4 Ways to Boost Your CRA Impact

How to leverage your CRA activities to create value for your bank and your communities

If you are a leader at a financial institution, you know that the Community Reinvestment Act (CRA) is more than just a regulatory requirement. It is also an opportunity to demonstrate your commitment to the economic well-being of the low- and moderate-income (LMI) communities you serve.

In this whitepaper we will share some best practices for improving your CRA rating and how you can make a lasting impact in support of your community.

What is the CRA and why does it matter?

The Community Reinvestment Act (CRA) is a federal law that encourages banks to meet the credit needs of LMI communities. Enacted in 1977, the purpose of the CRA was to encourage banks to meet the credit needs of all communities and to prevent redlining, a discriminatory practice that denies or restricts financial services to certain neighborhoods based on their racial or ethnic composition.

The CRA has been instrumental in promoting economic development and financial inclusion

in underserved areas. According to the Federal Reserve, from 1996 to 2018, banks reported more than $2 trillion in CRA-eligible lending and investments, including $980 billion in small business loans, $948 billion in community development loans, and $109 billion in affordable housing loans.

However, the CRA also faces some challenges in the modern banking landscape, such as the rise of online and mobile banking, consolidation within the banking industry, and the emergence of new products and services that fall outside the scope of the CRA. To address these issues, the Office of the Comptroller of the Currency (OCC), the Federal Reserve Board, and the Federal Deposit Insurance Corporation (FDIC) issued an updated CRA final rule in October 2023 that updates and reforms the CRA regulations for the first time since 1995.

The new CRA final rule aims to provide more clarity, consistency, and transparency in how banks are evaluated and rated for their CRA performance. While many of the new requirements in the final rule don't take effect until 2026 or even 2027, banks are still obligated to adhere to the CRA and demonstrate how they are positively impacting the communities they serve.

How to leverage your CRA activities to create value

The CRA presents both opportunities and challenges for banks that want to make a positive difference in their communities. Following are some practical tips on how to leverage your CRA activities to create value for your bank and your stakeholders, while complying with regulatory requirements and expectations. These activities apply to the current version of the CRA and the new CRA final rule. By following these tips, you will be able to:

1. Build trust and loyalty with your stakeholders by engaging them in your CRA activities and demonstrating a commitment to your communities.

2. Showcase your brand identity and values through your CRA activities and appeal to customers and employees who share your vision of social impact.

3. Offer innovative solutions that meet the needs of your target markets by integrating your CRA activities with your core products and services.

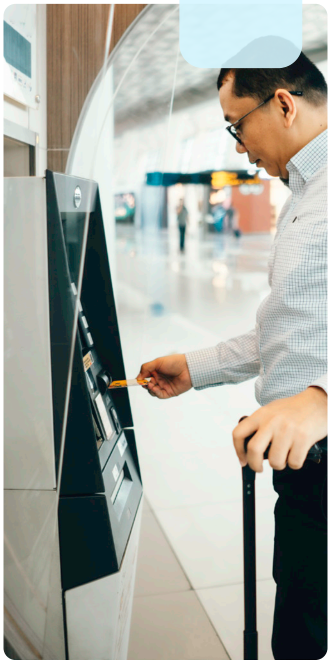
Collaborate with local organizations, nonprofits, and community leaders who can help you identify and address the most pressing issues and opportunities in your communities.

Tip 1: Engage your stakeholders

One of the key benefits of engaging in CRA activities is that you can build trust and loyalty with key stakeholders, such as customers, employees, and community members. By involving them in your CRA activities you can show them that you care about their needs and interests, and that you are committed to making a positive impact in your communities.

Some of the ways you can engage your stakeholders include:

- Conduct surveys, focus groups, or interviews to understand the needs and preferences of your customers and employees.
- Invite feedback and suggestions from your stakeholders on how to improve your CRA performance and impact.
- Share your CRA goals, achievements, and challenges with your stakeholders through various channels, such as newsletters, social media, your website, annual reports, or events.
- Recognize and reward your employees who participate in or lead CRA activities such as volunteering, mentoring, or donating.
- Partner with your stakeholders to implement activities that count towards CRA credit such as providing financial education, supporting local businesses, or sponsoring community events.



Tip 2: Showcase your brand identity and values

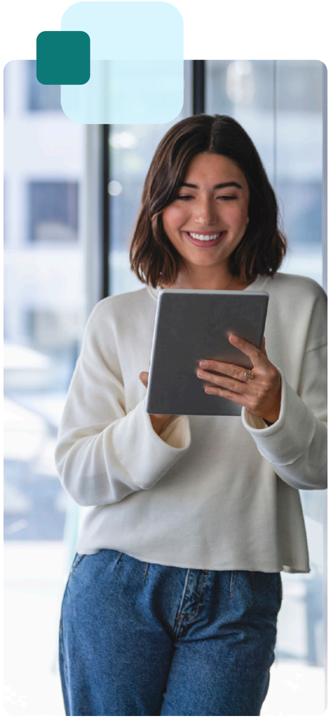
Another benefit of engaging in community engagement activities that also support CRA, is that you can showcase your brand identity and values to your stakeholders and the public. By aligning your CRA activities with your brand identity and values, you can appeal to customers and employees who share your vision of social impact and differentiate yourself from your competitors.

Some of the ways you can showcase your brand identity and values through your CRA qualified activities include:

- Select activities that feel authentic and reflect your brand identity and values, such as your mission, vision, purpose, or core values.
- Create a unique and memorable name, logo, or slogan for the activities and initiatives you are undertaking that captures your brand identity and values.
- Use consistent and compelling messaging and storytelling to communicate your brand identity and values through your community engagement activities.

Highlight the impact and outcomes your CRA activities have on your stakeholders and communities, and how they align with your brand identity and values.

Leverage your brand ambassadors, such as your executives, employees, customers, or influencers, to promote your CRA activities and share your brand identity and values.



Tip 3: Integrate your CRA activities with your core products and services

A third benefit of engaging in CRA-qualified activities is that you can offer innovative solutions that meet the needs of your target markets, especially the LMI individuals and communities that are the focus of the CRA. By integrating your community engagement activities with your core products and services, you can create value for your customers and communities and enhance your competitive advantage.

Some of the ways you can integrate your CRA activities with your core products and services are:

- Design and offer CRA credit eligible products and services that meet the specific needs and preferences of your LMI customers, such as affordable home mortgages, small business loans, or financial education.
- Provide incentives or discounts for your customers who use your CRA-eligible products and services, such as lower interest rates, fees, or minimum balances.
- Customize your CRA-eligible products and services to suit the local context and culture of your communities, such as language, currency, or delivery mode.
- Market and distribute your CRA-eligible products and services through channels that are accessible and convenient for your LMI customers, such as online, mobile, or in partnership with community-based nonprofits or organizations.

Tip 4: Collaborate with local organizations and leaders

A fourth benefit of engaging in initiatives that satisfy CRA requirements is that you can collaborate with local organizations and leaders who can help you identify and address the most pressing community needs and opportunities in your communities. By working with local partners, you can leverage their expertise, networks, and resources, and enhance your credibility and reputation in your communities.

Some of the ways you can collaborate with local organizations and leaders include:

- Identify and engage with local organizations and leaders who share your CRA goals and values, such as nonprofits, community groups, schools, or government agencies.

- Consult with local organizations and leaders to understand the needs and priorities of your communities, and how your community engagement activities can best address them.

- Coordinate with local organizations and leaders to plan and implement your community engagement activities and share roles and responsibilities.

- Support local organizations and leaders with your financial or in-kind contributions, such as grants, donations, sponsorships, or volunteer hours.

- Recognize and acknowledge local organizations and leaders for their contributions and achievements in your community engagement activities.

How to get started with your CRA strategy and performance

As you can see, engaging in CRA-qualified community development activities can create value for your bank and your communities, and help you comply with the regulatory requirements and expectations. However, navigating the impending changes in the CRA can be a complex and challenging process for banks, especially given the uncertainty and volatility in the current environment. That is why banks need reliable and trusted partners that can help them achieve their CRA goals and optimize their performance.

By leveraging the expertise provided by the team at EVERFI®, banks can not only navigate the CRA rule, but also enhance their CRA strategy and performance, and create value for their stakeholders and communities. To learn more about how EVERFI can help your bank achieve your CRA goals, contact us today.

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