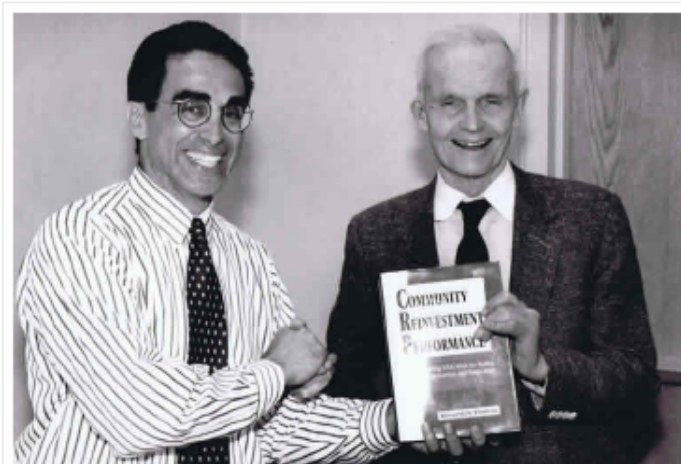


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An Added Option for CRA Investment Test Credit



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It was 1989 when the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) amended the Community Reinvestment Act of 1977 (CRA) and required the federal bank regulatory agencies to publicly issue CRA ratings (using a new 4-tiered rating system) and disclose written performance evaluations that outlined facts and data to support the agencies' ratings conclusions. It was a very controversial statutory provision, as it was the first time in history that Congress "opened the kimono" on one facet of the otherwise confidential bank examination process and mandated that CRA examination ratings and CRA performance evaluations be made public as a matter of routine.

In 1990-91, I was Deputy Comptroller for Compliance Management at the Office of the Comptroller of the Currency (OCC). All of the federal banking agencies at the time were tasked with making the FIRREA statutory mandate operational by updating the CRA regulations; designing the form and content of these new CRA performance evaluations; testing the revised process with sample CRA examinations; and then training bank examiners nationwide on how to prepare the new CRA public disclosures. We worked very hard to get it right under some very tight deadlines.

It was during that challenging process that I first met Dr. Ken Thomas. He was (and still is) America's foremost expert on the formal requirements and the important nuances of the Community Reinvestment Act. Over the years, Ken has consulted with numerous banks and thrifts on CRA matters. That's him standing to the left of former Senator William Proxmire. Senator Proxmire was widely-credited with being the Father of the Community Reinvestment Act of 1977.

Ken was in the OCC's public documents room, making copies of all of the CRA Performance Evaluations from the first round of CRA examinations done by the OCC under the new mandate. He was checking to see how the examiners' final work product comported with the new FIRREA requirements and how consistent the CRA ratings and performance evaluations were among examiners (and among agencies). I found him to be both a knowledgeable professional and an amiable fellow. We have stayed in touch over the 26 years that have passed since that time.

He called me last year to ask if I would be willing to serve as one of the independent trustees of a new CRA mutual fund whose investment objectives are to invest in debt securities deemed to be qualified under the Community Reinvestment Act so that financial institutions subject to the CRA could receive Investment Test or similar credit with respect to their shares in the fund. The new mutual fund is called [The Community Development Fund](#). I won't talk about the fund itself as legally all of the talking needs to take place through the Fund's [prospectus](#). I have no financial interest in the Fund beyond the Fund's established trustee fees and reimbursement of any travel expenses to attend Board of Trustee meetings.

I knew that there are already a couple of CRA mutual funds in this space, so I asked what distinguishes The Community Development Fund from the others. There was an awkward silence as if I had asked a stupid question (which I immediately realized I did). You see, as the fund advisor, fund investors have direct access to Ken's consulting support (and the benefit of [his CRA credentials](#)) regarding earmarked CRA investments in the fund. As an additional plus, Ken is a director of a community bank and has been for many years... so that means he has experienced the real-life challenges of CRA compliance for banks and thrifts.

Over my 37-year career as a federal bank regulator, I had met many accomplished and outstanding bank consultants, like Ken, and I had also seen my share of consultants who were, like Texans are fond of saying, "all hat and no cattle". Knowing him for 26 of those years, I could confidently say "yes" to his offer.