



2022 Texas Association of CDCs Community Development Conference
College Station, TX
March 29, 2022

Presenter
Kevin Davenport, Senior Advisor, NCRC

Increasing Capital and Credit in under resourced Communities

UTILIZING THE COMMUNITY REINVESTMENT ACT



AGENDA

- Introduction and History of NCRC
- CRA an Overview
- Lending Activity
- How to apply what we've learned – a case study analyzing a CRA Performance Exam
- Growing & Sustaining Local Coalitions That Produce Winning Campaigns
- Let's Talk Policy - How we can strengthen CRA Together
- Final Thoughts and 2022 Just Economy Conference

About NCRC

The National Community Reinvestment Coalition and its grassroots member organizations create opportunities for people to build wealth. NCRC [members](#) include community reinvestment organizations; community development corporations; local and state government agencies; faith-based institutions; community organizing and civil rights groups; minority and women-owned business associations, as well as local and social service providers from across the nation.

Programs & Services

- Agenda-setting research, training, insight
- Renovate and build affordable homes for low- and moderate-income families
- Counseling for home buyers and owners
- Business-building expertise for entrepreneurs
- Train and support housing counselors
- Test and challenge discrimination in financial services and housing
- Convene and facilitate agreements between financial institutions and community networks to increase lending, investments and philanthropy in neighborhoods that need it
- Represent members before Congress and federal regulatory agencies
- Routinely cited by journalists, economists and scholars focused on banking, housing, urban renewal, rural development and civil rights.



The Community Reinvestment Act

An Overview

- What is the CRA
- How to prepare to use the CRA
- Why is CRA so important
- A closer look

What is the Community Reinvestment Act

- Passed in 1977, the Community Reinvestment Act was part of a series of legislative attempts to end discrimination in housing, including:
 - Fair Housing Act
 - Equal Credit Opportunity Act
 - Home Mortgage Disclosure Act
- Establishes a **“continuing and affirmative obligation”** for banks to meet **“the credit needs of its entire community . . . consistent with the safe and sound operation of the institution”**
- Creates a framework for the community to engage with the bank

A Source of Hope for Neighborhoods

Good banks have the ability
to anchor a vibrant
community

It can be as important to the
success of a community as a
great school, hospital or
business and entertainment
opportunities

Choosing a Bank

The enforcement of CRA relies on organized communities using regulatory levers and processes to ensure that financial institutions better serve low- and moderate-income and minority communities. But there are over 6,000 financial institutions in the U.S., and, depending on your neighborhood, you could have anywhere from none to dozens that do business in your community. How do you choose which bank to pursue?

Key Questions to Consider

- **What is the bank's business model?**
- **What is your relationship with the bank?**
- **What is the bank's Asset Size**
- **What was the bank's recent CRA rating, overall and on individual tests?**
- **Are you engaging in a CRA Exam, M&A, or Branch Closure?**
- **What picture does the research and data analysis provide?**
- **How significant is your community to this bank? (What percentage of the bank's deposit does your city/community make up?)**
- **Who are your allies? (Collaborations and Coalitions Matter)**
- **What community outcomes do you think you could achieve?**
- **What organizational goals do you think you could achieve?**
- **Does the bank give your organization money? How much? Does the bank support you in other specific ways? For example - LIHTCs, IDAs, etc.**
- **How many NCRC members are in the bank's footprint? Who are they? Who else can you recruit?**

How Is CRA Supposed to Work?

Performance Evaluations

Exams are undertaken by one of three regulatory agencies:

Office of the Comptroller of the Currency (OCC)

Banks with a national charter

Federal Deposit Insurance Corporation (FDIC)

Non-Federal Reserve member state chartered banks

Federal Reserve System

State chartered banks

How Is CRA Supposed to Work?

Performance Evaluations

Banks can receive the following ratings on CRA exams:

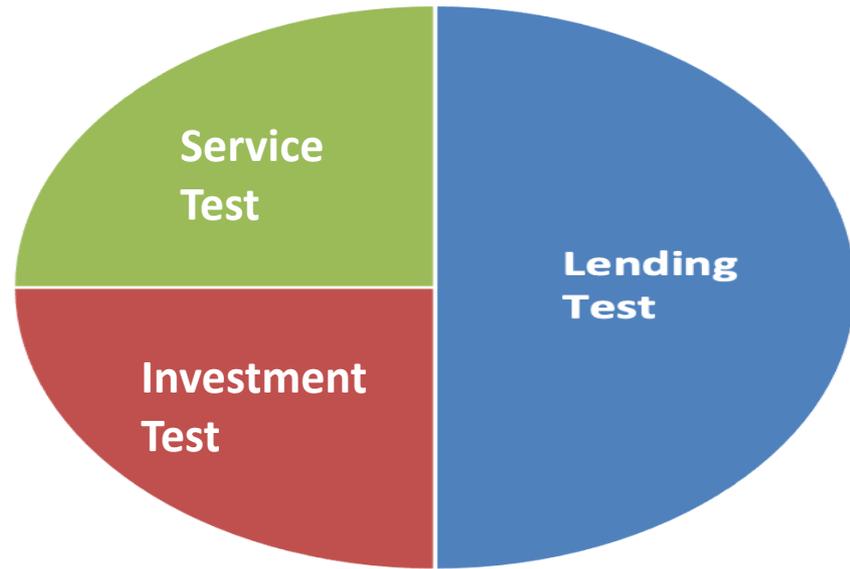
- Passing
 - Outstanding
 - Satisfactory
- Failing
 - Needs to Improve
 - Substantial Non-compliance

How Is CRA Supposed to Work?

Performance Evaluations

The ratings regulators give come from their performance on three separate tests, sometimes referred to as component tests

Banks' ratings are based on data analysis, reviews of records, and public comments



How Is CRA Supposed to Work?

Performance Evaluations

Lending Test

This test assesses how well the bank is serving the credit needs across four main areas

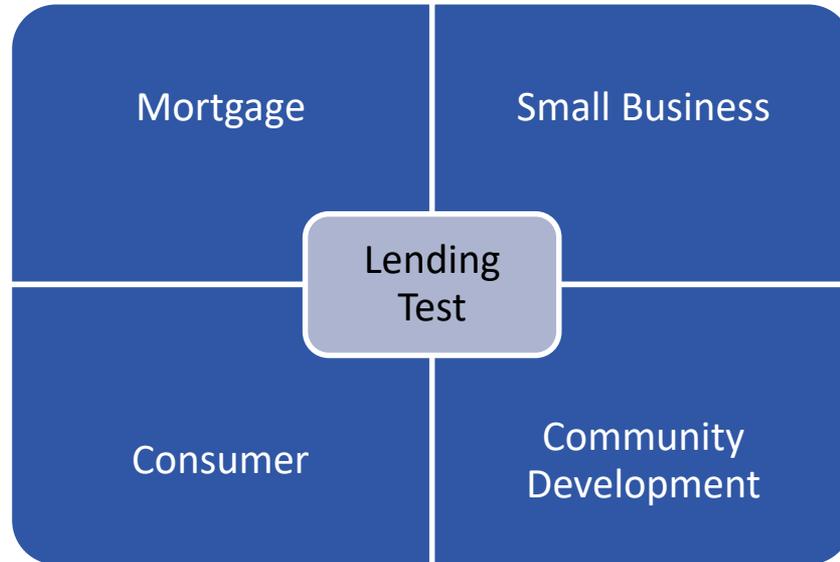
Low to moderate income (LMI) borrowers and neighborhoods are the focus

How Is CRA Supposed to Work?

Lending Test

This test assesses how well the bank is serving the credit needs across four main areas

Low to moderate income (LMI) borrowers and neighborhoods are the focus



How Is CRA Supposed to Work?

The Investment Test

- How well the bank is reinvesting back into the community through community development investments and grants. Such as supporting
 - Organizations that make loans to LMI and small businesses such as CDFIs and CDCs

How Is CRA Supposed to Work?

The Service Test

- Measures the banks effectiveness at providing basic banking services to LMI borrowers, primarily through its branch network
- Also community development services such as offering technical assistance to nonprofits

How Is CRA Supposed to Work?

Assessment Areas

- CRA Performance is measured in a bank's assessment area
- The assessment area must include where the bank has branches, ATMs and surrounding geographies in which the bank has originated or purchased a majority of its loans
- Usually a county or MSA, assessment areas are not allowed to arbitrarily exclude LMI neighborhoods

How Is CRA Supposed to Work?

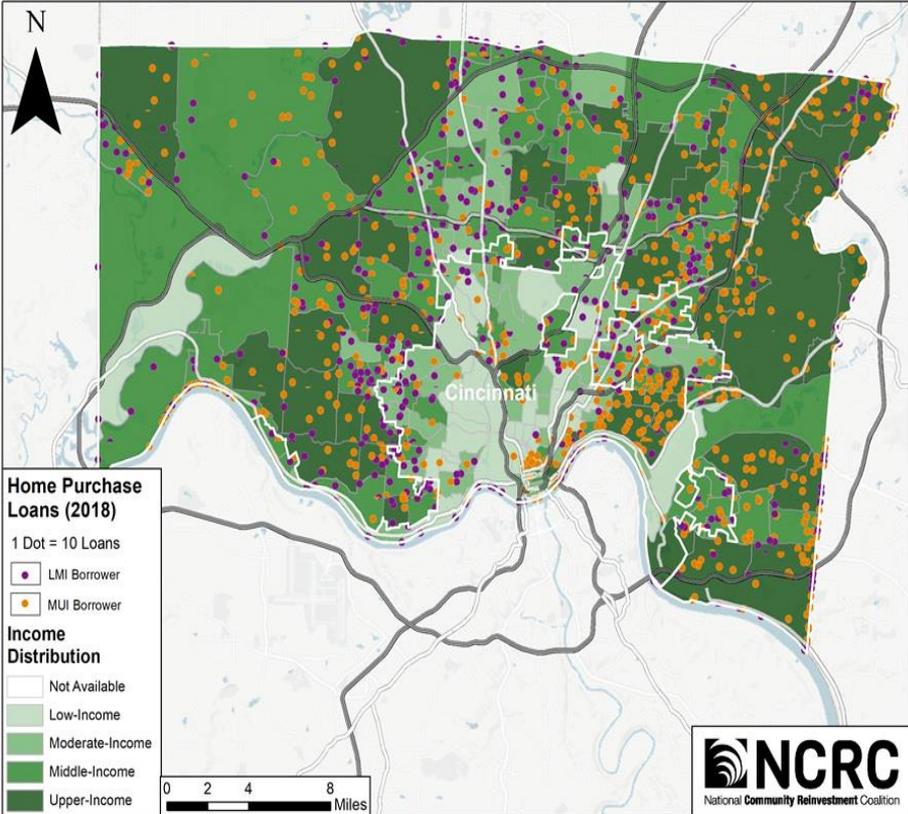
Summary of CRA Exams

- All banks are graded every 3-4 years on
 - How well they are lending to LMI borrowers and neighborhoods
 - The level of support they are giving to needed community development projects
 - Maintaining branches in LMI neighborhoods
- And you can comment on how well a bank is doing on each of these aspects of their CRA performance

How Well Are Regulators Evaluating Banks Under the Community Reinvestment Act?

- *Are CRA grades reflecting what people are seeing in their communities?*

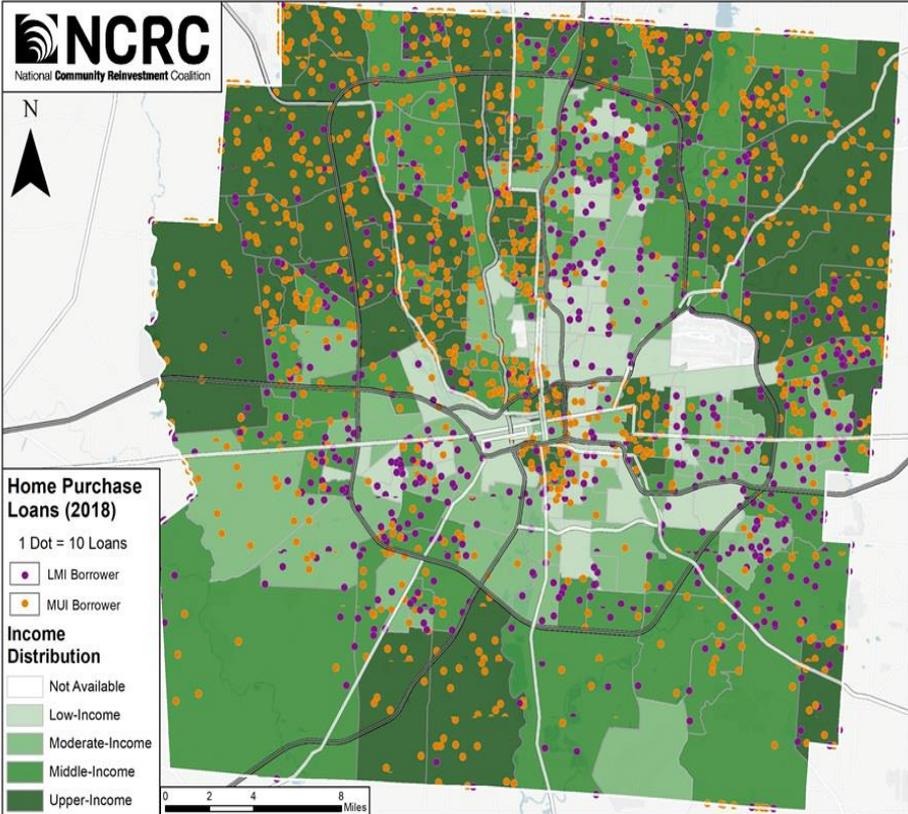
Hamilton County, Cincinnati, OH



Home Purchase Lending by Neighborhood

Income
Originated home purchase, owner occupied, site built 1-4 units.

Franklin County, Columbus, OH

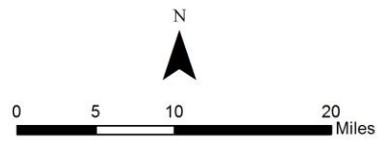
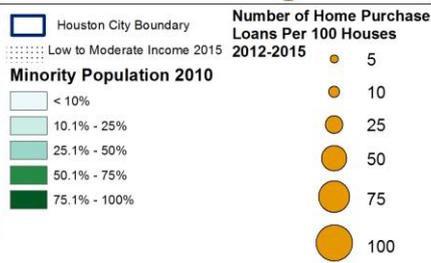
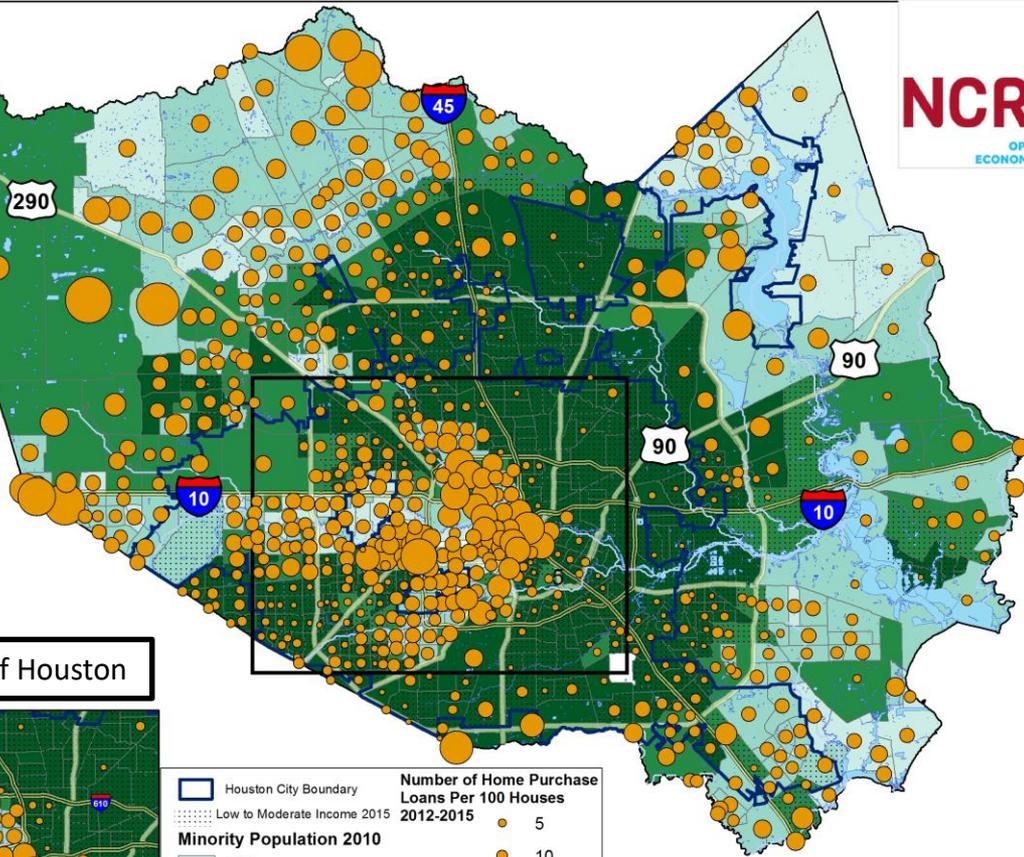
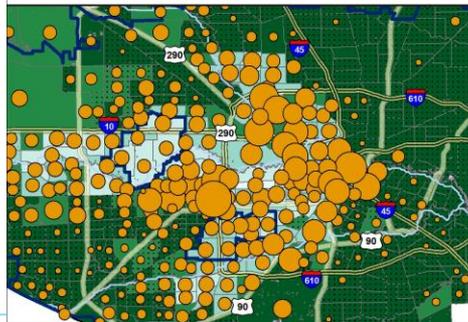


Home Purchase Lending by Neighborhood Income

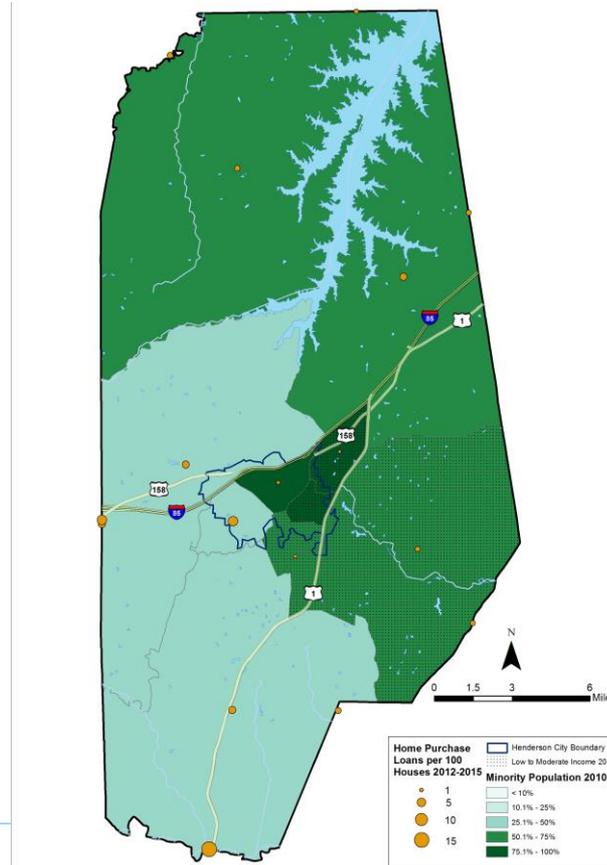
Originated home purchase, owner occupied, site built 1-4 units.

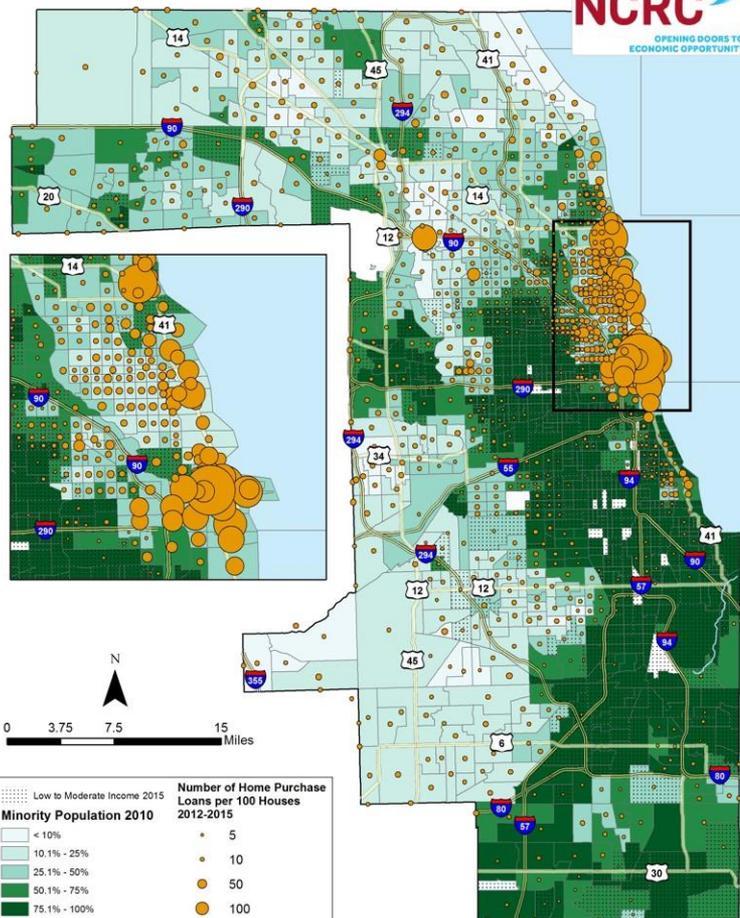
Distribution of
Home
Purchase
Loans in Harris
County

Detail of Houston



Distribution of Home Purchase Loans in Vance County



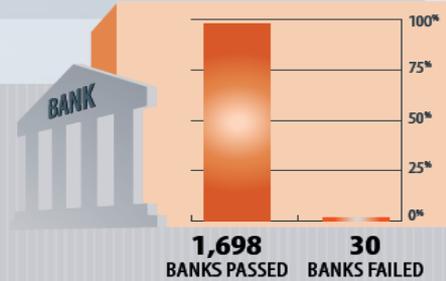


Distribution of Home Purchase Loans in Cook County, IL
 Larger circles indicates more lending per 100 homes. Cluster is apparent in downtown along the lake.
 Most census tracts in south Chicago reported too few loans to appear at all.

PERFORMANCE EVALUATIONS

In 2014, **98.26%** of banks passed their performance evaluations.
Only **1.74%** failed.

This closely mirrors the pass rate for both 2012 and 2013.
2012: 97.92% passed/2.19% failed
2013: 97.60% passed/2.39% failed



STATE PASS RATE

In 2014, **76%** of states in the U.S. had **100%** of banks headquartered in their state and up for exams pass their CRA performance evaluations.

* Idaho is the only state that didn't have a bank examined in 2014.



GRADES

In the last **THREE** years, among all regulators...

400 banks received **Outstanding**, the highest possible grade, on their CRA performance evaluation

10 banks received **Substantial Noncompliance**, the lowest possible grade, on their CRA performance evaluation



 = 10 Banks

CRA Enforcement

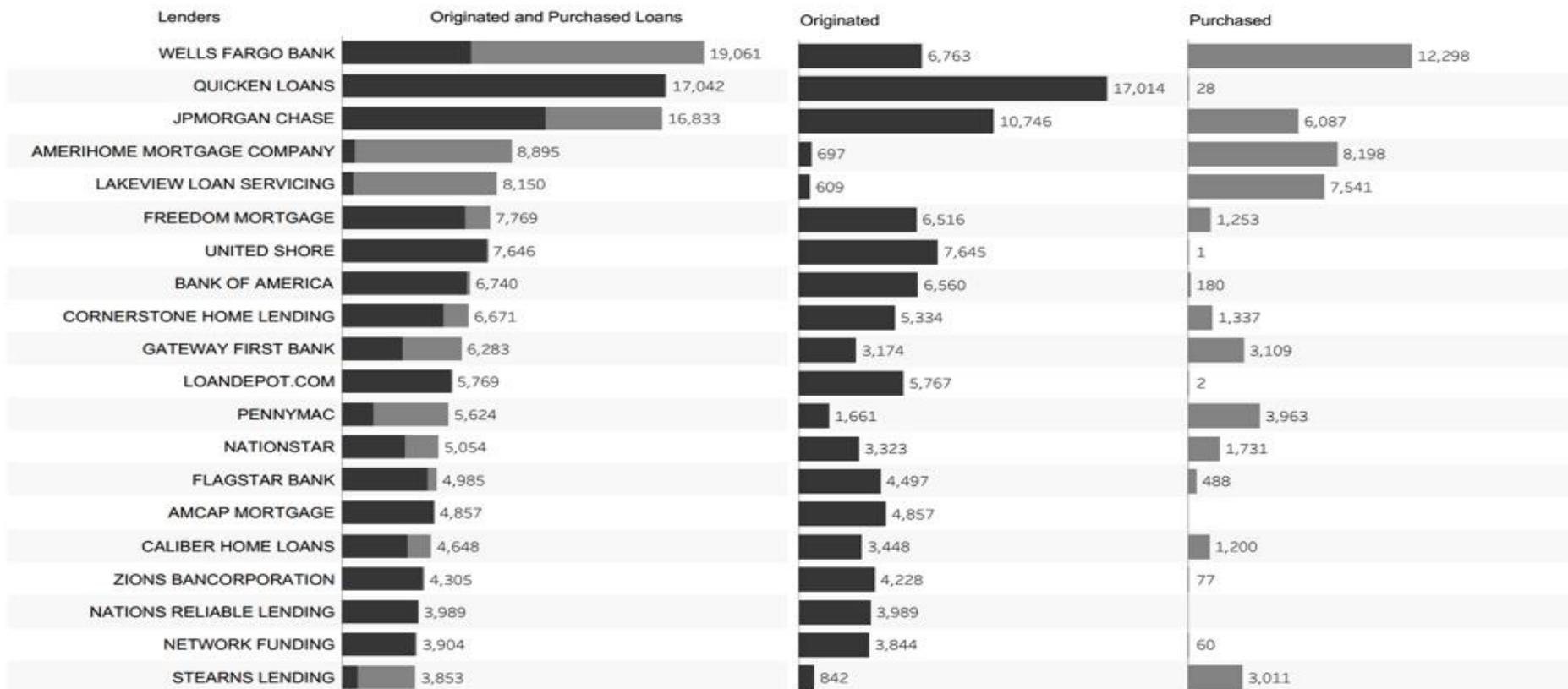
Why get involved?



Now That I'm Convinced
Where Do I Begin?

Let's Look At Houston Texas (Harris County)

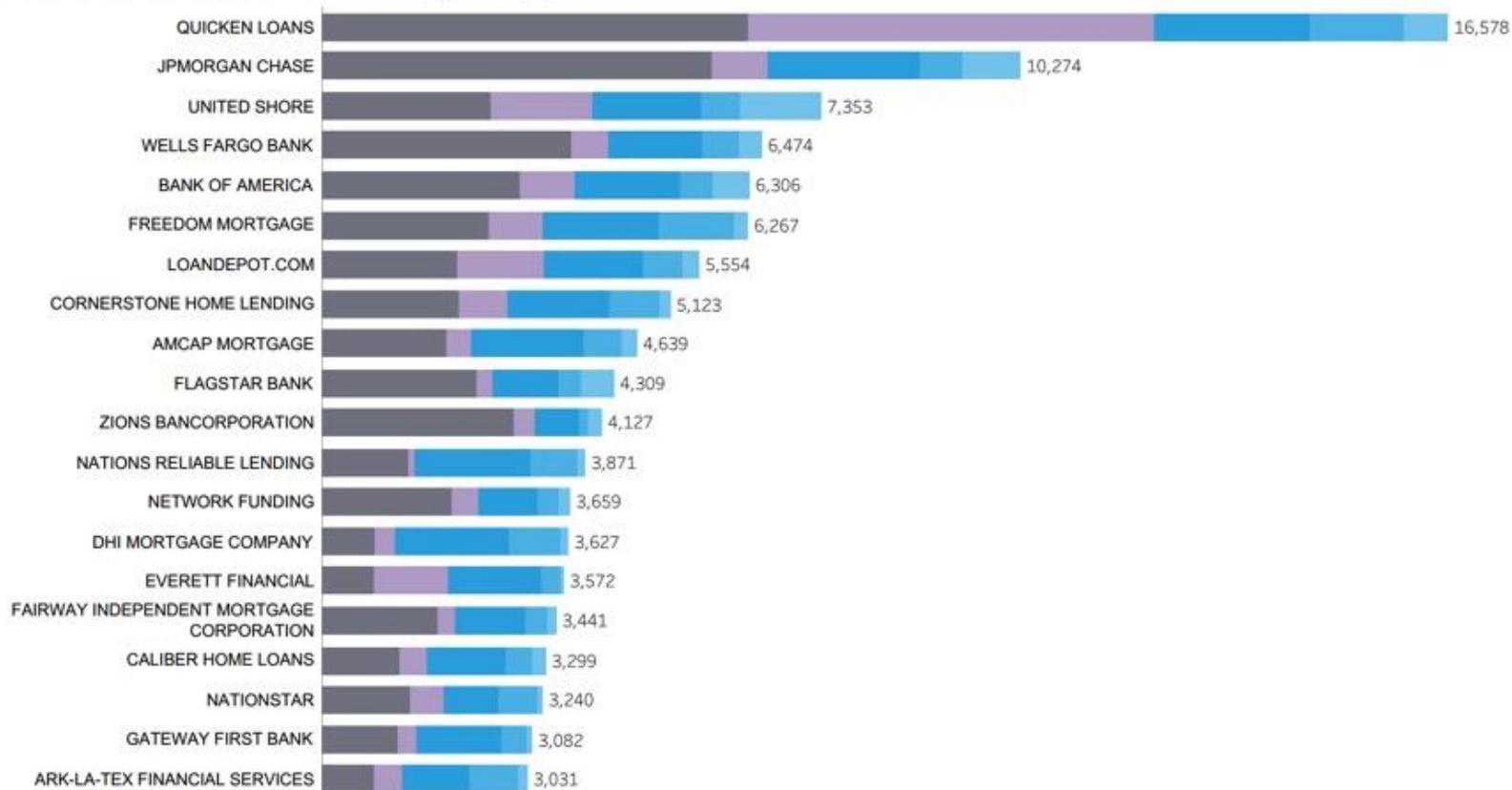
TOP MORTGAGE LENDERS (2018 - 2020)



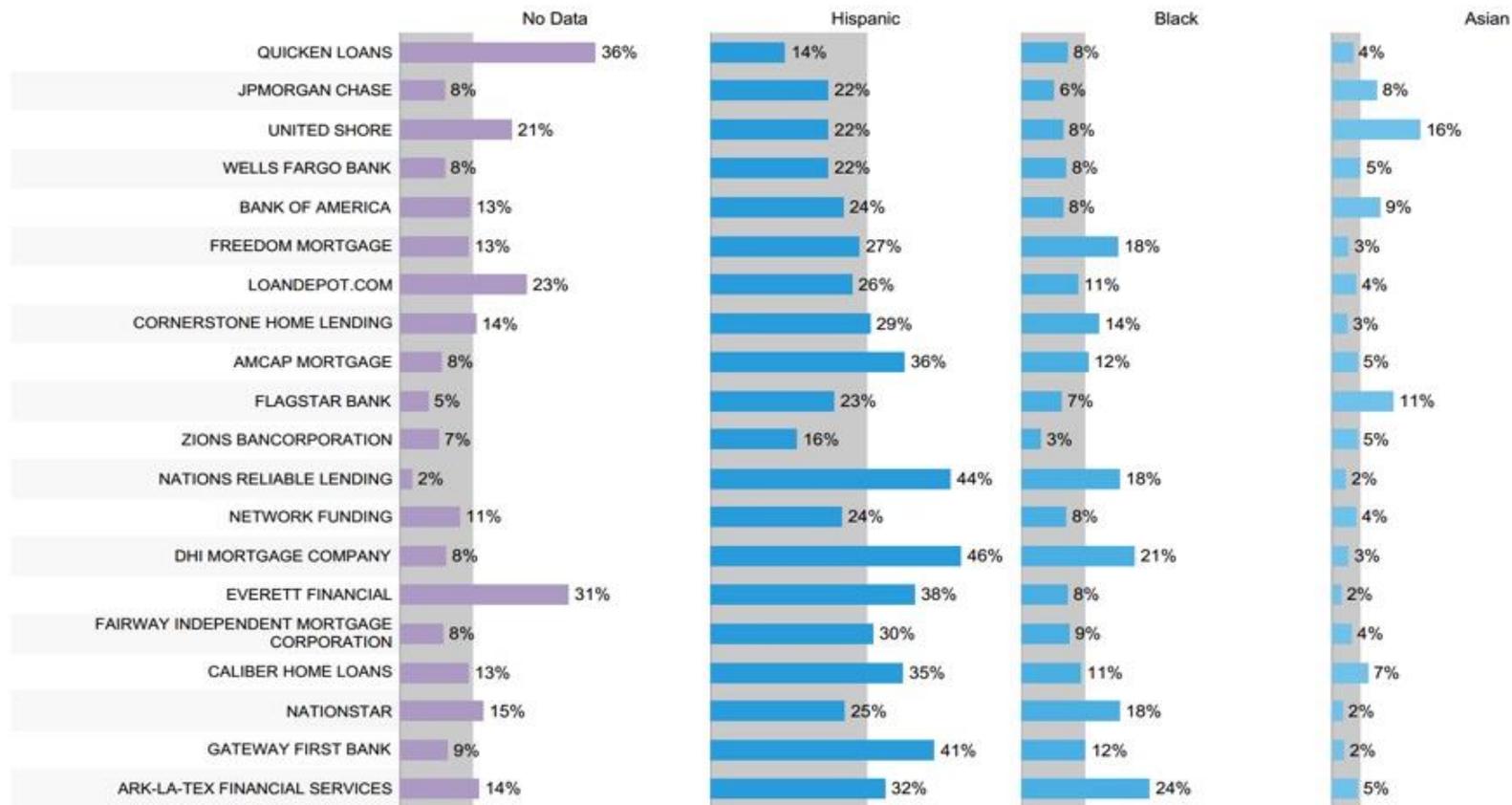
TOP LENDERS BY RACE (2018 - 2020)



Total number of loans (and percentage as a share of all loans) by year and purpose.



BREAKDOWN BY RACE



Using CRA

Public Comment Letters

Public comment letters include:

- Data analysis
- Other information relevant to a bank's CRA performance and your community
- How your organization or coalition can improve performance



Using CRA

Mergers and Acquisitions

- Start with data
- Comment letters
- Public Benefits Agreements

Using CRA

Branch Closures

- People in LMI neighborhoods can request that regulators hold a public meeting to discuss how the neighborhood will be served in the future
- Regulators cannot prevent a bank from closing a branch, but the public can still protest the closure
- Can result in delays of closure or a public benefits agreement

Public Benefits Agreements

- Language and formality may vary; agreements should be as measurable and specific as possible
- Beyond lending, there are many ways a bank can serve a community

Case Study

Huntington National

- Huntington announced a merger with FirstMerit that presented similar concerns as KeyBank
- NCRC and a coalition of its members used the public comment process and negotiations with the bank to create a \$16.1 billion commitment to low- and moderate-income communities
 - \$5.7 billion in home lending to LMI communities
 - \$6.6 billion in small business lending to LMI communities
 - \$3.7 billion in community development lending and investments
 - Will not finance payday lenders
 - 10 new branches in underserved areas

Case Study

Truist

BB&T Corporation (NYSE: BBT), SunTrust Banks, Inc. (NYSE:STI) and the National Community Reinvestment Coalition (NCRC) announced the creation of a three-year, \$60 billion community benefits plan for the region served by Truist Financial Corporation. The combined company was created through the merger of the two banks.

The plan's specific goals include:

\$31 billion for home purchase mortgage loans to LMI borrowers, LMI geographies, minority borrowers and/or majority-minority geographies

\$7.8 billion for lending to small businesses, to support the growth of businesses with revenues less than \$1 million.

\$17.2 billion in Community Development Lending (CDL) supporting affordable housing development, small business growth and lending to nonprofits that support the LMI community

\$3.6 billion in Community Reinvestment Act (CRA) Qualified Investments and Philanthropy, of which \$120 million will be designated for CRA-qualified philanthropic giving



YOUR RELATIONSHIPS MATTER

Most of the time it takes power to successfully engage with banks. A great source of power that most community organizations have is the ability to engage and coalesce a large number of similarly concerned organizations, agencies and individuals around a specific issue. A successful coalition is capable of altering the balance of power within any given community.



BRINGING EVERYONE TOGETHER

Be prepared to answer “How will this (action, choice, event) impact me, my family, my people, my community?”



SELF-INTEREST AND WHY IT MATTERS

An understanding of self-interest provides the information to challenge and agitate someone based on what they want for themselves.



SELF-INTEREST AND WHY IT MATTERS

Thinking through how they see their own self-interest, can also move someone from a narrow definition of self-interest (what matters to me or my specific organization) to a broader, more encompassing definition (what matters to us, our community, our state).



Policy Talk – How We Can Improve CRA Together

Add Consideration Of Race To CRA Exams.

Performance measures examining lending by race like the percent of loans to people of color could contribute to CRA ratings. NCRC and Relman Colfax PLLC recently laid out ways this could be done that would pass the strict scrutiny standard and be found constitutional. The paper recommended that federal bank agencies conduct periodic statistical studies and identify metropolitan areas and rural counties that either experience ongoing discrimination or exhibit significant racial disparities in access to credit. In these areas, CRA exams would include performance measures assessing lending and services to people of color.



Policy Talk – How We Can Improve CRA Together

Add Consideration Of Race To CRA Exams.

Decrease CRA Grade Inflation And Increase The Accuracy Of Ratings.

Assessment Areas Must Cover The Great Majority Of A Bank's Loans Or Deposits And Include A Diversity Of Areas.

CRA Enforcement Must Be Enhanced By More Rigorous Merger Reviews.

Data Must Be Improved To Rate Banks Rigorously And To Identify Community Needs.

Replace CRA Data On Business Lending With Section 1071 Data On Race, Gender And Small Businesses.

CRA Reform Must Support Climate Remediation Efforts.

CRA is only as strong as the communities using it



Gale Cincotta, Chairperson, National People's Action and Executive Director, National Training and Information Center

“Full responsibility for CRA enforcement has always been the job of people in the neighborhoods.”



Kevin Davenport, Senior Advisor Coalitions and Campaigns

kdavenport@ncrc.org

202-383-7719