

Interagency CRA Workshop

Designing a CRA Strategy—Case Study

Instructions:

1. *Read the scenario below, which features B&T Bank from the “Defining Community Development Case Study” earlier today.*
2. *Read the questions following the scenario.*
3. *Enthusiastically engage in the discussion!*

Scenario:

B&T Bank -- has been growing swiftly for the past five years and now serves Maricopa, Pinal and Pima counties. B&T has ten banking centers in these counties and you feel a little overwhelmed as to how to ensure adequate performance in the bank's assessment area, which encompasses all three counties.

B&T's primary products are residential real estate and small business lending. You have looked at the bank's performance and have found it to be mixed. You believe that the bank's overall loan to deposit ratio is adequate for a satisfactory CRA rating, but B&T's lending performance in Pima County is well below peer level. The bank entered this county just last year, and you have yet to meet with the local branch manager, though you do talk to her by phone.

You're satisfied with the “In and Out” ratios for all of the counties, but lending in low- and moderate-income areas in Maricopa and Pinal County, in your analysis, needs improvement. Homeownership in all three counties is high. However, a recent investigative article in *The Pinal-Pima Post* exposed the poor condition of the housing stock in certain targeted LMI neighborhoods in the entire Tri-County area. An abandoned air force base in Pinal County recently was designated as an empowerment zone. Two airline maintenance facilities will be relocating to the property and will be operating within six months.

A local advocacy group, the Pinal Professional Ladies and Youth Association (P-PLAYA) has requested a meeting to discuss community needs. P-PLAYA consists mostly of working single-parent households in the county. From your community contact you found out that the local CDC, the Affordable Housing Association (AHA!) just received a grant in the amount of \$1,000,000 from the state. While updating B&T's community

needs assessment recently, you discovered that a local Faith Based CDC, Hallelujah Housing, with funding from local city government is targeting the abandoned housing units on the base for purchase and rehabilitation. The primary purpose is to provide housing for the workers, including those at pay levels considered to be LMI, who will be employed at the two maintenance facilities. Your bank does not have a history of engaging in CD lending.

Develop a CRA strategy for B&T Bank, considering the following questions:

1. What are the strengths and weaknesses in your bank's performance?
2. What are the opportunities and threats in the Pima Assessment Area?
3. Are there any current or future lending performance problems that must be addressed? If so, within the bank, whose problem is it? What steps can you take to address the problems? Who needs to know – why and when?
4. What partnership opportunities are available in your bank's assessment area?
5. Do you see any possibilities of developing a product or service to meet the needs of the LMI communities in the bank's assessment areas?
6. Is additional research and analysis necessary? If so, on what matters, and what should you be sure to document?
7. Presuming you will gather more information, what will you do with it? What will be your priorities?
8. Who needs to be aware of your plan and to what degree should they be familiar with it?