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Federal Lending Proposal Draws Concerns From Ohio Groups

Ohio housing advocates are denouncing a Trump Administration proposal they say could lead to a return of discriminatory lending practices.

The groups spoke out Thursday in opposition to proposed regulatory changes under the Community Reinvestment Act, which encourages banks to offer lending services to people in low- and moderate-income areas in the communities they serve.

"The CRA historically has helped drive billions of dollars in private investments to things like affordable housing development, small business lending, mortgage lending and even better banking services in the lower income communities," Bill Faith, executive director of the Coalition on Homelessness and Housing in Ohio, said in a conference call with reporters.

Currently, the CRA requires banks to undergo testing by federal regulators every two years regarding how well they have served low- and moderate-income communities, with nearly all passing and no significant fines for those who fail, Mr. Faith said.

"There are no huge penalties for not passing this. But it gives us a tool to nudge the banks to invest in the kinds of things we're describing," he said. "CRA is not charity. This isn't about handouts. This is about investments that are profitable for the banks. When they make these loans, when they make these investments, when they offer these services, obviously they're for-profit entities and they're going to make money on it. It just nudges them to serve their community."

The program would be changed under a proposal by the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. That proposal, which is out for public comment, would modify what qualifies for credit under the CRA, change how banks' assessment areas are determined and require examiners to consider other banking activity, Joseph Otting, the comptroller of the currency, said in **testimony** last month before the U.S. House Committee on Financial Services.

Mr. Otting said the current rules discourage investment because of uncertainty, neglect rural needs and neglect long-term investment.

Nate Coffman, executive director of the Ohio CDC Association, said the proposal expands what would count toward CRA credits to include things such as stadiums and roads and bridge products – things that weren't intended to be part of the program.

"Those things are all fine, well and good, but they don't have anything to do with community reinvestment," he said.

The proposal also simplifies the scoring system, ignoring the needs of local communities and encouraging big deals over investments in housing and small businesses, he said. Banks could also disregard much of their assessment area and still get a passing grade.

"It would create a modern-day form of redlining where you could envision banks investing in gentrifying communities and ignoring the most challenged communities out there," Mr. Coffman said.

The threat of returning to redlining – discrimination in which banks don't lend in certain communities – prompted concerns from Tom Roberts, president of the Ohio Conference of Units of the NAACP.

"The definition of affordable housing will be changed," he said. "The NAACP opposes this harmful proposed change."

Mr. Faith said the CRA ensured some safe credit options were available to people in low- and moderate-income communities.

"My biggest worry about this is we're going to go back to a time that allows the banks to cherry pick where they lend and where they don't lend," he said. "Geographic diversity has been the strength of CRA."

Mr. Otting dismissed concerns about redlining in his testimony.

"Nothing in modernizing CRA regulations encourages or legalizes redlining," he said. "Nothing in the proposed rule limits agency authority to examine for compliance with and enforce fair lending laws."

The advocates said the rule changes would be harmful to communities that need help from lenders.

"The proposed rules would reduce private investment in affordable housing at a time when we desperately need more of it," Mr. Faith said.