The Community Reinvestment Act Is At Risk

NCRC
National Community Reinvestment Coalition

The Trump Administration has been systematically chipping away at key civil rights laws: weakening fair housing laws, allowing lenders to hide home lending data in HMDA, and now, substantially crippling the Community Reinvestment Act (CRA). Under the CRA, banks are regulated and examined by one of three federal regulators: The Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve Board (FRB). Rejecting decades of coordination together, the OCC, independent of the other two agencies, took the first step to "modernize" the CRA, proposing the first major overhaul to the law in over 20 years.

The OCC is proposing three main concepts that threaten the very heart of the CRA, and put at risk the work we all do to serve and empower lower-income communities of color:

1. **ADOPTING A "ONE-RATIO" APPROACH** that essentially rates banks on the ratio of their total volume of lending and investments as compared to their assets or deposits. This approach would:
   - Minimize a bank's obligation to serve local areas. If the dollars add up to a target amount, a bank would pass, regardless of whether the loans and investments are responsive to local needs.
   - Minimize the role of community input and community needs assessments by focusing on quantity over quality;
   - Prioritize larger, simpler deals over smaller and more complex deals that could be more impactful, such as the projects done by mission-driven nonprofit developers.
   - Reduce the focus on smaller loans to low-income households and small businesses, as well as smaller grants to community-based nonprofits.
   - Reduce the focus on branches, bank products and services that can't be easily quantified
2. **EXPANDING WHAT COUNTS FOR CRA CREDIT** to include larger businesses and activities outside of what currently counts for community development. For example, raising the definition of a small business from $1 million in revenue to $5 million, and counting more types of activities.
   - If the CRA becomes too broad, it removes the incentive for banks to engage in more challenging activities that increase access to banking and credit ,and build wealth for historically redlined populations.
   - It would take the focus away from lower-income populations and small businesses
3. **EXPANDING WHERE CRA ACTIVITIES COUNT** to include more "safe zones," which are areas where any activity would receive CRA credit without an analysis of the impact. Opportunity zones could become such a safe zone.
   - While we understand there are distressed areas and banking deserts that need incentives for investment, there must always be an analysis of local needs and the impact of the investments.

We must fight for the right priorities.

1. **BANKS SHOULD BE EVALUATED ON THE QUANTITY, QUALITY AND IMPACT OF THEIR ACTIVITIES WITHIN THE LOCAL COMMUNITIES THEY SERVE AND BASED ON THE NEEDS OF THESE LOCAL COMMUNITIES.** Motivate high quality, responsive activities that lift historically redlined people – people of color and those with low- and moderate-incomes – out of poverty and help reduce wealth and income disparities. Downgrade banks that finance activities that cause displacement and harm.
2. **COMMUNITY INPUT AND COMMUNITY NEEDS MUST BE AT THE HEART OF THE CRA.** Strong community needs assessment and community engagement should inform community needs and how examiners evaluate how well banks are meeting those needs.
3. **ASSESSMENT AREAS MUST MAINTAIN LOCAL OBLIGATIONS.** The CRA must maintain the place-based commitment banks have to local communities. Keep assessment areas where banks have branches and add assessment areas where banks do not have branches but are making significant numbers of loans and/or receiving deposits. Include more rural areas and smaller cities as full scope assessment areas.

Bank regulators will release their proposal any day now and we must be prepared to act: submit comments, rally and write to our legislators. Reach out to your communities now and tell them why the CRA matters. Visit ncrc.org/treasureCRA for more information, and to sign our petition to Congress saying that CRA must be strengthened.

Protect & Strengthen the Community Reinvestment Act!

The Community Reinvestment Act (CRA) was originally passed in 1977 in response to systemic redlining and disinvestment, requiring banks to have a continuing and affirmative obligation to help meet the credit needs of low- and moderate-income neighborhoods in which they do business.

HOW DO CRA-REGULATED BANKS HELP YOU AND YOUR COMMUNITY? THEY PROVIDE:

- Bank branches and affordable, accessible banking products.
- Affordable mortgages to buy a home or stay in a home.
- Loans to help small businesses operate and expand.
- Financing for affordable housing, economic development and community services – the Low-Income Housing Tax Credit (LIHTC) is just one example.
- Investments in Community Development Financial Institutions (CDFIs) and credit unions that serve individuals, small businesses and nonprofit developers.
- Philanthropic grants to nonprofits that develop, advocate for and support affordable housing, economic development, financial empowerment and community services.

WHY DO WE NEED TO PRESERVE & STRENGTHEN THE CRA??

- Discrimination in lending is still a problem for people of color.
- Speculative multifamily lending and lending to bad acting landlords contributes to harassment and displacement.
- Too many rural areas are banking deserts with little lending or branching.
- Banks continue to close branches and charge high fees for banking.
- CRA covered lending is safer and less likely to result in foreclosure than non-CRA covered lending.
- Online bank lenders lend nationwide yet are only evaluated on their lending around their headquarters. Nonbank lenders are not covered by the CRA, meaning no regulator evaluates how equitably they are lending, nor do they have any obligation to reinvest in local communities.
- Low-income communities of color have disproportionately fewer bank branches and do not have the banking products they need to conduct transactions and build wealth.

Rather than preserve, better enforce and strengthen the CRA, the Trump Administration wants to substantially weaken it.

We can’t allow that to happen.

Visit ncrc.org/treasureCRA for more information on how you can comment

NCRC and its grassroots member organizations create opportunities for people to build wealth. We work with community leaders, policymakers and financial institutions to champion fairness and end discrimination in lending, housing and business. Our members include community reinvestment organizations, community development corporations, local and state government agencies, faith-based institutions, community organizing and civil rights groups, minority and women owned business associations and social service providers from across the nation.