

# Introduction

To encourage banks to be active in supporting the community, the County of Sacramento Board of Supervisors adopted the Community Reinvestment Act Program in May of 1992. The Board instructed the Director of Finance to design and implement a community reinvestment program to acknowledge and reward locally active banks that support the community's credit needs. Qualified banks can participate through the Linked Deposit Plan. The Linked Deposit Plan rewards banks for their involvement in enhancing the financial needs of the community by providing charitable donations and services throughout the County and providing banking services and credit needs to the low- and moderate-income neighborhoods within the County.<sup>1</sup>

## The Linked Deposit Plan

The Linked Deposit Plan authorizes the direct placement of public deposits from the County's Pooled Investment Fund with a qualified bank. It is the Director of Finance's goal that the Linked Deposit Plan will encourage banks to take part in community reinvestment activities that help meet the credit needs of individuals in low- and moderate-income neighborhoods in Sacramento County.

The Director of Finance has allocated up to \$90 million of the County's public funds for this plan. This amount may be increased in the future at the Director's discretion. Upon approval of the bank's application, the Director of Finance will deposit the County's public funds for a maximum term of one year at a competitive rate. The amount of public funds deposited, up to a maximum of \$20 million, is based upon a bank's shareholders equity or total net worth, credit quality, interest rate and most importantly, the bank's community reinvestment activities.

This is an ongoing program; banks may apply at any time. If the County reaches the maximum of \$90 million in Linked Deposits, the Director of Finance, at his discretion, may set aside additional funds for this program.

All deposits over \$250,000 must be either made with a bank using a private sector entity that assists in the placement of deposits to ensure full FDIC coverage or collateralized. Collateralizing banks must place securities worth between 105% and 150% of the value of the deposit with the Federal Reserve Bank or Home Loan Bank of San Francisco to guarantee the safety of public funds. The Director of Finance will waive security up to \$250,000 plus interest, as long as the interest is paid monthly.

## Criteria for Linked Deposit

Banks are required to have a Community Reinvestment Act performance rating of "Satisfactory" or better. Since banks are examined by their respective federal agencies and, based upon the findings, rated on their level of community reinvestment activities, the county will use federal ratings as the basis for assessing a bank's commitment to the communities they serve.

Credit rating requirements are waived for the portion of deposits covered by FDIC insurance. For uninsured deposits, banks must have short-term ratings of F2 by Fitch, A-2 by Standard and Poor's, or P-2 by Moody's.

In keeping with the requirement in the Community Reinvestment Act that lending be "consistent with the safe and sound operation" of the financial institution, the county will not ask any bank to make loans to non-credit worthy individuals. Banks will have full control over underwriting, processing, and documentation and will retain the default risk.

# Criteria for Linked Deposit

(continued)

The criteria are designed to verify the financial safety of the banks and the level of commitment to community reinvestment activities. The County will focus particularly on the commitment of mortgage-related, as well as small business, small farm, and community development lending, especially in low- and moderate- income neighborhoods within Sacramento County for deposits in excess of \$250,000. Based upon these criteria, the County will deposit public funds with qualified banks to recognize and reward them for their efforts in promoting community reinvestment the County level as well as at the regional and statewide level.

## For More Information

For more information about Sacramento County's Community Reinvestment Act Program for Banks, visit our website at <http://www.finance.sacounty.net/investments> or contact:

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# Community Reinvestment Act Program For Banks

**COUNTY OF SACRAMENTO**

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