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The 21st annual CRA & Fair Lending Colloquium hosted by Wolters Kluwer took place on November 5 - 8 in Nashville, TN. Over 900 bank practitioners, regulators and advocates gathered at this sold out event to discuss relevant topics in CRA and Fair Lending over a three day period. This special edition of CRAnews provides a recap of the CRA learnings gleaned from the Colloquium and Colloquium discussions.

Keynote Speaker Brett King on the Future of Banking and CRA

Brett King, a bestselling author and renowned commenter on the future of business, officially opened the Colloquium by giving a keynote address entitled "Bank 4.0 - Will CRA Survive the Digital Era?"

King began his presentation by exploring the origins of the Community Reinvestment Act ("CRA") when it was enacted in 1977. King reminded the audience that the purpose of CRA was to achieve financial inclusion -- to assure that banks serve the convenience and needs of the communities in which they are doing business. At this time, branch density was clearly the driver of financial inclusion.

King then brought the audience to the present, where banking has changed significantly, driven by advances in technology. Today, King presented, the number of physical bank branches is in major decline and mobile payments are quickly taking over those made using traditional bank accounts. In many countries mobile payments already far exceed traditional forms of payment. Today, King argued, identity is the key driver of financial inclusion.

Banks must evolve their business models to survive increasing competition not only from fintech companies but also companies not traditionally in finance offering financial products and services. King proposed that CRA needs to evolve to continue to be relevant and that would begin with a re-definition of financial inclusion and how to achieve it. ■

Solomon Hess was proud to sponsor the CRA & Fair Lending Colloquium.

From the Regulators: "Business As Usual"

Representatives from the Office of the Comptroller of the Currency, the Federal Reserve Board and the Federal Deposit Insurance Corporation participated in a panel discussion to address unfolding financial reform legislation and the impact it is having on their agencies and the banks that they supervise. The regulators concurred that it is "business as usual" as they look forward to working with the Treasury Department in re-examination of CRA.

Mark Pearce, Director, Division of Depositor and Consumer Protection, FDIC, said that the community banks are doing an effective job implementing CRA and that this is reflected in the performance evaluations.

Dr. Eric Belsky, Ph.D., Director of Consumer and Community Affairs, FED, commented that the FED continues to focus on the areas of risk, particularly change management and new regulation.

Grovetta Gardineer, Deputy Comptroller of Compliance Policy, OCC, shared that the OCC is continually upgrading its policies to be efficient and effective for the banks under its supervision. She said that the three agencies have been working to release new exam procedures with the goal of having greater commentary so supervisory decisions will be more consistent. The new procedures will include more information on performance context to help supervisors put banks in proper perspective. Gardineer mentioned that senior examiners from the field have been involved in this work which will likely carry in to 2018. No release date for the new producers has been set.

Gardineer also shared that in its review of CRA, the Treasury Department has had over 60 meetings with CRA stakeholders including bankers and advocacy groups. Feedback has been very positive on the process. The review that the Treasury Department is undertaking includes examining the harmonization of regulators in their supervisory roles, considering assessment areas and the definition thereof, and studying the changes in banking delivery channels, all with the perspective on heightening the focus on community development. The regulators look forward to participating in this process. ■

Save the Date!

22nd CRA & FAIR LENDING COLLOQUIUM
www.cracolloquium.com

November 4 - 7, 2018
The Diplomat, Hollywood, FL

Heard at the Colloquium

- ***Senior management support and the view of CRA as a profitable business line are the pillars of creating a corporate culture that embraces CRA and does not see it as burden***
- ***Positive impact of affordable housing projects not only benefit the lives of its residents but also provide economic and social integration through job creation and the revitalization of distressed areas***
- ***Proposed tax policy changes significantly reducing the attractiveness of LIHTC projects***
- ***Regulators have been less enthusiastic of late over Mortgage-Backed Securities ("MBS") as Community Development investments; banks have heard from their examiners that they are "not doing enough" by purchasing mortgage-backed securities from other lenders***
- ***Regulators are looking to give more credit for activities that result in permanent job creation than temporary job creation***
- ***Multi-bank funds such as the Solomon Hess SBA Loan Fund can be helpful in finding Community Development Investments, especially in rural areas***
- ***Benefit of the Strategic Plan Evaluation Option is proactive management of CRA***
- ***In addition to demonstrating quantifiable impact, banks need to present in-depth narrative and "tell a compelling story"***

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Thoughts on Modernizing CRA

At the Colloquium, there was general consensus that CRA needs to modernize to continue in its efficacy of serving the community. The current review of CRA being done by the Treasury Department has been received positively by the banks, advocacy groups and regulators thus far. The American Bankers Association is working on a white paper to submit to the Treasury Department in response to its review and has sought input from numerous banks participating in its fair lending and compliance working groups.

During discussions at the Colloquium, many panelists shared ideas on how to modernize CRA. These thoughts include:

- Re-define how assessment areas are set to reflect where a bank's deposits come from and not where its branches are located
- Shorten the performance evaluation process so there is less of a time lag from when an exam period ends to when the report is released
- Re-consider whether violations in fair lending should affect CRA performance evaluations
- Re-think the content of examinations to be more transparent
- Re-direct complaints to the Consumer Finance Protection Bureau and not one of the regulators OR directing complaints to a regulator other than the bank's regulator

While ideas for modernizing how CRA is regulated were shared by many, the consensus was that the need for CRA is as important today as it was when it was first enacted in 1977 and there is still much room for improvement in how banks are reaching communities effectively. ■

Managing Good Capital Well

Solomon Hess Capital Management ("Solomon Hess") is an alternative asset manager specializing in fixed income. Our mission is to provide investors with community and economic development-focused investment funds that generate both competitive risk-adjusted returns and positive quantifiable community impact. Founded in 2004 and located in Falls Church, Virginia, Solomon Hess has over $600 million of assets under management. Solomon Hess is Fund Manager to the SBA Loan Fund and investors include banking institutions of all sizes that are seeking Community Development Investment or Lending test credit within the Community Reinvestment Act (CRA) rules via exposure to SBA 7 (a) loans and related assets. Other investment opportunities with Solomon Hess include investing in our Absolute Return strategy fund or our Impact Fund (under development). We also offer Separately Managed Accounts or Single Investor Funds.