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In Depth

Do These Activities Qualify for CRA Credits?

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COVID-19 has caused nationwide turmoil, including in the financial services industry. Banks have been flooded with inquiries regarding deferral of payments, modification of loan provisions and loan requests to keep businesses afloat. Many banks have asked TCA whether certain activities would be considered as CRA credits or qualified community development activities.

The first of many [Interagency Joint Statements](#) from the regulatory agencies was issued March 9, 2020; it encouraged financial institutions to assist customers affected by COVID-19 with their financial needs. It said financial institutions should work constructively with borrowers and other customers in affected communities and that applying consistent safe and sound lending practices should not be subject to examiner criticism.

Shortly thereafter, another [Interagency Joint Statement](#) was issued on March 19, 2020 regarding qualified community development activities. It stated these activities must be responsive to the needs of low- and moderate-income (LMI) individuals and help revitalize or stabilize low- and moderate-income census tracts as well as underserved and distressed nonmetropolitan middle-income census tracts. Listed below are the considered community development activities, which include:

- Economic development activities that sustain small business operations, especially in low- and moderate-income census tracts;
- Loans, investments, and services that support access to health care and digital access, particularly for low- and moderate-income individuals and low- and moderate-census tracts; and
- Investment or service activities that support the provision of food supplies and services for LMI individuals or LMI tracts.

The regulatory agencies continue to stress that the activities must be consistent with safe and sound banking practices and other applicable laws. The March 19th statement reiterated what was in the CRA rules and Questions and Answers, but it also added a new dimension by referencing activities for health care, food supplies and digital access.

In addition, the March 19th statement gave more detail and listed more specific activities that will be eligible for CRA consideration. These eligible activities will be in effect from March 19, 2020 until six months after the lifting of the United States National Emergency declaration. Also, it indicated that these joint interagency provisions could extend for a period of time after that.



Listed qualified examples include:

- Waiving of ATM, overdraft, late fees, and early withdrawal penalties on time deposits;
- Easing of non-customer and out of state check cashing restrictions;
- Expanding the availability of other short-term and unsecured credit products for creditworthy borrowers;
- Increasing credit card limits for creditworthy borrowers;
- Providing alternative services delivery options to customers in light of limited ability to access bank branches;
- Offering payment accommodations like deferred or [skip payments](#), due date extensions and modifications that would avoid delinquencies and negative credit bureau reporting, which might have been caused by COVID-19 related issues;
- Modifying new or existing loan terms for affected LMI customers, small businesses and small farms;
- Restructuring debt obligations due to temporary hardship resulting from COVID-19 related issues; and
- Easing terms for new loans to affected LMI customers, small businesses, and small farms, consistent with prudent banking practice.

In addition, the joint announcement stated that, once a bank has been responsive to the community development needs and opportunities that exist within its assessment area, the bank can look for community development opportunities that help stabilize communities affected by the COVID-19 in the broader statewide or regional area that includes the bank's CRA assessment area.

A third [announcement](#) was released on March 30, 2020; its message was that banks should offer responsible small-dollar loans to consumers and small businesses due to COVID-19. The purpose being that small-dollar lending could help customers meet their credit demands stemming from temporary cash-flow imbalances, unexpected expenses or income shortfalls during this period of economic stress or disaster.

On March 31, 2020, the Treasury Department and Small Business Administration released [initial guidance](#) and an application form for the Paycheck Protections Program and the small business loan program. These programs were established under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Many banks quickly implemented processes to assist customers and non-customers with their loan requests.

Banks need to keep track of their COVID-19 programs and efforts in their communities, since examiners will most likely ask these questions during the bank's next CRA Performance Evaluation. To simplify the preparation for a CRA exam, the bank should have a process to collect the necessary data to identify its offering of the activities identified in the joint regulatory statements.

As a best practice, be sure to geocode all loans and capture income or revenue information, if possible. The capturing of loan data provides a bank with valuable information to demonstrate how the bank assisted and helped meet the credit needs in its assessment area. Self-testing and reporting to management and board will make it easier to weather the next CRA exam.

If your bank needs additional assistance in developing a more robust reporting process of its CRA activities, please contact our office to schedule a time to discuss the bank's needs and to find CRA compliance guidance A Better Way!