

**CITY OF BALTIMORE  
COUNCIL BILL 18-0106R  
(Resolution)**

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Introduced by: Councilmember Bullock, President Young, Councilmembers Henry, Middleton,  
Scott, Pinkett, Dorsey, Burnett, Cohen, Stokes, Sneed, Clarke, Reisinger, Schleifer  
Introduced and adopted: October 15, 2018

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**A COUNCIL RESOLUTION CONCERNING**

**The Community Reinvestment Act**

FOR the purpose of supporting the Community Reinvestment Act, which encourages lending and investment in low-and moderate-income communities.

**Recitals**

The Community Reinvestment Act (CRA) was enacted in 1977, to end the practice of “redlining” by financial institutions - a technique financial institutions used to cut off low-and-moderate income communities and any communities with large minority populations, from financial services. Residents of “redlined” communities could not access credit services, such as mortgages and business loans, regardless of their qualifications or creditworthiness.

The CRA established a regulatory regime for monitoring the level of lending, investments, and services in low-and-moderate income communities traditionally underserved by lending institutions. The Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation, and the Federal Reserve Board, assess and “grade” lending institutions’ activities in low-and-moderate income communities. If a financial institution is not serving low-and-moderate income communities, the regulatory agencies can delay or deny that institution’s request to merge with another lender, open another branch, or expand any of its services. The regulatory agencies can also approve a merger application subject to specific improvements in the lender’s record in low-and-moderate income communities. The regulatory agencies can downgrade a lender’s “CRA” grade if an agency uncovers evidence of illegal, abusive, or discriminatory lending on their fair lending exams.

The CRA has provided tremendous benefits to low-and-moderate income communities. The annual dollar amount of community development loans increased 443 percent from \$17.7 billion in 1996, to \$96 billion, in 2016. A 2016 review of the CRA examinations of intermediate small banks and mid-sized banks found that intermediate small banks produced over \$9.3 billion of community development loans and grants. Studies have found that CRA-covered home lending is safer and sounder than non-CRA covered lending, and that when a larger share of lending is issued by CRA-covered banks rather than independent mortgage companies, a neighborhood experiences lower delinquency rates and less risky lending.

Despite these improvements to lending in low-and-moderate income communities, the full potential of the CRA has not been realized, as the CRA has not been updated to reflect modern changes in the banking industry and the economy. Independent mortgage companies not covered

EXPLANATION: Underlining indicates matter added by amendment.  
~~Strike out~~ indicates matter deleted by amendment.

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1 by the CRA now make more than 50 percent of American home mortgage loans, and financial  
2 technology companies operating via the internet and not covered by the CRA are rapidly  
3 increasing their lending.

4 Unfortunately, some ideas have been put forth that will substantially weaken the CRA, rather  
5 than modernize it. Geographic assessment areas must remain the focus of CRA exams for all  
6 banks; banks should continue to be graded based on every geography where they lend or receive  
7 a significant percentage of their deposits; banks cannot be allowed to cherry-pick where they lend  
8 - and where they don't lend or to ignore the credit needs of distressed and vulnerable  
9 communities.

10 The review of a bank's CRA commitment should not be based on "one ratio" approach. This  
11 approach consists of the dollar amount of a bank's CRA activities divided by the bank's assets or  
12 "Tier One" capital. One fraction cannot sum up how, if, and where a bank is lending and  
13 investing capital and whether a bank is being responsive to the particular credit needs of its local  
14 community.

15 In addition, more banks, not fewer banks, including intermediate small banks and mid-sized  
16 banks, should be examined under the CRA for their community development lending and  
17 investments. The CRA should also explicitly state the law's obligation to fairly serve all races  
18 and ethnicities, and banks that engage in large-scale illegal and harmful activities should fail their  
19 CRA exams.

20 **NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF BALTIMORE,** That the City  
21 Council of Baltimore opposes regulators' efforts to raise bank thresholds and exempt more  
22 banks, such as intermediate small banks and mid-sized banks, from examination of their  
23 community development lending and investments; and

24 **AND BE IT FURTHER RESOLVED,** That the City Council of Baltimore supports efforts to  
25 modernize the CRA, but not relax or undermine the law's goal and intent; and

26 **AND BE IT FURTHER RESOLVED,** That the City Council of Baltimore supports modernizing  
27 the CRA to apply it to non-bank institutions, including mortgage companies, financial technology  
28 companies, and credit unions; and

29 **AND BE IT FURTHER RESOLVED,** That the City Council of Baltimore opposes regulators'  
30 efforts to water down the penalties under the CRA for discrimination; and

31 **AND BE IT FURTHER RESOLVED,** That the City Council of Baltimore supports a CRA with a  
32 clearly-defined grading system that emphasizes lending, bank branches, fair lending  
33 performance, and responsible loan products for working class families; and

34 **AND BE IT FURTHER RESOLVED,** That the City Council of Baltimore supports efforts to hold  
35 a bank accountable if it fails its CRA exam or wishes to acquire a bank with a better CRA grade,  
36 and urges agencies to recognize and encourage community benefit agreements and efforts that  
37 motivate banks to make more loans, investments, and services available to traditionally  
38 underserved communities; and

39 **AND BE IT FURTHER RESOLVED,** That a copy of this Resolution be sent to the Office of the  
40 Chairman of the Federal Deposit Insurance Corporation Jelena McWilliams; to the Office of the

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1 Comptroller of the Currency Joseph M. Otting; to the Office of the Federal Reserve Chairman  
2 Jerome H. Powell; to the Office of Congressman Elijah Cummings; and to the Mayor's  
3 Legislative Liaison to the Baltimore City Council.