

CITY OF SOUTH EUCLID, OHIO

RESOLUTION NO.: 10-20  
INTRODUCED BY: Frank  
REQUESTED BY: Mayor

February 10, 2020

A RESOLUTION

TO PROTECT THE FEDERAL COMMUNITY REINVESTMENT ACT (CRA) BY ENSURING THAT CURRENT EFFORTS TO MODERNIZE REGULATIONS DO NOT UNDERMINE THE INTENT OF THE LAW AND ITS MISSION TO PROTECT LOW- AND MODERATE-INCOME COMMUNITIES ACROSS THE COUNTRY.

WHEREAS, the Community Reinvestment Act (CRA) was a landmark civil rights law passed in 1977 to discourage the practice of “redlining” by financial institutions, where access to home loans, business loans, and other banking services has either been denied outright or made less available to communities with racial and ethnic minority populations; and

WHEREAS, lack of access to loans and other financial services not only impacts racial and ethnic minorities, but also undermines the housing value of non-minority property owners who live in communities impacted by lack of access; and

WHEREAS, since 1996, according to analysis of bank lending data by the National Community Reinvestment Coalition (NCRC), CRA-covered banks issued almost 29 million small business loans in low- and moderate-income tracts, totaling \$1.156 trillion, and \$1.179 trillion in community development loans that support affordable housing and economic development projects benefiting low- and moderate-income communities; and

Whereas, 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, despite the gains made from CRA, recent studies published by the Western Reserve Land Conservancy<sup>1</sup>, Cleveland State University<sup>2</sup>, the Federal Reserve Bank of Cleveland<sup>3</sup> and the Fair Housing Center for Rights and Research<sup>4</sup> suggest there is still a need for the incentives CRA provides as Cuyahoga suburbs and neighborhoods continue to experience disparities in access to 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 (“Fintech”) companies that operate via the internet are rapidly increasing their lending and are not covered by CRA; and

WHEREAS, notwithstanding the need to modernize CRA, recent changes to CRA regulations proposed by the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) would, under the guise of modernization, substantially weaken CRA; and

WHEREAS, these proposed changes include:

- allowing banks to get CRA credit for investments in sports stadiums, roads, bridges, and other infrastructure projects that are disconnected from CRA’s

<sup>1</sup> [https://www.wrlandconservancy.org/wp-content/uploads/2019/12/Cuyahoga-Home-Mortgage-Lending\\_12-22-19.pdf](https://www.wrlandconservancy.org/wp-content/uploads/2019/12/Cuyahoga-Home-Mortgage-Lending_12-22-19.pdf)

<sup>2</sup> [https://engagedscholarship.csuohio.edu/cgi/viewcontent.cgi?article=2605&context=urban\\_facpub](https://engagedscholarship.csuohio.edu/cgi/viewcontent.cgi?article=2605&context=urban_facpub)

<sup>3</sup> <https://www.clevelandfed.org/newsroom-and-events/publications/a-look-behind-the-numbers/albtm-20181128-hmda-summary>

<sup>4</sup> <http://www.thehousingcenter.org/wp-content/uploads/2018/07/Cuyahoga-County-Mortgage-Lending-Patterns-2018-BEST-FOR-PRINT.pdf>

purpose of ending redlining and supporting underserved people and their communities;

- raising the asset threshold of banks covered by CRA which would exempt more banks from examination of their community lending and investments;
- allowing banks to choose which of their geographic assessment areas to serve and which to ignore, essentially making redlining legal once again; and
- eliminating the three tests on which banks are currently evaluated (1-lending, 2-investing and 3-providing retail banking services) and replacing these with a single test that would enable banks to, for example, provide branch banking services but no mortgage lending, or invest in major development projects and offer no branch banking services;

NOW THEREFORE BE IT RESOLVED, by the Council of the City of South Euclid:

Section 1: The Council and Mayor of the City of South Euclid believe that, in order for CRA to continue to fulfill its intended mission, regulations should be modernized to reflect changes in mortgage lending, technology and markets; however, while CRA can be modernized, it must not be weakened, and

Section 2: The Council and Mayor of the City of South Euclid support and encourage the modernization of CRA to apply it to non-bank institutions that are not presently covered by CRA such as mortgage companies and financial technology (“fintech”) companies, and

Section 3: The Council and Mayor of the City of South Euclid oppose raising the asset threshold of banks covered by CRA, as this would exempt more banks, such as ISBs/mid-sized banks, from examination of their community development lending and investments; and

Section 4: The Council and Mayor of the City of South Euclid oppose permitting banks to ignore geographic assessment areas; geographic 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, or where they don’t lend at all, or to ignore the credit needs of distressed and vulnerable communities; and

Section 5: The Council and Mayor of the City of South Euclid oppose abandonment of the three-tiered system of evaluating a bank’s performance on its lending, investment and retail banking services; all three are critical needs of our community; and

Section 6: The Council and Mayor of the City of South Euclid oppose any proposals which would weaken the penalties for discrimination under CRA; and

Section 7: The Council and Mayor of the City of South Euclid oppose giving CRA credit to banks for investing in large infrastructure projects such as bridges, highways and sports stadiums; allowing credit for these projects weakens the incentive for banks to invest in local housing and community development projects our community needs; and

Section 8: The Council and Mayor of the City of South Euclid 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

Section 9: The Council and Mayor of the City of South Euclid support efforts to hold a bank accountable if it has a less than satisfactory CRA exam, or wishes to acquire a bank with a better CRA grade, and urge agencies to recognize and encourage Community Benefit Agreements (CBAs) and efforts that motivate banks to make more loans, investments, and services available to traditionally underserved communities.

Section 10: It is hereby found and determined that all formal actions of this Council concerning and relating to the passage of this Resolution were adopted in an open meeting of this Council, and that all deliberations of this Council and any of its committees on or after November 25, 1975, that resulted in such formal action were in meetings open to the public in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code.

Section 11: The Clerk of Council shall submit this resolution by March 9, 2020 to:


Legislative and Regulatory Activities Division  
Office of the Comptroller of the Currency  
Re: Docket ID OCC-2018-0008  
400 7th Street SW, Suite 3E-218  
Washington, DC 20219

Section 12: Wherefore, this Resolution shall take effect and be in force from and after the earliest period allowed by law and upon signature of the Mayor.

Passed this 10 day of February, 2020.

  
\_\_\_\_\_  
Joseph Frank, President of Council

Attest:

  
\_\_\_\_\_  
Keith A. Benjamin, Clerk of Council

Approved:

  
\_\_\_\_\_  
Georgine Welo, Mayor

Approved as to form:

  
\_\_\_\_\_  
Michael P. Lograsso, Director of Law