IL Community Reinvestment Act in Action

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Speakers

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IL CRA Coalition

- Co-led by Housing Action Illinois & Woodstock Institute
- Over 50 members
- For both federal and IL CRA: webinars, comment letters, policy advocacy, educating and engaging community in CRA policy
- Moving forward: technical assistance for IL CRA

Federal CRA Status

Rescission of 2023 Rules

- In July, federal regulators issued a Notice of Proposed Rulemaking to rescind the most recent update to the rules, replacing them with the previous standards originally adopted in 1995.
- The comment period closed August 18, and we expect the rules to be implemented as proposed.
- While IL CRA builds on the federal CRA, it was designed to complement and fill the gaps of the federal regulations.

Proposed Rule Framework

Banks have continued to operate under the 1995 framework while implementation of the 2023 rules was placed on hold due to a lawsuit

- Blindspot for online banking
- More discretion given to examiners in lending ratings, reducing transparency
- Less clarity for what qualifies as community development
- No consideration of deposit products
- Lower entity size thresholds, holding some covered entities to a higher standard under both the federal and IL CRA

What is the IL CRA?

Illinois Community Reinvestment Act (IL CRA)

"Each covered financial institution shall have a **continuing and affirmative obligation to meet the financial services needs** [of the communities where they do business,] ... including **low-income and moderate-income neighborhoods**, and **areas where there is a lack of access** to safe and affordable banking and lending services..."

(205 ILCS 735/Art. 35)

Why it's special & how it's different from federal CRA:

- Regulator: IL Department of Financial & Professional Regulation (IDFPR)
- Covered entities: state-chartered banks, state-chartered credit unions*, mortgage companies operating in IL*

  *new to CRA obligations
- Part of IL Legislative Black Caucus's policy agenda passed in 2021

The Exam Process & Regulations

- ➢ Community Development
- ➢ Exam Process & Tests
- ➢ Assessment Fields

What is “Community Development” for CRA?

4 “buckets” of community development activities:

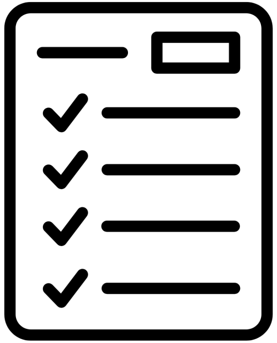
- **Affordable Housing**
- **Economic Development & Small Business**
- **Stabilizing & Revitalizing LMI Communities**
- **Social Services for LMI individuals/communities**

*Plus disaster recovery and remediation efforts

Community Development Examples

- Investing in a CDFI's loan pool
- Financing a housing development using LIHTC
- Support for supportive housing developments/organizations
- Special purpose credit programs (SPCP) - mortgage and/or small business
- BankOn accounts (or equivalent)
- Making a grant to or investment in a nonprofit or CBO serving LMI communities
- Material support for small credit unions, minority depository institutions (MDIs)

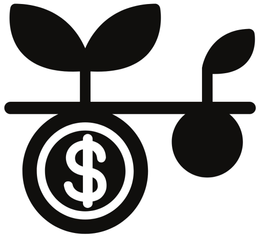
Exam Process



- IDFPR started exams in February 2025
- Exam schedules posted quarterly
- 3 tests: Lending Test, Service Test, Investment Test
- Special exam procedures for smaller credit unions/banks
- Exam results will be publicly available
  - IL-CRA ratings: Outstanding, Satisfactory, Needs to Improve, Substantial Noncompliance
- Needs to Improve or Substantial Noncompliance result → next exam will occur sooner

Examination Tests

- **Lending Test** - Evaluates mortgage lending, small business lending, and community development lending (+ sometimes consumer lending)
  - Looks at how loans are distributed by geography and by borrower characteristics
- **Service Test** - Evaluates responsiveness and effectiveness of service delivery channels → how are entities reaching and serving customers?
- **Investment Test** - Evaluates innovativeness, complexity, responsiveness to community needs



Assessment Areas

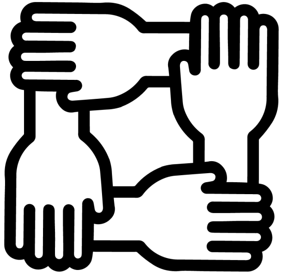
- Entities delineate their AAs, IDFPR reviews them.
- AAs can't reflect illegal discrimination and can't arbitrarily exclude LMI areas.
- Must be whole geographies - MSAs, counties, cities, towns

- Banks: must contain the bank's main office, branches, ATMs, and surrounding areas where bank made a substantial portion of it's loans
- Credit unions: reflect the CU's occupational, associational, or community common bond
- Mortgage companies: Entire state, with additional review of areas with full-service offices

IL CRA
Status and Future

We want this law to work!

- Advocates want this law to be implemented well and successfully so it can benefit communities across Illinois.
- The covered entities - banks, credit unions, mortgage companies - are part of their communities.
- Covered entities and nonprofits can reach out to HAI & Woodstock for help connecting.



Implementation

- Examinations - IDFPR began examinations of banks in the first quarter this year, credit unions in the second quarter, and the first mortgage company exam is still to be scheduled
- Evaluations - Public sections of bank evaluations are posted on the IDFPR website
- Exams will consider comment letters from the public received in the 2 years prior to the exam date

Education and Outreach

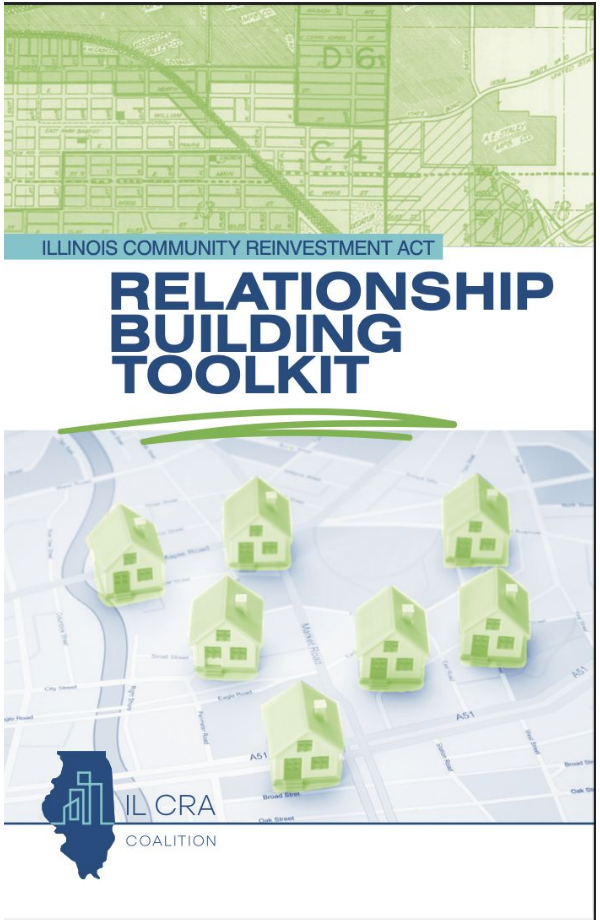
IL CRA Coalition focus in 2025 has been on helping stakeholders understand and take advantage of the IL CRA

- Regional Roundtables
- Webinars
- Stakeholder Meetings
- Material Development

Relationship Building Toolkit

Developed a toolkit to help nonprofit organizations form relationships with covered entities.

- **Step 1:** What You're Doing May Be CRA Eligible
- **Step 2:** Identifying Potential Partners
- **Step 3:** Approaching Potential Partners
- **Step 4:** Be Persistent!



Step 1: What You're Doing May Be CRA Eligible

IL CRA eligible activities focus on increasing access to credit for low- and moderate- income communities and households

- **Meeting Community Needs** - How is your organization meeting community needs? What unmet needs are there?
- **Determine CRA Eligibility** - Does support you are seeking qualify as IL CRA eligible?
- **Data and Outcome Tracking** - What information do you collect for program or grant reporting?

Step 2: Identifying Potential Partners

State-chartered banks, state-chartered credit unions, and state-licensed mortgage companies are all covered entities subject to the IL CRA, and potential partners for non-profit organizations

- **Institutional Service Area** - Where are they located? What are there Assessment Areas?
- **Institutional Focus** - What lines of business do they have? Do any align with your organization's mission?

Step 3: Approaching Potential Partners

Finding the right team at a covered entity and bringing the right information can facilitate productive discussions

- **Contact Person** - Who should you reach out to? How can you find the right contact person?
- **Your Need** - Which of your programs need support? What kinds of support are you looking for?
- **Their Need** - What needs do the institution's customers have? What are the institutions CRA goals?

Step 4: Be Persistent!

Successful IL CRA partnerships with covered entities are long-term relationships

- Early conversations help them understand your mission and the communities you serve.
- Consistent engagement keeps your organization visible and ready for future opportunities.
- The Illinois CRA offers an ongoing framework to strengthen these connections.

Keep in Touch!

Coalition website: event updates, latest news, coalition activities

➢ ILCRACoalition.org

Woodstock Institute Data Portal: see HMDA data for your area, get to know your market from a data perspective

➢ woodstockinst.org/community-lending-data-portal

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