

RESOLUTION NO. 14-2020 (F)

By Council Member Hart

A Resolution urging the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation to protect the Federal Community Reinvestment Act by ensuring that current efforts to modernize regulations do not weaken the requirement of lending institutions to meet the credit needs of low- and moderate-income and marginalized communities across our Nation; and declaring an emergency.

WHEREAS, the City of Cleveland Heights is a community of diverse income and wealth that supports the financial stability of all of its citizens; and

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, ethnic, and religious minority populations; and

WHEREAS, lack of access to loans and other financial services not only impacts racial, ethnic, and religious minorities, but also undermines the housing value of non-minority 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 found that ISBs produced over \$9.3 billion of community development (“CD”) loans and grants; 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; and

WHEREAS, 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 also 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

RESOLUTION NO. 14-2020 (F)

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 making redlining legal once again; 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 test that would enable banks to, for example, provide branch banking services but no mortgage lending, or invest in major development projects and offer no branch banking services.

NOW THEREFORE BE IT RESOLVED, by the Council of the City of Cleveland Heights, Ohio, that:

SECTION 1. This Council believes that, in order for CRA to continue to fulfill its intended mission, regulations should be strengthened to reflect changes in mortgage lending, technology and markets and must not be weakened by allowing covered institutions to disregard the credit needs of low- and-moderate income and marginalized communities.

SECTION 2. 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 companies.

SECTION 3. 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.

SECTION 4. This Council opposes permitting banks to ignore geographic assessment areas and instead should continue to be graded based on every geographic area where they lend or receive a significant percentage of their deposits and not be allowed to ignore the credit needs of distressed and vulnerable communities.

SECTION 5. The Council opposes the replacement of the three-tiered system of evaluating a bank's performance with the 'one ratio' system that reduces the need for banks to focus on all three critical community banking needs: lending, investment, and retail banking services.

SECTION 6. This Council opposes any proposals that would weaken the penalties for discrimination under CRA.

RESOLUTION NO. 14-2020 (F)

SECTION 7. This Council opposes giving CRA credit to banks for investing in large infrastructure projects such as bridges, highways, and sports stadiums, thereby weakening the incentive for banks to invest in local housing and community development projects.

SECTION 8. 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.

SECTION 9. 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 and efforts that motivate banks to responsibly make more loans, investments, and services available to traditionally underserved communities.

SECTION 10. The Clerk of Council shall submit this resolution by March 9, 2020 to:

Email: cra.reg@occ.treas.gov

Mail: Chief Counsel's Office

Attention: Comment Processing, Office of the Comptroller of the Currency

400 7th Street SW, Suite 3E-218

Washington, DC 20219

SECTION 11. Notice of the passage of this Resolution shall be given by publishing the title and abstract of contents, prepared by the Director of Law, once in one newspaper of general circulation in the City of Cleveland Heights.

SECTION 12. This Resolution is hereby declared to be an emergency measure immediately necessary for the preservation of the public peace, health and safety of the inhabitants of the City of Cleveland Heights, such emergency being the need to submit this Resolution to the OCC during the public comment period ending March 9, 2020. Wherefore, provided it receives the affirmative vote of five (5) or more of the members elected or appointed to this Council, this Resolution shall take effect and be in force immediately upon its passage; otherwise, it shall take effect and be in force from and after the earliest time allowed by law.

RESOLUTION NO. 14-2020 (F)

JASON S. STEIN, Mayor  
President of Council

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SUSANNA NIERMANN O'NEIL  
Acting Clerk of Council

PASSED: February 18, 2020