

RESOLUTION 97
AFFIRMING BOARD OF ALDERMEN SUPPORT FOR THE MODERNIZATION AND
STRENGTHENING OF THE COMMUNITY REINVESTMENT ACT

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

WHEREAS, prior to the CRA’s enactment, 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, despite the CRA’s impact discrimination in lending remains a problem; and

WHEREAS, under the CRA 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 regime for monitoring the level of lending, investments, and services in low and moderate-income neighborhoods traditionally underserved by lending institutions, and examiners from the federal Office of the Comptroller of Currency, the Federal Deposit Insurance Corporation, and the Federal Reserve Board assess and “grade” the activities of lending institutions in low and moderate-income neighborhoods; and

WHEREAS, agency examiners’ findings that a financial institution is not serving these neighborhoods may result in the delay or denial of such institution’s request to merge with another lender, to open a branch, or expand any of its other services, or conditionally approve a merger application subject to an institution’s meeting specified improvements in lending or investment services in low- and moderate-income neighborhoods, and its CRA grade may be downgraded if evidence of illegal, abusive, or discriminatory lending on their fair lending exams is found; and

WHEREAS, since 1996, according to analysis of bank lending data by the National Community Reinvestment Coalition (NCRC), 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

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 the 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 independent mortgage companies not covered by CRA now make more than 50 percent of the home mortgage loans in the United States and financial technology companies not covered by CRA operating via the internet are rapidly increasing their lending; and

WHEREAS, in addition to the need to modernize CRA, there are real concerns to be addressed that some federal regulators intend to takes steps that will substantially weaken the CRA; 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, a modernized CRA should expressly provide that covered financial institutions are obligated to fairly serve all races and ethnicities, and banks that engage in large-scale illegal and harmful activities should fail their CRA exams.

NOW THEREFORE BE IT RESOLVED by the Board of Aldermen of the City of St. Louis that we support those efforts aimed at modernizing the CRA by: expanding its application to non-banking institutions such as mortgage companies, financial technology companies, and credit unions; implementing a clearly-defined grading system that emphasizes lending, bank branches, fair lending performance, and responsible loan products for working class families; holding financial institutions accountable for not passing CRA exams or seeking to merge with an institution with a higher CRA grade, encouraging community benefits agreements and other efforts to motivate financial institutions to increase lending and investment in traditionally underserved communities, as well expand the scope of financial services they provide; and opposing regulatory efforts to undermine the CRA’s intent and impact and watering down penalties for noncompliance, and we direct the Clerk of this Board to spread a copy of this Resolution across the minutes of these proceedings.

Introduced this 30th day of August, 2018 by:

The Honorable Marlene E. Davis, Alderwoman 19th Ward

Adopted this 30th day of August, 2018, as attested by:

Louis C. Galli
Legal Counsel, Board of Aldermen

Lewis E. Reed
President, Board of Aldermen