NATIONAL ASSOCIATION FOR LATINO COMMUNITY ASSET BUILDERS

NALCAB

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Trump Administration Financial Regulator Seeks to Lower the Bar for Banks to Meet Community Reinvestment Requirements

Latino, Working Class Communities Will Suffer if Proposed Rewrites are Adopted

(WASHINGTON D.C. & SAN ANTONIO, TX) – Last week, Comptroller of the Currency Joseph Otting proposed to substantially change the Community Reinvestment Act (CRA) regulations. The CRA is a 1977 federal law passed in response to discrimination or "red-lining" in the banking industry which, for more than forty years, has required banks to responsibly meet the credit needs of low- and moderate-income households in the communities where they do business.

Despite widespread and well-documented concerns from consumer protection advocates, community development practitioners, large portions of the banking industry and Members of Congress, Mr. Otting signed a Notice of Proposed Rulemaking (NPR) that substantially lowers the bar for bank compliance with the CRA. In recent years, fewer than 4% of banks failed the CRA test and, under Mr. Otting's proposed rule, it is unlikely that any bank will ever fail. Prior to becoming Comptroller of the Currency, Mr. Otting served as the CEO of a bank that was among the 4% that failed to comply with the CRA.

Noel Poyo, NALCAB's Executive Director, stated, "As a result of the Community Reinvestment Act, the banking industry has invested billions of dollars in Latino, and other historically underserved communities by making available responsible financial products and services. Mr. Otting's proposal will effectively gut the CRA. It will be a disaster for Latinos, for immigrants and for our nation and we call on NALCAB Network Members to speak out against this obviously misguided approach."

Mr. Otting also serves on the Board of the Federal Deposit Insurance Corporation (FDIC) together with his former business partner Steven Mnuchin, who was appointed by President Trump as Treasury Secretary. This helps to explain why the FDIC voted to support the OCC's rulemaking effort. In an unusually strongly worded dissent, FDIC Board Member Marty Gruenberg described Otting's approach as, "a deeply misconceived proposal that would fundamentally undermine and weaken CRA."

The Federal Reserve, which has shown a willingness to loosen banking regulations in recent years, has conspicuously chosen not to sign on to Mr. Otting's proposal to rewrite the CRA. Based on more than a decade of work by Federal Reserve staff and wide-ranging public input around the concept of CRA reform, Fed Governor Lael Brainard made a speech in March 2019 that articulates a way forward on CRA and reflects a balance of input from industry and community-serving organizations. By crafting a proposal that is outside of the mainstream and moving forward without the Federal Reserve, Mr. Otting will undermine the CRA by creating inconsistency among the regulatory agencies and, given the volume of opposition, ensuring uncertainty about whether the rule will be overturned by a future Administration or Congressional action.

Mr. Otting has been controversial since he was nominated by President Trump. The Comptroller has described banks as the OCC's customers and places more emphasis on how CRA affects banks rather than how it meets the credit needs of consumers and strengthens communities. His public statements have often reflected an intent to minimize public input while amplifying special interests within the financial services industry. Consistent with this public record, Mr. Otting chose to limit public comments on the recent Notice of Proposed Rulemaking to an unusually short 60 day period, despite widespread calls for a longer comment period.

This is the latest in a series of actions by Trump Administration financial regulators that ignore a broad public consensus and advance special interests. In June 2019, Director of the Consumer Financial Protection Bureau, Kathy Kraninger, following the policy of the Bureau's previous Acting Director and now White House Chief of Staff Mick Mulvaney, suspended the 2017 rule that limited abusive practices by payday lenders, after millions of dollars in contributions were made to the Trump campaign and associated SuperPACs.

About NALCAB

NALCAB is a national, nonprofit membership organization and U.S. Treasury-certified CDFI with a mission to strengthen the U.S. economy by advancing economic mobility in Latino communities. With offices in San Antonio and Washington D.C., NALCAB achieves its mission by strengthening and coordinating the capacity of the more than 120 nonprofits in its national member network to deploy capital, and by influencing investors and policy makers with research, advocacy and technical advice.

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