



# Fair Lending and The Community Reinvestment Act



---

---

---


---

---

---


---

---



Elizabeth Schroeder, CRCM, CCBCO  
VP, Director of Regulatory Compliance  
Community Reinvestment Act Officer

The opinions expressed are my own and are not necessarily the opinions of Washington Trust Bank.



---

---

---


---

---

---


---

---



### Session Overview

- At the end of the session, you will understand what financial institutions report that is examined for Fair Lending.
- You will understand how Fair Lending and the Community Reinvestment Act intersect.
- You will know how to find the publically available data.



---

---

---

---

---

---

---

---

 The Regulations

- Equal Credit Opportunity Act
- Fair Housing Act
- State and Local Fair Lending Laws
- Home Mortgage Disclosure Act
- The Community Reinvestment Act



---

---

---


---

---


---

---

---

 Equal Credit Opportunity Act (ECOA)

1. Sex	6. National Origin
2. Marital Status	7. Receipt of Public Assistance
3. Race	8. Age
4. Religion	9. Exercise of Rights under FCCPA
5. Color	



---

---

---


---

---


---


---

---

 Fair Housing Act (FHA)

1. Race
2. Color
3. Religion
4. Sex
5. Handicap
6. Familial Status
7. National Origin

  
EQUAL HOUSING  
LENDER



---

---

---

---

---


---

---

---






 Community Reinvestment Act (CRA)

1. Enacted in 1977
2. To prevent redlining
3. To ensure access to credit

Today – the data required to be reported under CRA is used to conduct community service analysis.



---

---

---


---

---

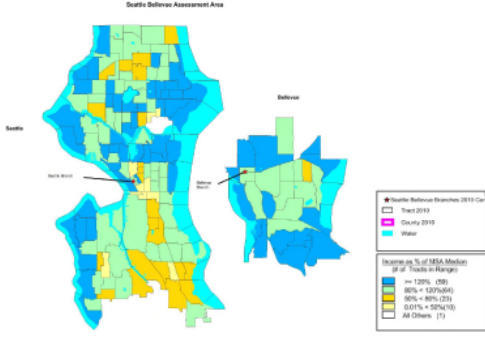
---

---


---

 WTB's Seattle Assessment Area

Seattle Bellevue Assessment Area



Rating	Color
100% - 120%	Blue
80% - 100%	Light Blue
60% - 80%	Yellow
40% - 60%	Orange
20% - 40%	Red
All Other	White



---

---

---


---

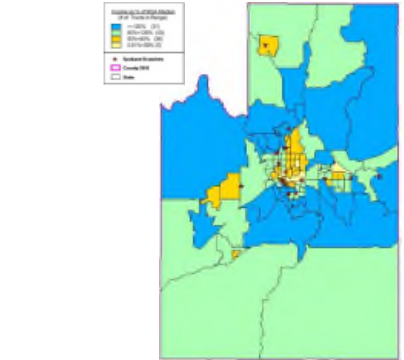
---

---


---

---

 WTB's Spokane Assessment Area



Rating	Color
100% - 120%	Blue
80% - 100%	Light Blue
60% - 80%	Yellow
40% - 60%	Orange
20% - 40%	Red
All Other	White



---

---

---


---

---

---


---

---

 Low- to Moderate-Income Individuals and Geographies

1. Low Income Individual is <50% Area Median Income
2. Moderate Income Individual is 50%-80% Area Median Income
3. Low Income Census Tract
4. Moderate Income Census Tract

Spokane is a Metropolitan Statistical Area (MSA)



---

---

---


---

---


---


---

---

 Question #1

What is the Area Median Income in Spokane?





---

---

---


---

---


---

---

---

 CRA Record of Lending Considerations

- Total \$ and % of originated LMI mortgages
- Aggregate \$ and % mortgages
- Proximity
- Number of Branch(s)
- Market Share
- Type of Institution



---

---

---

---

---

---

---

---

**CRA Performance Evaluation**

- Inside/Outside Distribution
- Income and Geographical - Performance vs. Aggregate vs. Opportunities
- Innovative and Flexible Loan Programs

Washington Trust Bank

---

---

---

---

---

---

---

---

---

---

**CRA Performance Evaluation Example Tables**

**Overall CRA Rating**

**Institution's CRA Rating:** This institution is rated **Satisfactory**.

The following table indicates the performance level of U.S. Bank National Association with respect to the Lending, Investment, and Service Tests:

Performance Levels	U.S. Bank National Association Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X	X	X
High Satisfactory			
Low Satisfactory			
Needs Improvement			
Substantial Noncompliance			

\*The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

Washington Trust Bank

---

---

---

---

---

---

---

---

---

---

**CRA Performance Evaluation Example Tables**

**Table 4 - Distribution of Loans Inside and Outside the AA**

Loan Type	Number of Loans				Dollar Amount of Loans					
	Inside AA		Outside AA		Inside AA		Outside AA		Total	
	#	%	#	%	\$ (000)	%	\$ (000)	%		
<b>Small Business</b>										
2010	2,110	101.3	171	6.7	2,279	333.6	102.3	27.4	7.0	403.0
2011	2,170	104.1	157	5.9	2,325	349.3	102.5	29.2	7.8	379.0
2012	2,134	104.2	171	8.0	2,503	323.6	101.0	29.0	8.0	392.6
<b>Subtotal</b>	<b>6,414</b>	<b>101.6</b>	<b>499</b>	<b>6.1</b>	<b>6,913</b>	<b>1,006.4</b>	<b>102.1</b>	<b>86.4</b>	<b>7.9</b>	<b>1,092.8</b>
<b>MDIA</b>										
2010	1,834	100.7	109	6.0	2,033	316.9	100.1	30.0	6.0	452.9
2011	1,941	102.4	101	7.0	2,143	337.7	100.1	37.4	9.5	394.9
2012	2,013	102.6	210	7.0	2,143	333.7	100.7	34.6	6.1	398.1
<b>Subtotal</b>	<b>5,788</b>	<b>101.6</b>	<b>420</b>	<b>6.1</b>	<b>6,224</b>	<b>1,007.9</b>	<b>100.9</b>	<b>102.0</b>	<b>6.6</b>	<b>1,445.9</b>
<b>Small Farm</b>										
2010	277	100.0	145	51.4	422	43.0	100.0	22.7	54.5	100.0
2011	280	101.1	149	53.2	429	45.9	104.5	23.6	55.7	100.0
2012	280	101.1	149	53.2	429	45.9	104.5	25.3	59.1	100.0
<b>Subtotal</b>	<b>853</b>	<b>100.8</b>	<b>443</b>	<b>51.7</b>	<b>1,280</b>	<b>134.8</b>	<b>100.0</b>	<b>71.6</b>	<b>56.3</b>	<b>211.3</b>
<b>Total</b>	<b>13,968</b>	<b>100.0</b>	<b>1,442</b>	<b>10.3</b>	<b>15,419</b>	<b>2,447</b>	<b>100.0</b>	<b>257</b>	<b>10.5</b>	<b>2,544</b>

Source: 2010, 2011, and 2012 CRA (L, S, O, 2011, and 2012) MDIA L&S

Washington Trust Bank

---

---

---

---

---

---

---


---

---


---





 **CRA Performance Evaluation Fair Lending Report**

- The OCC identified unfair practices involving billing for identity theft protection products offered through an unaffiliated third party. The products were primarily marketed to the credit card customers of USBND, but were also marketed to customers of USB. The bank failed to adequately oversee the third party, which charged customers for services that were not delivered. The bank discontinued marketing these products in 2012, and cooperatively implemented an action plan to strengthen third party controls and remediate affected consumers for all fees paid (including the third party portion). For further information on this settlement, see OCC Enforcement Actions #2014-114 and #2014-115. In a related matter, the CFPB also cited the bank for unfair practices under sections 1031 and 1036 of the Dodd-Frank Act. For further information about the CFPB action, please see CFPB Consent Order 2014-CFPB-0013. Together, the OCC and CFPB actions required the bank to provide \$51 million remediation to approximately 440,000 customers (of a 10.5 million credit card customer base). The OCC also assessed a \$4 million civil money penalty (CMP), and the CFPB assessed an additional \$5 million CMP.
- In a separate action, the CFPB cited the bank for deceptive practices under sections 1031 and 1036 of the Dodd-Frank Act, and for a Truth in Lending violation under 12 C.F.R. Part 1026, involving the bank's Military Installment Loans and Educational Services program. The CFPB required \$3.2 million in redress to affected consumers. For further information about the CFPB action, please see CFPB consent order 2013-CFPB-0003. The
- The bank executed conciliation agreements in response to a disability discrimination complaint filed with HUD on April 23, 2012, and a racial discrimination complaint filed with HUD on September 13, 2013. For further information regarding these complaints and conciliation agreements, please see Fair Housing and Equal Opportunity (FHEO) case numbers 05-12-0713-08 and 08-13-0299-8, respectively.



---

---

---

---

---


---

---


---

---

---

 **CRA and Fair Lending**

- Race – City-Data.com
- Disability – Cornell University
- National Origin – U.S. Census Bureau
- Age and Race – The Center for Social and Demographic Research



---

---

---

---

---


---

---


---


---

---

 **Question #2**

What other data is in the CRA report?





---

---

---

---

---


---

---


---

---

---

 CRA and Fair Lending

- Home Mortgage Disclosure Act Public Loan Application Register (HMDA LAR) – on some websites, otherwise may request
- Community Reinvestment Act (CRA) Performance Evaluation – on some websites, otherwise available from their prudential regulator

 Washington Trust Bank

---

---

---


---

---


---

---

---

 Summary

- Financial Institutions are subject to Fair Lending laws that include the Equal Credit Opportunity Act and the Fair Housing Act in addition to state and local laws.
- Data on loans is reported and publically available on mortgage lending and includes some protected class information reported under the Home Mortgage Disclosure Act. This data is available on the Loan Application Register in the Bank's public Community Reinvestment Act File.
- Low- to moderate-income individuals may also be one or more protected classes, and the Community Reinvestment Act requires reporting of those loans. The Performance Evaluation of financial institutions is publically available and includes loan data.

 Washington Trust Bank

---

---

---

---

---

---

---

---