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Date: 1.17.19

To: Members of City Council and Members of the Public
From: Council President Kaplan
Re: Concerns With Potential Changes to the Community Reinvestment Act.

Dear Colleagues on the City Council and Members of the Public,

This memorandum summarizes our rationale for introducing a resolution that addresses the Office of the Comptroller of Currency's Advance Notice of Rulemaking regarding the Community Reinvestment Act (CRA).

The Community Reinvestment Act (CRA) was enacted on October 12, 1977 to end the practice of "redlining" by financial institutions where red lines would be drawn on maps to cut out neighborhoods they did not want to offer financial services. For over forty years, the CRA has helped to create a more equitable process for low and moderate income communities to access credit thereby growing businesses, expanding housing opportunities, and assuring economic growth in neighborhoods, many of those communities of color. Because of this law, banks have provided estimated $2 trillion in community development and small business loans since 1996 to areas previously impacted by redlining.[1] Discrimination in lending is still a problem, and proposed reforms by the Office of the Comptroller of the Currency's (OCC's) could profoundly diminish the existing law.

Currently, when a regulatory agency finds that a financial institution is not serving these neighborhoods, it can delay or deny that institution's request to merge with another lender or to open a branch. A financial institution regulatory agency can also approve the merger application and include specific requirements for community benefit. Members of the public are able comment on the performance of their local banks and this input is considered regulators.

The proposed rulemaking by President Trump appointees could deeply impact banking commitments to local communities. According to organizations like Greenlining Institute the law needs to be strengthened, not weakened. Greenlining Institute and others have pointed out that the law is outdated, and does not even include oversight of non-banking institutions, that now account for more than 50% of our home loan agencies.[2]

For these reasons, the proposed resolution seeks to do the following:

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[1] Van Tol, Jesse. (2018, Aug. 28) *A Green Light for Banks to Start 'Redlining' Again.* Retrieved from https://www.nytimes.com/2018/08/28/opinion/trump-mortgage-redlining-cra.html
[2] Lerner, Michele. (2017, February 23) *The mortgage market is now dominated by non-bank lenders.* https://www.washingtonpost.com/realestate/the-mortgage-market-is-now-dominated-by-nonbank-lenders/2017/02/22/9c6bf5fc-d1f5-11e6-a783-cd3fa950f2fd_story.html?noredirect=on&utm_term=.ca3c14e5bf0b

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1. Support efforts to modernize CRA to include non-banking institutions such as mortgage companies and technology companies, and not weaken it;
2. Oppose efforts by the Office of the Comptroller of the Currency and other regulators to water down penalties under CRA for discrimination;
3. Oppose regulators' efforts to weaken public participation, a key element to CRA, bank performance evaluations, and bank merger and expansion applications; and
4. Support efforts to ensure that banks that unnecessarily displace neighborhood homeowners, residents, and small businesses suffer CRA downgrades if they do not develop policies to mitigate displacement and to instead reinvest in community stability.

Respectfully Submitted,

Council President Rebecca Kaplan