

MEMORANDUM

To: Subscribers to *CRA/HMDA Compliance Manual for Financial Institutions*

From: Sheshunoff Information Services

Subject: Highlights

Enclosed please find the most recent update to your subscription to Sheshunoff's *CRA/HMDA Compliance Manual for Financial Institutions*. This update focuses on a number of areas of interest:

- *Internet-Based Lending.* With the surge of social networking websites, new opportunities exist for borrowers to obtain loans. These new options are social lending and peer-to-peer websites. These options rely on the popularity of social networking. Several websites have popped up, resulting in a new hip and trendy way to obtain loans, deviating from the traditional role of banks.
- *Understanding Employer-Assisted Mortgage (EAM) Programs.* How can banks offer loan products to complement employer assisted home purchase programs? A recent OCC issuance discusses EAM programs offered in the conventional secondary mortgage market and provides a template for how a bank might establish its own EAM program.
- In light of the recent rise in foreclosure rates, resulting in part from the subprime crisis, Traiger & Hinckley LLP, Attorneys at Law, prepared a report to determine the risk associated with banks who originated loans in their assessment areas. In Chapter 3, a new section entitled, "CRA: A Welcome Anomaly in the Foreclosure Crisis," has been added summarizing that study. The analyst's hypothesis was that the CRA may have deterred banks from engaging, at least in their local communities, in lending practices that fueled foreclosures.
- Also new to Chapter 3 is a section entitled, "Small Business Lending." The Federal Bank of Kansas City published an article about the role of small and large businesses in economic development. The article evaluates the shift from traditional approaches to economic development that rely on recruiting large enterprises to an approach that relies on building businesses from the ground up, and thereby supporting the growth of existing enterprises.
- New to Chapter 8 is a section entitled, "Surviving and Benefiting from CRA Compliance." Although CRA is not a new law, compliance continues to require diligence. Particularly in today's arena, banks are at risk if they do not understand the well-established objectives of the CRA and their performance within the context of those regulatory expectations.
- Also added to Chapter 8 is a section entitled, "CRA Insights – Intermediate Small Banks." Compliance examiners from the FDIC's Chicago regional office discussed some common misconceptions and clarified key elements related to the Intermediate Small Bank (ISB) exam in a recent audio conference. Years after federal regulators adopted intermediate small bank exam rules in September 2005, banks are still stumbling over the newest Community Reinvestment Act exam, designed to relieve some of the burdens of data reporting and finding qualified investments on banks between \$265 million and \$1.06 billion.
- "General Guidelines Regarding Consumer Subprime Lending" has been added to Chapter 9. Consumer subprime lending programs, or at least, the recognition that there are subprime borrowers, have been addressed by lenders for decades. While admittedly most lenders would like to loan only to

customers that would be rated an 'A' credit, unfortunately, due to circumstances impacting a customer, an 'A' rated credit falls to 'B' or 'C' rating, worst case 'D.'

- Also new to Chapter 9 is a section on, "Immigrant Lending." This new section focuses on positive practices and emerging opportunities from the Latin American immigrant experience. Highlights from several reports are discussed in an effort to provide a comprehensive perspective of immigrant lending.