Illinois Community Reinvestment Act

The **Illinois Community Reinvestment Act (IL CRA)**, 205 ILCS 735, was signed into law on March 23, 2021. The IL CRA is intended to incentivize state-regulated financial institutions to provide access to credit for low- and moderate-income communities and communities of color in an **equitable and comprehensive** manner. This includes, for example, providing financing for community and economic development activities, credit to help small businesses thrive, and access to sustainable and affordable housing and to responsible consumer credit.

The law was passed "to establish a regulatory framework that explicitly and intentionally aims to reverse the profoundly negative consequences of redlining."*

Illinois Senator Jacqueline Y. Collins, legislative champion of the IL CRA, **comment letter to the Office of the Comptroller of the Currency on 2022 Notice of Proposed Rulemaking on the Community Reinvestment Act, August 5, 2022. Co-signed by Illinois Senators Napoleon Harris, III, Christopher Belt, Laura Fine, and Robert Peters.*

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Overview of IL CRA Final Rules

On May 1, 2024, the **Illinois Department of Financial and Professional Regulation (IDFPR)** adopted final rules for implementing the IL CRA, with implementation beginning February 1, 2025. Find more information on the rules and how to get involved at the Illinois CRA Coalition webpage: www.ilcracoalition.org.

IL CRA Covered Entities

*IDFPR maintains a license search engine that can be found **here**.*

- State-Chartered Banks
- State-Chartered Credit Unions
- State-Licensed Mortgage Companies that lent or originated 50 or more mortgages in the previous calendar year

Exam Schedule

Under the Final Rules, IDFPR will examine the covered entities every one to five years, depending on their size, volume of activities, and prior IL CRA ratings. A list of scheduled exams for the upcoming quarter will be published by IDFPR at least 30 days before that quarter.

- State-Chartered Credit Union Exam Schedule
- State-Chartered Bank Exam Schedule
- State-Licensed Mortgage Company Exam Schedule

Ratings

Based on this exam, a covered entity can receive one of the following ratings:

- Outstanding
- Satisfactory
- Needs to improve
- Substantial noncompliance

Assessment Factors

Ratings are generally based on positive factors like:

- Activities to ascertain the financial product and service needs of the applicable community
- Marketing of products and services to applicable communities
- Loan origination and other efforts to help low- and moderate-income (LMI) families retain affordable housing
- Origination of small business loans
- Participation in community development and redevelopment programs, small business technical assistance, and housing/credit counseling
- Support of minority-owned depository institutions (MDIs), community development financial institutions (CDFIs), and mutually owned financial institutions
- Efforts to prevent and resolve delinquencies
- Retail services for underbanked and unbanked households

There are also negative factors that affect ratings, including:

- Origination of loans that spur displacement by decreasing the supply of affordable housing supply
- Evidence of discriminatory and prohibited practices

Performance Context

Evaluators take into consideration:

- Demographic data on income and housing for each assessment area
- Lending, investment, and service opportunities in each assessment area
- Covered entity's product offerings and business strategy
- Institutional capacity and constraints
- Past performance under the IL CRA and performance of similarly situated institutions
- Any written comments about the covered entity's IL CRA performance submitted to the institution or IDFPR
- For state-chartered credit unions and banks, the public files containing state and/or federal CRA materials described below
- For state-chartered credit unions, defined membership and legal restrictions
- Any other information deemed relevant by IDFPR

Encouraged activities all must fall within the context of safe and sound operations.

Unique to Illinois: Equity Lens

In June 2024, SB3235 was signed into law, requiring the Commission on Equity and Inclusion (CEI) to conduct one or more disparity studies to identify and define places in Illinois exhibiting significant disparities with respect to access to financial products and services, as well as lending and investments by covered financial institutions. Subsequent rulemaking will determine how the disparity studies will be utilized in the IL CRA Examination Process.

- SB 3235
- SB 3235 Fact Sheet

Performance Tests

Lending Test	Service Test	Investment Test
Evaluates home mortgage, small business, small farm, and community development lending, as well as origination and purchase of loans. If it constitutes a substantial majority of a Credit Union or Bank's business, consumer lending can also be considered.	Covered entity's record of meeting credit needs based on an analysis of the availability and effectiveness of its system for delivering banking services, and the innovativeness and extent of community development services.	Evaluates covered entity's record of meeting credit needs through qualified investments (primary purpose needs to be community development) in its assessment area, or statewide or regional areas that include its assessment area. This test does not include any activity considered under the lending or service tests.
In addition: ***Credit Unions and Banks*** *may request consideration of community development loans made by consortia or third-party entities.* *Applies to* ***Mortgage Companies*** *doing 50+ mortgage loans in Illinois within the last calendar year; generally focuses on mortgage lender's home mortgage activity (as reported through HMDA, although other data can be considered) and community development lending.*	***In addition:*** ***Credit Unions*** *that provide all or a majority of their services via digital channels must meet financial needs within their assessment fields consistent with their common bond.* *Applies to* ***Mortgage Companies*** *doing 200+ mortgage loans in Illinois within the last calendar year; generally focuses on availability and effectiveness of mortgage lender's systems for delivering mortgage loan products and the extent and innovativeness of its community development services.*	***In addition:*** *Applies to* ***Credit Unions*** *only if Credit Union opts in. Credit unions can also elect to include affiliate investments.*

An additional **Community Development Test** applies to wholesale or limited purpose Credit Unions and Banks. This evaluates their record of helping to meet the credit needs of their assessment area or field through community development lending, qualified investments, or community development services.

Alternative examination procedures are available for entities that qualify as Very Small Credit Unions and Banks.

Publicly Required Information

Upon request, entities covered by the IL CRA must provide:

- Written comments from the public for the current year and two years prior relating to IL CRA performance and the covered entity's response(s)
- Public section of their most recent IL CRA Performance Evaluation
- Map of each assessment area or field delineation
- Copy of strategic plan (if applicable)
- If the previous rating was below "Satisfactory," must include a description of current efforts to improve that is updated quarterly

  Additional information required for State-Chartered Credit Unions and Banks:

  - List of branches with their addresses, as well as list of branches opened and closed within the current and two previous years and their addresses
  - List of services generally offered and material differences in cost or availability at different branches
  - For credit unions, description of field of membership

  Additional information required for covered Mortgage Companies:

  - Home Mortgage Disclosure Act (HMDA) Disclosure Statement from the Federal Financial Institutions Examination Council (FFIEC) for each of prior two years

Rules Specific to Credit Unions (in addition to above)

Credit Union Community Reinvestment - 38 Ill. Adm. Code 185

Covers

Applies to all state-chartered credit unions

- State-Chartered Credit Union Rules

Small Credit Union*

Assets less than **$402 million** in either of the last two years

Intermediate Small*

Between **$402 million** and **$1.609 billion** in assets in both of the last two years

Large Credit Union*

Over **$1.609 billion** in assets in either of the last two years

*Asset thresholds are updated annually

Performance Tests

Small Credit Unions are evaluated under a modified lending test, while **Intermediate Small Credit Unions** are evaluated under a modified lending and community development test.

Small and Intermediate Small Credit Unions have the option to be evaluated under the standard lending and services tests if they collect and report the data required of other Credit Unions.

Strategic Plan Option

A strategic plan option is available to all credit unions subject to review and approval by IDFPR. The plan must include measurable goals for meeting credit and community needs and address all applicable performance categories. This option does not change the credit union's data reporting obligations.

Assessment Field (where activity will be evaluated for all credit unions):

- Credit unions must delineate as their assessment field members from their occupational or associational common bonds, or members other than community common bond members, as well as the geographic areas containing members and persons eligible for membership
- May delineate only current members with the approval of the IDFPR Secretary, when inclusion of geographic areas containing eligible members would be unreasonable or impractical
- May delineate only geographic areas containing members and persons eligible for membership when such delineation is reasonable and consistent with meaningful evaluation of the Credit Union's IL CRA record
- May not reflect illegal discrimination or arbitrary exclusion of LMI geographies

Rules Specific to State-Charted Banks (in addition to above)

Bank Community Reinvestment - 38 Ill. Adm. Code 345

Covers

Applies to all state banks and savings banks, except special purpose banks that do not perform commercial or retail banking services by providing credit to the public

- State-Chartered Bank Rules

Small Bank*

Assets less than **$402 million** in either of the last two years

Intermediate Small*

Between **$402 million** and **$1.609 billion** in assets in both of the last two years

Large Bank*

Over **$1.609 billion** in assets in either of the last two years

*Asset thresholds are updated annually

Performance Tests

See outline of performance tests above. For banks (including small banks), these are similar to the Federal CRA review.

Small Banks are evaluated under a modified lending test, while **Intermediate Small Banks** are evaluated under a modified lending and community development test.

Small and Intermediate Small Banks have the option to be evaluated under the standard lending and services tests if they collect and report the data required of other banks.

Strategic Plan Option

A strategic plan option is available to all state-chartered banks subject to review and approval by IDFPR. The plan must include measurable goals for meeting credit and community needs and address all applicable performance categories. This option does not change the bank's data reporting obligations.

Assessment Areas (where activity will be evaluated for all state-chartered banks):

- Banks must delineate at least one assessment area, subject to IDFPR review
- For **wholesale or limited purpose banks**, assessment area(s) must generally consist of one or more Metropolitan Statistical Areas (MSAs) or metro divisions, or one or more contiguous political subdivision(s)
- For **all other banks:**
    - One or more MSAs or metro divisions, or one or more contiguous political subdivisions; and includes geographies in which the bank has its main office, its branches, and its deposit-taking locations, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans.
- Must consist only of whole geographies, such as MSAs, metro divisions, or contiguous political subdivisions
- May not reflect illegal discrimination or arbitrary exclusion of LMI geographies

Rules Specific to Mortgage Companies (in addition to above)

Mortgage Community Reinvestment - 38 Ill. Adm. Code 1055

Covers

Entities licensed under the Illinois Residential Mortgage License Act of 1987 which **lent or originated 50 or more mortgages** in the previous calendar year and which are not covered by the federal CRA.

- State-Licensed Mortgage Company Rules

Performance Tests

See outline of performance tests above. The lending test applies to Mortgage Companies doing 50+ mortgage loans in Illinois within the last calendar year; service test applies to Mortgage Companies doing 200+ mortgage loans in Illinois within the last calendar year.

Assessment Area (where activity will be evaluated):

- Entire state of Illinois, with additional review of areas with full-service offices

Glossary

Area Median Income (AMI) - the median family income for as designated geographic area. For the IL CRA that area will be the Metropolitan Statistical Area (MSA), if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Community Development Financial Institution (CDFI) - financial institutions that serve underserved communities and LMI populations with a primary mission of community development. CDFI status is certified by the U.S. Department of the Treasury.

Home Mortgage Disclosure Act (HMDA) - a federal law that requires financial institutions to collect and report detailed data about mortgage loans and applications to the pubic. The data are collected and made public by the Consumer Financial Protection Bureau.

Low- and Moderate-Income (LMI) - income levels for individuals and households that are below 80% of the AMI. These income thresholds vary by geography and the size of a household.

> Low-income - an individual income that is less than 50 percent of the area median income or a median family income that is less than 50 percent in the case of a geography.
>
> Moderate-income - an individual income that is at least 50 percent and less than 80 percent of the area median income or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Metropolitan Statistical Area (MSA) - a geographic region defined by the U.S. Office of Management and Budget, containing at least one urban area of 50,000 or more inhabitants. A MSA with a single core with a population of 2.5 million or more may be subdivided into metropolitan divisions consisting of smaller groups of counties.

Minority-Owned Depository Institution (MDI) - financial institutions where 51 percent or more of the voting stock is owned by minority individuals, or a majority of the Board of Directors is minority and the community that the institution serves is predominantly minority.