

SENATE No. 1820

The Commonwealth of Massachusetts

SENATE, April 24, 1979.

The committee on Banks and Banking, to whom was referred the petition (accompanied by bill, Senate, No. 32) of Joseph F. Timilty for legislation relative to encouraging community reinvestment; the petition (accompanied by bill, House, No. 1936) of Robert Q. Crane (Treasurer and Receiver-General) and Kevin W. Fitzgerald relative to the encouragement of community investments by certain banking institutions in the Commonwealth; and the petition (accompanied by bill, House, No. 2709) of Antone S. Aguiar, Jr., and Arthur Joseph Lewis, Jr., relative to encouraging certain financial institutions to help meet the credit needs of the communities in which they are chartered, reports the accompanying new draft (Senate, No. 1820).

For the Committee,

JOHN A. BRENNAN, JR.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Seventy-nine.

AN ACT TO ENCOURAGE FINANCIAL INSTITUTIONS TO HELP MEET THE CREDIT NEEDS OF THE COMMUNITY IN WHICH THEY ARE CHARTERED CONSISTENT WITH THE SAFE AND SOUND OPERATION OF SUCH INSTITUTION.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Notwithstanding any provision of law to the
2 contrary, the Commissioner of Banks shall assess the record
3 of each bank, as defined in section 1 of Chapter 167 of the
4 General Laws, in satisfying their continuing and affirmative
5 obligations to help meet the credit needs of their local com-
6 munities, including low and moderate-income neighborhoods,
7 consistent with the safe and sound operation of those banks;
8 and to provide for taking into account those records in con-
9 nection with certain applications.

1 SECTION 2. Each bank shall prepare and, at least annually,
2 review a delineation of the local community or communities
3 that comprise its entire community, without excluding low
4 and moderate-income neighborhoods. Maps shall be used to
5 portray community delineations. The reasonableness of the
6 delineations will be reviewed by state examiners.

7 A local community shall consist of the contiguous areas
8 surrounding each office or group of offices, including any low
9 and moderate-income neighborhoods in those areas. More
10 than one office of a bank may be included in the same local
11 community. Unless the Commissioner determines otherwise,
12 a community delineation need not take account of an off-
13 premises electronic facility that receives deposits for more
14 than one depository institution. In preparing its delineation,
15 a bank may use any one of the following:

16 (1) Existing boundaries such as those of Standard Metro-
17 politan Statistical Areas (SMSA's) or counties in which the
18 bank's office or offices are located may be used to delineate a

19 local community. Where appropriate, portions of adjacent
20 areas should be included. The bank may make adjustments
21 in the case of areas divided by state borders or significant
22 geographic barriers, or areas that are extremely large or of
23 unusual configuration. In addition, a small bank may
24 delineate those portions of SMSA's or counties it reasonably
25 may be expected to serve, or

26 (2) A bank may use its effective lending territory, which
27 is defined as that local area or areas around each office or
28 group of offices where it makes a substantial portion of its
29 loans, and all other areas equidistant from its offices as those
30 areas. Adjustments such as those indicated in paragraph (1)
31 of this section may be made, or

32 (3) A bank may use any other reasonably delineated
33 local area that meets the purposes of this Act and does not
34 exclude low and moderate-income neighborhoods.

1 SECTION 3. Within 90 days after the effective date of this
2 Act, the board of directors or trustees of each bank shall
3 adopt a statement, referred to as the Community Reinvest-
4 ment Act statement, for each delineated community.

5 Each such statement shall include at least the following:

6 (1) the delineation of the local community.

7 (2) a list of specific types of credit within certain cate-
8 gories, such as residential loans for 1 to 4-dwelling units,
9 residential loans for 5-dwelling units and over, housing re-
10 habilitation loans, home improvement loans, small business
11 loans, farm loans, community development loans, commercial
12 loans, and consumer loans, that the bank is prepared to ex-
13 tend within the local community; and

14 (3) a copy of the Community Reinvestment Act Notice as
15 provided for in section 5.

16 Each bank may include the following in each Community
17 Reinvestment Act statement:

18 (1) a description of how its current efforts, including spe-
19 cial credit related programs, help to meet community credit
20 needs;

21 (2) a periodic report regarding its record of helping to
22 meet community credit needs; and

23 (3) a description of its efforts to ascertain the credit
24 needs of its community, including efforts to communicate
25 with members of its community regarding credit services.

26 Each bank's board of directors or trustees shall review
27 each Community Reinvestment Act statement at least an-
28 nually and shall act upon any material change made in the
29 interim at its first regular meeting after the change. Such
30 actions shall be noted in its minutes.

31 Each current Community Reinvestment Act statement
32 shall be readily available for public inspection.

33 (1) at the head office of the bank; and

34 (2) at each office of the bank in the local community
35 delineated in the statement, except off-premises electronic
36 deposit facilities.

37 Copies of each current Community Reinvestment Act state-
38 ment shall be provided to the public upon request. A bank
39 may charge a fee not to exceed the cost of reproduction.

1 SECTION 4. Each bank shall maintain files that are readily
2 available for public inspection consisting of:

3 (1) any signed, written comments received from the pub-
4 lic within the past two years that specifically relate to any
5 Community Reinvestment Act statement or to the bank's
6 performance in helping to meet the credit needs of its com-
7 munity or communities;

8 (2) any responses to the comments that the bank wishes
9 to make; and

10 (3) any Community Reinvestment Act statements in ef-
11 fect during the past two years.

12 Such files shall not contain any comments or responses
13 that reflect adversely upon the good name or reputation of
14 any person other than the bank or publication of which
15 would violate specific provisions of law.

16 Such files shall be maintained by each bank as follows:

17 (1) all materials at the head office; and

18 (2) those materials relating to each local community at
19 a designated office in that community.

1 SECTION 5. Within ninety days after the effective date
2 of this Act, each bank shall provide, in the public lobby of

3 each of its offices other than off-premises electronic deposit
4 facilities, the public notice set forth below. Bracketed ma-
5 terial shall be used only by a bank having more than one
6 local community. The last item shall be included only if the
7 bank is a subsidiary of a holding company that is not pre-
8 vented by statute from acquiring additional banks.

“COMMUNITY REINVESTMENT ACT NOTICE”

“The Community Reinvestment Act (C.R.A.) requires the evaluation of our performance in helping to meet the credit needs of this community, and to take this evaluation into account when the Commissioner decides on certain applications submitted by us. Your involvement is encouraged.

“You should know that:

“You may obtain our current C. R. A. statement for this community in this office. (Current C. R. A. statements for other communities served by us are available at our head office, located at:

.....)
“You may send signed, written comments about our C. R. A. statement(s) or our performance in helping to meet community credit needs to (title and address of bank official) and to the Commissioner of Banks (address). Your letter, together with any responses by us, may be made public.

“You may look at a file of all signed, written comments received by us within the past two years, any responses we have made to the comments, and all C. R. A. statements in effect during the past two years at our office located at (address). (You also may look at the file about this community at (name and address of designated office).)

“You may ask to look at any comments received by the Commissioner of Banks.

“We are a subsidiary of (name of holding company), a bank holding company. You may request from the Federal Reserve Bank of (city, address) an announcement of applications covered by the C. R. A. filed by bank holding companies.”

9 The information and disclosures required under this no-
10 tice may be combined or attached to the information and
11 disclosures required under Title VIII of Public Laws 95-128
12 and regulations thereunder.

1 SECTION 6. In connection with its examination of a bank,
2 the Commissioner shall assess the record of performance of

3 the bank in helping to meet the credit needs of its entire com-
4 munity, including low and moderate-income neighborhoods,
5 consistent with safe and sound operation of the bank. The
6 Commissioner will review the bank's Community Reinvest-
7 ment Act statement and signed, written comments retained
8 by the bank, or the Commissioner. In addition, the Commis-
9 sioner will consider the following factors in assessing a bank's
10 record of performance:

11 (a) activities conducted by the bank to ascertain the
12 credit needs of its community, including the extent of the
13 bank's efforts to communicate with members of its commu-
14 nity regarding the credit services being provided by the
15 bank;

16 (b) the extent of the bank's marketing and special credit-
17 related programs to make members of the community aware
18 of the credit services offered by the bank;

19 (c) the extent of participation by the bank's board of
20 directors/trustees in formulating the bank's policies and re-
21 viewing its performance with respect to the purposes of the
22 Community Reinvestment Act;

23 (d) any practices intended to discourage applications for
24 types of credit set forth in the bank's Community Reinvest-
25 ment Act statement(s);

26 (e) the geographic distribution of the bank's credit ex-
27 tensions, credit applications, and credit denials;

28 (f) evidence of prohibited discriminatory or other illegal
29 credit practices;

30 (g) the bank's record of opening and closing offices and
31 providing services at offices;

32 (h) the bank's participation, including investments, in
33 local community development and redevelopment projects or
34 programs;

35 (i) the bank's origination of residential mortgage loans,
36 housing rehabilitation loans, home improvement loans, and
37 small business or small farm loans within its community, or
38 the purchase of such loans originated in its community;

39 (j) the bank's participation in governmentally-insured
40 guaranteed, or subsidized loan programs for housing, small
41 businesses or small farms;

42 (k) the bank's ability to meet various community credit
43 needs based on its financial condition and size, and legal im-
44 pediments, local economic conditions and other factors; and
45 (1) other factors that, in the Commissioner's judgment,
46 reasonably bear upon the extent to which a bank is helping
47 to meet the credit needs of its entire community.

1 SECTION 7. In considering an application for the establish-
2 ment of a domestic branch or other facility with the ability
3 to accept deposits, the relocation of the main office or a
4 branch office, or a merger or consolidation with or the ac-
5 quisition of assets or assumption of liabilities of another
6 bank or federally-insured bank, the Commissioner or the
7 Board of Bank Incorporation shall consider, but not be lim-
8 ited to consideration of, the bank's record of performance.

9 The assessment of a bank's record of performance in help-
10 ing to meet the credit needs of its community may be the
11 basis for denial of such an application.

1 SECTION 8. The provisions of this act shall not apply in
2 any bank that engages solely in correspondent banking busi-
3 ness, trust company business or acts as a clearing agent and
4 is not in the business of extending credit to the public.

1 SECTION 9. This Act shall cease to be operative on October
2 first, nineteen hundred and eighty-four.

