

Resolution No. 263-2020

Council Member(s) Brancatelli, Cleveland, Zone, McCormack, B. Jones, Griffin, Slife, Kazy, Mooney, Conwell

FOR ADOPTION
February 24, 2020

AN EMERGENCY RESOLUTION

Urging protection of the Federal Community Reinvestment Act (CRA) by ensuring that current efforts to modernize regulations do not undermine the intent of the law and its mission to protect low and moderate-income communities across the country.

WHEREAS, the Community Reinvestment Act (CRA) was a landmark civil rights law passed in 1977 to discourage the practice of “redlining” by financial institutions, where access to home loans, business loans, and other banking services has either been denied outright or made less available to communities with racial and ethnic minority populations; and

WHEREAS, lack of access to loans and other financial services not only impacts racial and ethnic minorities, but also undermines the housing value of all property owners who live in communities impacted by lack of access; and

WHEREAS, since 1996, according to analysis of bank lending data by the National Community Reinvestment Coalition (NCRC), CRA-covered banks issued almost 29 million small business loans in low- and moderate-income tracts, totaling \$1.156 trillion, and \$1.179 trillion in community development loans that support affordable housing and economic development projects benefiting low- and moderate-income communities; and

Whereas, a 2016 review of the CRA examinations of intermediate small banks (ISBs)/mid-sized banks (banks with asset sizes today between \$313 million and \$1.252 billion) found that ISBs produced over \$9.3 billion of community development loans and grants; and

WHEREAS, despite the gains made from CRA, recent studies published by the Western Reserve Land Conservancy, Cleveland State University, the Federal Reserve Bank of Cleveland and the Fair Housing Center for Rights and Research suggest there is still a need for the incentives CRA provides as Cuyahoga suburbs and neighborhoods continue to experience disparities in access to lending; and

WHEREAS, despite the tremendous benefits of CRA to communities, the full potential of CRA has not been realized because it has not been updated to take into account changes in the banking industry and the economy; independent mortgage companies not covered by CRA now make more than 50 percent of the home mortgage loans in America and financial technology (“Fintech”) companies that operate via the internet are rapidly increasing their lending and are not covered by CRA; and

WHEREAS, notwithstanding the need to modernize CRA, recent changes to CRA regulations proposed by the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) would, under the guise of modernization, substantially weaken CRA; and

WHEREAS, these proposed changes include:

- allowing banks to get CRA credit for investments in sports stadiums, roads, bridges, and other infrastructure projects that are disconnected from CRA’s purpose of ending redlining and supporting underserved people and their communities;
- raising the asset threshold of banks covered by CRA which would exempt more banks from examination of their community lending and investments;
- allowing banks to choose which of their geographic assessment areas to serve and which to ignore, essentially undermining anti-redlining protections; and
- eliminating the three tests on which banks are currently evaluated (1-lending, 2-investing and 3-providing retail banking services) and replacing these with a single Qualifying Activity Ratio and changing the Retail Distribution test from graded to pass/fail, that would enable banks to fail in half of their assessment areas and still pass its overall CRA exam; and

WHEREAS, the National League of Cities is working with both the National Community Reinvestment Coalition and the National Housing Conference to provide comments on the proposed CRA changes to preserve the focus on affordable housing, community development investment and lending; and

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WHEREAS, this Council believes that, in order for CRA to continue to fulfill its intended mission, regulations should be modernized to reflect changes in mortgage lending, technology and markets; however, while CRA can be modernized, it must not be weakened; and

WHEREAS, this Council supports and encourages the modernization of CRA to apply it to non-bank institutions that are not presently covered by CRA such as mortgage companies and financial technology (“fintech”) companies; and

WHEREAS, this Council opposes raising the asset threshold of banks covered by CRA, as this would exempt more banks, such as ISBs/mid-sized banks, from examination of their community development lending and investments; and

WHEREAS, this Council opposes permitting banks to ignore geographic assessment areas; geographic areas must remain the focus of CRA exams for all banks; banks should continue to be graded based on every geography where they lend or receive a significant percentage of their deposits; banks cannot be allowed to cherry-pick where they lend, or where they don’t lend at all, or to ignore the credit needs of distressed and vulnerable communities; and

WHEREAS, this Council opposes abandonment of the three-tiered system of evaluating a bank’s performance on its lending, investment and retail banking services; all three are critical needs of our community; and

WHEREAS, this Council opposes any proposals which would weaken the penalties for discrimination under CRA; and

WHEREAS, this Council opposes giving CRA credit to banks for investing in large infrastructure projects such as bridges, highways and sports stadiums; allowing credit for these projects weakens the incentive for banks to invest in local housing and community development projects our community needs; and

WHEREAS, this Council supports a CRA with a clearly defined grading system that emphasizes lending, bank branches, fair lending performance, and responsible loan products for working class families; and

WHEREAS, this Council supports efforts to hold a bank accountable if it has a less than satisfactory CRA exam, or wishes to acquire a bank with a better CRA grade, and urge agencies to recognize and encourage Community Benefit Agreements (CBAs) and efforts that motivate banks to make more loans, investments, and services available to traditionally underserved communities; and

WHEREAS, this resolution constitutes an emergency measure for the immediate preservation of public peace, property, health or safety, now, therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF CLEVELAND:

Section 1. That this Council urges protection of the Federal Community Reinvestment Act (CRA) by ensuring that current efforts to modernize regulations do not undermine the intent of the law and its mission to protect low and moderate-income communities across the country.

Section 2. That the Clerk of Council is hereby directed to transmit a certified copy of this resolution to the Legislative and Regulatory Activities Division Office of the Comptroller of the Currency, regarding Docket ID OCC-2018-0008 400 7th Street SW, Suite 3E-218, Washington, DC 20219, and the National League of Cities, Michael Wallace, Legislative Director.

Section 3. That this resolution is hereby declared to be an emergency measure and, provided it receives the affirmative vote of two-thirds of all the members elected to Council, it shall take effect and be in force immediately upon its adoption and approval by the Mayor; otherwise it shall take effect and be in force from and after the earliest period allowed by law.

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jho 2-24-20 FOR: Council Member Brancatelli

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**REPORT
after second Reading**

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CITY CLERK

READ SECOND TIME

CITY CLERK

READ THIRD TIME FEBRUARY 24, 2020

PRESIDENT

CITY CLERK

APPROVED

MAYOR