



League of United Latin American Citizens

RESOLUTION TO PROTECT THE COMMUNITY REINVESTMENT – TO ENSURE THAT EFFORTS TO MODERNIZE REGULATIONS DO NOT UNDERMINE THE INTENT OF THE LAW

WHEREAS, LULAC is our Nation’s oldest, largest, and most respected Hispano/Latino civil rights organization, established in 1929. Our mission is to seek the advancement of Hispanic Americans in the areas of education, employment, and civil rights; and

WHEREAS, the Community Reinvestment Act (CRA) was enacted on October 12, 1977 to end the practice of “redlining” by financial institutions where they drew a red line on a map around the neighborhoods where they did not want to offer financial services. Before the enactment of the CRA, redlining made it near 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, the CRA was a landmark civil rights law passed in 1977 to end discrimination that was once common in America’s banking and housing markets; and

WHEREAS, discrimination in lending is still a problem; 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 regime for monitoring the level of lending, investments, and services in low- and moderate-income neighborhoods traditionally underserved by lending institutions in which 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: the Office of the Comptroller of the Currency (OCC), which examines nationally chartered banks and the Federal Deposit Insurance Corporation (FDIC) and 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 an incidence of illegal, abusive, or discriminatory lending on their fair lending exams that occur at the same time as CRA exams; and

WHEREAS, since 1996, according to analysis of bank lending data by the National Community Reinvestment Coalition (NCRC), CRA-covered banks issued more than \$24 million small business loans in low- and moderate-income tracks, totaling more than \$973 billion, and \$883 billion in community development loans that support affordable housing and economic development projects benefiting low- and moderate-income communities; 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 rather 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 the 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, notwithstanding the need to modernize the CRA, we are concerned about ideas from some federal regulators that would substantially weaken the law; and

WHEREAS, geographic assessment areas must remain the focus of CRA exams for all banks. Banks should continue to be graded based on very 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 do not lend at all, and cannot be allowed to ignore the credit needs of distressed and vulnerable communities; 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; and

THEREFORE BE IT RESOLVED that LULAC will support efforts to modernize the CRA, but not to relax or to undermine the law’s goal and intent; and

BE IT FUTHER RESOLVED that LULAC will support modernizing the CRA to apply it to non-bank institutions including mortgage companies, financial technology companies, and credit unions; and

BE IT FUTHER RESOLVED that LULAC will oppose regulators’ efforts to water down the penalties under the CRA for discrimination; and

BE IT FUTHER RESOLVED that LULAC will support 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

BE IT FUTHER RESOLVED that LULAC will support 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

BE IT FINALLY RESOLVED that the National LULAC *Resolution to Protect the Community Reinvestment Act (CRA)* – to ensure that efforts to modernize the regulations do not undermine the

intent of the law was submitted by Reverend John Mireles, President, LULAC Council #1111 (Phoenix, AZ) to the LULAC National Assembly for approval.

Voted & approved by the National Assembly of the 2018 LULAC National Convention on July 21, 2018.

Domingo Garcia
LULAC National President