
SENATE BILL 6165

State of Washington 53rd Legislature 1994 Regular Session

By Senators Sheldon, Skratek, Williams and Franklin

Read first time 01/14/94. Referred to Committee on Labor & Commerce.

1 AN ACT Relating to community reinvestment by banking institutions;
2 amending RCW 30.60.010, 30.60.020, 32.40.010, and 32.40.020; adding new
3 sections to chapter 30.60 RCW; adding new sections to chapter 32.40
4 RCW; and creating a new section.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** The legislature finds that banking
7 institutions, consistent with safe and sound banking practices and the
8 free exercise of management discretion, have a responsibility to meet
9 the credit needs of their communities as contemplated by the community
10 reinvestment act. The authority to take certain actions under state
11 banking laws, specifically the authority to open branch offices, to
12 merge, to make certain purchases of assets, to make certain
13 acquisitions, and to take certain other actions, is subject to the
14 satisfaction of the community reinvestment requirements set forth in
15 this act.

16 The legislature further finds that the community reinvestment act
17 must keep pace with the changing nature of the banking system and the
18 evolving credit needs of local communities. Measuring performance
19 should involve increased reliance on quantitative data and that the

1 focus of compliance and enforcement should not be centered on the
2 regulatory application process at the expense of ongoing compliance by
3 banks and ongoing participation by representatives of the community.

4 **Sec. 2.** RCW 30.60.010 and 1985 c 329 s 2 are each amended to read
5 as follows:

6 (1) In conducting an examination of a bank chartered under Title 30
7 RCW, the (~~supervisor of banking, deputy supervisor, or examiner~~)
8 director of financial institutions or the director's designee shall
9 investigate and assess the record of performance of the bank in meeting
10 the credit needs of the bank's entire community, including low and
11 moderate-income neighborhoods. The (~~supervisor~~) director shall
12 accept, in lieu of an investigation or part of an investigation
13 required by this section, any report or document that the bank is
14 required to prepare or file with one or more federal agencies by the
15 act of congress entitled the "Community Reinvestment Act of 1977" and
16 the regulations promulgated in accordance with that act, to the extent
17 such reports or documents assist the (~~supervisor~~) director in making
18 an assessment based upon the factors outlined in subsection (2) of this
19 section. Each bank chartered under Title 30 RCW to which the community
20 reinvestment act, United States P.L. 95-128, applies shall file with
21 the department of financial institutions a copy of each report and
22 document that it is required to prepare for or file with one or more
23 federal agencies pursuant to that law and the rules and regulations.
24 In addition each bank shall file annually with the department a written
25 report in a form to be prescribed by the director. The report shall
26 form the basis, along with other information regarding the banking
27 organization obtained by the department, of the annual community
28 reinvestment rating assigned to the bank. The report shall:

29 (a) Describe in detail the methods used by the banking organization
30 in determining the credit needs of its local community or communities,
31 including low and moderate-income neighborhoods;

32 (b) Describe in detail the methods utilized and the media employed
33 to make the members of the organization's community aware of the credit
34 services offered by it;

35 (c) Describe the extent of participation by the organization's
36 board of directors or trustees in formulating the institution's
37 policies and reviewing its performance with respect to the purpose of
38 the community reinvestment act;

1 (d) List all branch offices, including electronic branches, and
2 public accommodation offices that were opened or closed in the past
3 three years or at which services were significantly reduced;

4 (e) Describe such organization's participation in:

5 (i) Local development, redevelopment, and rehabilitation projects
6 or programs;

7 (ii) Programs or organizations that promote and assist in the
8 development and growth of small businesses in Washington state; and

9 (iii) Programs or organizations that address themselves to the
10 financial needs of minorities; and

11 (f) Describe any other community activities that bear upon the
12 extent to which the organization is helping to meet community credit
13 needs.

14 (2) In making an investigation required under (~~subsection (1) of~~
15 ~~this section~~) RCW 30.60.020, the (~~supervisor~~) director shall
16 consider, independent of any federal determination, the following
17 factors in assessing the bank's record of performance:

18 (a) Activities conducted by the institution to ascertain credit
19 needs of its community, including the extent of the institution's
20 efforts to communicate with members of its community regarding the
21 credit services being provided by the institution;

22 (b) The extent of the institution's marketing and special credit
23 related programs to make members of the community aware of the credit
24 services offered by the institution;

25 (c) The extent of participation by the institution's board of
26 directors in formulating the institution's policies and reviewing its
27 performance with respect to the purposes of the Community Reinvestment
28 Act of 1977;

29 (d) Any practices intended to discourage applications for types of
30 credit set forth in the institution's community reinvestment act
31 statement(s);

32 (e) The geographic distribution of the institution's credit
33 extensions, credit applications, and credit denials;

34 (f) Evidence of prohibited discriminatory or other illegal credit
35 practices;

36 (g) The institution's record of opening and closing offices and
37 providing services at offices;

38 (h) The institution's participation, including investments, in
39 local community development projects;

1 (i) The institution's origination of residential mortgage loans,
2 housing rehabilitation loans, home improvement loans, and small
3 business or small farm loans within its community, or the purchase of
4 such loans originated in its community;

5 (j) The institution's participation in governmentally insured,
6 guaranteed, or subsidized loan programs for housing, small businesses,
7 or small farms;

8 (k) The institution's ability to meet various community credit
9 needs based on its financial condition, size, legal impediments, local
10 economic condition, and other factors;

11 (l) Other factors that, in the judgment of the (~~supervisor~~)
12 director, reasonably bear upon the extent to which an institution is
13 helping to meet the credit needs of its entire community.

14 (3) The (~~supervisor~~) director shall include as part of the
15 examination report, a summary of the results of the assessment required
16 under subsection (1) of this section and shall assign annually to each
17 bank a numerical community reinvestment rating based on a one through
18 five scoring system. Such numerical scores shall represent performance
19 assessments as follows:

- | | |
|----------------------------------|---|
| 20 (a) Excellent performance: | 1 |
| 21 (b) Good performance: | 2 |
| 22 (c) Satisfactory performance: | 3 |
| 23 (d) Inadequate performance: | 4 |
| 24 (e) Poor performance: | 5 |

25 **Sec. 3.** RCW 30.60.020 and 1985 c 329 s 3 are each amended to read
26 as follows:

27 Whenever the (~~supervisor of banking~~) director must approve or
28 disapprove of an application for a new branch or satellite facility;
29 for a purchase of assets, a merger, an acquisition or a conversion not
30 required for solvency reasons; or for authority to engage in a business
31 activity, the (~~supervisor~~) director shall consider, among other
32 factors, a written assessment of the record of performance of the
33 applicant in helping to meet the credit needs of the applicant's entire
34 community, including low and moderate-income neighborhoods. The
35 assessment and any written communications from the department to a bank
36 relating to the assessment shall be made available to the public upon
37 request. In making the assessment the director shall review all
38 reports and documents and any signed, written comments that

1 specifically relate to the bank's performance in helping to meet the
2 credit needs of its community. Assessment of an applicant's record of
3 performance may be the basis for denying an application.

4 NEW SECTION. Sec. 4. A new section is added to chapter 30.60 RCW
5 to read as follows:

6 (1) The department shall develop a list of services and investments
7 that, in addition to traditional lending activities within their
8 service areas, banks may, but are not required to, offer or engage in
9 helping to meet the credit needs of their communities.

10 (2) For purposes of assessing a bank's performance under RCW
11 30.60.010, the department may consider only those activities, services
12 and investments that are made in the bank's service area, except under
13 section 5 of this act.

14 (3) If any activity, service, or investment is not enumerated in
15 the list developed under subsection (1) of this section, a bank may,
16 but is not required to, seek prior review by the department of the
17 proposed activity, service, or investment to determine whether it is
18 eligible for consideration by the department in its assessment of the
19 bank's performance. The department shall consider a request for prior
20 review only if the activity, investment, or service does not fall
21 within a category identified in the list developed under subsection (1)
22 of this section. The determination shall specifically disclaim any
23 recommendation or endorsement with respect to the particular activity,
24 service, or investment and will not address its appropriateness,
25 suitability, or compliance with safety and soundness standards. Copies
26 of prior review determinations shall be made available for public
27 review.

28 NEW SECTION. Sec. 5. A new section is added to chapter 30.60 RCW
29 to read as follows:

30 (1) Each retail bank shall, at least annually, delineate its
31 service area without arbitrarily excluding low and moderate-income
32 neighborhoods. The department shall review the reasonableness of such
33 delineation. A retail bank may determine the delineation of its
34 service area by: (a) Reference to existing boundaries such as
35 metropolitan statistical areas or counties in which the bank's office
36 or offices are located; (b) use of its effective lending territory,
37 which is defined as the local areas or areas around each office or

1 group of offices where it makes a substantial portion of its loans; or
2 (c) use of any other reasonably delineated local area that meets its
3 reinvestment purposes and does not arbitrarily exclude low and
4 moderate-income neighborhoods.

5 (2) Wholesale banks may either (a) delineate their service areas on
6 the basis of the standards set forth in subsection (1) of this section;
7 or (b) designate the entire city in which their corporate headquarters
8 are located as their service areas. If a wholesale bank has a
9 satisfactory record within its designated service area, activities
10 engaged in by such banks anywhere within the state shall be considered
11 in calculating that bank's designated service area.

12 (3) If a bank delineates its service area either (a) in a manner
13 that arbitrarily excludes low and moderate-income areas or (b) in any
14 other manner that is inconsistent with the requirement of subsection
15 (1) of this section, the department shall require the bank to revise
16 its delineation in a manner consistent with the requirements of
17 subsection (1) of this section and assess the bank's performance in
18 accordance with the revised delineation.

19 (4) Both wholesale and retail banks are required to determine, as
20 an exercise of independent business judgment, the most appropriate
21 manner in which to meet the credit needs of their service areas,
22 consistent with the requirements of this chapter. No bank may be
23 required to establish any banking facility not in existence on the
24 effective date of this act or to offer any particular banking service
25 or product.

26 **Sec. 6.** RCW 32.40.010 and 1985 c 329 s 8 are each amended to read
27 as follows:

28 (1) In conducting an examination of a savings bank chartered under
29 Title 32 RCW, the (~~supervisor of banking, deputy supervisor, or~~
30 ~~examiner~~) director of financial institutions or the director's
31 designee shall investigate and assess the record of performance of the
32 savings bank in meeting the credit needs of the savings bank's entire
33 community, including low and moderate-income neighborhoods. The
34 (~~supervisor~~) director shall accept, in lieu of an investigation or
35 part of an investigation required by this section, any report or
36 document that the savings bank is required to prepare or file with one
37 or more federal agencies by the act of congress entitled the "Community
38 Reinvestment Act of 1977" and the regulations promulgated in accordance

1 with that act, to the extent such reports or documents assist the
2 (~~supervisor~~) director in making an assessment based upon the factors
3 outlined in subsection (2) of this section. Each savings bank
4 chartered under Title 32 RCW to which the community reinvestment act,
5 United States P.L. 95-128, applies shall file with the department of
6 financial institutions a copy of each report and document that it is
7 required to prepare for or file with one or more federal agencies
8 pursuant to that law and the rules and regulations. In addition each
9 savings bank shall file annually with the department a written report
10 in a form to be prescribed by the director. The report shall form the
11 basis, along with other information regarding the banking organization
12 obtained by the department, of the annual community reinvestment rating
13 assigned to the savings bank. The report shall:

14 (a) Describe in detail the methods used by the banking organization
15 in determining the credit needs of its local community or communities,
16 including low and moderate-income neighborhoods;

17 (b) Describe in detail the methods utilized and the media employed
18 to make the members of the organization's community aware of the credit
19 services offered by it;

20 (c) Describe the extent of participation by the organization's
21 board of directors or trustees in formulating the institution's
22 policies and reviewing its performance with respect to the purpose of
23 the community reinvestment act;

24 (d) List all branch offices, including electronic branches, and
25 public accommodation offices that were opened or closed in the past
26 three years or at which services were significantly reduced;

27 (e) Describe such organization's participation in:

28 (i) Local development, redevelopment, and rehabilitation projects
29 or programs;

30 (ii) Programs or organizations which promote and assist in the
31 development and growth of small businesses in Washington state; and

32 (iii) Programs or organizations that address themselves to the
33 financial needs of minorities; and

34 (f) Describe any other community activities that bear upon the
35 extent to which the organization is helping to meet community credit
36 needs.

37 (2) In making an investigation required under (~~subsection (1) of~~
38 this section)) RCW 32.40.020, the (~~supervisor~~) director shall

1 consider, independent of any federal determination, the following
2 factors in assessing the savings bank's record of performance:

3 (a) Activities conducted by the institution to ascertain credit
4 needs of its community, including the extent of the institution's
5 efforts to communicate with members of its community regarding the
6 credit services being provided by the institution;

7 (b) The extent of the institution's marketing and special credit
8 related programs to make members of the community aware of the credit
9 services offered by the institution;

10 (c) The extent of participation by the institution's board of
11 directors or board of trustees in formulating the institution's
12 policies and reviewing its performance with respect to the purposes of
13 the Community Reinvestment Act of 1977;

14 (d) Any practices intended to discourage applications for types of
15 credit set forth in the institution's community reinvestment act
16 statement(s);

17 (e) The geographic distribution of the institution's credit
18 extensions, credit applications, and credit denials;

19 (f) Evidence of prohibited discriminatory or other illegal credit
20 practices;

21 (g) The institution's record of opening and closing offices and
22 providing services at offices;

23 (h) The institution's participation, including investments, in
24 local community development projects;

25 (i) The institution's origination of residential mortgage loans,
26 housing rehabilitation loans, home improvement loans and small business
27 or small farm loans within its community, or the purchase of such loans
28 originated in its community;

29 (j) The institution's participation in governmentally insured,
30 guaranteed, or subsidized loan programs for housing, small businesses,
31 or small farms;

32 (k) The institution's ability to meet various community credit
33 needs based on its financial condition, size, legal impediments, local
34 economic condition, and other factors;

35 (l) Other factors that, in the judgment of the (~~supervisor~~)
36 director, reasonably bear upon the extent to which an institution is
37 helping to meet the credit needs of its entire community.

38 (3) The (~~supervisor~~) director shall include as part of the
39 examination report, a summary of the results of the assessment required

1 under subsection (1) of this section and shall assign annually to each
2 savings bank a numerical community reinvestment rating based on a one
3 through five scoring system. Such numerical scores shall represent
4 performance assessments as follows:

- | | | |
|---|-------------------------------|---|
| 5 | (a) Excellent performance: | 1 |
| 6 | (b) Good performance: | 2 |
| 7 | (c) Satisfactory performance: | 3 |
| 8 | (d) Inadequate performance: | 4 |
| 9 | (e) Poor performance: | 5 |

10 **Sec. 7.** RCW 32.40.020 and 1985 c 329 s 9 are each amended to read
11 as follows:

12 Whenever the ((~~supervisor of banking~~)) director must approve or
13 disapprove of an application for a new branch or satellite facility;
14 for a purchase of assets, a merger, an acquisition or a conversion not
15 required for solvency reasons; or for authority to engage in a business
16 activity, the ((~~supervisor~~)) director shall consider, among other
17 factors, a written assessment of the record of performance of the
18 applicant in helping to meet the credit needs of the applicant's entire
19 community, including low and moderate-income neighborhoods. The
20 assessment and any written communications from the department to a
21 savings bank relating to the assessment shall be made available to the
22 public upon request. In making the assessment the director shall
23 review all reports and documents and any signed, written comments that
24 specifically relate to the savings bank's performance in helping to
25 meet the credit needs of its community. Assessment of an applicant's
26 record of performance may be the basis for denying an application.

27 NEW SECTION. **Sec. 8.** A new section is added to chapter 32.40 RCW
28 to read as follows:

29 (1) The department shall develop a list of services and investments
30 that, in addition to traditional lending activities within their
31 service areas, savings banks may, but are not required to, offer or
32 engage in helping to meet the credit needs of their communities.

33 (2) For purposes of assessing a savings bank's performance under
34 RCW 32.40.010, the department may consider only those activities,
35 services, and investments that are made in the savings bank's service
36 area, except under section 9 of this act.

1 (3) If any activity, service, or investment is not enumerated in
2 the list developed under subsection (1) of this section, a savings bank
3 may, but is not required to, seek prior review by the department of the
4 proposed activity, service, or investment to determine whether it is
5 eligible for consideration by the department in its assessment of the
6 savings bank's performance. The department shall consider a request
7 for prior review only if the activity, investment, or service does not
8 fall within a category identified in the list developed under
9 subsection (1) of this section. The determination shall specifically
10 disclaim any recommendation or endorsement with respect to the
11 particular activity, service, or investment and will not address its
12 appropriateness, suitability, or compliance with safety and soundness
13 standards. Copies of prior review determinations shall be made
14 available for public review.

15 NEW SECTION. **Sec. 9.** A new section is added to chapter 32.40 RCW
16 to read as follows:

17 (1) Each savings bank shall, at least annually, delineate its
18 service area without arbitrarily excluding low and moderate-income
19 neighborhoods. The department shall review the reasonableness of such
20 delineation. A savings bank may determine the delineation of its
21 service area by: (a) Reference to existing boundaries such as
22 metropolitan statistical areas or counties in which the savings bank's
23 office or offices are located; (b) use of its effective lending
24 territory, which is defined as the local areas or areas around each
25 office or group of offices where it makes a substantial portion of its
26 loans; or (c) use of any other reasonably delineated local area that
27 meets its reinvestment purposes and does not arbitrarily exclude low
28 and moderate-income neighborhoods.

29 (2) If a savings bank delineates its service area either (a) in a
30 manner that arbitrarily excludes low and moderate-income areas or (b)
31 in any other manner that is inconsistent with the requirement of
32 subsection (1) of this section, the department shall require the
33 savings bank to revise its delineation in a manner consistent with the
34 requirements of subsection (1) of this section and assess the savings
35 bank's performance in accordance with the revised delineation.

36 (3) Savings banks are required to determine, as an exercise of
37 independent business judgment, the most appropriate manner in which to
38 meet the credit needs of their service areas, consistent with the

1 requirements of this chapter. No savings bank may be required to
2 establish any banking facility not in existence on the effective date
3 of this act or to offer any particular banking service or product.

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