

Introduced by: Councilmember Bullock } *Young Henry, Young, Middleton, Jcdk*

Prepared by: Department of Legislative Reference

Date: October 3, 2018

*Purcell
Dorsey
Bunnett*

RESOLUTION

Referred to: _____ Committee

Also referred for recommendation and report to municipal agencies listed on reverse.

*Wen
Stokes
Sreed
Clarke
Pis: ng of
Scheer*

CITY COUNCIL 18-0100R

A RESOLUTION ENTITLED

A RESOLUTION OF THE CITY COUNCIL 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.

Margaret Dale *Young* *Burl De Jong*
R. Dorsey
Loe Schell *Bill* *Sharon*
K. Kunt
Edmund Reuziger *J. J.*
John Bullock *Robert Stokes*

****The introduction of an Ordinance or Resolution by Councilmembers at the request of any person, firm or organization is a courtesy extended by the Councilmembers and not an indication of their position.**

Agencies

_____	Baltimore City Public School System
_____	Baltimore Development Corporation
_____	City Solicitor
_____	Comptroller's Office
_____	Department of Audits
_____	Department of Finance
_____	Department of General Services
_____	Department of Housing and Community Development
_____	Department of Human Resources
_____	Department of Planning
_____	Other: _____
_____	Other: _____
_____	Other: _____
_____	Department of Public Works
_____	Department of Real Estate
_____	Department of Recreation and Parks
_____	Department of Transportation
_____	Fire Department
_____	Health Department
_____	Mayor's Office of Employment Development
_____	Mayor's Office of Human Services
_____	Mayor's Office of Information Technology
_____	Office of the Mayor
_____	Police Department
_____	Other: _____
_____	Other: _____
_____	Other: _____
_____	Board of Estimates
_____	Board of Ethics
_____	Board of Municipal and Zoning Appeals
_____	Comm. for Historical and Architectural Preservation
_____	Commission on Sustainability
_____	Employees' Retirement System
_____	Other: _____
_____	Other: _____
_____	Other: _____
_____	Environmental Control Board
_____	Fire & Police Employees' Retirement System
_____	Labor Commissioner
_____	Parking Authority Board
_____	Planning Commission
_____	Wage Commission
_____	Other: _____
_____	Other: _____
_____	Other: _____

Boards and Commissions

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

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

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.

Council Bill 18-0106R

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

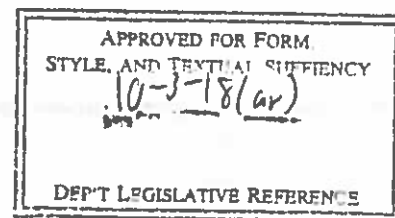
34 **AND BE IT FURTHER RESOLVED,** That the City Council of Baltimore supports efforts to hold
35 a bank accountable if it fails its CRA exam or wishes to acquire a bank with a better CRA grade,
36 and urges agencies to recognize and encourage community benefit agreements and efforts that
37 motivate 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

Council Bill 18-0106R

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.

INTRODUCTORY*
CITY OF BALTIMORE
COUNCIL BILL _____ R
(Resolution)



Introduced by: Councilmember Bullock

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THE OFFICIAL COPY CONSIDERED BY THE CITY COUNCIL IS THE FIRST READER COPY.

changes in the banking industry and the economy. Independent mortgage companies not covered by the CRA now make more than 50 percent of American home mortgage loans, and financial technology companies operating via the internet and not covered by the CRA are rapidly increasing their lending.

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

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

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

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

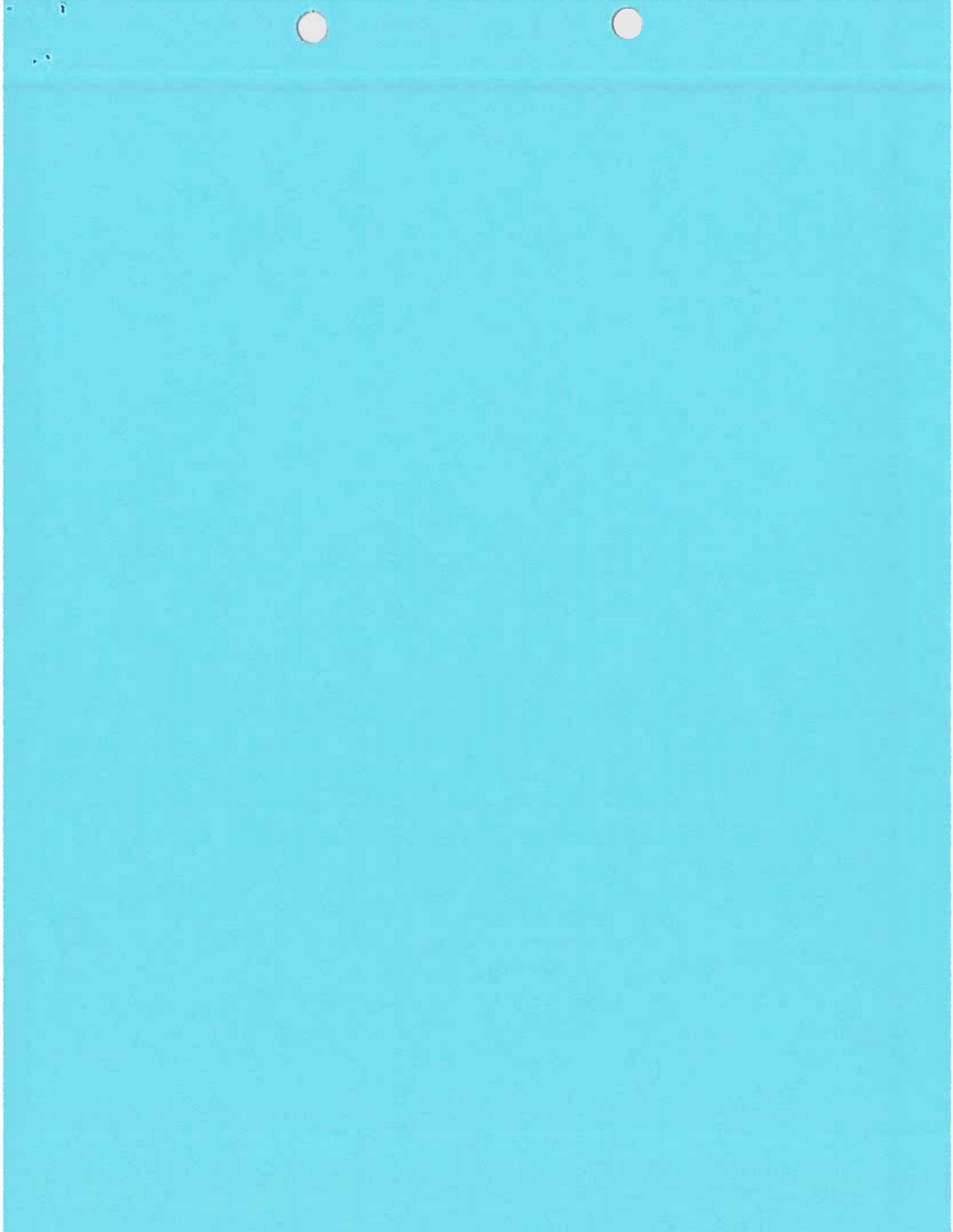
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AND BE IT FURTHER RESOLVED, That the City Council of Baltimore opposes regulators' efforts to water down the penalties under the CRA for discrimination; and

AND BE IT FURTHER RESOLVED, That the City Council of Baltimore 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; and

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

AND BE IT FURTHER RESOLVED, That a copy of this Resolution be sent to the Office of the Chairman of the Federal Deposit Insurance Corporation Jelena McWilliams; to the Office of the Comptroller of the Currency Joseph M. Otting; to the Office of the Federal Reserve Chairman Jerome H. Powell; to the Office of Congressman Elijah Cummings; and to the Mayor's Legislative Liaison to the Baltimore City Council.



ACTION BY THE CITY COUNCIL

OCT 15 2018

FIRST READING (INTRODUCTION) _____ 20 _____

PUBLIC HEARING HELD ON _____ 20 _____

COMMITTEE REPORT AS OF _____ 20 _____

_____ FAVORABLE _____ UNFAVORABLE _____ FAVORABLE AS AMENDED _____ WITHOUT RECOMMENDATION

Chair

COMMITTEE MEMBERS:

COMMITTEE MEMBERS:

SECOND READING: The Council's action being favorable (unfavorable), this City Council bill was (was not) ordered printed for Third Reading on:

_____ 20 _____

_____ Amendments were read and adopted (defeated) as indicated on the copy attached to this blue backing.

THIRD READING _____ 20 _____

_____ Amendments were read and adopted (defeated) as indicated on the copy attached to this blue backing.

THIRD READING (ENROLLED) _____ 20 _____

_____ Amendments were read and adopted (defeated) as indicated on the copy attached to this blue backing.

THIRD READING (RE-ENROLLED) _____ 20 _____

WITHDRAWAL _____ 20 _____

There being no objections to the request for withdrawal, it was so ordered that this City Council Ordinance be withdrawn from the files of the City Council.

President

Chief Clerk