Federal Reserve Bank of Dallas
Community Development
COS ISSUE 2, December 2017

CRA Banker Poll Findings

In addition to collecting bank data on the monetary contribution of the CRA in Texas, the Dallas Fed queried the bankers themselves for more insights on how the law is working.

EXCERPT:

Banker Interviews and Project Highlights

Adding further dimension to these findings, a handful of poll respondents opted to speak further about challenges or successes related to their recent CRA loans, investments or service opportunities.

A chief lending officer for an ISB near the southwestern Texas border echoed some of the challenges discussed earlier in this report. He described the difficulties of rural banks—especially smaller ones—pointing to lack of staff and lack of opportunities. "Reputational effects, resource allocations, lending opportunities and business structures are not uniform among large and small banks," he said, adding that this makes it difficult for a smaller, rural bank to get a high rating. The officer specifically mentioned bonds—the ones his bank can bid for are typically outside its assessment area, making CRA credit unlikely. He also mentioned the rarity of "outstanding" ratings and how difficult they are to obtain. Indeed, of the 11 PEs analyzed for the quantitative portion of this report, one had an "outstanding" rating, one had "needs to improve" and the remaining were "satisfactory." The officer worries that because smaller banks are thought to be highly engaged in communities, a "satisfactory" rating could hurt their reputations.

Other bankers, representing financial institutions of all sizes, discussed positive experiences in lending, investment and service. Each gave examples of how important partnerships can be to helping the community and meeting CRA goals. A CRA banker at Broadway Bank, a large institution, highlighted the importance of affordable housing work in San Antonio. "Rarely are developers building houses under $150,000," she noted. To help fill this need, the bank created the Home Advantage Loan Program through a partnership with Neighborhood Housing Services. The minimum borrower contribution for a down payment is just $500. Just through June 2017, the program has funded 35 loans to get LMI families into affordable and green housing. This program is particularly advantageous because it concentrates CRA activity for maximum impact—and credit. Broadway Bank has been able to earn credit for this program under lending (making loans), investment (donations to fund classes) and service (bankers have served on the board of their partner nonprofit).

A senior officer at Citizens 1st Bank, a small East Texas bank, participates in a fruitful partnership focused on education and the workforce. Joining with local foundations and the Rusk school district, the bank through its Rusk TJC Citizens Promise Program provides scholarships to Tyler Junior College for the top half of graduating high students and includes not just academic programs, but also vocational training. This collaboration is a prime example of how a bank of any size can tackle workforce development through the CRA.17 The partnership began in 2014, and through the spring of 2017, more than $544,000 had been granted. Citizens 1st was awarded the 2017 Cornerstone Award from the Texas Bankers Association for these efforts. The bank hopes to start more programs throughout the region and across Texas and is interested in helping others start their own Promise programs.

Finally, a CRA officer of Southside Bank in East Texas spoke about a successful partnership with a local nonprofit that created an innovative opportunity in nonprofit capacity building. Partnering with A Circle of Ten, Southside launched a grant-writing program called CRA2U focused on improving understanding of the importance of grant writing for communities and banks. CRA2U is a two-and-a-half day institute for bankers and nonprofits; goals include fostering better collaboration between the two groups. She said about the program, launched in January of this year, "Nonprofit organizations commented that they felt empowered to request money and work closer with banks to fulfill their needs. It gave them the tools to change people's lives."