REINVESTMENT ALERT

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Measuring the Provision of Banking Services for the Underbanked: Recommendations for a More Effective Community Reinvestment Act Service Test

Introduction

Banks and thrifts are regularly examined for their provision of loans, investments, and banking services to low- and moderate-income households and neighborhoods under the Community Reinvestment Act (CRA). CRA was enacted by Congress in 1977 to address concerns that deposit-taking financial institutions were excluding lower-income and minority neighborhoods from accessing their products, a practice known as "redlining." In that statute, Congress recognized that financial institutions had a "continuing and affirmative obligation" to serve the "convenience and needs" of the communities in which they are chartered to do business "consistent with the safe and sound operation of such institutions."[1]

In 1995, new CRA regulations changed the emphasis of the CRA examinations from the processes banks engaged in to produce community reinvestment outcomes to the outcomes themselves. These regulations also divided the examination into three parts for large banks and thrifts (institutions with assets of $1 billion or more): a lending test; an investment test, and a service test.

The CRA service has, however, been underutilized as a tool to increase access to retail banking services for low- and moderate-income (LMI) households and communities. Researchers, community groups, and practitioners have criticized the implementation of the test for being plagued by insufficient quantitative data, superficial and inconsistent qualitative data, and a lack of performance driven measurements.

This alert examines the service test evaluations of Chicago area large banks and thrifts to determine what information on services is collected and analyzed during the test procedures and looks at how regulators use these data to assess service test performance. The alert also discusses the limitations of the available data and makes recommendations for steps that might be taken to improve the effectiveness of the service test performance evaluation.

Importance of Retail Banking Services

Retail bank accounts provide consumers with the means to cash checks, pay bills, and save. Such accounts are fundamental to a household's ability to accumulate assets and build wealth. However, many lower-income and minority consumers have no or limited relationships with the mainstream financial institutions that provide such accounts. The General Accounting Office (GAO) estimated that the number of households that do not have access to a basic bank account was 22.2 million in 1999--that translates to

[1] 12 U.S.C. § 2901(b)

56 million individuals that lack access to basic banking services.[2] Unbanked households are also disproportionately minority. The GAO study found that 21 percent of the unbanked population was African American and about 18 percent Hispanic. Other studies, however, find a much higher proportion of the unbanked to be minority. For example, a 2004 survey by the Joint Center for Housing Studies at Harvard University found that 52.4 percent of respondents termed "unbanked" were African American and 35.3 percent were Hispanic.[3]

Additionally, these numbers do not include households that have accounts with mainstream financial institutions, but who also continue to utilize high cost fringe financial services providers. A survey of low- and moderate-income households in Los Angeles, Chicago, and Washington, D.C., conducted by MetroEdge found that over 26 percent of such households with bank accounts continued to use non-bank financial service providers such as currency exchanges to cash checks.[4] Check cashers can charge up to three times as much as banks to cash checks. Consumers also often utilize higher cost financial services providers for other services offered through banks and credit unions such as wire transfers and short-term consumer loans. Usage of these higher cost products can impede asset accumulation of low-income and minority customers.[5] Fringe financial institutions not only charge more, but they do not offer savings vehicles and do not help customers build a credit record.

There are many complex reasons for why individuals do not utilize accounts provided by depository financial institutions. A Woodstock Institute study found that although the number of full service bank branches increased substantially in the Chicago area between 2000 and 2004, many lower-income and minority communities remained underserved. Low income zip-codes had less than one office per 10,000 people in 2004 while upper-income zip codes had over four offices per 10,000 people in 2004.[6] While access to mainstream financial services is limited for low-income and minority communities, these communities are targets for high-cost financial service providers, such as check cashers. However, convenience and accessibility are not necessarily the main reasons unbanked and underbanked individuals fail to use mainstream banks. The previously cited MetroEdge survey showed that issues such as concerns about the cost of and income necessary to maintain a bank account; a lack of motivation to open an account; not having proper identification or a social security number; and the complexity of managing an account were some of the primary reasons given by low- and moderate-income individuals for not using a checking account.[7]

The CRA Performance Evaluation: A Window Into the Service Test

The CRA performance evaluation (PE) is a tool available to the public that can be used to gauge how well banks and thrifts serve the credit needs of low- and moderate-income households and neighborhoods in

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[2]General Accounting Office. *Electronic Transfers: Use by Federal Payment Recipients Has Increased but Obstacles to Greater Participation Remain (2002).*

[3]Berry,C., "To Bank or Not to Bank? A Survey of Low-Income Households", Harvard University Joint Center for Housing Studies, Cambridge, MA, February, 2004.

[4]Seidman, Ellen, Moez Hababou, and Jennifer Kramer. 2005. A Financial Services Survey of Low- and Moderate-Income Households. Presented at 2005 Federal Reserve Consumer Affairs Research Conference.

[5]For more information on asset stripping products see: Williams, Marva and Joshua Silver, "A Lifetime of Assets, Asset Preservation: Trends and Interventions in Asset Stripping Services and Products", National Community Reinvestment Coalition, Woodstock Institute, September 2006.

[6]Smith, G., "Increase in Bank Branches Shortchanges Lower-Income and Minority Communities", Woodstock Institute, Chicago, IL, 2005.

[7]Seidman, Ellen, Moez Hababou, and Jennifer Kramer. 2005. A Financial Services Survey of Low- and Moderate-Income Households. Presented at 2005 Federal Reserve Consumer Affairs Research Conference.

the areas in which the institutions are chartered to do business. The performance evaluation is the public record of an institution's CRA examination. These examinations are conducted by the institution's primary federal banking regulator, either the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), or the Federal Reserve Board (FRB). Under CRA, large financial institutions are regularly examined for their provision of lending, investments, and services to low- and moderate-income households and communities in their designated service area. The PE is a narrative description of the financial institution and the results of the three component exams. To conduct this evaluation, regulatory agencies collect and analyze both quantitative information, such data on mortgage and small business lending and branching patterns, and qualitative data such as descriptions of innovative mortgage loan products, flexible bank accounts, or community outreach efforts. Analyses of these data are made public in the performance evaluation.

The service test component of the CRA PE focuses on both the availability and effectiveness of a bank's systems for delivering retail banking services and the extent and innovativeness of its community development services. The service test counts for 25 percent of a large institution's final CRA grade with the lending test counting toward 50 percent and the investments test counting toward the final 25 percent.

When assessing an institution's provision of financial services, examiners consider:

- The current distribution of branches among low- moderate- and upper-income census tracts within the bank's assessment area

- The bank's record of opening and closing branches particularly those in low- and moderate-income census tracts in the context of the current distribution of branches

- The availability and effectiveness of alternative delivery systems at serving low- and moderate-income neighborhoods and individuals

- The range and degree of tailoring of services and products to the needs of the community, particularly the hours of operation

Examiners also consider levels of community development services provided. Community development services are financial services that have community development[8] as their primary purpose. These do not involve the bank or thrift providing direct services to customers, but rather can include giving technical assistance to nonprofit, tribal, or governmental organizations serving LMI housing needs or economic revitalization; lending executives to organizations that facilitate affordable housing construction and rehabilitation; providing credit counseling, home buyer counseling, home maintenance counseling, or financial planning to promote community development; school savings programs targeting LMI people; financial services with a primary purpose of community development such as low-cost or free government check cashing. For each such activity, examiners must determine the extent of community development services provided, including customers' usage, and the innovativeness and responsiveness of the services.

Examiners must put this information in context by considering the community's demographics and needs. They also look at a bank's business strategy, product offerings, institutional capacity and constraints,

[8]Community development is very technically defined by the regulating agencies and broadly includes affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals, activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs or have gross annual revenues of $1 million or less; or, activities that revitalize or stabilize low-or moderate-income geographies. This definition has recently been expanded to include revitalization of rural and disaster areas to count as community development.

safety and soundness limitations, past performance, information in the institution's public file, and any other relevant information about the institution and the communities in which it operates.

Limitations of the Current Service Test From an Examination of Performance Evaluations

The CRA service test has been criticized for a number of reasons. In 2001, Michael Stegman analyzed scoring patterns of nearly 2,000 CRA examinations and found extremely high pass rates, inconsistent examinations, and unsupportable scores. These findings led Stegman to conclude that the service test creates only minimal incentives for banks to increase their service performance.[9] He suggested, in fact, that the service test was a vehicle for bank examiners to raise to "satisfactory" the overall grade of a bank performing inadequately on other tests.[10]

An analysis of the service test portion of the CRA performance evaluations of Chicago's largest banks reveals many of the inconsistencies discussed by Stegman continuing six years after he wrote his report.[11] Table 1 lists the results of the service test evaluation for 41 Chicago area large banks and thrifts that had a CRA examination conducted between 2001 and 2006. It includes a comparison of the institution's branch distribution in LMI tracts to the percent of the assessment area population in LMI tracts. The table also includes an assessment of the amount of information included in the PE description of community development products and services that might affect the service test score.

Analysis of the information found in Table 1 shows inconsistent use of bank branching patterns in the services test evaluation for many Chicago area institutions. For example:

- Twenty-two institutions received an overall CRA rating of "outstanding" and 19 received an overall CRA rating of "satisfactory".
- Of the 22 institutions receiving "outstanding" overall ratings, 14 received the highest score on the service test.
- Of the 14 "outstanding" institutions receiving the highest service test scores, eight had branch distributions serving low- and moderate-income communities that were well below assessment area averages.[12]
- Of these eight "outstanding" institutions with the highest service test scores but poor branch distributions:

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[9]Stegman, Michael et al. 2003. Creating a Scorecard for the CRA Service test.

[10]The individual sections and the overall CRA examinations are scored on a four-point scale, substantial non-compliance, needs to improve, satisfactory and outstanding. The vast majority of institutions receive overall grades of satisfactory or outstanding.

[11]This alert examines the service test portion of the CRA performance evaluations of Chicago's largest banks by asset size. Large banks, or those with over $1 billion in assets, are examined according to their performance on three tests; the investment test, the lending test, and the service test. Banks under $1 billion in assets are examined using a different method that does not include a service test component. In the Chicago area, there were 43 banks that had assets over $1 billion and were examined between 2000 and 2006 using the large bank method. The largest bank in the Chicago region by asset size, JPMorgan Chase, had just over $40 billion in local assets, or 15 percent of the market share. The smallest bank was EFS Bank with around $1 billion in assets and approximately .3 percent of the market share. This alert examines only each banks performance evaluation for the Chicago region and not the banks' other locations.

[12]We define an institution's branch distribution as "below average" if its percent of branches in LMI tracts is greater than 10 percentage points below the percentage of the assessment area in LMI tracts. An institution's branch distribution is "above average' if its percent of branches in LMI tracts is 10 percentage points above the percentage of the assessment area that is in LMI tracts.

- Two provided substantial detail about community development products and services offered to low- and moderate-income households.

- Four of these institutions provided general information on community development products and services.

- Two such “outstanding” institutions provided virtually no information on community development products and services to low- and moderate-income households.

Stegman believed that high service test scores were given to institutions to boost their overall grades to satisfactory. Although none of the 19 “satisfactory” institutions received outstanding service test scores, eight of the 22 institutions receiving “outstanding” ratings had sub-par branch distributions relative to their assessment areas and often vague descriptions of products and services indicating that an “outstanding” services test rating may not have been warranted.

In addition to inconsistent quantitative analysis, much of the qualitative analysis in the service test evaluations relies on ambiguous language. For example, banks are often touted in the text of their evaluations as being “leaders” in providing community development services. Without specifics, however, it is unclear what being a “leader” means. Most of the information provided regarding community development services was in the form of a check list with limited details of attendance at events, demand for products, or impact of the unspecified community development activity.

Table 1 shows that 23 performance evaluations, or about 56 percent, included general information on community development services. These examples may have described products and services in general, but include with very little detailed information specific outcomes. An example of a such a PE is that for Centier Bank:

> “Centier Bank has provided a relatively high level of community development services. Within the assessment area, the institution has taken advantage of partnership opportunities with numerous community development organizations to assist in addressing community credit and economic development needs.”[13]

This is followed with a table that summarizes the community development services provided by Centier Bank. The following excerpt is a typical entry in the table:

> “The bank has conducted several mortgage loan seminars for low- and moderate-income families in Gary through a local church and the Gary Department of Community Development...The bank offers Electronic Transfer Accounts, which are special deposit accounts through the Department of the Treasury for customers that receive Federal benefits, wages, salary, and retirement payments.”

> “The bank has been very active in supporting the formation of an Enterprise Zone (EZ) in Northwest Indian. Among other benefits, the EZ… has resulted in $130,000,000 bonding authority capability through the Department of Housing and Urban Development to finance new and existing businesses in the targeted area.”

[13] Centier Bank, Community Reinvestment Act Performance Evaluation, Federal Deposit Insurance Corporation, Division of Supervision and Consumer Protection, September 10, 2002.

Table 1. Breakout of CRA Service Test Results for Chicago Area Large Banks[14]

Name	Regulator	CRA Rating	Service Test Score	Provided No Information About Community Development Services	Provided General Information About Community Development Services	Provided Detailed Information About Community Development Services	Percent of Assessment Area in LMI Census Tract	Branch Distribution (% in LMI Census Tract)	LMI Branch Distribution-Assessment Area	LMI Branch Distribution Compared to Assessment Area Distribution
Banco Popular North America	FRB	O	6		X		43.5	65.0	21.5	Above Average
Bank Calumet, N.A.	OCC	O	6	X			23.3	0.0	-23.3	Below Average
Busey Bank	FDIC	O	6			X	29.0	20.0	-9.0	Average
Citibank, FSB	OTS	O	6		X		39.6	17.7	-21.9	Below Average
Cole Taylor Bank	FRB	O	6		X		40.9	40.0	-0.9	Average
Fifth Third Bank	FRB	O	6			X	38.6	8.2	-30.4	Below Average
First Midwest Bank	FRB	O	6		X		9.4	0.0	-9.4	Average
Harris Trust & Savings Bank	FRB	O	6			X	41.6	20.0	-21.6	Below Average
MB Financial Bank, N.A.	OCC	O	6		X		41.7	23.4	-18.3	Below Average
Northern Trust Company	FRB	O	6		X		40.6	5.9	-34.7	Below Average
Pullman Bank and Trust Company	FRB	O	6		X		38.4	50.0	11.6	Above Average
Regency Savings Bank, FSB	OTS	O	6		X		37.7	20.0	-17.7	Below Average
ShoreBank	FDIC	O	6			X	45.0	80.0	35.0	Above Average
World Savings Bank, FSB	OTS	O	6	X			43.4	16.7	-26.7	Below Average
Bank of America	OCC	O	4	X			29.3	0.0	-29.3	Below Average
Bank One National Association, Illinois	OCC	O	4	X			18.9	30.8	11.9	Above Average
LaSalle Bank, N.A.	OCC	O	4		X		37.3	7.2	-30.1	Below Average
Marquette Bank	FRB	O	4		X		51.1	43.8	-7.3	Average
National City (Bank of the Midwest)	OCC	O	4	X			9.4	8.0	-1.4	Average
State Farm Bank, FSB	OTS	O	4		X		24.4	0.0	-24.4	Below Average
U.S. Bank, N.A.	OCC	O	4	X			29.6	6.3	-23.3	Below Average
Mid America Bank, FSB	OTS	O	3		X		37.9	18.4	-19.5	Below Average
Bridgeview Bank Group	FDIC	S	4		X		37.6	36.0	-1.6	Average
Citizens Financial Services, FSB	OTS	S	4		X		27.2	13.6	-13.6	Below Average
EFS Bank	FDIC	S	4		X		11.0	11.1	0.1	Average
First American Bank	FDIC	S	4		X		37.0	8.8	-28.2	Below Average
First Bank and Trust	FRB	S	4		X		48.0	0.0	-48.0	Below Average
Midwest Bank and Trust Company	FRB	S	4		X		30.4	17.6	-12.8	Below Average
Morton Community Bank	FDIC	S	4		X		20.0	10.0	-10.0	Average
Oak Brook Bank	FDIC	S	4			X	6.7	0.0	-6.7	Average
Standard Bank and Trust Company	FDIC	S	4		X		10.0	9.1	-0.9	Average
TCF National Bank	OCC	S	4	X			31.1	14.2	-16.9	Below Average
The Bank of Edwardsville	FDIC	S	4	X			39.0	14.3	-24.7	Below Average
The PrivateBank and Trust Company	FDIC	S	4		X		33.0	0.0	-33.0	Below Average
West Suburban Bank	FDIC	S	4			X	6.0	3.0	-3.0	Average
Amcore Bank, N.A.	OCC	S	3	X			27.7	5.7	-22.0	Below Average
American Chartered Bank	FDIC	S	3	X			33.0	0.0	-33.0	Below Average
Centier Bank	FDIC	S	3		X		39.0	3.5	-35.5	Below Average
CIB Bank	FDIC	S	3	X			40.0	0.0	-40.0	Below Average
Lake Forest Bank and Trust Company	FRB	S	3	X			8.8	0.0	-8.8	Average
Parkway Bank and Trust Company	FDIC	S	3		X		25.0	0.0	-25.0	Below Average
Total				**12**	**23**	**6**				
Percent of Total				**29.27**	**56.10**	**14.63**				

[14] "O" indicates an outstanding rating and "S" indicates a satisfactory rating. The highest possible score on the service test is 6 and equates to an "outstanding;" a score of 4 equals "high satisfactory," and a score of 3 equals "low satisfactory." It is also important to note that not all banks have large branch distributions. At the time of their most recent CRA examination, Bank of America, State Farm Bank, and First Bank and Trust all had only one branch in their Chicago area assessment areas.

Six, or less than 15 percent of the performance evaluations examined provided some type of detailed information on community development products and services offered. An example of such a PE is that of Oak Brook Bank whose performance evaluation included some detailed information on specific community development services and outcomes:

> "Oak Brook Bank's retail service performance is enhanced with a relatively high level of community development services. The following are a few of the most notable community development services provided during the review period:
>
> The bank participates in the Illinois Lawyers Pooled Trust Account program wherein the interest on the accounts is donated toward legal assistance fees for low-income individuals in Illinois. The bank currently holds 49 accounts that resulted in donations of $17,100."[15]

The PEs of 12 institutions provided virtually no information whatsoever about specific community development products. Bank Calumet's performance evaluation is an example of such an evaluation. A typical excerpt reads:

> "Bank Calumet has been involved with a good number of community development activities within the Chicago, Illinois MA. In a few instances, the bank has acted in a leadership capacity. Involvement has been affordable housing, educational and small business related."

This is followed with several examples that provide no useful details:

> "The bank sponsored a number of meetings at various schools in low- and moderate-income areas. These programs educate children and parents on how to save money, the availability of financial assistance for education through student loans, and how to establish credit."[16]

The above section illustrates high levels of inconsistency in the evaluation of large Chicago area banks under the CRA service test. There is substantial variation in the bank branching patterns of "outstanding" banks with the highest service test scores. There is also little consistency in the qualitative descriptions of community development products and services provided by the institutions. The following section discusses the lack of performance driven measures used in examining service test performance, and highlights ways to improve the usefulness of the service test.

Absence of Critical Performance-Based Data from the Service Test Review

In addition to the disconnect between examination grades and the banks' performance on branch distribution and frequently vague qualitative descriptions of service test performance, there is an even larger problem in the current administration of the service test. The 1995 regulatory changes to the CRA regulation emphasized outcome based measurements. Outcome based measures assess an institution's extension of banking products and services to customers rather than plans or intention to deliver such products. Under the lending and investment test, data collected on mortgage or small business lending or grants and investments allow for direct analysis of an institution's extension of products to LMI markets. Under the service test, there are no data analyzed or collected that allow for similar analysis.

[15]Oak Brook Bank, Community Reinvestment Act Performance Evaluation, Federal Deposit Insurance Corporation, Division of Supervision and Consumer Protection, June 14, 2004.

[16]Bank Calumet, N.A., Community Reinvestment Act Performance Evaluation, Office of the Comptroller of the Currency, March 8, 2004.

Analysis of bank branch data used in the service test is not sufficient to understand how effective an institution is at extending retail products to LMI markets. It is important to know banks' branch distributions to get a general sense of the accessibility to financial services to certain geographic areas. The presence of a bank in a lower-income community encourages other businesses to locate there, and prior Woodstock Institute's research shows that the presence of a bank branch in a neighborhood promotes small business lending.[17]

On the other hand, the goal of the CRA service is not merely to get a sense of branch location but rather to measure how banks are serving the credit and service needs of the community. A different set of data is needed to measure actual bank services to lower-income communities. Those data would measure such outcomes as the number of low-cost savings accounts opened, the percent of low-income households served, and a comparison of these figures against those of comparable banks. Branch distribution data, is a seriously insufficient measure of how well a bank is meeting the needs of the community. Measuring delivery channels encourages the development of more delivery channels, but not necessarily the actual delivery of products and services.

While the other components of the CRA examination could be improved, the lending and investment sections are clearly defined and use more objective quantitative measurements in their analysis. The lending portion of the CRA examination uses Home Mortgage Disclosure Act (HMDA) and small business lending data that describe the number, volume, and census tract demographics of the loans the bank made.[18] For mortgage loans, borrower characteristics are also considered. The investment section of the service test provides data about number, volume and location of community investments while also crediting innovation, complexity and responsiveness.[19]

There is no similar standardized collection of performance-based data for the service test. However, examiners will occasionally report data in certain circumstances. The following are excerpts of CRA service test PEs that include some type of data on opened or existing accounts:

- **World Savings Bank, FSB -** "In 2004, the institution began offering a Household Checking Account. The account requires a minimum balance of $1, with a monthly service fee of $3, and is targeted to lower-income customers desiring basic services at a low cost. At year end 2004, Illinois offices had 45 such accounts totaling $245,700."[20]

- **Parkway Bank -** "The bank began to offer Electronic Transfer Accounts in July 2000. This program offers low-income residents a low-cost account, which enables them to receive public assistance, federal benefit, or social security payments electronically. Currently the bank has 11 accounts with an aggregate balance of $1,000."[21]

- **Busey Bank** – "The Bank officer is a Director of Partnership for Individual Development (PAID). This organization helps low- and moderate-income families build assets through financial education

[17]See Smith, Geoff. July 2003. *Reinvestment Alert #23: Small Business Lending in the Chicago Region*. Woodstock Institute: Chicago, IL.

[18]12 C.F.R. §§ 25.22, .23.

[19]Ibid.

[20]World Savings Bank, FSB, Community Reinvestment Act Performance Evaluation, Office of Thrift Supervision, August 5, 2005.

[21]Parkway Bank, Community Reinvestment Act Performance Evaluation, Federal Deposit Insurance Corporation, Division of Compliance and Consumer Affairs, June 3, 2003.

and individual development accounts (IDAs). Busey Bank held all the IDAs (82 accounts) during the initial phase of the program."[22]

- **Pullman Bank and Trust Company** - "Included in these products is a non-interest-bearing "Free Checking Account" that can be opened for $100, has no monthly or per check fee, and allows four free monthly transactions at proprietary ATMs. This product benefits lower income residents of the community by eliminating costly fees often associated with a checking account. The bank has opened 1,143 of these accounts since its introduction in October 2003, of which 59 percent were to residents of low- or moderate-income census tracts." [23]

- **ShoreBank** - "Since its last evaluation, ShoreBank has expanded its commitment to delivering deposit accounts to the unbanked, as well as low- and moderate-income individuals. The cornerstone products to this initiative are Individual Development Accounts (IDAs), Electronic Transfer Accounts (ETAs), and the First Accounts Program… ETAs are basic low-cost accounts with no balance requirements for federal benefit, wage, salary, or retirement payments. In aggregate, ShoreBank has administered 475 of the accounts since its last evaluation." [24]

These examples show that such data are available to bank examiners, but the fact that it has been reported for only a small set of institutions substantially limits its usefulness. Such data must be collected in a standardized manner and reported for every institution examined. The absence of such data from the majority of examinations reflects a poorly trained examination force and/or an institutional unwillingness on the part of the bank regulators to take the service test seriously despite the Congressional mandate.

Recommendations for the better implementation of the Service Test

The implementation of the service test needs major improvements before the test can capture the reality of an institution's delivery of banking services to lower-income people and communities. The following changes would allow the test to more effectively measure a bank's performance and should be reported in the PE:

1. Branch distribution should be measured in a consistent manner against the percent of households living in low-and moderate income neighborhoods in the bank's assessment area.

2. Standardized data on new and existing retail checking and savings accounts should be collected and analyzed by regulatory agencies. These data should include information on account holder census tract, year opened, and average annual balance.

3. Since many lower-income people do not live in lower-income zip codes, examiners should also conduct sample surveys of the income and race/ethnic distribution of an institution's retail customers to determine the percent of those customers that are lower-income and/or members of minority groups.

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[22] Busey Bank, Community Reinvestment Act Performance Evaluation, Federal Deposit Insurance Corporation, Division of Supervision and Consumer Protection, July 25, 2005.

[23] Pullman Bank and Trust Company, Community Reinvestment Act Performance Evaluation, Federal Reserve Bank of Chicago, October 25, 2004.

[24] ShoreBank, Community Reinvestment Act Performance Evaluation, Federal Deposit Insurance Corporation, Division of Supervision and Consumer Protection, March 3, 2003.

4. Examiners should institute a systematic analysis of the full cost of retail products which will allow for comparisons among institutions.

5. Examiners should also construct and report a systematic analysis with quantitative data of the number and income/race of customers who use alternative ways of accessing financial products telephone and internet banking, smart ATMs with such features as automated money orders, and wire transfers to other countries.

6. Banks should report data on the services they provide to unbanked households and their success in using those services to recruit new customers.

7. Examiners should carefully examine banks' relationships with high cost fringe lenders and determine whether those fringe lenders' disclosure activities (as opposed to just disclosure notices) costs, terms and conditions have a deceptive impact on their customers.

8. Banks should be required to report quantitative details of their community development services including the number of people who attend financial literacy events and the number of new accounts that result from such events.

9. Large banks inundate customers with debt products including credit card solicitations and passive checks. Banks should be penalized if these offerings are likely to have a deceptive impact on the average customer.

10. Banks should also be examined to see whether they effectively market savings products to lower-income consumers.

Prepared by
Geoffrey Smith,
Malcolm Bush
and Nathan Paufve