

DOCTOR CRA

THE DOCTOR IS IN by John Olson



Dear Doctor CRA:

I've spent a lot of my time on foreclosure prevention activities for the past few years. Also, many of our employees have volunteered their services to help out with things like borrower outreach. Will I get CRA credit for these activities?

Signed,
Fighting Foreclosures in Phoenix

Dear Fighting:

This question has been on lots of people's minds recently. Many CRA officers have seen foreclosure prevention work take over their plans for the year. Fortunately, the CRA Questions and Answers that were issued in January shed some light on how this work will be considered under the CRA. There are lots of details in the Q&A to keep track of, however. As with many CRA issues, it's not a simple "yes" or "no" answer, so you'll want to examine the Q&A carefully, and consult your primary regulator for guidance on how specific activities will be treated. A link to the new Q&A, and lots of other CRA resources, are available on the San Francisco Fed's website at <http://www.frbsf.org/community/craresources/index.html>.

Now, let's dig into the details:

Community Development Services (Question 12(i)-3)

A new item has been added to the list of examples of qualified community development services: "providing foreclosure prevention programs to low- or moderate-income (LMI) homeowners who are facing foreclosure on their primary residence with the objective of providing affordable, sustainable, long-term loan modifications and restructurings." Take special note here of the particulars: the activity must be focused on LMI homeowners' primary residences, and must be structured to provide sustainable modifications. Another item in the list of examples indicates that "providing...financial services education...including credit counseling to assist low- or moderate-income borrowers in avoiding foreclosure on their homes" is a qualified service. In the latter example, any foreclosure prevention service that is targeted to LMI homeowners should qualify as a community development service.

Revitalizing and Stabilizing LMI Geographies (Question 12(g)(4)(i)-1)

The answer to the question on what activities revitalize and stabilize an LMI geography has been amended to include foreclosure prevention. The answer now states: "foreclosure prevention programs with the objective of providing affordable, sustainable, long-term loan restructurings or modifications to homeowners in low- or moderate-income geographies, consistent with safe and sound banking practices, may help to revitalize or stabilize those geographies." Note here that the program must be targeted to LMI geographies, and again, must be structured to provide sustainable modifications.

Responsive Lending Activities (Question 22(a)-1)

A new item has been added to the list of activities that are considered "likely to be responsive in helping to meet the credit needs of many communities." Examiners may consider these responsive activities as augmenting the bank's lending programs. The new item states that "establishing loan programs with the objective of providing affordable, sustainable, long-term relief, for example, through loan refinancings, restructures, or modifications, to homeowners who are facing foreclosure on their primary residences" may be considered favorable. Note here that there are no qualifications regarding the income level of the borrower or of the neighborhood served.

These new additions to the Q&A should help clarify how to submit your foreclosure prevention activities for consideration on your CRA exam. Be sure to consult your regulator to get more guidance on what documentation will be required and which programs will qualify for CRA consideration.