

## **CRA: Community Development Loans, Investments, and Services**

The Office of the Comptroller of the Currency (OCC) issued this fact sheet to provide information about commonly used concepts associated with the Community Reinvestment Act (CRA) for national banks and federal savings associations (collectively, banks) under the CRA implementing regulations.<sup>1</sup>

### **What Is Community Development?**

Under the CRA, community development activities

- support affordable housing for low- or moderate-income (LMI) individuals, including multifamily rental housing.
- target community services to LMI individuals.
- promote economic development by financing businesses or farms that have gross annual revenues of \$1 million or less or that meet the size eligibility requirements of the U.S. Small Business Administration's (SBA) Small Business Development Company or Small Business Investment Company (SBIC) programs.
- revitalize or stabilize LMI geographies; designated disaster areas; or distressed or underserved nonmetropolitan middle-income geographies designated by the

OCC, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation.

### **What Community Development Activities Revitalize or Stabilize?**

Activities that revitalize or stabilize are those that attract new or retain existing businesses or residents. Examples of activities that revitalize or stabilize an LMI geography may include

- a loan for an anchor business in an LMI area (or a nearby area) that employs or serves area residents.
- a loan for a pharmacy that employs and serves area residents.

Examples of activities that revitalize or stabilize designated disaster areas and disaster recovery may include those that

- provide financing to help retain businesses that employ local residents, including LMI individuals.
- provide financing to attract a major new employer that will create long-term job opportunities, including for LMI individuals.
- provide financing or other assistance for essential community-wide infrastructure,

<sup>1</sup> 12 CFR 25 for national banks and 12 CFR 195 for federal savings associations.

community services, and rebuilding needs.

- provide housing, financial assistance, and services to individuals in a designated disaster area and to individuals who have been displaced from the area, including LMI individuals.

Examples of activities that revitalize or stabilize distressed nonmetropolitan middle-income geographies may include those that

- provide financing to attract a major new employer that will create long-term job opportunities, including for LMI residents.
- provide financing or other assistance for essential infrastructure or facilities necessary to attract or retain businesses or residents.

Activities that revitalize or stabilize an underserved nonmetropolitan middle-income geography are those that help to meet essential community needs, including needs of LMI individuals.

Activities that revitalize or stabilize may include those that support financing

- a new or expanded hospital that serves the entire county, including LMI residents.
- an industrial park for businesses that employ LMI individuals.
- a new or rehabilitated sewer line that serves community residents, including LMI residents.
- a mixed-income housing development that includes affordable housing for LMI families.

- a renovated elementary school that serves children from the community, including children from LMI families.
- a new or rehabilitated communications infrastructure, such as broadband internet service, that serves the community, including LMI residents.
- a new or rehabilitated flood control measure, such as a levee or storm drain, that serves the community, including LMI residents.

### What Is a Community Service?

Under the CRA, community development includes community services targeted to LMI individuals.

An example of a community development activity that provides a community service would be when a bank provides a loan or investment for a facility serving LMI individuals, such as homeless centers, soup kitchens, health-care facilities, youth programs, battered women's centers, and alcohol and drug recovery centers.

According to the "Interagency Questions and Answers Regarding Community Reinvestment,"<sup>2</sup> examples of LMI community services include, but are not limited to, those

- targeted to the clients of a nonprofit organization that has a defined mission of serving LMI persons or, because of government grants, for example, is limited to offering services only to LMI persons.
- offered by a nonprofit organization that is located in and serves an LMI geography.
- conducted in an LMI area and targeted to the residents of the area.

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<sup>2</sup> 81 Fed. Reg. 48,506 (July 25, 2016).

- provided as a clearly defined program that benefits primarily LMI persons, even if it is provided by an entity that offers other programs that serve individuals of all income levels.
- offered at a workplace to workers who are LMI, based on readily available data for the average wage for workers in that particular occupation or industry.<sup>3</sup>
- provided to students or their families from a school at which the majority of students qualify for free or reduced-price meals under the U.S. Department of Agriculture’s National School Lunch Program.
- targeted to individuals who receive or are eligible to receive Medicaid.
- provided to recipients of government assistance programs that have income qualifications equivalent to, or stricter than, the definitions of LMI as defined by the CRA regulations. Examples include the U.S. Department of Housing and Urban Development’s section 8, 202, 515, and 811 programs or the Agriculture Department’s section 514, section 516, and Supplemental Nutrition Assistance programs.<sup>4</sup>

### **What Types of Loans Qualify as Community Development Loans?**

A community development loan is a loan that has a primary purpose of community development and, except in the case of a wholesale or limited purpose bank, has not been reported or collected by the bank or an affiliate for consideration in the bank’s assessment as a home mortgage, small business, small farm, or consumer loan, unless the loan is for a multifamily dwelling and benefits the bank’s assessment area(s) or

a broader statewide or regional area that includes the bank’s assessment area(s).

Community development loans include loans to

- borrowers that rehabilitate or construct affordable housing, including construction and permanent financing for multifamily rental properties serving LMI persons.
- nonprofit organizations primarily serving LMI housing or other community development needs.
- borrowers that construct or rehabilitate community facilities that are located in LMI geographies or that primarily serve LMI individuals.
- financial intermediaries including community development financial institutions (CDFI), new markets tax credit-eligible community development entities (NMTC CDEs), community development corporations (CDCs), minority- and women-owned financial institutions, community loan funds or pools, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development.
- local, state, and tribal governments for community development activities.
- borrowers to finance environmental cleanup or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.
- businesses, in an amount greater than \$1 million, when made as part of the SBA’s Certified Development Company/504 Loan Program.

<sup>3</sup> For example, wage data by area and occupation collected by the Bureau of Labor Statistics.

<sup>4</sup> Interagency Questions and Answers Regarding Community Reinvestment,” 81 Fed. Reg. 48,506 and 48,526 (July 25, 2016) (Q&A \_\_\_\_12(g)(2)–1).

- borrowers to finance renewable energy, energy-efficient, or water conservation equipment or projects that support the development, rehabilitation, improvement, or maintenance of affordable housing or community facilities, such as a health clinic that provides services for LMI individuals.

### **What Are Qualified Investments?**

Qualified investments are lawful investments, deposits, membership shares, or grants that have a primary purpose of community development. Examples of qualified investments include investments, grants, deposits, or shares in or to

- financial intermediaries (such as CDFIs, NMTC CDEs, CDCs, minority- and women-owned financial institutions, community loan funds, and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development. An example would be an investment in a CDFI that promotes economic development on an Indian reservation.
- organizations engaged in affordable housing rehabilitation and construction, including multifamily rental housing.
- organizations (including, for example, SBICs, specialized SBICs, and Rural Business Investment Companies) that promote economic development by financing small businesses.
- community development venture capital companies that promote economic development by financing small businesses.
- facilities that promote community development by providing community

services for LMI individuals, such as youth programs, homeless centers, soup kitchens, health-care facilities, battered women’s centers, and alcohol and drug recovery centers.

- projects eligible for low-income housing tax credits.
- state and municipal obligations (such as revenue bonds) that specifically support affordable housing or other community development.
- nonprofit organizations serving LMI housing or other community development needs, such as counseling for credit, homeownership, home maintenance, and other financial literacy programs.
- organizations supporting activities essential to helping LMI individuals or geographies to use credit or sustain economic development, such as day care facilities and job training programs that enable LMI individuals to work.

### **What Are Community Development Services?**

Community development services are services that have a primary purpose of community development, are related to the provision of financial services, and, for banks evaluated as large banks, have not been considered in the evaluation of the bank’s retail banking services. Community development services may include

- financial services to LMI individuals through branches and other facilities located in LMI areas (unless providing such services has been considered in the evaluation of an institution’s retail banking services.<sup>5</sup>)
- increasing access to financial services by opening or maintaining branches or

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<sup>5</sup> 12 CFR 25.24(d) or 195.24(d).

other facilities that help to revitalize or stabilize an LMI geography, a designated disaster area, or a distressed or underserved nonmetropolitan middle-income geography (unless opening or maintaining such branches or other facilities has been considered in the evaluation of the institution's retail banking services under 12 CFR 25.24(d) or 195.24(d)).

- providing technical assistance on financial matters to nonprofit, tribal, or government organizations serving LMI housing or economic revitalization and development needs.
- providing technical assistance on financial matters to small businesses or community development organizations, including organizations and individuals applying for loans or grants under the Federal Home Loan Bank's Affordable Housing Program.
- lending employees to provide financial services for organizations facilitating affordable housing construction, rehabilitation, or development.
- providing credit counseling, home buyer and home maintenance counseling, financial planning, or other financial services education to promote community development and affordable housing, which may include credit counseling to assist LMI borrowers to avoid foreclosure on their homes.
- establishing school savings programs or developing or teaching financial education or literacy curriculums for LMI individuals.
- providing electronic benefits transfer accounts and point-of-sale terminal systems to improve LMI individuals' access to financial services, such as by decreasing costs.
- providing international remittance services that improve LMI individuals' access to financial services (for example,

by offering reasonably priced international remittance services in connection with a low-cost account).

- providing other financial services with a primary purpose of community development, such as low-cost savings or checking accounts, including electronic transfer accounts, individual development accounts, or free or low-cost government, payroll, or other check cashing services that increase access to financial services for LMI individuals.
- providing foreclosure prevention programs with the objective of providing affordable, sustainable, long-term loan modifications and restructurings to LMI homeowners who are facing foreclosure on their primary residence.

### **What Technical Assistance Activities Are Community Development Services?**

Technical assistance activities provided to community development organizations may include

- serving on the board of directors.
- serving on loan review committees.
- developing loan application and underwriting standards.
- developing loan processing systems.
- developing secondary market vehicles or programs.
- assisting in marketing of financial services, including developing advertising and promotions, publications, workshops, and conferences.
- supplying financial services training for staff and management.
- contributing accounting or bookkeeping services.
- assisting in fundraising, including soliciting or arranging investments.
- providing services that reflect a financial institution's employees' areas of

expertise at the institution, such as human resources, information technology, and legal services.

### **OCC Resources**

- [Community Affairs publications and resources](#)
- [District Community Affairs Officers](#)
- [OCC public performance evaluations](#)
- [OCC supervisory offices](#)

### **Other Resources**

- [CRA regulation applicable to national banks \(12 CFR 25\)](#)
- [CRA regulation applicable to savings associations \(12 CFR 195\)](#)
- [CRA ratings](#)
- [Publicly available CRA data](#)

#### **Disclaimer**

*Community Developments Fact Sheets* are designed to share information about programs and initiatives of bankers and community development practitioners. These fact sheets differ from OCC bulletins and regulations in that they do not reflect agency policy and should not be considered regulatory or supervisory guidance. Some of the information used in the preparation of this fact sheet was obtained from publicly available sources. These sources are considered reliable, but the use of this information does not constitute an endorsement of its accuracy by the OCC.