

Bank Size Threshold *Lowered* for 2010 CRA Exams!

On December 23, 2009 the Federal Financial Institutions Examination Council (FFIEC) published the new asset size thresholds for banks to be examined under the Community Reinvestment Act (CRA).

For the first time since the inception of the size standards, the size limits actually decreased!

Asset size for any bank is determined by the year-end balance sheet for the two most recent calendar years. Effective for exams conducted after January 1, 2010 the size thresholds (determined by the December 31, 2008 and 2009 balance sheets) will be:

- Small Bank: Assets less than \$274 million
- Intermediate-Small Bank: Assets of \$274 million to less than \$1.098 billion
- Large Bank: Assets of \$1.098 billion or more

How Asset size change may impact some banks

The reduction in size standards may propel banks that were close to the size thresholds at the end of 2008 into a different size category at the end of 2009. For example, a bank that had an asset size of \$275 million on December 31, 2008 would have been a small bank during 2009. If that bank's asset size remains at \$275 million at December 31, 2009 the bank after January 1, 2010 would be subject to the CRA examination standards applied to Intermediate-small banks even though the bank did not grow during 2009.

Tougher ISB performance standards surprise small banks

Unlike banks examined under the "Small Bank" CRA performance standards, banks examined under the ISB performance parameters must demonstrate satisfactory "community development activity" to pass a CRA exam. Small banks have no community development performance requirements for CRA examinations. *And, ISB standards are imposed retroactively!*

This dramatically different performance requirement can be a very unpleasant surprise. During 2008 GeoDataVision was asked to help a bank that had failed its first CRA examination as an ISB. The bank president told us he was completely surprised by the "needs to improve" performance rating. He had assumed that all the community activity he and the officers and directors had done for years would count towards his bank's CRA performance. He was stunned to find out that *none of those community activities counted for his examination*. If you are about to become an ISB be prepared for the change in examination standards.