Introduction to Special Calibrated Retail Lending Test Benchmark Reports to Estimate Satisfactory Performance Expectations and Bank Comparisons

These special reports have been developed by GeoDataVision to help banks estimate if their performance during 2023 would have been rated at least as satisfactory under the Retail Lending Tests ("RLT"). The RLT uses a combination of market data reported under HMDA and CRA (sometimes inaccurately called "peer" data) and demographic data (called "community" benchmarks in the RLT). For each major product line there are two "Distribution Tests" (Geographic and Borrower) that are broken into 2 "categories" (**geographic distribution categories** for **closed end mortgages** are lending in low-income tracts, and lending in moderate-income tracts, while the **borrower distribution categories** are lending to low-income borrowers and to moderate-income borrowers which are compared to the **market benchmarks** (the market penetration rates in the HMDA Benchmark Data Report) and to the **community or demographic benchmarks** in the Community Benchmarks Report).

Similarly, for small business loans there are the geographic distribution tests and borrower distribution tests. GeoDataVision has captured in the Small Business Benchmark Reports the small business market benchmarks for every county. But we cannot compute the business demographic benchmark for each county because the business demographic data is proprietary data. Nevertheless, we believe the market benchmarks are the most accurate and reliable benchmark and satisfactory for the purpose of these reports which is to allow a bank to approximate how their performance would have been rated had the RLT been in effect during 2023.

Within each Benchmark Report there are shaded fields that represent the "calibrated benchmark" for each test and each category. The percentages in the shaded fields represent the lowest possible penetration rate for a bank to attain at least a "low-satisfactory" conclusion for the distribution test and the test category. GeoDataVision computed the calibrated benchmarks by applying the "multipliers" specified in the new rule in Appendix A associated with a "low satisfactory" conclusion.

To complete the Retail Lending Test Estimation exercise a bank would need to compute its low- and moderate-income tract and borrower penetration rates and compare the percentages to the appropriate calibrated benchmark. The RLT does allow a bank to select the most favorable comparison between the calibrated market benchmarks and the calibrated community benchmarks. So, if your result falls below the calibrated market benchmark don't despair because you won't be assigned a "needs to improve" rating unless your penetration rate falls below the community benchmark too.

The foregoing will allow banks to estimate if their "supporting conclusion" under each distribution test category would be at least low satisfactory.

The new rule adds formulae that manipulates the foregoing results to determine a "major product line score" for each assessment area and then applies yet additional formulae to determine an "Assessment Area Recommended Conclusion". Those computations are a subject addressed in the 5-hour webinar series about the new CRA Rule that is available for interested parties. The results of the approximation exercise will give the user an indication if the baseline RLT scores upon which all the additional computations are built indicate the bank is likely to not attain at least a low satisfactory conclusion for a major product line in a given assessment area.

Example how to estimate your performance under the Retail Lending Test (The data in the example is not intended to match the specific data in the report graphics which are provided to show where to locate the calibrated benchmarks)

Bank A Metrics

Bank A originated and purchased 1,000 mortgages in County A of which 40 were in County A's low-income tracts, and 60 were in moderate-income tracts. At the same time 20 of those mortgages were to low-income borrowers and 50 were to moderate-income borrowers.

Bank A "Metrics" Recap:

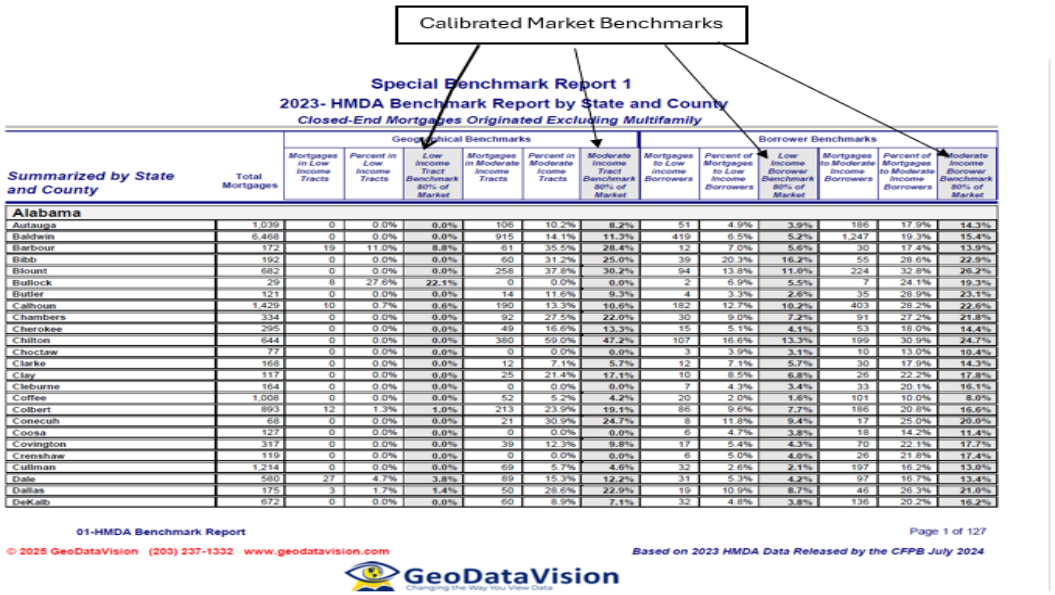
Mortgage penetration rate in low-income tracts: 4%
Mortgage penetration rate in low-income tracts: 6%
Mortgage penetration rate to low-income borrowers: 2%
Mortgage penetration rate to moderate-income borrowers: 5%

The market benchmarks and the calibrated market benchmarks data as well as the calibrated community benchmarks can be retrieved from the Special Market and Community Reports as appropriate.

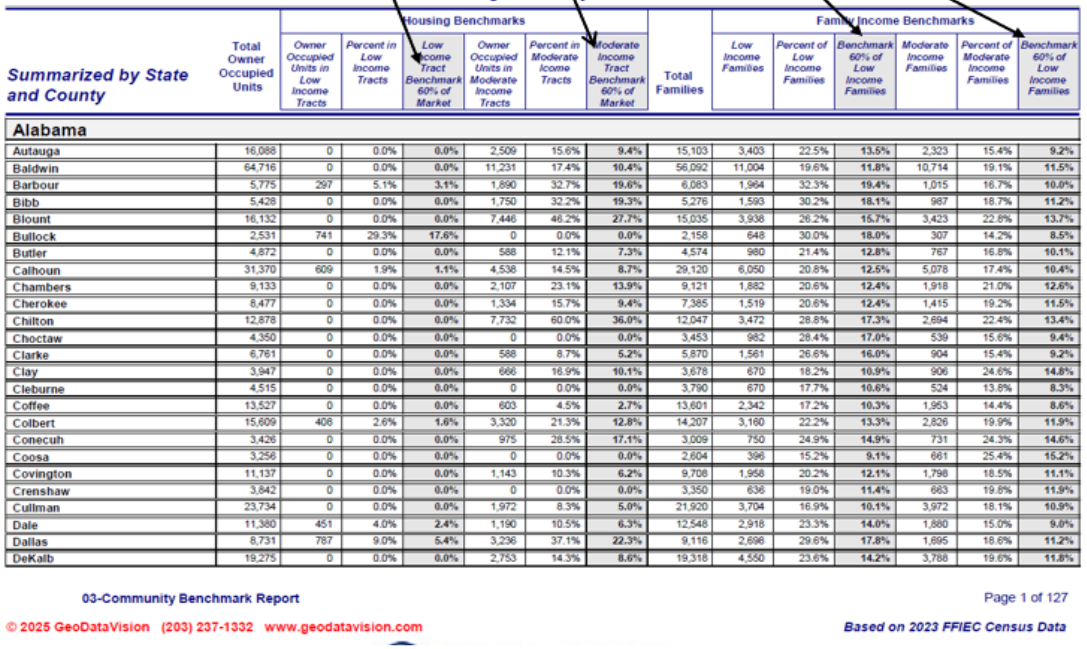
Market Benchmarks: 100,000 mortgages in County A (will be found in HMDA and Small Business Benchmark Reports)

Mortgages in low-income tracts: 5,000 = 5% benchmark and **4%** calibrated benchmark
Mortgages in mod-inc. tracts: 10,000=10% benchmark and **8%** calibrated benchmark
Mortgages to low-inc. borrowers: 1,000=1% benchmark & calibrated benchmark **0.8%**
Mortgages to mod-income borrowers: 3,000=3% benchmark & calibrated benchmark 2.4%

Where to find calibrated benchmarks for each county



Calibrated Community Benchmarks



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2023- Community Benchmark Report by State and County

Housing and Family Income

Summarized by State and County	Total Owner Occupied Units	Housing Benchmarks: Owner Occupied Units in Low Income Tracts	Housing Benchmarks: Percent in Low Income Tracts	Housing Benchmarks: Low Income Tract Benchmark 60% of Market	Housing Benchmarks: Owner Occupied Units in Moderate Income Tracts	Housing Benchmarks: Percent in Moderate Income Tracts	Housing Benchmarks: Moderate Income Tract Benchmark 60% of Market	Total Families	Family Income Benchmarks: Low Income Families	Family Income Benchmarks: Percent of Low Income Families	Family Income Benchmarks: Benchmark 60% of Low Income Families	Family Income Benchmarks: Moderate Income Families	Family Income Benchmarks: Percent of Moderate Income Families	Family Income Benchmarks: Benchmark 60% of Low Income Families
Alabama														
Autauga	16,088	0	0.0%	0.0%	2,509	15.6%	9.4%	15,103	3,403	22.5%	13.5%	2,323	15.4%	9.2%
Baldwin	64,716	0	0.0%	0.0%	11,231	17.4%	10.4%	56,092	11,004	19.6%	11.8%	10,714	19.1%	11.5%
Barbour	5,775	297	5.1%	3.1%	1,890	32.7%	19.6%	6,083	1,964	32.3%	19.4%	1,015	16.7%	10.0%
Bibb	5,428	0	0.0%	0.0%	1,750	32.2%	19.3%	5,276	1,593	30.2%	18.1%	987	18.7%	11.2%
Blount	16,132	0	0.0%	0.0%	7,446	46.2%	27.7%	15,035	3,938	26.2%	15.7%	3,423	22.8%	13.7%
Bullock	2,531	741	29.3%	17.6%	0	0.0%	0.0%	2,158	648	30.0%	18.0%	307	14.2%	8.5%
Butler	4,872	0	0.0%	0.0%	588	12.1%	7.3%	4,574	980	21.4%	12.8%	767	16.8%	10.1%
Calhoun	31,370	609	1.9%	1.1%	4,538	14.5%	8.7%	29,120	6,050	20.8%	12.5%	5,078	17.4%	10.4%
Chambers	9,133	0	0.0%	0.0%	2,107	23.1%	13.9%	9,121	1,882	20.6%	12.4%	1,918	21.0%	12.6%
Cherokee	8,477	0	0.0%	0.0%	1,334	15.7%	9.4%	7,385	1,519	20.6%	12.4%	1,415	19.2%	11.5%
Chilton	12,878	0	0.0%	0.0%	7,732	60.0%	36.0%	12,047	3,472	28.8%	17.3%	2,694	22.4%	13.4%
Choctaw	4,350	0	0.0%	0.0%	0	0.0%	0.0%	3,453	982	28.4%	17.0%	539	15.6%	9.4%
Clarke	6,761	0	0.0%	0.0%	588	8.7%	5.2%	5,870	1,561	26.6%	16.0%	904	15.4%	9.2%
Clay	3,947	0	0.0%	0.0%	666	16.9%	10.1%	3,678	670	18.2%	10.9%	906	24.6%	14.8%
Cleburne	4,515	0	0.0%	0.0%	0	0.0%	0.0%	3,790	670	17.7%	10.6%	524	13.8%	8.3%
Coffee	13,527	0	0.0%	0.0%	603	4.5%	2.7%	13,601	2,342	17.2%	10.3%	1,963	14.4%	8.6%
Colbert	15,609	408	2.6%	1.6%	3,320	21.3%	12.8%	14,207	3,160	22.2%	13.3%	2,826	19.9%	11.9%
Conecuh	3,426	0	0.0%	0.0%	975	28.5%	17.1%	3,009	750	24.9%	14.9%	731	24.3%	14.6%
Coosa	3,256	0	0.0%	0.0%	0	0.0%	0.0%	2,604	396	15.2%	9.1%	661	25.4%	15.2%
Covington	11,137	0	0.0%	0.0%	1,143	10.3%	6.2%	9,708	1,958	20.2%	12.1%	1,798	18.5%	11.1%
Crenshaw	3,842	0	0.0%	0.0%	0	0.0%	0.0%	3,350	636	19.0%	11.4%	663	19.8%	11.9%
Cullman	23,734	0	0.0%	0.0%	1,972	8.3%	5.0%	21,920	3,704	16.9%	10.1%	3,972	18.1%	10.9%
Dale	11,380	451	4.0%	2.4%	1,190	10.5%	6.3%	12,548	2,918	23.3%	14.0%	1,880	15.0%	9.0%
Dallas	8,731	787	9.0%	5.4%	3,236	37.1%	22.3%	9,116	2,698	29.6%	17.8%	1,695	18.6%	11.2%
DeKalb	19,275	0	0.0%	0.0%	2,753	14.3%	8.6%	19,318	4,550	23.6%	14.2%	3,788	19.6%	11.8%

03-Community Benchmark Report

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Based on 2023 FFIEC Census Data

Community Benchmarks: 50,000 Owner-Occupied houses in the county and 40,000 families

OOHU in low-income tracts: 2,000 = 4% benchmark and 2.4% calibrated benchmark
OOHU in moderate-income tracts: 6,000= 12% benchmark and 7.2% calibrated benchmark
Low-income families: 3,000 =7.5% benchmark and 4.5% calibrated benchmark
Moderate-income families: 6,000=15% benchmark and 9.00% calibrated benchmark

Compare Bank Metrics to Calibrated Market Benchmarks

DISTRIBUTION TEST CATEGORY	Bank Metrics	Calibrated HMDA Mkt Benchmarks	Calibrated Community Benchmarks	Satisfactory
Low-Inc Tracts	4.00%	4.00%	2.40%	YES
Moderate-Inc Tracts	6.00%	8.00%	7.20%	NO
Low-Inc Borrowers	2.00%	0.80%	4.50%	YES
Moderate-Inc Borrowers	5.00%	2.40%	9.00%	YES

Fails because Bank metric is below both market & community calibrated benchmarks.

Falls short of the community calibrated benchmark but exceeds the market calibrated benchmark.