

A background image of a large cable-stayed bridge with two tall concrete pylons and numerous stay cables, spanning across a body of water under a cloudy sky.

# Preparing for an Upcoming CRA Examination: An Action Plan

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Every few years, banks receive notification of their next Community Reinvestment Act (CRA) examination and typically have three-to-six-months to prepare for the exam. This preparation period can often present a challenge, as CRA compliance teams must dedicate valuable time and resources to meeting examiner requirements while balancing their many concurrent obligations in operating their CRA programs, addressing other compliance matters, and supporting operational needs. Even the most proactive CRA program requires focused effort on areas that will maximize the bank's performance while demonstrating commitment to meeting the credit needs of the communities it serves.

Below we provide a practical action plan, divided into three phases, to help CRA compliance teams use their time and resources effectively and ensure readiness throughout the CRA exam process.

## Phase 1 of CRA Exam Preparation: Immediate Preparation

Preparation is critical to laying a strong foundation for the CRA exam process. Prioritization of tasks that will have the greatest impact on the bank's performance is essential. This preparation phase involves understanding the scope of the exam, gathering and organizing appropriate documentation, and conducting an effective assessment of current bank activities. By addressing these key areas upfront and early, the bank can ensure a smoother process in the months ahead.

### Understand the Scope of the Exam

Start by thoroughly reviewing the request letter provided by examiners shortly after the bank's CRA exam has been scheduled. This request list should outline the scope, timeline, and specific areas the examiners will focus on, including the expected examination procedures. If any details are unclear, reach out to the examiner for clarification. Early communication with examiners can help align expectations and avoid surprises later.

## Review Past Evaluations

A prudent step early in CRA exam preparation is to analyze the bank's previous CRA performance evaluations to identify strengths, weaknesses, and other areas that may require the most attention during the upcoming examination. Pay close attention to areas where the institution fell short or received feedback for improvement. Understanding past evaluations can provide valuable insights into what examiners may scrutinize during the current exam cycle.

## Engage Third Party Experts

Engaging with outside experts early in the preparation process can significantly expand the bank's resources and expertise. A seasoned consulting partner can provide valuable advisory services, helping to identify gaps in CRA performance, prioritize impactful activities, and provide hands-on support for various tasks. Partnering with a consultant can help maximize readiness.

## Gather Documentation

Begin compiling all relevant data and reports for the evaluation period. Focus on:

- **Lending Data:** Reports such as the Home Mortgage Disclosure Act Loan Application Register (HMDA LAR), small business and small farm loans, community development loans, and, if applicable, consumer lending.
- **Investment Records:** Collect documentation of community development investments and donations, including those supporting affordable housing, economic development, and stabilization/revitalization initiatives.
- **Service Data:** Review branch distribution, alternative delivery systems, and community service activities.

Identify gaps or inconsistencies in the records and address them immediately. Organized and accurate documentation is critical for demonstrating compliance and facilitating the examiners' review process.

## Validate Data Accuracy

Data integrity is paramount during a CRA examination, and validating data and information early ensures exam preparation is grounded in reliable information. Conduct a review to:

- Verify the accuracy of lending data.
- Cross-check community development loans, investments, donations, and services against CRA eligibility criteria.
- Ensure service-related data (e.g., branch locations, hours, and alternative delivery methods) is up to date.

Resolve any discrepancies and document the steps taken to correct them.

## Conduct a Comprehensive Self-Assessment

It is best practice, especially early in the CRA exam preparation process, to perform a comprehensive self-assessment of the bank's CRA activities. Use [the CRA examination procedures](#) selected for the current cycle as a framework to evaluate all quantitative and qualitative performance criteria that will be assessed by the examiners. Key objectives of this self-assessment will include identifying areas of strength that can be highlighted and identifying significant gaps that require the most attention to maximize the bank's CRA performance.

## Phase 2 of CRA Exam Preparation: Address Gaps and Tell the CRA Story

After establishing a strong foundation for the CRA exam process during the first preparation phase, it is time to focus on refining the bank's strategies and addressing any gaps identified during the initial assessment. This phase is about strengthening the areas that will have the most impact on the bank's CRA performance, from community development activities to data integrity and staff readiness. By dedicating time to these critical components, the CRA compliance team can build a compelling case for the institution's commitment to meeting community credit needs.

## Prioritize Community Development Activities

Focus on documenting and enhancing community development activities. Ensure that:

- Loans, investments, and services align with CRA objectives.
- Activities support the needs of low- and moderate-income populations within the assessment areas.
- All initiatives are well-documented with clear evidence of impact.

Collaborate with internal teams and community partners to strengthen documentation, focusing on those with the greatest potential impact (e.g., the largest dollar amounts, etc.), and highlight effective initiatives before the exam that can be shared with examiners.

## Create a Comprehensive Narrative of CRA Performance

As the examination approaches, it is essential to craft a narrative that highlights the institution's CRA performance in the most positive light. This narrative will guide examiners through the bank's activities and advocate for the contribution the bank has made to community development. A strong narrative can:

- **Showcase Key Accomplishments:** Highlight successes in lending, investments, and services that have directly benefited low- and moderate-income communities.
- **Address Past Feedback:** Demonstrate how the institution has acted on recommendations from prior evaluations, showing commitment to continuous improvement.
- **Provide Context:** Explain the unique challenges and opportunities within the assessment areas and how the bank's activities align with those needs.
- **Use Metrics and Examples:** Support the institution's story with data, such as the number of loans made or the value of community development investments and include narratives or case studies that illustrate the effect.

An effective narrative informs examiners and strengthens the bank's position by presenting a cohesive and compelling story of commitment to CRA objectives.

## Prepare the Team

A well-prepared team is essential for a successful CRA examination. Conduct targeted training sessions to:

- Ensure employees understand the CRA's objectives and their roles in meeting compliance requirements.
- Familiarize staff with the types of questions and requests they might receive from examiners.
- Reinforce the importance of providing accurate and timely information during the exam.

The CRA Officer or other responsible team members should coordinate preparation efforts and serve as the primary point of contact for examiners and internal stakeholders.

## Phase 3 of CRA Exam Preparation: Final Preparation and Exam Readiness

The final phase of preparation is an opportunity to pull everything together and ensure the institution is fully ready for the examination. At this stage, the focus shifts to finalizing and organizing documentation, anticipating examiner questions, and establishing a strong line of communication with examiners. These final steps are critical to presenting a clear and compelling case for the institution's CRA performance while minimizing last-minute surprises.

## Finalize Documentation and Reports

With the exam just weeks away at this point, ensure all materials are organized, accurate, and accessible. Use the examiners' request list to organize materials in a manner that will help them conduct their review in an efficient manner.

## Anticipate Examiner Questions

Based on the CRA compliance team's hard work to this point, and its thorough understanding of the bank's CRA position, the bank can proactively prepare responses to potential questions regarding identified areas of potential weakness, including about the institution's:

- Lending practices and geographic distribution of loans.
- Criteria for selecting community development investments.
- Efforts to improve accessibility to financial services.

Support the answers with data and examples, demonstrating a clear connection between the bank's activities and community needs.

## Communicate with Examiners

Proactive communication can set a positive tone for the examination. Provide the requested materials in advance when possible and confirm logistics for the exam. This approach demonstrates the institution's commitment to transparency and collaboration to make the CRA exam process as seamless as possible.

## Tips for Managing Stress During CRA Exam Preparation

Preparing for a CRA exam can be a challenging process, particularly with a limited timeframe and resources. Managing the process effectively is crucial to staying focused and ensuring the CRA compliance team's efforts yield the best outcomes. Leaders can help navigate the preparation period by:

- **Delegating Tasks:** Assign responsibilities to team members or external partners to distribute the workload effectively.
- **Focusing on High-Impact Areas:** Concentrate on activities and documentation that will have the greatest influence on the CRA rating.
- **Staying Organized:** Use project management tools or checklists to track progress and ensure deadlines are met.
- **Celebrating Milestones:** Acknowledge small victories during preparation to keep morale high and the team motivated.

## Be Ready to Showcase Your Contribution

Preparing for a CRA exam within a limited timeframe is a demanding task, but with a focused and organized approach, you can position your institution for success. By understanding the scope of the exam, addressing gaps, and emphasizing your commitment to community development, you can meet compliance requirements while also highlighting the positive contribution your institution has to the communities it serves.

If you are looking for expert guidance or additional support as you prepare, CrossCheck can assist you in your [CRA readiness](#). [Contact us](#) today to discuss how we can help you manage your preparation and achieve the best possible outcome for your institution.

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