



Text File

Introduced: 2/25/2020

Bill No: 2020-0152, **Version:** 1

Committee: City Council

Status: Adopted

WHEREAS, the Community Reinvestment Act (CRA) was passed in 1977 as part of an effort to mitigate the effects of systematic redlining and corrosive deleterious under-investment in low- and moderate-income neighborhoods and communities of color by mandating that banks and related financial institutions lend and offer services in a manner that's equitable, as well as back community development initiatives, in the very areas where they conduct their business; and

WHEREAS, as the CRA currently reads, "regulated financial institutions have continuing and affirmative obligations to help meet the credit needs of the local communities in which they are chartered," which speaks to the regulatory regime that the CRA created that monitors lending, investments, and services in low- and moderate-income communities that have historically been marginalized and too often left behind and subsequently assigns "grades" to lending institutions based on their performance in said communities; and

WHEREAS, banking and lending activity data analyzed by the National Community Reinvestment Coalition (NCRC) shows that since 1996, CRA-covered banks issued almost \$1.16 trillion worth of loans to close to 29 million small businesses and nearly \$1.18 trillion worth of community development loans that went toward economic development projects and affordable housing initiatives, all in low- and moderate-income communities. Locally, the Pittsburgh Community Reinvestment Group (PCRG), the region's CRA watchdog and advocacy entity composed of a multi-sector coalition dedicated to economic justice and equitable neighborhood revitalization, shows about \$5 billion invested in community development; and

WHEREAS, home loans issued through the CRA are demonstrably safer than independently-issued financial products and neighborhoods with higher rates of CRA-covered lending than alternative options enjoy lower delinquency rates; and

WHEREAS, while the CRA should be modernized to account for online and digital banking, the financial technology industry, and more, as well as a need for more robust tools to continually attack racial disparities and practices that amount to discrimination, the need to update the CRA shouldn't be used as a pretext for efforts to water-down and defang these important regulations; and

WHEREAS, the proposed rule change from the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC), OCC-2018-0008-1515, is, as FDIC Board Member Martin J. Gruenberg described, "a deeply misconceived proposal that would fundamentally undermine and weaken the Community Reinvestment Act" and would, according to the NCRC, lead to a "significant dilution of focus on low- and moderate-income people and communities;" and

WHEREAS, it would undermine the CRA's existing focus on the quality of a bank's lending and investing activities and establish a dollar volume metric approach that would set across-the-board targets and

presumptive CRA ratings for institutions irrespective of whether the bank's activities meet local credit needs in their geographic assessment areas, allow banks to reach outstanding ratings nationally while nevertheless still failing in nearly half of its assessment areas, and, in the process, further entrench patterns of segregation to which unfair and discriminatory lending practices contribute; and

WHEREAS, presuming that all financial or housing markets are identical and easily comparable only serves to cheapen the CRA's historical goals by allowing banks and lending institutions to aim for a simple dollar volume target of lending despite the reality that larger and simpler financial projects don't always produce the equivalent benefit to low- and moderate-income income families and communities that smaller and complex transactions often do in the housing market and in community development financing; and

WHEREAS, the proposed rule would diminish and dilute the effectiveness of the CRA through an expansion of that which could be considered CRA-qualifying activities by including such things as standard and routine activities that banks already do as day-to-day operations and financing sports stadiums or luxury housing in Opportunity Zones; and

WHEREAS, banks would be given a higher degree of CRA credit for undertaking efforts that would only benefit in part low- and moderate-income households and neighborhoods, doing away with the CRA's "primary purpose" focus on community development targeted on low- and moderate-income individuals and areas, small business or small farms, or underserved or distressed rural areas; and

WHEREAS, by softening the regulations on banks and financial institutions' activities in low- and moderate-income communities and communities of color, opening the door to possible CRA grade inflation, allowing easier alternatives to the financing of deep and permanently affordable housing, and stamping out the CRA service test to lessen the importance of critical affordable financial products and services minimize recognition for bank branches for those very populations, the OCC and FDIC's proposal drastically obscures that which should remain the focus of the CRA: ensuring that "regulated financial institutions have continuing and affirmative obligations to help meet the credit needs of the local communities in which they are chartered" in such a way that there's a real, material benefit to those very communities; and

WHEREAS, the performance measures that would be instituted through this proposed rule change are arbitrarily-constructed, built on missing deposit and other data and analyses, contain no modeling on how regulators expect banks to perform under these new standards, lacks clarity for communities, and contributes further to the very real threat of fewer much-needed loans, investments, and financial services targeted to low- and moderate-income communities that have historically been deprived of credit and capital.

WHEREAS, the NCRC "Treasure CRA" campaign has documented some of the billions in CRA-qualified home and small business loans alone that could be at risk each year by the proposed rule, while others have also noted the possible disruption in the vital housing tax credit market and other critical community development projects, as well as the law's potential impact on bank branching patterns and affordable banking services.

NOW, THEREFORE BE IT RESOLVED that the Council of the City of Pittsburgh makes known its opposition to any modernization effort that seeks to also weaken or diminish the efficacy and intent of the

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Community Reinvestment Act, including OCC-2018-0008-1515, the rule change proposed by the OCC and FDIC; and

BE IT FURTHER RESOLVED that this Council encourages community development institutions, neighborhood groups, and other concerned organizations to help ensure that accountable, strengthening, and impactful investments remain the central focus of the Community Reinvestment Act by submitting their public comments to the federal government before April 8, 2020, the date that reflects the recently-announced 30-day extension to the comment period.