



City of Cleveland
Justin M. Bibb, Mayor

Department of Building & Housing
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To Whom It May Concern:

By taking a short drive through neighborhoods on the east side of Cleveland, the effects of redlining and the decades-long lack of investment and community credit access are glaring. Through local neighborhood level research on Home Mortgage Disclosure Act data, we are well aware that in Cleveland, many banks are failing to meet the credit needs of residents throughout the city, yet most of these institutions are passing CRA exams. This is unacceptable.

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 up 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. Notwithstanding the need to modernize CRA, we are concerned about ideas from some federal regulators that would substantially weaken the law. 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.

Regulators' review of a bank's CRA commitment should not be consumed by an approach that is primarily driven by dollar amount. The OCC and FDIC propose a presumptive rating which would mainly consist of the dollar amount of a bank's total CRA activities divided by the bank's deposits. CRA was designed to encourage the financial system to meet the credit and capital needs of people with low and moderate incomes and small businesses who frequently have a need for relatively smaller sized loans. Moving to a dollar volume approach would encourage larger deals at the expense of the underserved borrowers the law was designed to protect.

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. Allowing banks to fail in half of the markets they take deposits from and still pass their CRA performance evaluations will allow banks to pick and choose where they proactively support the credit and capital needs of people with low- and moderate-incomes, and ignore them in other markets where they currently have an obligation.

The new proposed scoring system will radically devalue the importance of maintaining branches in neighborhoods with low- and moderate-incomes, despite strong evidence that branches are still heavily used by households with lower incomes.

The proposed NPR is a good start and promises to make parts of CRA exams more rigorous but we urge the agencies to extend the rigor of the large bank lending test to the other tests. We also ask the agencies to incorporate race in CRA exams, to expand the public reporting of their data collection proposals and to incorporate the other improvements discussed above. If CRA is improved while maintaining public input and accountability, we believe the proposed rule could help reduce inequalities, disinvestment and other disadvantages in America's overlooked communities.

The City of Cleveland will support efforts to modernize CRA, but not relax or undermine the law's goal and intent, and the City of Cleveland will oppose regulators' efforts to raise bank thresholds and exempt more banks, such as ISBs/mid-sized banks, from examination of their community development lending and investments. Cleveland will support modernizing CRA to apply it to non-bank institutions including mortgage companies, financial technology companies, and credit unions and will oppose regulators efforts to water down the penalties under CRA for discrimination.

And finally, the City of Cleveland 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 urge 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.

If you have any questions or concerns, please don't hesitate to contact our Chief Government Affairs Officer, Ryan Puente, at rpunte@clevelandohio.gov or (216) 571-8622.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Sally Martin', with a stylized flourish at the end.

Sally Martin
Director
Building & Housing
City of Cleveland