

Community Development Lending and Investments

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- The opinions and analysis presented here are solely those of the author, and do not reflect the views of the Board of Governors or other members of the research staff

Community Development and the CRA

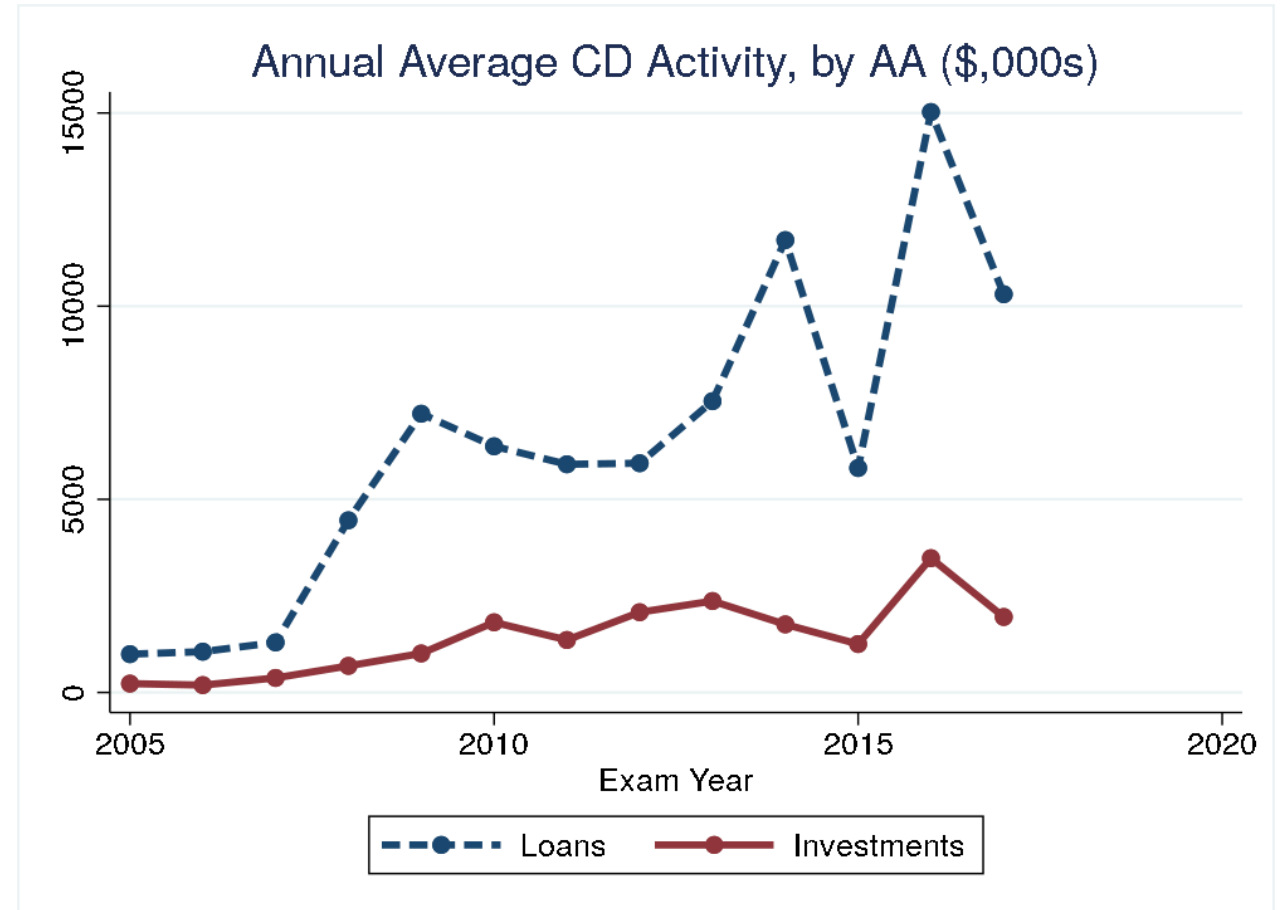
- Community Development (CD) activities (loan, investments and services) are a core target of the CRA
- Banks reported over \$96 billion in CD lending in 2017
- We don't know much more than that
 - What communities receive these loans?
 - How large are CD investments?
 - How much activity is “Satisfactory”? How much is “Outstanding”?

Enhancing our understanding of CD activities

- With the goal of CRA reform in mind, we are building a database of information hand-collected from CRA performance evaluations (PEs)
- Collecting (among other information) lending and investment activity, and performance ratings, at the assessment-area (AA) level
- Have gone through approximately 2,500 PEs, covering 10,000 AAs so far
 - Data covers exams from 2005-2017
 - Random sampling of exams within each asset size class (Small, ISB and Large) and agency (FDIC, FRS, OCC)
 - AAs are counties or collections of counties, both in MSAs and non-metro areas

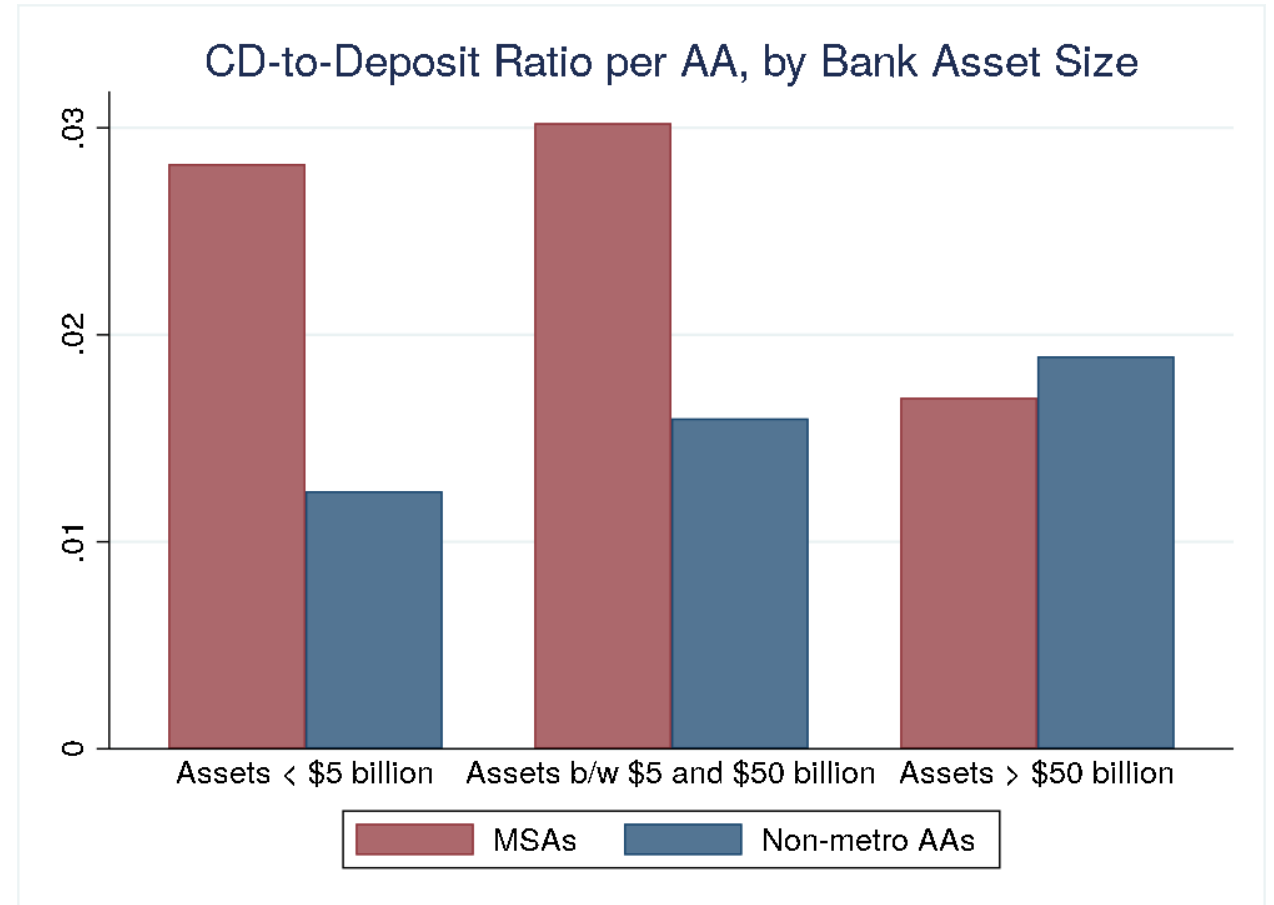
Investments versus Loans

- Investments averaged about 25% of the dollar volume of Loans
- Banks made 8 CD loans on average (1 median) per year, per assessment area
 - Not counting Small banks



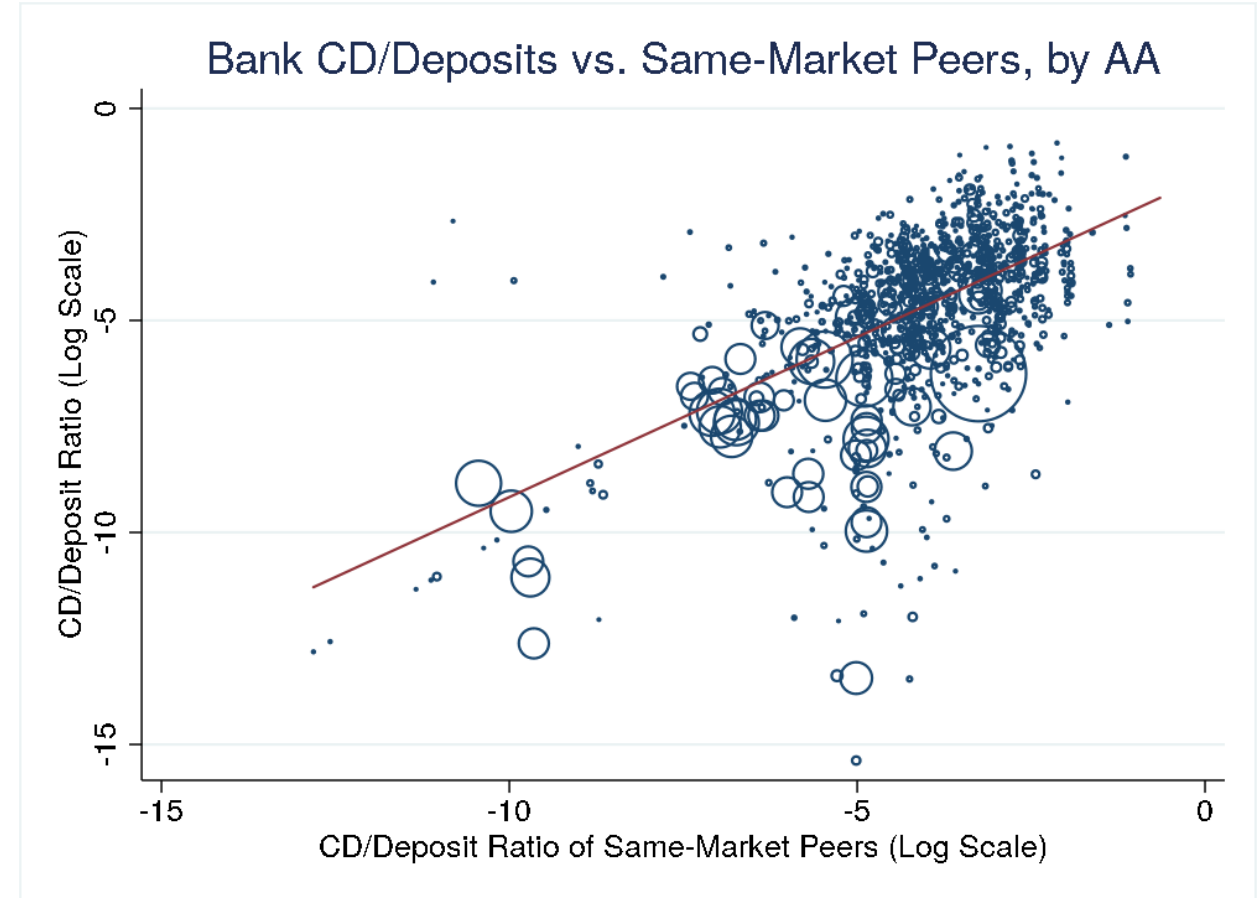
Which communities get more CD dollars?

- Even corrected for greater local deposits, CD lending is more concentrated in MSAs than in non-metro areas
- CD activity (loans plus investments) to deposits ratios average 2.5% in MSAs, 1.5% in non-metro AAs
 - Even within the same bank, CD/deposit ratios are higher in MSAs
 - Largest banks are more evenly distributed
- Investments are more evenly distributed (no significant difference between MSA and non-metro AAs)



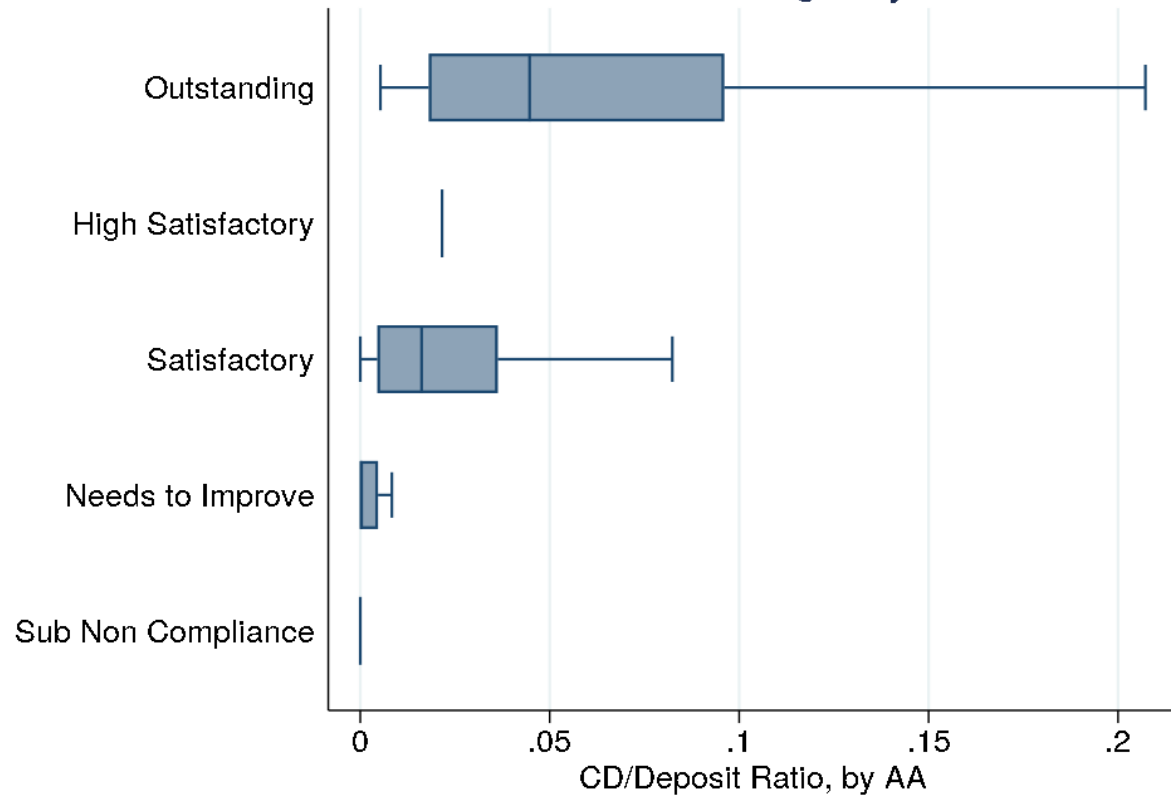
Which MSAs?

- CD/deposit ratios are uncorrelated with:
 - Area median family incomes
 - Poverty rate
 - Number of LIHTC units
 - Amount of CDFI new market tax credit investments
- CD/deposit ratio of banks highly correlated w/in MSA, however
 - “Hot spots”



How are ratings assigned?

CD Test Ratings, by AA



Investment Test Ratings

