RESOLUTION NO. 7896

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN FERNANDO, CALIFORNIA, SUPPORTING THE PROTECTION OF THE COMMUNITY REINVESTMENT ACT

WHEREAS, the Community Reinvestment Act (CRA) was enacted through federal legislation on October 12, 1977 to end the practice of “redlining” whereby financial institutions would draw a red line on a map around the neighborhoods they did not want to offer financial services; and

WHEREAS, before the enactment of the CRA, redlining made it nearly impossible for low- and moderate-income Americans, racial and ethnic minorities, and their neighborhoods to access credit services, such as mortgages and business loans, regardless of their qualifications or creditworthiness; and

WHEREAS, CRA was a landmark civil rights law intended to end the discrimination that was once common in America’s banking and housing markets; and

WHEREAS, the CRA states that “regulated financial institutions have continuing and affirmative obligations to help meet the credit needs of the local communities in which they are chartered”; and

WHEREAS, the CRA establishes a regulatory framework for monitoring the level of lending, investments, and services in low- and moderate-income neighborhoods traditionally underserved by lending institutions; examiners from three federal agencies assess and “grade” a lending institution’s activities in low- and moderate-income neighborhoods; and

WHEREAS, the federal agencies conducting CRA examinations are: 1) the Office of the Comptroller of the Currency (OCC), which examines nationally chartered banks, 2) the Federal Deposit Insurance Corporation (FDIC), and 3) the Federal Reserve Board – both of whom examine state-chartered banks; and

WHEREAS, if a regulatory agency finds a financial institution not serving these neighborhoods, it can delay or deny that institution’s request to merge with another lender or to open a branch or expand any of its other services; the financial institution regulatory agency can also approve the merger application subject to specific improvements in a bank’s lending or investment record in low- and moderate-income neighborhoods; and

WHEREAS, a financial institution’s CRA grade can be downgraded if a federal agency uncovers evidence of illegal, abusive or discriminatory lending on their fair lending exams that occur at about the same time as CRA exams; and

WHEREAS, according to analysis of bank lending data by the National Community Reinvestment Coalition (NCRC), since 1996, CRA-covered banks issued more than 25 million
small business loans in low- and moderate-income tracts, totaling more than $1 trillion, and $980 billion in community development loans that support affordable housing and economic development projects benefiting low- and moderate-income communities; and

WHEREAS, the annual dollar amount of community development loans increased 443 percent from $17.7 billion in 1996 to $96 billion in 2016; and, a 2016 review of the CRA examinations of intermediate small banks (ISBs)/mid-sized banks (banks with asset sizes today between $313 million and $1.252 billion) found that ISBs produced over $9.3 billion of community development (CD) loans and grants; and

WHEREAS, studies have found that CRA-covered home lending is safer and sounder than non-CRA covered lending; when a larger share of lending is issued by CRA-covered banks than by independent mortgage companies, a neighborhood experiences lower delinquency rates and less risky lending; 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; independent mortgage companies not covered by CRA now make more than 50 percent of the home mortgage loans in America and financial technology companies (“Fintech”) not covered by CRA operating via the internet are rapidly increasing their lending; and

WHEREAS, 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 at all or to ignore the credit needs of distressed and vulnerable communities; and

WHEREAS, regulators review of a bank’s CRA commitment should not be consumed by a “one ratio” approach on which most or all of a bank’s CRA rating would be based. One ratio would consist of the dollar amount of a bank’s CRA activities (loans, investments, and services to low- and moderate-income people) divided by the bank’s assets or the bank’s “Tier One” capital. One fraction cannot sum up how, if and where a bank is lending and investing and whether they are being responsive to the particular credits needs of their local community; and

WHEREAS, CRA should explicitly state the law’s obligation to fairly serve all races and ethnicities; banks that engage in large-scale illegal and harmful activities should fail their CRA exams.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SAN FERNANDO DOES HEREBY RESOLVE, FIND, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1: The City supports efforts to modernize CRA, but not relax or undermine the law’s goal and intent.
SECTION 2: The City opposes regulators efforts to raise bank thresholds and exempt more banks, such as ISBs/mid-sized banks, from examination of their community development lending and investments; and

SECTION 3: The City supports modernizing CRA to apply it to non-bank institutions including mortgage companies, financial technology companies, and credit unions; and

SECTION 4: The City opposes regulators efforts to water down the penalties under CRA for discrimination; and

SECTION 5: The City 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.

SECTION 6: The City 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 urge 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.

PASSED, APPROVED, AND ADOPTED this 19th day of November, 2018.

Sylvia Ballin, Mayor

ATTEST:

Elena G. Chávez, City Clerk

STATE OF CALIFORNIA  )
COUNTY OF LOS ANGELES  ) ss
CITY OF SAN FERNANDO  )

I, ELENA G. CHÁVEZ, City Clerk of the City of San Fernando, do hereby certify that the foregoing Resolution was adopted a regular meeting of the City Council held on the 19th day of November, 2018 and was carried by the following roll call vote:

AYES: Ballin, Fajardo, Gonzales, Lopez – 4
NOES: None
ABSENT: Soto – 1
ABSTAIN: None

Elena G. Chávez, City Clerk