




Date: October 9, 2018

To: Honorable Mayor Robert Garcia and Members of the City Council

From: Councilmember Rex Richardson, Ninth District 
Councilmember Roberto Uranga, Seventh District

Subject: **Support for Modernizing the Community Reinvestment Act**

RECOMMENDATION:

Request the City Manager to engage regional stakeholders, including the Gateway Cities Council of Government and the Southern California Association of Governments, regarding the Office of the Comptroller of the Currency's efforts to modernize the Community Reinvestment Act (CRA) regulatory framework.

Furthermore, request the City Manager to participate in the commenting period by articulating the City's vision for a modified CRA. Comments should include, but not be limited to, support of the following:

- Increased lending and services to people and in areas that need it most, such as low and moderate income areas,
- Increased lending to small businesses (minority business enterprises, woman-owned business enterprises),
- Delineating assessment areas into smaller zones (Currently, the entire Los Angeles County is assessed by one CRA), and
- Streamlining evaluation processes for banking institutions, regardless of size or type.

Discussion

The Community Reinvestment Act of 1977 was passed by Congress to encourage banks to meet the credit needs of the communities they serve, through lending and other activities. The statute establishes a set of requirements for financial institutions to comply with, and directs federal supervisory agencies to periodically assess a bank's ability to service an entire community, including its low and moderate income (LMI) neighborhoods. As banks present facts and data to support their performance assessments, each institution is rated according to their ability to meet the CRA criteria. Traditionally, CRA ratings determine whether an institution can merge with another bank, open a new branch or relocate, as banks with below "satisfactory" ratings are restricted from certain activities.



The Problem

Experts within the financial industry have expressed concerns regarding the ambiguity of the Community Reinvestment Act's regulations. Consequently, the CRA has seen substantial revision in both 1995 and 2005. From varying assessment area sizes, to complex, inconsistent processes, and a shift in consumer behavior, the CRA's regulatory framework is reflective of an older, traditional banking system, and does not effectively evaluate banks' performances.

Critiqued for lack of clarity and consistency, federal agencies are again engaging stakeholders and soliciting feedback on how to update the CRA. On August 28, 2018, the Office of the Comptroller of the Currency (OCC) issued a notice of proposed rulemaking, soliciting public comment on ways to modernize the Community Reinvestment Act regulations. With an objective of better achieving the CRA's original intent, the OCC has entered a 75-day comment period to gather input from banking agency associates, partners, personnel, and other interested parties. All comments should be submitted on or before Sunday, November 11, 2018, through the Federal eRulemaking Portal or email. Directions for submitting comments are available at <https://www.occ.treas.gov/news-issuances/news-releases/2018/nr-occ-2018-87a.pdf>.

Locally, the Los Angeles CRA Assessment Area (AA) adjoins the Los Angeles, Orange, and Ventura Counties into one zone for review. According to the 2017 performance evaluation from the OCC, a majority of the bank's AA census tracts are located in the East San Gabriel Valley region, with branches in Chino, Ontario, and Rancho Cucamonga. Thus, a vast majority of these financial institutions are located in one part of the assessment area, and does not effectively fulfill the investment and credit needs of every community.

The Opportunity

As a City who has taken great strides in working towards an inclusive economy, articulated support of modifications to the Community Reinvestment Act's regulatory framework can positively impact Long Beach. Ensuring streamlined processes and making smaller assessment areas can potentially lead to increased banking activity, and community and economic development in low or moderate income neighborhoods here in Long Beach, as well as nationally.

Fiscal Impact

There is no significant fiscal impact.