PORTFOLIO MANAGEMENT

Support your local seniors

CRA-qualifying investments can do a world of good.

By Jim Reber and Ed Gentry

A lot is expected of community banks. The regulators expect management to operate them in a safe and sound manner. The public expects them to be partners in community service and to make credit available to those who qualify (and sometimes to those who don’t). Shareholders, we are reminded, expect an attractive return on their investments. And Congress, since 1977, statutorily expects community banks to lend and invest in projects that benefit low- to moderate-income consumers.

This last piece is, of course, the Community Reinvestment Act (CRA). As if community bankers didn’t have enough on their plates, CRA requirements can force banks to reallocate limited resources to comply with the regulations, lest the bank be tagged with “substantial noncompliance” status.

There is some good news to relate. Through the use of certain CRA-qualifying investments, and by participation in a unique program administered by CRA Partners, an ICBA Select Corporate Associate Member, community banks can find legitimate ways to meet their CRA requirements and at the same time operate in a safe and sound manner that further creates a marketing niche.

Make your case

Even though the CRA is now 40 years old, many hundreds of community banks don’t realize that certain investment securities can be considered CRA-qualifying. What’s even better is that they may be very similar to some bonds that your bank currently owns.

In general, a bond may be considered a CRA-qualifying credit if it has community development as its primary purpose. This could include affordable housing, community development or support for organizations that help finance small businesses.

Secondly, agency-issued mortgage backed securities (MBS) can be built with loans to homeowners that meet low- to moderate-income definitions. Loan level detail of census tracts and median income percentile is available...
to support the investor’s case.

Be aware that all of these issuers, and the broker-dealers who help you locate these investments, make it clear that it’s up to you to make the case that a given bond should be considered CRA-qualifying to your regulator.

**CRA Partners**

CRA Partners provides a meaningful CRA compliance program powered by the Senior Housing Crime Prevention Foundation. Funded exclusively by the banking industry, Senior Crimestoppers is a nationwide crime prevention program educating and safeguarding against theft, abuse and neglect.

**Through the use of certain CRA-qualifying investments, community banks can find legitimate ways to meet their CRA requirements and at the same time operate in a safe and sound manner that further creates a marketing niche.**

By utilizing CRA Partners, your community bank can satisfy its CRA requirements, boost its community relations profile and develop new business relationships, while ensuring safe, secure senior-living environments in nursing homes, HUD communities and state veterans homes at no cost to the facilities.

Your community bank can get involved through CRA-qualified community development loans, investments and grants to CRA Partners. All loans and investments are fully collateralized by CRA-qualified securities selected by participating banks. The yield on the loans and investments is based on the yield paid on the security used to collateralize the loan or investment, less than 1.25 percent is retained by CRA Partners to support its programs.

The program is a 100 percent turn-key solution with no administrative burden or ongoing monitoring. CRA Partners will also provide annual detailed low- to moderate-income documentation for your community bank’s CRA exam file. Participating banks can also obtain CRA service credit consideration by using the Preventing Elder Financial Abuse Toolkit and documenting the number of low- to moderate-income attendees at each session.

CRA Partners is endorsed by ICBA and 30 state bankers associations. These strong banking relationships allow it to offer meaningful and effective CRA credit options in your community.

**Best of both**

By participating in the CRA Partners program while investing in securities that your regulators accept as CRA-qualifying, a community bank can accomplish a lot. First, the investments are liquid and meet most community banks’ safety and liquidity standards. At least as importantly, a portion of your CRA obligations can be addressed.

In addition, the Community Reinvestment Act requires banks to enhance the lives of low- to moderate-income citizens in their communities in a variety of ways. Banking regulators have approved banks’ participation with CRA Partners and the Senior Housing Crime Prevention Foundation as an acceptable way to meet a portion of these federally mandated requirements.

The Senior Crimestoppers platform helps prevent abuse, neglect, theft, vandalism, substandard care, fraud and unethical behavior of any type that affects vulnerable older adults. The program delivers to our nation’s senior housing facilities that improve the residents’ overall quality of life.

**More on CRA Partners**

CRA Partners will present a webinar called “CRA Credit That’s Worth a Lot More” on Thursday, June 8, at 10:00 a.m. CST. This presentation shares in detail how your community bank can receive guaranteed CRA credit on both the lending and investment test, along with service credit consideration, all through CRA Partners’ turnkey program that works in your community. For more information, visit **SHCPFoundation.org** or call (877) 232-0859.

**Webinar series continues**

ICBA Securities will present the next segment in its popular Community Bank Matters webinar series on June 21. David Visinsky of Vining Sparks will present “Balance Sheet Management and Your Loan Portfolio.” One hour of CPE credit is available. To register, visit **icbasecurities.com**