

FINAL BILL REPORT

SSB 5651

C 240 L 08

Synopsis as Enacted

Brief Description: Changing the criteria for investigating and assessing performance in meeting community credit needs.

Sponsors: Senate Committee on Financial Institutions & Insurance (originally sponsored by Senators Kauffman, Kastama and Kilmer).

Senate Committee on Financial Institutions & Insurance
House Committee on Insurance and Financial Services & Consumer Protection

Background: The Community Credit Needs chapter of law is patterned after the Community Reinvestment Act of 1977 (CRA). The CRA, which was enacted by Congress in 1977, is intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods. The regulations implementing this federal legislation were revised in May 1995.

The CRA requires that each depository institution's record in helping meet the credit needs of its entire community be evaluated periodically based on the institutions filed statements. That record is taken into account in considering an institution's application for deposit facilities. Neither the CRA nor its implementing regulation gives specific criteria for rating the performance of depository institutions. The law indicates that the evaluation process should accommodate an institution's individual circumstances and that the institution should follow safe and sound business practices.

CRA examinations are conducted by the federal agencies that are responsible for supervising depository institutions. Depository institutions that are examined by the Federal Reserve include state-chartered banks that are members of the Federal Reserve, as well as federal-chartered banks.

State law sets forth 11 specific criteria, independent of any federal determination, for the Director of the Department of Financial Institutions (director) to use in assessing a bank's record of performance in meeting the credit needs of the bank's entire community.

A summary is also required. The summary must include an annual numerical community reinvestment rating to be scored to represent the results of the performance assessment.

Some of the 11 criteria that are scored annually include the bank's record of performance in marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution; any practices intended to discourage applications for the types of credit set forth in the bank's community reinvestment act statements; the geographic distribution of the institution's credit extensions, credit applications, and credit denials; and the institution's participation in local community development projects.

The director must accept in lieu of an investigation, the relevant statements filed at the federal level to the extent that those documents assist the director in making the annual assessment.

Summary: For both banks and savings banks, the specific criteria for the annual numerical community reinvestment assessment and rating includes the institution's participation in microenterprise development projects.

Votes on Final Passage:

Senate	47	0
House	95	0

Effective: June 12, 2008