**Section 185.APPENDIX A Ratings**

a) Ratings in general.

1) In assigning a rating, the Secretary evaluates a credit union's performance under the applicable performance criteria in this Part, in accordance with Section 185.200, Section 185.210, and Section 185.280. Notwithstanding any contrary provision in this Part, the Secretary may consider as a basis to adjust a credit union's overall rating, the following:

A) Providing low-cost education loans to low-income borrowers;

B) Activities in cooperation with Community Development Financial Institutions, minority- or women-owned financial institutions;

C) Certification as a Community Development Financial Institution or designated as a Minority Depository Institution or Low-Income Designated credit union;

D) The offering of Special Credit Programs; and

E) The evidence of discriminatory or other illegal credit practices.

2) A credit union's performance need not fit each aspect of a particular rating profile in order to receive that rating, and exceptionally strong performance with respect to some aspects may compensate for weak performance in others. A credit union that does not have a community common bond shall not be evaluated according to any criteria that references geographies or geographic area. A credit union with a field of membership consisting of multiple common bonds that includes community common bonds shall not be evaluated according to any criteria that references geographies or geographic area, except with respect to its community common bonds. A rating shall take into consideration the credit union's defined membership by-law provisions, as prescribed in 205 ILCS 305/15, and the lending and investment authority restrictions and other limitations and restrictions under 205 ILCS 305. The credit union's overall performance, however, must be consistent with safe and sound banking practices and generally with the appropriate rating profile as follows. A credit union will be evaluated by how it serves its assessment field. A credit union's rating will not be negatively impacted by the composition of its assessment field including without limitation the income and geographic demographic data of borrowers in the assessment field so long as the assessment field is delineated in accordance with Section 185.400.

3) The Secretary may take a credit union's lack of previous experience with ILCRA examinations into account and the length of the implementation period into consideration while assessing the performance of the credit union during its first ILCRA examination.

b) Credit Unions evaluated under the Lending and Service Tests.

1) Lending Performance Rating. The Secretary assigns each credit union's lending performance one of the five following ratings.

A) Outstanding. The Secretary rates a credit union's lending performance "outstanding" if, in general, it demonstrates:

i) Excellent responsiveness to credit needs in its assessment field, taking into account the number and amount of home mortgage, and consumer loans, if applicable, in its assessment field;

ii) An excellent geographic distribution of loans in its assessment field, provided, however, a geographic analysis is relevant in the context of the credit union's membership by-law provisions;

iii) An excellent distribution, particularly in its assessment field, of loans among members of different income levels, given the product lines offered by the credit union;

iv) An excellent record of serving the credit needs of highly economically disadvantaged persons in its assessment field, and low-income members, including loans and other efforts to assist existing low- and moderate-income members to be able to remain in their neighborhoods, consistent with safe and sound operations;

v) Extensive use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income members or geographies;

vi) There is no evidence of loans that show an undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units;

vii) An excellent record relative to fair lending policies and practices; and

viii) It is a leader in making community development loans.

B) High satisfactory. The Secretary rates a credit union's lending performance "high satisfactory" if, in general, it demonstrates:

i) Good responsiveness to credit needs in its assessment field, taking into account the number and amount of home mortgage, and consumer loans, if applicable, in its assessment field;

ii) A good geographic distribution of loans in its assessment field, provided, however, a geographic analysis is relevant in the context of the credit union's membership by-law provisions;

iii) A good distribution, particularly in its assessment field, of loans among members of different income levels, given the product lines offered by the credit union;

iv) A good record of serving the credit needs of highly economically disadvantaged persons in its assessment field, and low-income members, including loans and other efforts to assist existing low- and moderate-income members to be able to remain in their neighborhoods, consistent with safe and sound operations;

v) Use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income members or geographies;

vi) There is no evidence of loans that show an undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units;

vii) A good record relative to fair lending policies and practices; and

viii) It has made a relatively high level of community development loans.

C) Low satisfactory. The Secretary rates a credit union's lending performance "low satisfactory" if, in general, it demonstrates:

i) Adequate responsiveness to credit needs in its assessment field, taking into account the number and amount of home mortgage, and consumer loans, if applicable, in its assessment field;

ii) An adequate geographic distribution of loans in its assessment field, provided, however, a geographic analysis is relevant in the context of the credit union's membership by-law provisions;

iii) An adequate distribution, particularly in its assessment field, of loans among members of different income levels, given the product lines offered by the credit union;

iv) An adequate record of serving the credit needs of highly economically disadvantaged persons in its assessment field, and low-income members, including loans and other efforts to assist existing low- and moderate-income members to be able to remain in their neighborhoods, consistent with safe and sound operations;

v) Limited use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income members or geographies;

vi) There is no evidence of loans that show an undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units;

vii) An adequate record relative to fair lending policies and practices; and

viii) It has made an adequate level of community development loans.

D) Needs to improve. The Secretary rates a credit union's lending performance "needs to improve" if, in general, it demonstrates:

i) Poor responsiveness to credit needs in its assessment field, taking into account the number and amount of home mortgage, and consumer loans, if applicable, in its assessment field;

ii) A poor geographic distribution of loans, particularly to low- and moderate-income geographies, in its assessment field, provided, however, a geographic analysis is relevant in the context of the credit union's membership by-law provisions;

iii) A poor distribution, particularly in its assessment field, of loans among members of different income levels, given the product lines offered by the credit union;

iv) A poor record of serving the credit needs of highly economically disadvantaged persons in its assessment field, and low-income members, including loans and other efforts to assist existing low- and moderate-income members to be able to remain in their neighborhoods, consistent with safe and sound operations;

v) Little use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income members or geographies;

vi) There is possible evidence of loans that show an undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units;

vii) A poor record relative to fair lending policies and practices; and

viii) It has made a low level of community development loans.

E) Substantial noncompliance. The Secretary rates a credit union's lending performance as being in "substantial noncompliance" if, in general, it demonstrates:

i) A very poor responsiveness to credit needs in its assessment field, taking into account the number and amount of home mortgage, and consumer loans, if applicable, in its assessment field;

ii) A very poor geographic distribution of loans, particularly to low- and moderate-income geographies, in its assessment field, provided, however, a geographic analysis is relevant in the context of the credit union's membership by-law provisions;

iii) A very poor distribution, particularly in its assessment field, of loans among members of different income levels, given the product lines offered by the credit union;

iv) A very poor record of serving the credit needs of highly economically disadvantaged persons in its assessment field, and low-income members, including loans and other efforts to assist existing low- and moderate-income members to be able to remain in their neighborhoods, consistent with safe and sound operations;

v) No use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income members or geographies;

vi) Origination of loans that show an undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units;

vii) A very poor record relative to fair lending policies and practices; and

viii) It has made few, if any, community development loans.

2) Service performance rating. The Secretary assigns each credit union's service performance one of the five following ratings.

A) Outstanding. The Secretary rates a credit union's service performance "outstanding" if, in general, the credit union demonstrates:

i) Its service delivery systems are readily accessible to members and geographies of different income levels in its assessment field;

ii) To the extent changes have been made, its record of opening and closing branches has improved the accessibility of its delivery systems, particularly to low- and moderate-income members or in low- and moderate-income geographies;

iii) Its services (including, where appropriate, business hours) are tailored to the convenience and needs of its assessment field, particularly low- and moderate-income members or in low- and moderate-income geographies; and

iv) It is a leader in providing community development services.

B) High satisfactory. The Secretary rates a credit union's service performance "high satisfactory" if, in general, the credit union demonstrates:

i) Its service delivery systems are accessible to members and geographies of different income levels in its assessment field;

ii) To the extent changes have been made, its record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to low- and moderate-income members and in low- and moderate-income geographies;

iii) Its services (including, where appropriate, business hours) do not vary in a way that inconveniences its assessment field, particularly low- and moderate-income members and low- and moderate-income geographies; and

iv) It provides a relatively high level of community development services.

C) Low satisfactory. The Secretary rates a credit union's service performance "low satisfactory" if, in general, the credit union demonstrates:

i) Its service delivery systems are reasonably accessible to members and geographies of different income levels in its assessment area;

ii) To the extent changes have been made, its record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, particularly to low- and moderate-income members and in low- and moderate-income geographies;

iii) Its services (including, where appropriate, business hours) do not vary in a way that inconveniences its assessment field, particularly low- and moderate-income members and low- and moderate-income geographies; and

iv) It provides an adequate level of community development services.

D) Needs to improve. The Secretary rates a credit union's service performance "needs to improve" if, in general, the credit union demonstrates:

i) Its service delivery systems are unreasonably inaccessible to portions of its assessment field, particularly to low- and moderate-income members or to low- and moderate-income geographies;

ii) To the extent changes have been made, its record of opening and closing branches has adversely affected the accessibility its delivery systems, particularly to low- and moderate- income members or in low- and moderate-income geographies;

iii) Its services (including, where appropriate, business hours) vary in a way that inconveniences its assessment field, particularly low- and moderate-income members or low- and moderate-income geographies; and

iv) It provides a limited level of community development services.

E) Substantial noncompliance. The Secretary rates a credit union's service performance as being in "substantial noncompliance" if, in general, the credit union demonstrates:

i) Its service delivery systems are unreasonably inaccessible to significant portions of its assessment field, particularly to low- and moderate-income members or to low- and moderate-income geographies;

ii) To the extent changes have been made, its record of opening and closing branches has significantly adversely affected the accessibility of its delivery systems, particularly to low- and moderate-income members or in low- and moderate-income geographies;

iii) Its services (including, where appropriate, business hours) vary in a way that significantly inconveniences its assessment field, particularly low- and moderate-income members or low- and moderate-income geographies; and

iv) It provides few, if any, community development services.

c) Investment performance rating. The Secretary assigns each credit union's investment performance one of the five following ratings.

1) Outstanding. The Secretary rates a credit union's investment performance "outstanding" if, in general, it demonstrates:

A) An excellent level of qualified investments, particularly those that are not routinely provided by private investors, often in a leadership position;

B) Extensive use of innovative or complex qualified investments; and

C) Excellent responsiveness to credit and community development needs.

2) High Satisfactory. The Secretary rates a credit union's investment performance "high satisfactory" if, in general, it demonstrates:

A) A significant level of qualified investments, particularly those that are not routinely provided by private investors, although rarely in a leadership position;

B) Significant use of innovative or complex qualified investments; and

C) Good responsiveness to credit and community development needs.

3) Low satisfactory. The Secretary rates a credit union's investment performance "low satisfactory" if, in general, it demonstrates:

A) An adequate level of qualified investments, particularly those that are not routinely provided by private investors, although rarely in a leadership position;

B) Occasional use of innovative or complex qualified investments; and

C) Adequate responsiveness to credit and community development needs.

4) Needs to improve. The Secretary rates a credit union's investment performance "needs to improve" if, in general, it demonstrates:

A) A poor level of qualified investments, particularly those that are not routinely provided by private investors;

B) Rare use of innovative or complex qualified investments; and

C) Poor responsiveness to credit and community development needs.

5) Substantial noncompliance. The Secretary rates a credit union's investment performance as being in "substantial noncompliance" if, in general, it demonstrates:

A) Few, if any, qualified investments, particularly those that are not routinely provided by private investors;

B) No use of innovative or complex qualified investments; and

C) Very poor responsiveness to credit and community development needs.

d) Wholesale or limited purpose credit unions. The Secretary assigns each wholesale or limited purpose credit union's community development performance one of the four following ratings.

1) Outstanding. The Secretary rates a wholesale or limited purpose credit union's community development performance "outstanding" if, in general, it demonstrates:

A) A high level of community development loans, community development services, or qualified investments, particularly investments that are not routinely provided by private investors;

B) Extensive use of innovative or complex qualified investments, community development loans, or community development services; and

C) Excellent responsiveness to credit and community development needs in its assessment field.

2) Satisfactory. The Secretary rates a wholesale or limited purpose credit union's community development performance "satisfactory" if, in general, it demonstrates:

A) An adequate level of community development loans, community development services, or qualified investments, particularly investments that are not routinely provided by private investors;

B) Occasional use of innovative or complex qualified investments, community development loans, or community development services; and

C) Adequate responsiveness to credit and community development needs in its assessment field.

3) Needs to improve. The Secretary rates a wholesale or limited purpose credit union's community development performance as "needs to improve" if, in general, it demonstrates:

A) A poor level of community development loans, community development services, or qualified investments, particularly investments that are not routinely provided by private investors;

B) Rare use of innovative or complex qualified investments, community development loans, or community development services; and

C) Poor responsiveness to credit and community development needs in its assessment field.

4) Substantial noncompliance. The Secretary rates a wholesale or limited purpose credit union's community development performance in "substantial noncompliance" if, in general, it demonstrates:

A) Few, if any, community development loans, community development services, or qualified investments, particularly investments that are not routinely provided by private investors;

B) No use of innovative or complex qualified investments, community development loans, or community development services; and

C) Very poor responsiveness to credit and community development needs in its assessment field.

e) Credit Unions evaluated under the small credit union and intermediate small credit union performance standards.

1) Lending test ratings for small credit unions and intermediate small credit unions.

A) Eligibility for a satisfactory rating. The Secretary rates a small credit union or intermediate small credit union's performance "satisfactory" if, in general, the credit union demonstrates:

i) A reasonable loan-to-share ratio (considering seasonal variations) given the credit union's size, financial condition, the credit needs of its assessment field, and taking into account, as appropriate, lending-related activities such as loan originations for sale to the secondary markets and community development loans and qualified investments;

ii) A majority of its loans and, as appropriate, other lending-related activities are in its assessment field;

iii) A distribution of loans to and, as appropriate, other lending related-activities for individuals of different income levels (including low- and moderate-income individuals) and businesses and farms of different sizes that is reasonable given the demographics of the credit union's assessment field;

iv) A record of taking appropriate action, as warranted, in response to written complaints, if any, about the credit union's performance in helping to meet the credit needs of its assessment field and reasonable performance with regard to fair lending policies and practices; and

v) A reasonable geographic distribution of loans given the credit union's assessment field.

B) Eligibility for an outstanding rating. A small credit union or intermediate small credit union that meets each of the standards for a "satisfactory" rating under this paragraph and exceeds some or all of those standards may warrant consideration for an overall rating of "outstanding."

C) Needs to improve or substantial noncompliance ratings. A small credit union or intermediate small credit union also may receive a rating of "needs to improve" or "substantial noncompliance" depending on the degree to which its performance has failed to meet the standards for a "satisfactory" rating.

2) Community Development Test Ratings for Intermediate Small Credit Unions

A) Eligibility for a Satisfactory Community Development Test Rating. The Secretary rates an intermediate small credit union's community development performance "satisfactory" if the credit union demonstrates adequate responsiveness to the community development needs of its assessment field through community development loans, qualified investments, and community development services. The adequacy of the credit union's response will depend on its capacity for such community development activities, its assessment field's need for such community development activities, and the availability of such opportunities for community development in the credit union's assessment field.

B) Eligibility for an Outstanding Community Development Test Rating. The Secretary rates an intermediate small credit union's community development performance "outstanding" if the credit union demonstrates excellent responsiveness to community development needs in its assessment field through community development loans, qualified investments, and community development services, as appropriate, considering the credit union's capacity and the need and availability of such opportunities for community development in the credit union's assessment field.

C) Needs to Improve or Substantial Noncompliance Ratings. An intermediate small credit union may also receive a community development test rating of "needs to improve" or "substantial noncompliance" depending on the degree to which its performance has failed to meet the standards for a "satisfactory" rating

3) Service test rating for credit unions that are intermediate small credit unions: A credit union that is an intermediate small credit union will be rated under the service test in accordance with subsection (b)(2) of 185.APPENDIX A (Ratings).

f) Overall rating

1) Eligibility for a satisfactory overall rating. No intermediate small credit union may receive an assigned overall rating of "satisfactory" unless it receives a rating of at least "satisfactory" on both the lending test and community development test.

2) Eligibility for an outstanding overall rating.

A) An intermediate small credit union that receives an "outstanding" rating on one test and at least "satisfactory" on the other test may receive an assigned overall rating of "outstanding".

B) A small credit union that meets each of the standards for a "satisfactory" rating under the lending test and exceeds some or all of those standards may warrant consideration for an overall rating of "outstanding". In assessing whether a credit union's performance is "outstanding", the Secretary considers the extent to which the credit union exceeds each of the performance standards for a "satisfactory" rating and its performance in making qualified investments and its performance in providing branches and other services and delivery systems that enhance credit availability in its assessment field.

3) Needs to improve or substantial noncompliance overall rating. A small credit union may also receive a rating of "needs to improve" or "substantial noncompliance" depending on the degree to which its performance has failed to meet the standards for a "satisfactory" rating.

g) Strategic plan assessment and rating

1) Satisfactory goals. The Secretary approves as "satisfactory" measurable goals that adequately help to meet the credit needs of the credit union's assessment field.

2) Outstanding goals. If the plan identifies a separate group of measurable goals that substantially exceed the levels approved as "satisfactory", the Secretary will approve those goals as "outstanding".

3) Rating. The Secretary assesses the performance of a credit union operating under an approved plan to determine if the credit union has met its plan goals:

A) If the credit union substantially achieves its plan goals for a satisfactory rating, the Secretary will rate the credit union's performance under the plan as "satisfactory".

B) If the credit union exceeds its plan goals for a satisfactory rating and substantially achieves its plan goals for an outstanding rating, the Secretary will rate the credit union's performance under the plan as "outstanding".

C) If the credit union fails to meet substantially its plan goals for a satisfactory rating, the Secretary will rate the credit union as either "needs to improve" or "substantial noncompliance", depending on the extent to which it falls short of its plan goals, unless the credit union elected in its plan to be rated otherwise, as provided in Section 185.270(f)(4).

h) Other eligible criteria for an outstanding rating. A credit union that achieves at least a "satisfactory" rating under the lending and service tests may warrant consideration for an overall rating of "outstanding". In assessing whether a credit union 's performance is "outstanding", the Secretary will also consider the credit union's performance in making qualified investments and community development loans to the extent authorized under law.

i) Component test ratings. The Secretary may develop, by written policy or directive, a matrix system which sets forth the methodology for aggregating a credit union's scores on the lending, service, and investment tests to arrive at an assigned rating.