

---

# Defending the Community Reinvestment Act

California Reinvestment Coalition  
January 28, 2020

---

---

---

# Special thank you to...

## CRC Legacy Members

Clearinghouse CDFI

CDC Small Business Finance

Opportunity Fund

Tenderloin Neighborhood Housing Services

...and to our CRC Members

---

---

# Benefits of CRC Membership

Invitations to members- only events

Meetings with policy makers, bank executives, and regulators

Important legislative updates

Participation in CRC campaigns

Discounts to CRC annual gala events

---

- **Welcome**  
Sarah Souza, CRC
- **Our Biggest Fight Yet**  
Paulina Gonzalez-Brito, CRC
- **One Ratio and Small Business**  
Robert Villarreal, CDC Small Business Finance
- **Homeownership and Affordable Housing**  
Nikki Beasley, RNHS
- **Branches, Accounts, Public Participation**  
Kevin Stein, CRC
- **Questions / Discussion**
- **TAKE ACTION**



—

The Community Reinvestment Act  
the nation's anti-redlining law  
is under **attack!**

—

”At its core, the CRA  
is a civil rights bill.”

U.S. Congressman Gregory Meeks



**Sarah Souza**  
Program Associate, CRC



**Paulina Gonzalez-Brito**  
Executive Director, CRC



**Nikki A. Beasley**  
Executive Director, RNHS



**Robert Villarreal**  
Executive Vice President,  
CDC Small Business Finance

President, Small Business Finance  
Fund (Bankers Small Business  
CDC of California)



**Kevin Stein**  
Deputy Director, CRC

---

---

# Our Biggest Fight Yet

Paulina Gonzalez-Brito, CRC

---



Mr. Mnuchin and Mr. Otting made a lot of money, but the battle left a bad taste. Both men have said they want to rewrite the rules to protect bankers from similar demands.

The changes amount to a betrayal of the public interest for the benefit of banks.

The CRA has room for improvement and even modernization, but any changes must be guided by practices that align with the spirit of the legislation.

These proposed rules don't pass the test.

*Janet Murguia is president and CEO of UnidosUS. Lisa Rice is president and CEO of the National Fair Housing Alliance. Wade Henderson is immediate past president of the Leadership Conference on Civil and Human Rights.*

# Our Movement is Growing



# Protests at the OCC in New York



Photo courtesy ANHD



**Chuck Schumer**   
@SenSchumer



I stand with the New Yorkers marching to keep the Community Reinvestment Act strong and keep banks committed to investing responsibly and equitably in their local communities.

I will continue to fight to ensure it remains the vital resource it is today. [twitter.com/anhdnyc/status...](https://twitter.com/anhdnyc/status...)

**ANHD** @ANHDNYC

Dozens march against the Trump Admin's proposed changes to the Community Reinvestment Act - speakers made it clear that they oppose any efforts to make it easier for banks to abandon low-income communities & communities of color #TreasureCRA #NYCforCRA [anhd.org/press-release/...](https://anhd.org/press-release/)



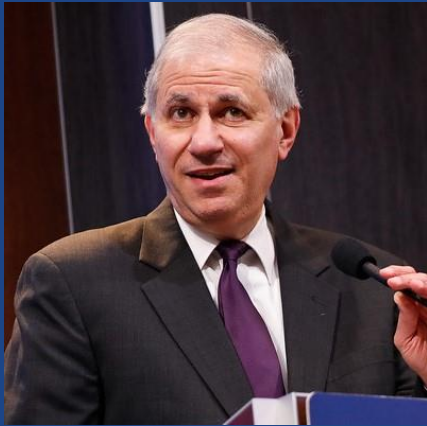
## Joseph Otting as OneWest CEO

- Out of 12 banks analyzed OneWest ranked 10th or 11th from the bottom
- Final quarter of June 2015, did 1/10 the amount of small biz lending compared to other banks
- Had 15 % of its branches in LMI communities, compared to 30 % for the rest of the industry
- Fake public comments



## Joseph Otting as Comptroller

“...If a bank wants to open a branch, close a branch or make an acquisition, certain community groups know how to . . . hold you hostage during that process and they use your *lack of compliance* in between the reviews in order to be able to do that.”



Vice Chair of the FDIC

“The Notice of Proposed Rulemaking (NPR) before the FDIC Board today is a **deeply misconceived proposal** that would **fundamentally undermine and weaken** the Community Reinvestment Act. For that reason I will vote against this NPR.”



Governor of the US Federal Reserve

“So it is **much more important to get reform right than to do it quickly**. If we only have one opportunity for a few decades, I want to make sure CRA reform is **based on the best analysis and ideas** and the broadest input available.”

# CRA Timeline

**August 2018**

Advance Notice of  
Proposed Rulemaking

**March 9, 2020**

Comment period closes!

**60 Days**

**January 9, 2020**

Notice of Proposed  
Rulemaking on Revisions to  
the Community  
Reinvestment Act Filed

---

# One ratio and small business

Robert Villarreal, CDC Small Business Finance

---

## One Ratio

Dollars in CRA

Activity/Deposits=One Ratio

CRA Grade is presumptive:

11% and up = Outstanding

6% = Satisfactory

3% = Needs to Improve

Less than 3% = substantial  
noncompliance

## The Math

More counts in the numerator  
(infrastructure, larger small business  
loans etc. )

and

They have excluded deposits making the  
denominator smaller

**Making it easier to reach outstanding**

---



# Small Business



Thresholds raised to \$2 million for small business revenue and loan size and annually adjusted for inflation

This is an increase from current \$1 million revenue and loan size

The CFPB estimated that 95% of small businesses had revenues of \$1 million or less

According to NCRC, there could be a potential loss of \$8 - \$16 billion in Small Business Lending

---

---

# Homeownership and Affordable Housing

Nikki Beasley, RNHS

---

---

# NCRC List of Absurd Activities that Qualify for CRA Credit

Financing of improvements to athletic stadiums in low-income census tracts located in Opportunity Zones

Mixed-income housing as defined by middle- and upper-income housing

Financial education to people of all income levels

A qualifying loan would be a loan to a family farm with gross annual revenues of \$10 million. According to the USDA, only 1% of farms had sales of \$5 million or more

## Displacement and Homeownership

CRA credit for:

- Loans for “affordable housing” rented by middle or upper income tenants benefiting from low rents
- Loans for housing to tenants earning up to 120% of area median income in high cost areas

No downgrades for displacement or harm

CRA is anti-redlining and should take race into account

According to NCRC, there could be a potential loss of \$11- \$23 billion in mortgage lending



---

## Single metric undermines the investment test and can hurt Housing Tax Credits:

“You’re talking about fairly large numerators and very large denominators. The question will be will banks be able to hit their targets without having to do difficult or complex affordable housing or community development activities. That’s an unknown at this point, but it does pose a significant risk for affordable housing and community development.”

-Benson “Buzz” Roberts, president and CEO of the National Association of Affordable Housing Lenders

---

---

---

# Branches, Accounts, Public Participation

Kevin Stein, CRC

---

# Bank Closures



-Much less credit for LMI branches

- LMI accounts and products not considered

•Banks get credit for volunteer hours unrelated to financial services and quantified by wages

•Performance context an afterthought



Banks that get “Outstanding” won’t be evaluated again for 5 years

Bank/community partnerships will suffer

Will public comments have a role in mergers and exams?

A return to redlining?

Banks could fail the exam in nearly ½ of their communities and still pass

— -Ignore rural areas



# TAKE ACTION

Submit a  
Comment  
Letter

Get 3 Others  
to Submit  
a Letter

Visit  
[calreinvest.org  
/about/cra](https://calreinvest.org/about/cra)

---

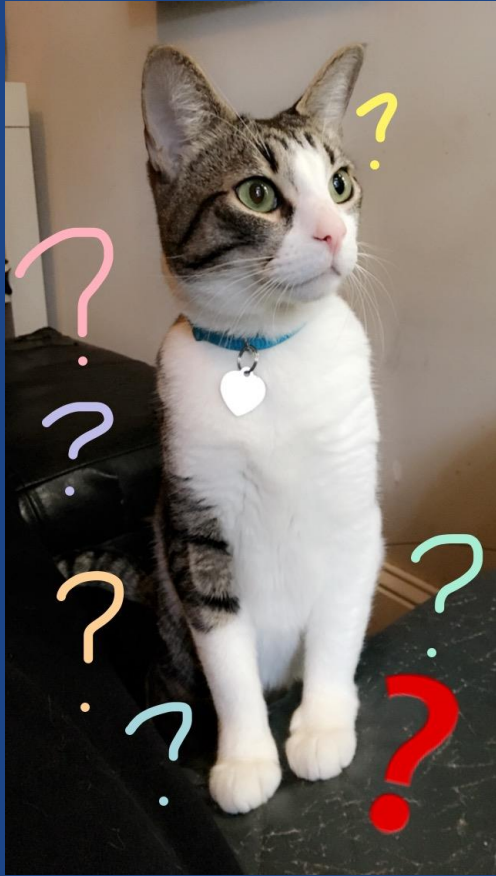
## Join NextCity's Webinar

CRC's National Policy and Communications Director,

Vijay Das, will be a panelist on

**Wednesday, January 29th from 10am-11am PST**

---



Questions?

---

# Closing Remarks

- \*Submit comment letters
- \*Get 3 other people to submit letters
- \*Visit [calreinvest.org/about/cra](https://calreinvest.org/about/cra)
- \*Contact your legislator
- \* Become a CRC member

Sarah Souza, CRC

---