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COMMUNITY REINVESTMENT ACT

THE 3 FACES OF CRA

Presented by:

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## COMMUNITY REINVESTMENT ACT

### THE THREE FACES OF CRA

#### 1. PURPOSE

The purpose of the CRA is to encourage regulated banks to help to meet the credit needs of its community.

This is accomplished by developing loan programs and consumer services that meet specific needs identified by the bank in its local community.

#### 2. EXAMINATIONS AND EVALUATION

Each examining agency is required to evaluate bank's success in meeting examination standards, the 12 assessment factors, which impact CRA performance.

The result of the examination is a written evaluation report including a standardized rating which is available to the public.

#### 3. ENFORCEMENT

The enforcement of the CRA occurs at any time that a regulator evaluates any application submitted by a bank including new branches, relocations, new ATM locations, mergers and acquisitions. Applications can be delayed or denied on CRA grounds.

The application process always includes an opportunity for public comment or challenge. Banks may be required to meet with their challengers and may make commitments for future actions such as loan programs or special loan terms.

THE COMMUNITY REINVESTMENT ACT OF 1977

SECTION 802

The Congress finds that --

1. regulated financial institutions are required by law to demonstrate that their deposit facilities serve the convenience and needs of the communities in which they are chartered to do business;
2. the convenience and needs of communities include the need for credit services as well as deposit services; and
3. regulated financial institutions have continuing and affirmative obligation to help meet the credit needs of the local communities in which they are chartered.

It is the purpose of this title to require each appropriate Federal financial supervisory agency to use its authority when examining financial institutions, to encourage such institutions to help meet the credit needs of the local communities in which they are chartered consistent with the safe and sound operation of such institutions.

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RIVERSIDE BANK  
MINNEAPOLIS, MN

COMMUNITY REINVESTMENT ACT STATEMENT

The Community Reinvestment Act (CRA) is intended to encourage all financial institutions to assess and meet the credit needs of their local communities, including low- and moderate-income areas, while maintaining safe and sound banking practices.

The Board of Directors and Officers of Riverside Bank are proud of Riverside Bank's involvement in the community and are committed to continuing to meet local credit needs. The ongoing efforts to do so are described in the sections to follow.

Each year the Bank publishes an "Annual Report to the Community" containing information about activities undertaken and plans to work with community groups for the coming year. This report is available at each bank office.

LOCAL COMMUNITY DELINEATIONS

Riverside Bank operates four banking offices in Minneapolis and Bloomington, Minnesota. The local community of Riverside Bank is roughly defined as an oval extending from Lowry Avenue on the north, Cleveland Avenue on the east, 90th Street on the south, and Hwy. 100 on the west.

The local community is further delineated on the map attached to this statement and titled "Local Community of Riverside Bank".

A detailed review of median household incomes in these areas and adjacent areas shows that Riverside Bank includes several low- and moderate-income areas within its community and does not exclude any low- and moderate-income areas that would otherwise fall naturally within its delineated community.

Riverside Bank is prepared to meet the credit needs of all areas within this community consistent with safe and sound banking practices.

#### CREDIT SERVICES OFFERED

The following types of credit services are offered by the bank at this time:

Commercial Loans	Term and Working Capital loans Commercial real estate construction and rehabilitation Loans in participation with local and federal government programs for small business Community development loans Business Coop Loans
Real Estate Loans	Short term residential real estate loans Home improvement loans FHA Title I home improvement loans MHFA home improvement and home energy loans Multi-family dwelling loans Home equity loans
Consumer Loans	Auto and other purchase-money loans Consumer and household loans Overdraft checking loans Credit cards

#### ASSESSMENT OF COMMUNITY CREDIT NEEDS

The officers of the bank maintain contact with numerous organizations and groups representing business, residents and government agencies within the delineated communities. The purpose of these contacts is to learn about the credit and other financial needs within the community and to maintain open communication about Riverside Bank's role in helping to meet these needs. Officers are encouraged to participate on an ongoing basis with groups to offer financial or technical assistance.

A list of organizations contacted during 1993 is attached to this CRA Statement.

The primary credit needs of the community are for small business loans, commercial and residential rehabilitation loans, home equity and home improvement loans and consumer goods purchase loans.

## MANAGEMENT AND BOARD OF DIRECTORS INVOLVEMENT

All bank officers and members of the Board of Directors are responsible for involvement in the bank's CRA efforts. The subject of CRA is discussed at all monthly officer meetings and frequent Board of Directors meetings. Other bank staff members are informed of the bank's CRA plans at least annually at All-Bank Meetings and are encouraged to participate in community activities through the bank's volunteer program, Riverside Community Affairs Team (RCAT).

A CRA Committee of the Board of Directors meets to review all CRA-related activities and to provide direction and input for future credit, marketing and other community events. The Board of Directors reviews and discusses minutes of these committee meetings. At each monthly officers meeting community activities and marketing are discussed.

Each year the officers of the bank perform a CRA self-assessment. The results of the self-assessment lead to the development of an annual CRA Program that addresses all aspects of CRA.

## MARKETING OF CREDIT PROGRAMS

The marketing of services is actively conducted through neighborhood newspapers. The city of Minneapolis is served by a wide variety of publications serving specific geographic neighborhoods and other special interest groups. An annual review of available publications is conducted and a schedule for the year developed. In 1993 the bank made use of 18 such publications with advertising featuring low-cost checking accounts, consumer and home improvement loans, and small business loans through MCDA programs. Other areas of the community are reached through bank participation in seminar and loan presentations through local organizations.

To reach business owners the bank has advertised in 3 local business publications, participated in local business trade expos and been involved in chambers of commerce and business associations. The bank's officers also maintain monthly logs of outside calls in the community.

## ORIGINATION OF CREDIT

In 1993 the bank maintained a loan-to-deposit ratio of over 75%. By dollar volume, the portfolio consists of approximately 66% loans to small businesses, 27% loans for commercial and residential real estate, and 7% loans for consumer purposes. The bank has ascertained that the need for small business, business coop, and community development loans is great within its community and not fully met by other institutions and has largely concentrated efforts in that area. Lending to small businesses contributes to community stability, neighborhood development and expansion of the local employment base. The bank also participates in loan programs with the U. S. Small Business Administration and local business development programs

through the Minneapolis Community Development Agency, the Minneapolis Consortium of Economic Developers and the St. Paul Economic Development Corporation. The bank also helps meet the need for loans for rehabilitation and home improvement through the Minnesota Housing Finance Agency, the FHA Title I home improvement loan program and its own portfolio for rehabilitation of single and multi-family residential property. Meeting needs for all types of credit remains a priority for the bank.

#### COMMUNITY REDEVELOPMENT

Riverside Bank participates in redevelopment through direct lending and community involvement. Officers serve on boards and advisory councils in numerous local organizations including the West Bank CDC, Phillips CDC, and Cedar-Riverside Business Association. Some community development projects approved in 1993 are: Olson Radiator, CHDC Limited Partnership/Olson Townhomes, West Bank IX, and Monterey Co-Housing. Officers have also been involved in developing and implementing new programs for consumer and neighborhood needs through social service agencies and the Minneapolis Neighborhood Revitalization Program.

The bank also contributes to its communities through the Riverside Community Affairs, a volunteer program for bank employees. More than 90% of the bank's employees have volunteered their time, either individually or in group activities, for events or agencies that work within our communities. The bank is also a sponsor of CedarFest, a local festival.

The bank makes financial contributions to local organizations and agencies. The officers follow a contribution guideline that gives preference to local groups. A list of financial contributions is compiled and reviewed semi-annually.

If you have any further questions about the bank's involvement in the community, please contact President David Cleveland.

Approved by the Board of Directors  
March 21, 1994

By: \_\_\_\_\_

LOAN PROGRAM REVIEW

PROGRAM NAME: Family Loan Program

CREDIT NEED: Purchase of vehicles by low-income families, often with past credit problems, trying to maintain an income source from work or government sponsored training program.

HOW IDENTIFIED Discussions with Pillsbury Neighborhood Centers, a local social service agency

LOAN PROGRAM The social service agency makes available an initial loan at with low monthly payments. Funds are provided from a local foundation. Loan applicants receive budget and financial counselling.

After successful repayment of the initial loan, applicants may submit an application to the bank for larger loans. Based on successful repayment and completion of financial counselling, the bank disregards past credit problems.



LOAN PROGRAM REVIEW

PROGRAM NAME	4% Visual Improvement Loan
CREDIT NEED	The commercial area of a low income neighborhood has become somewhat run down. The businesses are often renters who are unable to invest in property improvements.
HOW IDENTIFIED	Bank officer observation in area near branch office, discussion with local business owners.
LOAN PROGRAM	Low interest (4%) installment loans for up to \$5,000 to improve the exterior of commercial buildings in a limited area. Loans require minimal application paperwork and no mortgage is required. The loans are available to both owners and renters.

## LOAN PROGRAM REVIEW

PROGRAM NAME	BUSINESS MICRO LOANS
CREDIT NEED	Owners and proprietors of very small businesses need amounts up to \$25,000, and often as low as \$5,000, for working capital and to purchase equipment. Many banks consider loans at these amounts to be consumer loans and offer no business terms.
HOW IDENTIFIED	Focus group research by the Twin Cities Economic development Study Group, which Riverside Bank supported.
LOAN PROGRAM	<p>Small business owners are encouraged to contact a commercial loan officer at the bank. They meet with the officer, review their business history, experience and financial statements or tax returns. The loan officer may arrange a credit line or loan for up to \$25,000 and offers to meet with them 2 to 4 times each year to discuss their business and any other financing needs.</p> <p>The bank also arranges semi-annual seminars on small business topics to which micro loan borrowers are invited.</p>

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LOAN PROGRAM REVIEW

PROGRAM NAME                      Multi-family housing rehab 3/10 program

CREDIT NEED                        Owners of smaller multi-family  
properties in a low income neighborhood  
are unable to arrange financing for  
code violation correction or property  
upgrade.

HOW IDENTIFIED                    Neighborhood resident/property owner  
group developed a neighborhood plan  
using city grant funds.

LOAN PROGRAM                      The bank reviews applications for loans  
for property improvement purpose. The  
city is able to guarantee loans if the  
bank denies the loan based on credit.  
All loans are made at 10% and the city  
"buys down" the rate to 3% for the  
borrower.

COMMUNITY REINVESTMENT ACT OF 1977

SECTION 804

In connection with its examination of a financial institution, the appropriate Federal financial supervisory agency shall --

1. assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution; and
2. take such record into account in its evaluation of an application for a deposit facility by such institution.

COMMUNITY REINVESTMENT ACT OF 1977

SECTION 807

Upon the conclusion of each examination of an insured depository institution under section 804, the appropriate Federal financial supervisory agency shall prepare a written evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods.

Each written evaluation shall have a public section and a confidential section.

The public section of the written evaluation shall --

- A. state the appropriate Federal financial supervisory agency's conclusions for each assessment factor identified in the regulations prescribed by Federal financial supervisory agencies to implement this Act;
- B. discuss the facts and data supporting such conclusions; and
- C. contain the institution's rating and a statement describing the basis for the rating.

The institution's rating shall be 1 of the following:

- A. Outstanding record of meeting community credit needs
- B. Satisfactory record of meeting community credit needs
- C. Needs to improve record of meeting community credit needs
- D. Substantial noncompliance in meeting community credit needs.

CRA EXAMINATION  
12 ASSESSMENT FACTORS

ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

- A. Activities conducted by the institution to ascertain the credit needs of its community including the extent of its efforts to communicate with members of the community regarding the credit services being provided by the institution.
- C. The extent of participation by the institution's board of directors in formulating policies and reviewing the institution's performance with respect to the purposes of the Community Reinvestment Act.

MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

- B. The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services it offers.
- I. The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business and small farm loans within its community; or the purchase of such loans originated in its community.
- J. The institution's participation in governmentally[insured, guaranteed, or subsidized loan programs for housing, small business or small farms.

GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of delineated community.

- E. The geographic distribution of the institution's credit extensions, credit applications, and credit denials.
- G. The institution's record of opening and closing offices and providing services at offices.

DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

- D. Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).
- F. Evidence of prohibited discriminatory or other illegal credit practices.

COMMUNITY DEVELOPMENT

- H. The institution's participation, including investments, in local community development and redevelopment projects or programs.
- K. The institution's ability to meet various community credit needs based on its financial condition and size, and legal impediments, local economic conditions and other factors.
- L. Other factors that, in the regulatory authority's judgement, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.