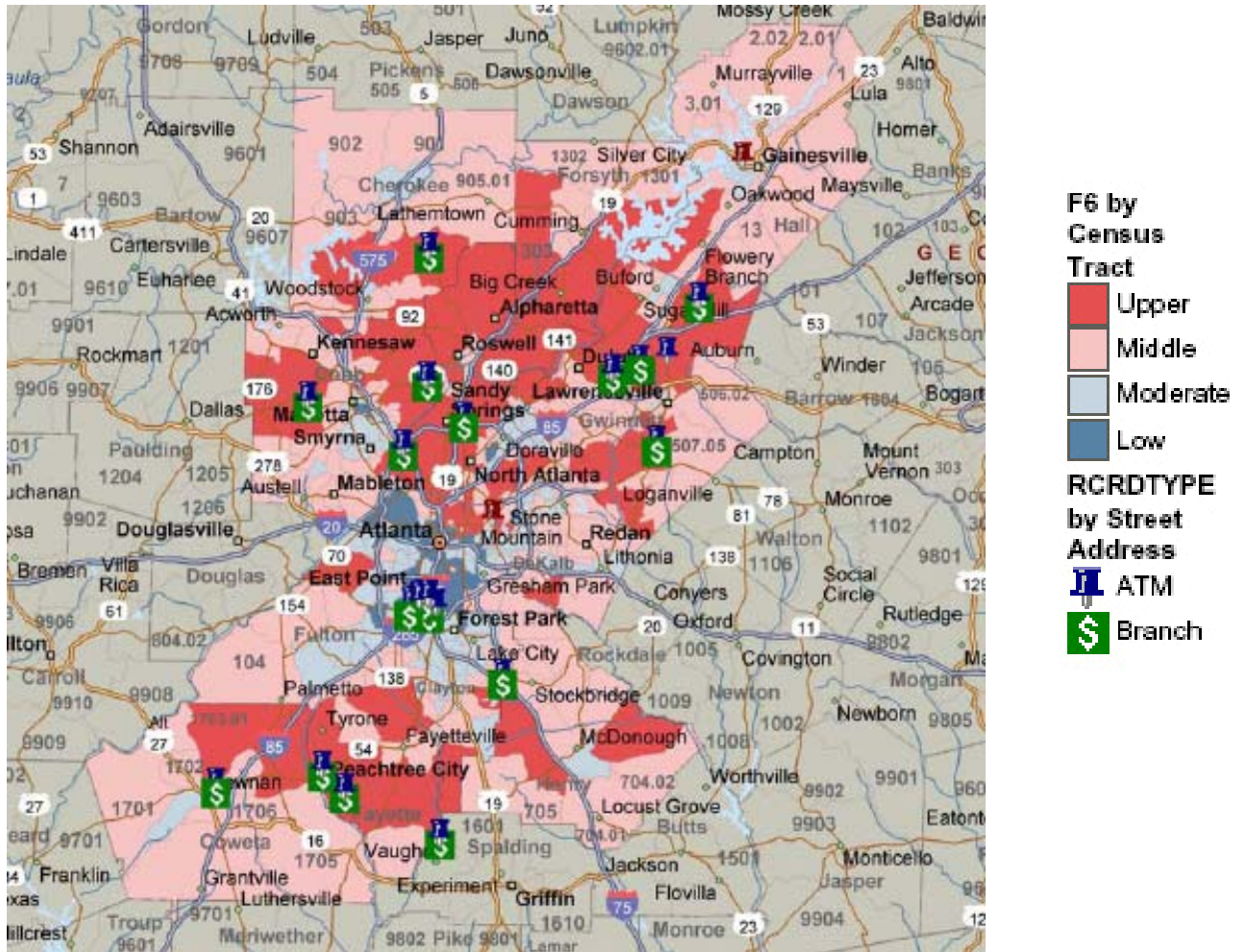
Below is the demographic breakdown by county of Delta Community's Assessment Area:

County	Population (2009 estimate)	% Change (2000 to 2009)	Households (2000)	Median Household Income	% Below Poverty Level
Cherokee	215,084	51.4%	49,495	\$68,627	6.7%
Clayton	275,772	16.6%	82,243	\$46,293	14.7%
Cobb	714,692	17.6%	227,487	\$69,728	9.1%
Coweta	127,111	42.5%	31,442	\$61,199	9.6%
DeKalb	747,274	12.2%	249,339	\$54,708	15.6%
Fayette	106,788	17.0%	31,524	\$82,678	4.7%
Forsyth	174,520	77.4%	34,505	\$88,626	5.0%
Fulton	1,033,756	26.7%	321,242	\$62,682	14.9%
Gwinnett	808,167	37.3%	202,317	\$66,327	9.6%
Hall	187,743	34.8%	47,381	\$53,083	14.2%
Henry	195,370	63.7%	41,373	\$63,199	8.1%

Delta Community's Assessment Area can be broken down in these categories by census tract as follows: (CRA Relief 2009 by QuestSoft)

Income Classification	% of Families
Low-Income	12%
Moderate-Income	22%
Middle-Income	34%
Upper-Income	31%

The map below gives a visual perspective of Delta Community's assessment area by census tract. Further analysis will reveal areas where additional access to the credit union may be needed to serve LMI members and potential members.



CRA expects financial institutions to meet the need for credit services in their assessment area by providing loans to people of all incomes, in particular LMI borrowers. One benchmark used to rate performance is to compare the penetration rate, or percent of loans to LMI borrowers to the market-driven penetration rate.

A review of Delta Community’s 2009 HMDA data reveals the following:

Borrower	HMDA (Record Count)	HMDA (Dollar Amount)
Low-Income	5.44%	2.46%
Moderate-Income	18.31%	13.00%
Middle-Income	29.87%	26.20%
Upper-Income	46.39%	58.33%

Delta Community’s percentage of LMI lending by number and dollars is 23.74% and 15.6%, respectively. (HMDA Relief 2009 by QuestSoft)

Identify and Evaluate Credit Needs in Assessment Area

Part of the purpose of CRA regulation is to ensure the financial institution helps to meet the needs of the communities in which it operates. The financial institution should work with community groups or local chambers of commerce to ascertain the credit needs within the community. These groups might provide insight on the continued need for affordable housing or monetary assistance in rising above poverty level.

According to a recent report by the Federal Reserve Bank of Atlanta, although the demand for some types of loans is weaker, most financial institutions' credit standards remain tight which could disproportionately affect those in the low to moderate income segment. This demonstrates the continued need for affordable housing (financing) in Delta Community's designated assessment area. To further support this data, the credit union would also likely reach out to other organizations that can provide insight and expertise in the credit needs of the community such as Consumer Credit Counseling of Atlanta, the Federal Home Loan Bank of Atlanta and the Georgia Affordable Housing Corporation.

CRA PERFORMANCE STANDARDS - LENDING, INVESTMENT AND SERVICE TESTS

Financial institutions are evaluated for CRA compliance in both performance context and three general performance standards. Information about the institution, its community and peers or competitors is taken into consideration in the examination as well as how the financial institution meets the criteria of lending, investment and service tests.

The lending test evaluates a financial institution's record of meeting the credit needs of its assessment area. CRA requires that a financial institution make an effort through its lending activities such as mortgage, small business and community development lending. To meet this requirement, the credit union should review its existing offering to make certain these products and services are available. Likewise the number, amount and geographic distribution of loans in the assessment area should be considered.

Delta Community provides financial support for its community through its lending activities and corporate contributions. DCCU offers financial services to members of all economic backgrounds and make it easier for them to attain fairly priced lending products. Some of the products that available to meet the credit needs of all segments within the credit union's assessment area are car loans, credit cards, home equity, secured and unsecured loans, originations and loan purchases.

The credit union is also in the process of offering several new mortgage products that would specifically appeal to LMI members.

The First Time Homebuyers loan will be made available to those members who are purchasing a home for the first time and have minimal funds available for a

down payment. This loan is offered with no origination fee and no mortgage insurance is required by the borrower. However, the borrower must put down 3% of the down payment with their own funds. This program does not allow gifts to be made as part of the down payment. Other important parts of this loan include:

- Maximum Loan To Value 97%
- Maximum Debt to Income 45%
- 2 months of reserves and no gifts for reserves or closing costs
- Escrow is required
- Fixed 30 year rate or a 5/1 adjustable rate
- Georgia properties only, single family houses, town houses, and PUD
- Only available for purchases that are owner occupied and primary residence
- Lender pays the mortgage insurance

Delta Community will also offer eligible members the ability to participate in a home buying program offered by the Federal Home Loan Bank of Atlanta. This program offers qualified first time homebuyers the ability to have access to up to \$7,500 for down payments and closing costs. The Federal Home Loan Bank of Atlanta has a pool of money totaling \$11 million that is available on a first come, first served basis as part of the 2010 First Time Homebuyer Program. This money is available to institutions in Georgia, Alabama, Florida, Maryland, North Carolina, South Carolina, Virginia, and Washington DC. The availability of these funds allows financial institutions, such as Delta Community Credit Union, the ability to expand its customer base, originate new mortgages, and attract potential homebuyers.

As part of the process, the recipient of the funds must complete a homebuyer counseling program that includes educational training on the home-buying process. This includes courses on budgeting, mortgage financing, lending laws, and home ownership fundamentals. The current eligibility checklist for Delta Community Credit Union for this program is:

- Borrower must be first time homebuyer
- Property must be in the state of Georgia
- Borrower must occupy residence for 5 years
- Borrower must qualify for a first mortgage with DCCU
- Borrower must attend First Time Homebuyers class through CCCS
- Funds are subject to availability
- Borrower must have at least \$500 of their own funds for down payment
- Gifts of additional funds are allowed and must be from family member
- For every \$1 down, the FHLB will match \$5 , up to maximum amount of \$7,500
- Income must be 80% of the median income for the census track of the property and family size
- Maximum CLTV is 95%

Some other qualifying products include:

- HLPR Loan (Home Loan Repayment Relief) - available to first time homebuyers or anyone who meets the underwriting criteria. The HLPR Loan is a three-year adjustable rate mortgage with a starting rate at one percent below the national average. After three years, the rate adjusts annually to market rates capped at one percent per year and five percent over the life of the loan. Loan eligibility is based on household income relative to the county of residence. Delta Community also helps by taking \$500 off the closing costs for HLPR Loan borrowers.
- Teacher Bridge Loan – available designed for new teachers to assist them in meeting their financial responsibilities until they receive their first paycheck. Teachers may borrow up to one month’s salary.
- Member Assistance Program (MAP) - Designed for members whose income and/or employment status has been adversely affected as a result of an involuntary furlough, job change or layoff, or participation in a voluntary leave of absence, severance or early retirement program may be eligible for deferral of loan payments. Once qualified, all consumer loan (excluding Visa, 1st and 2nd mortgage loans) payments may be deferred for a specified period of time.

Delta Community also practices a risk-based pricing methodology which allows the DCCU to offer credit to members of all economic segments while minimizing the risk to the credit union. Rates are offered considering factors like the borrower’s credit score, which is an indicator of the probability that the borrower will default on the loan.

Community development lending is also considered in this test and can be defined in several ways. Loans to borrowers for rehabilitation of affordable housing or construction and loans to not-for-profit organizations serving primarily LMI housing or other community development needs are some examples of what would count toward this requirement.

Delta Community does not currently have any community development participations within its portfolio; this, therefore, is an area of opportunity for CRA compliance.

The investment test examines the financial institution’s efforts to meet the credit needs of its assessment area through qualified investments and grants that benefit the assessment area or a broader statewide or regional area that includes its assessment area. The investment test not only considers the amount of investments, but also qualitative factors such as how those investments meet the credit needs of the assessment area and their innovation and complexity. Some examples include investments in or grants to financial partners that lend in LMI areas or to LMI individuals in order to promote community development, organizations that promote economic development by financing small business or facilities that promote community development in LMI areas for LMI individuals.

Delta Community does not currently offer the above types of investments or grants. However, to meet this requirement, the credit union will seek to make innovative investments and grants to support community development initiatives throughout its assessment area. This would include qualified investments in small business and community development corporations and organizations engaged in affordable housing and rehabilitation.

The service test analyzes the accessibility of the financial institution to its assessment area and the extent to which it performs community development services. Community development services are those that have community development as its primary purpose or are related to the offering of financial services. Some examples include offering financial expertise to or serving on the board of organizations geared toward serving LMI needs or developing and teaching financial education to the LMI segment of the assessment area.

Delta Community will need to evaluate its current community involvement focus to ensure compliance with this metric. While both committed financially and involved hands on with charities like Children’s Miracle Network and the American Cancer Society (Relay for Life), the credit union should also seek to partner with organizations that specifically address the needs of its LMI members such as those geared toward home ownership, community redevelopment or consumer financial education. In the metro Atlanta area, some examples could include the Atlanta Committee for Progress, Atlanta Ronald McDonald House, YMCA of Metro Atlanta and the Atlanta Housing Authority. One organization with which the credit union should especially consider aligning is Habitat for Humanity. This organization builds affordable, quality homes and provides support services that promote successful home ownership. This organization would support Delta Community’s community involvement philosophy of both financial and volunteer contributions.

Some of DCCU’s other current community involvement activities benefit both our membership and the broader community within the credit union’s assessment area:

- o Member of 22 Chambers of Commerce
- o Provide financial education to elementary and high schools and various member groups and potential members
- o Member of the Partners in Education (PIE) program to 17 schools near our various branches.
- o Offer classes quarterly on the home buying/ownership, understanding/improving credit score and investing and saving to both members in non-members in assessment area.
- o Partner with GettingAhead Association – this organization is dedicated to helping our members improve financial well-being through education, access to affordable financial services and information about reliable vendors. Membership is open to individuals committed to improving their own financial well-being.
- o Partner with Consumer Credit Counseling Services (CCCS) - CCCS is a nationwide nonprofit service that offers free and confidential budget,

credit, and housing counseling plus debt repayment plans. Delta Community CU is a staunch supporter both philosophically and monetarily of the CCCS program. Members are referred to the service by staff and we publish frequent articles about the service in our newsletter.

- o Partner with Balance – this organization offers free and confidential financial counseling and education on topics such as debt management, credit report and housing counseling.
- o Partner with Operation Hope – this program provides children and young adults with information about the importance of saving and using credit wisely will give them valuable tools to use as they become financial consumers. It also gives the credit union brand awareness in the communities we serve and demonstrates our commitment to being the consumer’s smart alternative to a bank.

MARKETING STRATEGIES TO REACH ASSESSMENT AREA

It is important to ensure that the marketing efforts of the financial institution reach all segments of the assessment area. This includes ensuring that advertisements reflect the demographic composition of the communities served and that likewise access to the credit union is available to all through various delivery systems, i.e. branch locations, hours, electronic services. The credit union can also work with community groups and organizations as a marketing technique to reach those LMI members within the assessment area.

Delta Community has a comprehensive marketing strategy designed to reach all segments of its membership. This includes mass media advertising such as television and radio commercials, print advertisements and billboards. The credit union is also a major sponsor of the Gwinnett Braves which reaches the northern segment of the assessment area. Delta Community also sends *Insights*, a bi-monthly publication, to the entire membership which provides information on events, financial education, promotions and products and services.

The credit union also reaches members through targeted direct mail which promote products like Home Loans, Car Loans, Visa Credit Cards and various deposit products. Email is also an effective communication tool and one of the most effective marketing channels. In the last two years, Delta Community has expanded its presence on the web and delved heavily into social media on websites like Facebook and Twitter.

In each of these mediums, the credit union uses a diverse mix of models to represent the ethnic composition of our membership. These varied marketing channels ensure that the credit union is reaching all segments within its assessment area.

STRENGTHEN INTERNAL CONTROLS

Once the CRA program has been implemented, the credit union's CRA Officer or committee should adopt internal policies and procedures to guarantee compliance with CRA regulations. It's important to conduct a regular analysis of the geographic distribution of loan applications, originations and local demographic data. Denied applications should be compared to approved applications to determine if compensating factors were applied fairly and consistently. HMDA data and credit standards should be evaluated and periodic fair lending reviews conducted on an ongoing basis.

CONCLUSIONS

It is likely that CRA, in some form, will imminently be extended to credit unions. Therefore, it is important that credit unions begin to become knowledgeable about this legislation which could affect the industry's business operations. While, as we've stated, most credit unions are not guilty of the banking practices that led to CRA regulation, the industry must prepare for its enforcement. Failure to comply with CRA regulations could be a deterrent to future growth, branch expansions and credit unions' ability to serve their members.

Each of us gained insights on this project. Through this process, Delta Community discovered that the preparation for CRA compliance and implementation is a daunting task. We learned that DCCU should examine some of its existing community involvement efforts and better align them with a corporate strategy that includes meeting CRA requirements. While we believe that our current lending practices do fairly serve the LMI segment of our membership, further analysis will be required with the CRA software that we've obtained. We also discovered that Delta Community needs to work further to meet the requirements of the investing and community development lending tests. These findings make it apparent that as one of the largest credit unions in Georgia, if Delta Community has work to do to become CRA compliant, there are likely similar issues for other credit unions in the industry.

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