

ISSUE: Improve Accountability for CRA Activities With Tougher Bank Examinations and Timely Release of CRA Ratings

CRA is key to driving better basic banking services, increased mortgage and business lending and improving community development in low- and moderate-income communities nationwide. Across the country, numerous examples of financial disinvestment and malpractice highlight the need for strong enforcement of CRA and improvement in the CRA ratings for banks. There is a sizable segment of U.S. households going unbanked and under-banked and relying on alternative financial services (e.g. money orders, check cashing services, pawn shop loans, auto title loans, paycheck advance/deposit advances, or payday loans).⁵ Wide swaths of communities in the U.S. lack adequate small business lending.⁶ And recent investigations and enforcement actions by the CFPB and the Department of Justice (DOJ) have exposed ongoing redlining. However, over 98 percent of banks examined by federal regulators from 2012 to 2014 received a passing grade on their CRA exams.⁷ In comparison, in the 1990s – a period of significant investment in low- and moderate-income communities – many more banks failed. When ratings first became public in 1990, around 10 percent of banks failed their CRA exams.⁸ During the first five years of the public availability of CRA ratings, more than five percent of banks failed their CRA exams every year. That number has steadily trended downward, but the higher ratings are not reflected by the experiences of low- and moderate-income, economically distressed, and rural communities.

Who Can Act:

The Office of the Comptroller of the Currency (OCC), the Federal Reserve System, the Federal Deposit Insurance Corporation (FDIC)

NCRC's Position:

CRA examinations should provide a more accurate measure of lending, investment and the provisions of basic banking services in low- and moderate-income communities by ensuring bank examiners:

- Weight loans originated by a bank more heavily than purchased loans;
- Conduct more rigorous fair lending reviews, and better coordinate with other federal banking regulators and the CFPB;
- Provide easier ways for the public to provide input;

5 *FDIC National Survey of Unbanked and Underbanked Households* (Rep.). (2016, October 20). Retrieved <https://www.fdic.gov/householdsurvey/2015/2015report.pdf>

6 NCRC, *Home Mortgage and Small Business Lending in Baltimore and Surrounding Areas*, (November 2015) http://www.ncrc.org/images/ncrc_baltimore_lending_analysis_web.pdf. *Small Business Lending Deserts and Oases*, NCRC (September 2014), <http://www.ncrc.org/images/PDFs/ncrc-analysis-small-business-lending-deserts.pdf>.

7 *How Well Are Regulators Evaluating Banks Under the Community Reinvestment Act* (Rep.). (2015, May). Retrieved <http://www.ncrc.org/images/ncrc%20-%20bank%20evaluations%20full.pdf>

8 *The Community Reinvestment Act: 30 Years of Wealth Building and What We Must Do to Finish the Job*, NCRC (2009), http://www.frbsf.org/community-development/files/cra_30_years_wealth_building.pdf

- In addition to analyzing lending in areas with bank branches, examine lending in areas where banks are making significant amounts of loans but do not have bank branches;
- Maintain an emphasis on branches and collect more data on provision of bank accounts to low- and moderate-income customers;
- Collect better data on the number and percent of deposit accounts and basic banking services that are offered to low- and moderate-income customers;
- Better review for harmful practices (e.g. excessive overdraft fees); Examine for loss mitigation practices, particularly with the expiration of the federal Home Affordable Modification Program (HAMP) and Home Affordable Refinance Program (HARP);
- Ensure examination are conducted regularly and released timely. Of the top 100 banks by asset size, 35 have not had a CRA exam since 2012. Of these, nine have not had an exam since 2010 and seven since 2011. Out-of-date CRA exams contribute significantly to lenient oversight of banks and diminish expectations of continued and affirmative responses to credit needs.

Unbanked Rates by State, 2015

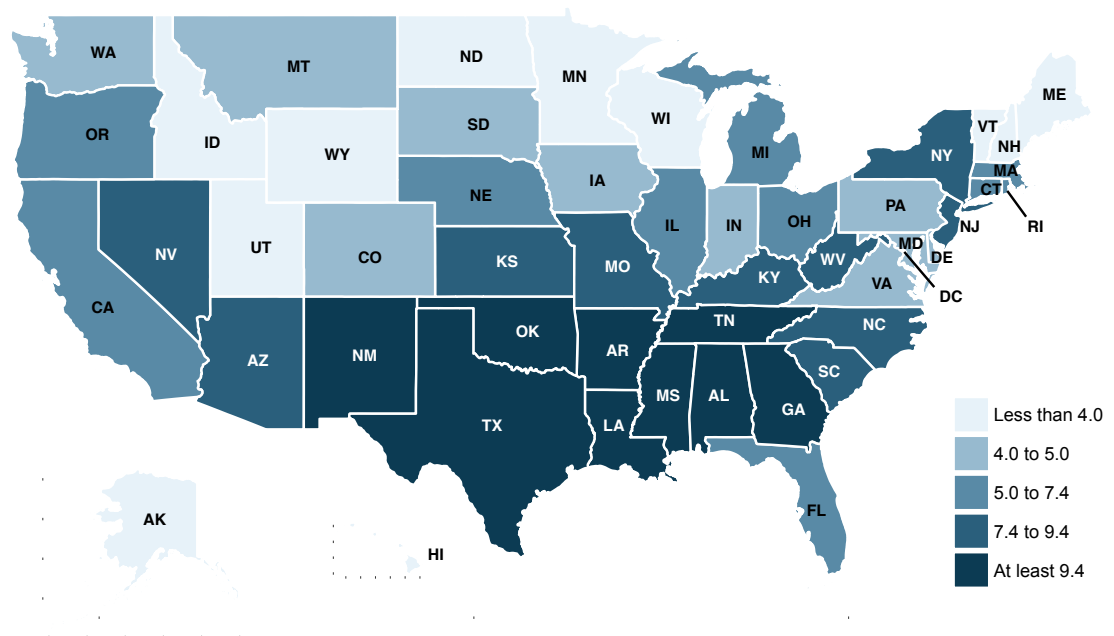


FIGURE 4. Source: FDIC (2016)

Underbanked Rates by State, 2015

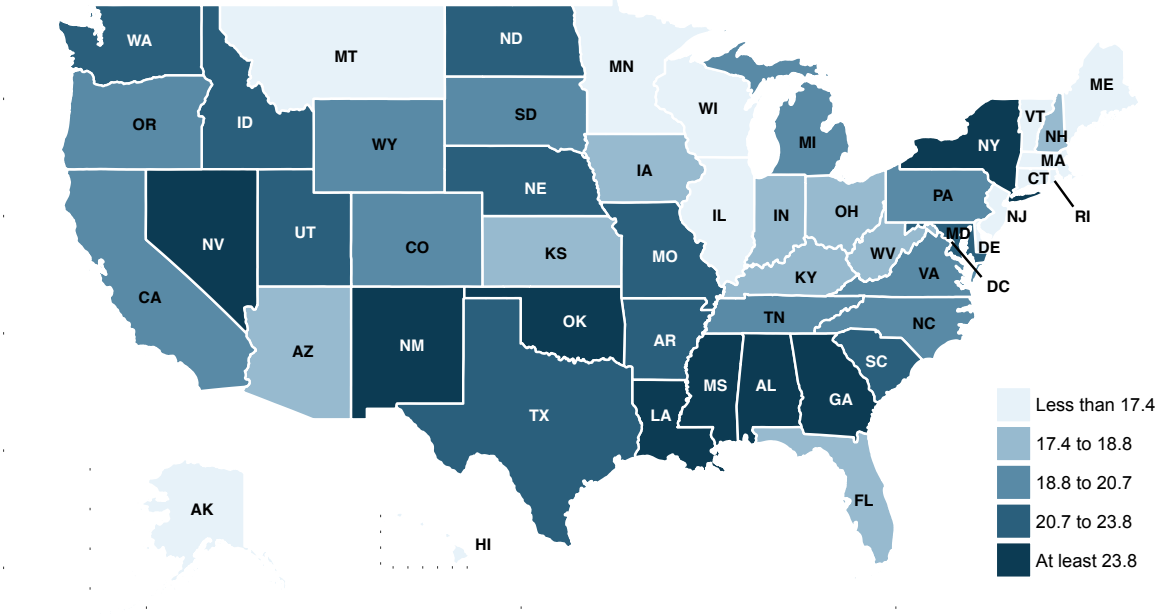


FIGURE 5. Source: FDIC (2016)