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## **Top Banking Regulator Joseph Otting to Resign Leaving Redlining Legacy in CRA Final Rule**

*Before He was Comptroller, Otting Left OneWest CEO Job in the Wake of Redlining Allegations. As FDIC abandons OCC CRA Revamp, 'Scorched Earth' Tactics Leave Civil Rights Law in Tatters*

The Office of the Comptroller of the Currency finalized problematic changes to the Community Reinvestment Act (CRA), a decades-old civil rights law, just five weeks after receiving more than 7,000 public comments on its proposal. Community groups fiercely opposed the proposed modifications, providing analysis that showed how the revisions would lead to a return to redlining. Over one hundred California community groups called on Comptroller Joseph Otting to halt the rulemaking process during the national state of emergency, urging that the full force of the government instead be used for pandemic relief for low-income communities and communities of color.

The same day that the comment period closed, Mr. Otting promised to finalize the CRA rule before the first half of the year. The hastiness of the process calls into question whether the public comments were fully considered, as is required by the laws governing the rulemaking process. Mr. Otting has a dubious record with community organizations making comments about his experience dating back to his time as CEO of OneWest Bank. As Comptroller Mr. Otting was quoted as saying "...We won't tolerate groups that do not provide services to these communities to disrupt the process and affect our decisions." This comment casts doubts as to whether the Comptroller objectively considered public comments from community groups, many of whom represent the very people whom the CRA was intended to serve.

The Comptroller's historic disregard for public and community input is born out in the final CRA rule in a simple sentence, "Although commenters disagreed with the approach outlined in the proposal, the agency ultimately agreed with the minority of commenters who expressed support for the proposed framework."

Although some changes have been made to the final rule, much of the final rule retains the problematic original proposal, including but not limited to credit for opportunity zone investments, elimination of the service test which values access to bank branches and accounts, and expanding the list of activities for which banks get credit such as allowing much larger business lending to count, thereby diluting banks' reinvestment impacts in low-income communities and on small business development. All told, these changes will drive less investment into California communities of color and low and moderate neighborhoods, working at odds with the intent of the Community Reinvestment Act.

"Communities are struggling to survive, not knowing what the world will look like tomorrow much less one year from now, yet Joseph Otting has rewritten the map without regard for a world in

crisis. As the OCC releases its final rule alone and without the other banking regulators, in the middle of the COVID-19 crisis, Joseph Otting is reportedly set to announce he is leaving the OCC, much as he did when he was fired as CEO of CIT, communities are left to wonder who will be left to pick up the pieces of the mess he has left in his wake,” said Paulina Gonzalez-Brito, executive director of the California Reinvestment Coalition. “Then and now, he has left a legacy of disinvestment and harm to communities.”

The impacts of this rule will be far-reaching and deeply felt in Latino and immigrant communities. Allowing CRA credit for opportunity zone investments with the presumption that they will benefit communities -- and without regard for possible displacement or other harm -- is dangerous and contrary to the very spirit and intent of this landmark civil rights law,” said Luis Granados, CEO of Mission Economic Development Agency and CRC Board Chair.

Additionally, under Mr. Otting’s leadership, lending at OneWest was alleged to be discriminatory and illegal. CRC filed a [redlining complaint](#) against Mr. Otting’s Bank with HUD in November 2016. CRC settled the complaint with Mr. Otting’s successor, CIT Bank, which had acquired OneWest Bank. Mr. Otting was fired from his position as CEO of OneWest Bank in November of 2015.

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The **California Reinvestment Coalition** (CRC) is the largest statewide community reinvestment coalition in the country, with over 300 member organizations across California that provide services to tens of thousands of low- income residents. CRC members include affordable housing developers, community development financial institutions, housing counseling agencies, small business technical assistance providers, legal services agencies, and community-based organizations.