Five Steps to Community Reinvestment Success

A How-To Manual for Community Reinvestment Campaigns

the California Reinvestment Committee

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The California Reinvestment Committee (CRC) is a statewide coalition of more than 200 nonprofit organizations and public agencies that has advocated for increased community reinvestment from financial institutions since 1986. CRC members include housing and economic developers, consumer activists, local and regional coalitions, public interest lawyers, fair housing councils, labor unions, and social service agencies. They negotiate new CRA agreements, monitor continuing bank commitments, design needed loan products, and advise local coalitions on key community reinvestment issues.

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To Order
Five Steps to Community Reinvestment Success is available from CRC at the address below for $20 to nonprofit organizations and $50 for others. Bulk orders are also available.

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Introduction

Has the name on your neighborhood bank branch changed in the last few years? Is your bank branch still open or is it now a check casher or a laundromat? Banking has changed tremendously in recent years. Huge national mergers have resulted in branch closings, new bank staff, and bank chief executives headquartered thousands of miles away from your community. This manual offers strategic approaches to focus bankers’ attention on the needs of your community using the Community Reinvestment Act (CRA), other laws and public pressure designed.

Until the last decade, banks often redlined\(^1\) low-income communities and communities of color by refusing to lend to these families and businesses. Today, the huge banks that control the industry don’t even see your local community from their lofty headquarters in office towers thousands of miles from your neighborhood. Bank staff use technology, such as computer credit scoring, to make loan decisions that are still based on what is called “credit worthiness.” Those who don’t fit the computer model have their loan applications denied. Those who do not pass credit scoring are still more likely to be low-income people or people of color.

The goal of this manual is to give you the necessary tools to wage a community reinvestment campaign to gain greater access to bank loans, investment. The first section contains background and other information designed to put the CRA\(^2\) campaign in a strategic context. The operational steps of the campaign (the “Five Steps”) follow. Specific information on possible formats for the CRA agreement, bank relationships and other information follow in subsequent sections and appendices.

If too many of your neighbors are getting turned down for loans or bank accounts, there is something your community organization can do to change this. Under the Community Reinvestment Act, financial institutions are legally responsible for offering fair and equal access to all who live in their geographic service area. The Fair Housing (see Appendix G), Fair Lending, and Equal Credit Opportunity Acts also make it illegal for them to discriminate. This how-to manual seeks to simply and clearly identify methods that your community can use to get access to the lending products, investment vehicles and financial

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\(^1\) Redlining is the practice of not lending in areas that are low income or majority minority.

\(^2\) The Community Reinvestment Act, a federal law (part of the 1977 federal housing act) requiring equal access to banking for all people in a bank’s service area.
services that you and your community need and deserve.

Your community can win community reinvestment (CRA) campaigns. Your community organization has fought neighborhood battles before and a CRA campaign will be similar to those struggles. And there are other organizations\(^3\), including the California Reinvestment Committee, that can help you.

\(^3\) Some of these organizations are listed in Appendix C.
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Background Information

Do your neighbors get turned down for loans at the banks in your community?

You and your neighbors can use the Community Reinvestment Act to increase opportunities for your community.

Why should you read this manual?

The next few years will see more bank mergers and increased need for local community coalitions to join the CRA battle as their local banks are consumed by outside financial institutions. In 1999, the US Congress passed legislation allowing banks to become even more enormous through direct ownership of insurance companies, mutual funds, and other financial companies. CRA activism is needed in your community so that the mega-banks and the local savings & loan will assess and serve more fully the needs of your local community. While the California Reinvestment Committee and other advocacy organizations and resources (see Appendix B) assist local coalitions in community reinvestment efforts, the organizations in your community are in the best position to promote the specific needs of your community in an ongoing, focused manner.

The California Reinvestment Committee’s goal with Five Steps to Community Reinvestment Success is to offer your organization or community a how-to guide to increase access to loans, investments, and financial services. Your community will lose opportunities if it doesn’t bring its needs to the attention of bankers. It is likely that your organization already possesses most of the basic skills of CRA negotiations and bank monitoring. This manual is intended to teach specific approaches regarding CRA and contains sample documents that you can use in your local community reinvestment effort.

What is the Community Reinvestment Act?

The Community Reinvestment Act (CRA) was part of the 1977 Federal Housing Act\(^4\). This law was a Congressional response to local community activists’ struggles against redlining. Redlining is the practice of drawing a line (traditionally red) around geographic areas on a map where banks and other financial institutions did not lend because of racial or economic prejudice. CRA is a tool to increase investment by banks and savings & loans in low-income communities and communities of color.

CRA requires that financial institutions offer equal access to lending, financial services and investments to all communities and people within their geographic service area (at least three to

five miles from a branch\(^5\). Access to capital is critical to all communities and CRA is a tool that community organizations can use to increase that access. Communities have won increased investments, charitable contributions, branches, and access to loans and financial services over the twenty-year life of the Community Reinvestment Act. The importance of CRA can be seen in the fact that regulators do two sets of bank examinations: 1) for financial safety and soundness, and 2) for community reinvestment.

\*First Savings and Loan made 10,000 conventional home purchase loans in the county of Utopia. Utopia County has a population which is 30% Latino and 10% African American. First Savings made only three loans to Latinos and one to an African American. This looks like discriminatory lending.*

This does not mean that if one person gets turned down for a loan, there is clear redlining or violation of CRA. Proof of redlining requires showing lending or service trends. **For example:** Does it seem that all your neighbors get turned down for loans to buy a house or expand their business? Does the bank never seem to have loan products that work for you or your neighbors? That is likely to be redlining. However, to demonstrate your case you need to develop concrete proof of a pattern that indicates discrimination (see Appendix F).

\(^5\) Under the revised CRA regulations, banks are supposed to use the whole county or metropolitan area around the branch unless there is a good reason not to do so.
The Community Reinvestment Act – the Basics

The Community Reinvestment Act of 1977, or “CRA,” established as federal law the continuing and affirmative obligation of banks and savings & loans to help meet the credit needs of their local communities. Companion legislation, the Home Mortgage Disclosure Act (HMDA), requires banks, savings associations and mortgage companies to record and make publicly available their mortgage lending data on an annual basis. HMDA data will tell you how many individuals applied for mortgage loans, how many received them, how many were rejected, and their race, sex, and income level. It is available from each mortgage lender.

The Rules

1. Each financial institution must have at its principal office and at each branch office a CRA file which contains:
   - a map showing the local community that the bank serves;
   - a list of the types of financial products (i.e., types of accounts, loans, etc.) the institution is willing to offer within its community; and
   - a notice of the process by which the public can comment on the institution’s CRA performance.

2. At each institution’s principal office and at least one office in each local community, a CRA public file must be kept which includes:
   - written comments from the public about the institution’s CRA performance;
   - any responses the institution has made to the public’s comments; and
   - the most recent CRA Performance Evaluation by their regulator.

3. You may also call, write, or visit your local financial institution to get a copy of its most recent CRA Performance Evaluation. You may be charged for copying and mailing costs.

4. If a bank is merging, you have the right to obtain a copy of the merger application that has been submitted to the regulators.
California CRA Commitments

Beginning in the mid-1980's, California community groups began to successfully negotiate Community Reinvestment Act commitments from banks and savings & loans that contained specific lending, investment, and service goals. While these commitments were not legally binding documents, they meant that the financial institution began to increasingly focus on the needs of low-income communities and communities of color in a positive manner.

Community Reinvestment efforts in California grew locally and regionally in the 1980's.

- San Diego community activists joined with the city council and county board of supervisors to create the San Diego Reinvestment Task Force in 1981. It includes public officials, bankers, and community representatives. The Task Force has been successful in getting $XX millions in local programs from financial institutions.
- In 1985, a group of California activists came together to discuss CRA opportunities and, in the following year, negotiated the first statewide CRA commitment from Wells Fargo Bank in its 1986 acquisition of Crocker Bank. Its central issue was affordable multifamily rental housing so that low-income people could afford housing in expensive metropolitan California. In 1988, Bank of America agreed to make a CRA commitment even though there was no merger in progress. (This group became the California Reinvestment Committee.)
- In the late 1980's, a group of community activists organized in Los Angeles to form Communities for Accountable Reinvestment. Among other successful efforts, their negotiations of a small business product from Security Pacific Bank, just prior to its acquisition by Bank of America, set the scene for more access to credit for minority-, women-, and disabled-owned small businesses.

CRA efforts really built up speed in the 1990's with major California CRA commitments beginning with Bank of America’s 1992 commitment in its acquisition of Security Pacific Bank. The growth of large financial commitments can be seen by the brief history below. (All the commitments below are for ten years except as noted.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Institution</th>
<th>Amount</th>
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<tbody>
<tr>
<td>1992</td>
<td>Bank of America</td>
<td>$12 billion commitment</td>
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<td></td>
<td>Wells Fargo Bank</td>
<td>$7 billion commitment</td>
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<td></td>
<td>First Interstate Bank</td>
<td>$2 billion commitment</td>
</tr>
<tr>
<td>1996</td>
<td>Wells Fargo Bank</td>
<td>$45 billion commitment</td>
</tr>
<tr>
<td></td>
<td>Union Bank of California</td>
<td>$11 billion commitment</td>
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<tr>
<td>1997</td>
<td>Washington Mutual Savings</td>
<td>$75 billion commitment</td>
</tr>
<tr>
<td></td>
<td>Bank of America</td>
<td>$140 billion commitment</td>
</tr>
<tr>
<td></td>
<td>Home Savings of America</td>
<td>$35 billion commitment</td>
</tr>
<tr>
<td>1998</td>
<td>Washington Mutual Savings</td>
<td>$120 billion commitment</td>
</tr>
<tr>
<td></td>
<td>Wells Fargo Bank</td>
<td>$15 billion for three years</td>
</tr>
<tr>
<td>1999</td>
<td>Bank of America</td>
<td>$10 billion annually</td>
</tr>
</tbody>
</table>
The growth of CRA commitments can be attributed to two facts of life for banks and communities.

The first is that “CRA lending” has been profitable for financial institutions. The ten-year California commitments made by Bank of America, Wells Fargo Bank and First Interstate Bank in 1992 were completed within four to five years. *That means that by 1996, in half the time expected, a total of $21 billion in lending and investment had been done by these three banks to California low-income communities and communities of color.* This was a lesson to all the major banks that expanding their products and marketing to previously ignored communities and people would expand their profits.

The second is that CRA commitments have been a method by which banks distinguished themselves from their competition and showed their concern for all potential customers. To most people on the street looking at a bank branch, there seem few apparent differences between one bank and another. In fact, banks and savings & loans are often seen as hardhearted, uncaring institutions. Opening a bank account is usually a matter of geographic convenience. If there is a choice between banks, a public CRA commitment is one way for a bank to show that it recognizes and cares about the needs of all its neighbors, and attract customers.

**Bankers’ Comments on CRC’s Role**

“We have been challenged by CRC to rethink the “traditional” role that banks play in community development and the result has been real and significant benefits to low-income Californians.” Don Mullane, former Senior Vice President, Bank of America

“The Bank has benefitted from this relationship by gaining a greater awareness of community needs.” Richard Hartnack, Vice Chairman, Union Bank of California

CRA negotiations are most powerful during an acquisition or merger when the regulators are carefully observing the bank’s activities. The regulators look at CRA, among other issues, in deciding whether to approve a bank application to purchase another financial institution. However, it is also possible to negotiate CRA commitments when there is no acquisition occurring if the community organization is well prepared with data and public pressure to convince the bank that it can gain financially and otherwise with a commitment to a community partnership. Increasingly, the biannual bank CRA examination by federal regulators also offers opportunities to comment on the bank’s performance to the regulators and open a dialog with the bank.
What do big dollar commitments really mean for your community?

In 1998, many newspapers carried a banner headline: Bank of America pledges $350 billion for community reinvestment. You may also remember the big headlines when Bank of America pledged $12 billion in 1992 or when Wells Fargo Bank pledged $45 billion in 1996. Yet, you look around your community and you see little that has changed since 1992. You ask yourself, do these pledges really make a difference for local businesses, neighbors or community organizations? Are these commitments just a public relations ploy?

The truth is that the commitment probably has more and less impact than you see. On the one hand, unless your community holds banks responsible, it is unlikely that your neighbors are getting all that they deserve from financial institutions. On the other hand, there may be scores of invisible community reinvestment improvements occurring that you cannot see. For example:

Lending
♦ Local business owners getting small business loans of less than $50,000 that they previously either could not get or had to get from finance companies at higher interest rates.
♦ Neighbors who can now become home owners because loans are available with low down payments and reasonable interest rates.
♦ Rental housing affordable to low-income people built by nonprofit housing developers with bank financing.

Investments
♦ Corporate grant programs that support the capacity of community-based organizations to serve their communities.
♦ Bank investments into community development loan pools operated by nonprofit organizations.

Services
♦ Bank vendor purchase programs that offer business opportunities for minority-owned businesses.
♦ Local branches that have remained open because CRA activism made the local financial opportunities too obvious or the potential publicity too negative for the bank to do so.

CRA can help your community educate bankers and meet neighborhood financial needs. Community reinvestment advocacy and organizing can make bankers take note of the needs of your community. CRA activism can put you in the position where the community and banks win. There is a common interest between the community getting its financial needs met and the bank making a reasonable profit from its products.
What does your community need?

The key to community reinvestment is identifying the lending, financial services and investment needs of your community. These three criteria are the ones by which the federal regulators judge financial institutions’ CRA activities; and therefore the categories in which bankers view CRA. In addition, there is a special category of all three that is called community development that includes special activities that the bank may undertake that are particularly helpful for low-income communities, such as loans for multifamily affordable housing for low-income households or small businesses. So, examples of the questions to be answered for your community are:

Lending Needs

✓ What are the business, housing and consumer loan needs of your community?  
Are your neighbors being approved for loans? If not, is it discrimination or ignorance on the part of the bank or savings & loan?

✓ What are banks doing in your community to meet community needs?  
Do bank staff go out in the neighborhood to visit community organizations and

Investment Needs

✓ Where could investments or charitable contributions be made that would add to the economic vitality of your community?  
Do the nonprofit organizations that serve your neighborhood get charitable grants from banks? Do community and housing development organizations get investment support from banks?

Service Needs

Specific CRA Goals

Bank X’s lending for home purchase loans in your community for African Americans or Latinos has been less than one percent although these households are one-third of all local households. Rather than have the goal for these applicants be a “fair” or “reasonable” percentage of loans, secure a commitment that the number of home purchase loans to African American and Latino households will equal their proportion of the community within five years with substantial annual increases beginning immediately.
What are your service needs in terms of branches (regular and in-store), technology, mortgage and business counseling, ATMs, etc.?

Are there bank branches in your neighborhood? Are they full service branches? Does the Bank support mortgage and business loan counseling?

A New Bank Branch

One key issue for a Ventura County CRA coalition was branch access. In particular, there was a small town that had no branch. It was unlikely that the bank would agree to a new brick and mortar branch. The coalition negotiated successfully for a mobile branch that would visit the town weekly. This was a creative response that was positive for the community and the Bank.

The financial institution may not quickly adopt your recommendations for new products and approaches to meeting community needs. The more persistent, concrete, and persuasive that you are, the more successful that you will be. Part of any campaign is to understand the other group’s culture and language so that you can speak directly to their interests and concerns. While bankers may see themselves as open to new profitable opportunities, they usually need time in order to be educated and to broaden their range of efforts beyond what they already do.

In addition, it is easier to get banks or savings & loans to expand their current lines of business rather than ask them to start a whole different kind of lending. In other words, if the financial institution does not do business lending, don’t expect it to be easy to get them to agree to meet small business credit needs in your negotiating sessions. You will have to judge if new products are possible or if there are other alternative approaches for meeting a particular community need.

Identify Community needs

As a community organization, you already will have identified a number of community needs through your normal activities representing your community and the discussions that have led you to a CRA campaign. In addition, there are a number of other methods of assessing community needs, including: 1) surveys of consumers by neighborhood, church members, community-based organizations or community newspaper readers; 2) in-depth discussions at community meetings; and 3) data analysis using public lending data such as that available on home mortgages (HMDA) or small businesses.

Ask yourself the following questions regarding communicating community needs to bank staff:

Which needs will seem immediately profitable and attractive to the bankers that you are meeting with?
Does the financial institution do that kind of lending now? How much change would be needed to meet the community needs with a current bank product?

Be careful not to sell your community (and its potential) short in order to reach a compromise too quickly with the bank. Think broadly about the community’s needs, then identify those that have potential for community members and to the bank in the short term and in the long term.
The Five Step CRA Campaign

What can a Campaign mean for your community?

A community reinvestment (CRA) campaign operates on several different levels to elevate the needs of your community in the eyes of the bank, the city, public officials, your neighbors and many others. It can relate to a bank merger or dramatic change occurring in your community or affecting your community.

- First, a CRA campaign is a straight-out effort to get one or more banks to more fully meet the needs of your community for lending, financial services and investments.
- Second, the campaign is an opportunity to publicly educate and organize the broader community on the needs of your neighborhood.
- Third, it holds the promise of building alliances with other community organizations and political leaders that can build power for other community efforts.
- Fourth, the campaign shows the strength of and the opportunities in your community.

The Outline of a Campaign

This manual divides a CRA campaign into five steps. The CRA campaign is an integrated effort to gain increased access to banking from one or more banks. The critical components of your CRA campaign are clear goals, concrete timeline, key players, good information, and flexibility in reaching your goals. As you can see in the outline below, the parallel steps after agreed upon. The graphic members of your coalition have been identified.

There are four parallel paths in the campaign. The first relates to goals and strategic leverage. The second covers the people and their key issues. The third identifies the logistics of dealing with the bank and the regulatory process.
CRA campaigns are very much like other community organizing efforts. You need to identify your short and long term goals, coalition partners and allies, media potential, politicians, legal rights and stakeholders. These are decisions and alliances that are likely to be similar to others from community organizing activities that your organization has engaged in previously.

In addition, there are some tools specific to CRA campaigns that you need to understand and make use of:

**Points of Regulatory Leverage**

1. **CRA Evaluation:** All large banks and savings & loans’ CRA activities are examined at least every two years by federal banking regulators. The regulators look at three major categories of bank activity: lending, services and investments (for more detail, see...
Appendix A). Lending is the most important of the three. A special subcategory of all three is community development which gives additional credit for certain activities.

A. Public Comment: “Comment letters” describing problems with the bank that are sent to the Bank’s public CRA file will be reviewed by the regulators during these evaluations. If there is a bank that your community is having difficulty accessing, write a letter to the bank’s public CRA file about the problems.

B. CRA Performance Evaluation: Regulators report on the past CRA performance of each regulated financial institution that they examine. The public portion of the report can be obtained from the financial institution or the regulator.

II. Merger Application: The financial institution must file an application to the regulator for approval of an acquisition or merger. Portions of the application are public and can contain useful information. These are announced on the regulators’ web sites and, often, in your local newspaper.

III. CRA Public Files: All regulated financial institutions must keep all complaints for two years in at least one office in every metropolitan area as well as in the bank’s main office. They must also keep a record of their CRA goals and activities in the file.

IV. Fair Housing and Fair Lending Laws: It is illegal to discriminate against an applicant based on race, age, gender or disability. Check with your local fair housing council for information on the bank. If there is time, you can do testing of the bank’s fair lending practices. (For more information, see Appendix G or contact your local Fair Housing Council or the National Fair Housing Alliance listed in Appendix C.)

Points of Information Leverage

I. Home Mortgage (HMDA) data: All mortgage lenders must report on their home purchase, refinance and rehabilitation loans on properties with one to four housing units and permanent loans for larger units. The reporting shows loan applications, denials and approvals for all applicants categorized by race, gender, income, and census tract. They also report on multifamily mortgage lending (five or more units). This is public information and can be obtained from a bank main office or one branch in a metropolitan area.

II. Business Lending Data: Shows bank lending for businesses in low, median, and moderate income census tracts of a metropolitan area. This is public information and can be obtained from a bank main office or one branch in a metropolitan area.

III. Community Knowledge: Members of your organization, neighbors and others are likely to know a great deal about the practices of this bank, historical lending discrimination, and the needs of your community.
IV. **Deposits and Market Share**: The FDIC has available information that is updated annually on deposits in each branch of each bank. You can also obtain information from them on a bank’s share of the market in your area.

V. **Newspaper Articles and Testimony**: It is likely that there have been articles on the bank in your local newspaper and elsewhere. It is also possible that bank representatives have testified on issues of interest to your community before city, state or federal legislative or other bodies.

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**Building a Coalition**

*Local CRA efforts in one rural city began with the Teamsters Union picketing the main branch of a statewide bank. The issues were that the bank had 1) extended credit to an agricultural corporation that had refused to negotiate with strikers for four years and 2) a record of denying home loans to local people of color. As bank negotiations began, the coalition broadened to include the NAACP, housing developers, local activists, the Black Chamber of Commerce, homeless service providers, a member of the city council, ministers, and others.*

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**Points of Corporate Leverage**

VI. **Annual Corporate Report**: All public corporations publish an annual report and file more detailed financial reports with the Securities and Exchange Commission (SEC). The annual report is SEC Form 10K and the quarterly report is the 10Q, both of which are publicly available.

VII. **Proxy**: At times of major corporate events, such as mergers, the corporation issues a proxy statement to its shareholders and the SEC that often has very useful information in it about legal suits against the bank or financial difficulties or new lines of business.

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**Who are your Potential Allies?**

Clearly, the broader your coalition is, the greater its power. On the other hand, the broader your coalition, the more varied are the issues across which you may have to collaborate. If your coalition is too broad, you may not be able to agree on key issues or tactics. If it is too small, it may have too little power.

✓ **Who might be a potential ally?**
If the bank is not investing in or supporting other community organizations: an alliance of community-based organizations can become involved.

If a branch closes: Seniors and merchants who need a local branch nearby.

If deposit accounts are too expensive: Youth and low-income people who need low cost checking and savings accounts.

If lending is discriminatory:
- Merchants who need small business loans.
- Neighbors who need home loans.
- Seniors who need equity loans to fix up their houses.

If bank lending becomes a public issue: local and state politicians can become involved.

Support from Public Officials

When a large out-of-state bank bought two small, local banks in the Los Angeles area which had no branches in low income areas, it inflamed the community and public officials. Support for community activists by members of the LA City Council, California legislature and US Congress brought strength and attention to the campaign. In the end, community activists got a CRA commitment that included three new branches in low income areas. The support of public officials was critical.

How can Regulators be Helpful?

There are four federal financial regulatory agencies: the Federal Reserve Bank, the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency, and the Office of Thrift Supervision (see Appendix A). They each have jurisdiction over different financial institutions over which they have jurisdiction although some very large banks may be regulated by more than one agency. The regulators examine larger banks every two years for 1) safety and soundness and 2) CRA compliance, including fair lending issues. Smaller banks, those with less than $250 million in assets, are now examined every four to five years.) Banks with negative ratings (“needs to improve” or “substantial noncompliance”) are examined more often. Unfortunately, almost 99 percent of all financial institutions get rated “satisfactory” or “outstanding” for their CRA activities.

These examinations are increasingly important and are publicly announced on the regulators’ web sites. If you learn that a bank in your community is about to be examined and know that it has done a bad job of meeting community needs, organize community members and your allies to write letters identifying bank lending, investment and service problems for the regulator to investigate. The letter should be specifically asked to be put in the bank’s public CRA file. This can be extremely important as it shows a history of problems with the bank and regulators must review the public CRA file.
When a merger or other activity requires regulatory approval, the regulators can hold public hearings. They can also extend the comment period on the merger to give community representatives more time to build their case.

The regulators should be visiting organizations and businesses in your community to learn about the activities of banks in your area. If they are not, contact them and request a visit or send them a letter describing how the bank(s) are not meeting community needs. If you want to know more information about a bank that is not meeting community needs, contact the regulators with your concerns.

**How can Bankers be Helpful?**

Bankers are employed at financial institutions because they will be careful with our deposits. The employment profile fits those who are cautious and avoid risk, who want to keep things straightforward, and who are most comfortable dealing with those most like themselves. On the positive side, this means that bankers would prefer not to have federal financial regulators or the media breathing down their necks. The banking business is built on perception and reputation, and bankers tend to be very concerned about anything that may damage their reputation in the local community. This is an advantage when trying to get a CRA commitment. On the negative side, bankers are reluctant to change their practices. This obviously creates barriers to making future commitments or improving their lending practices.

So, it is important to talk with bankers in their own language and understand their culture in order to be successful. As with many cultures, they live within a like-minded circle and must be educated to understand the opportunities in our communities. You need to speak to them in their language but make it clear that they must solve the problem.

**The Five Steps**
This manual’s assumption is that, when the campaign begins, there is a community or ad hoc group that is already trying to get more access to capital for their community. Therefore, a core group is identified and some rough goals or community needs are identified although these may not have been fully agreed upon. In addition, it is assumed that a regulatory process may be setting deadlines for the campaign. At any rate, it cannot be stressed too strongly that a faster pace is an advantage for community folks so that they can meet regulatory deadlines and keep the group focused and together; too often, large corporations and bureaucracy use a slow process to undercut community resolve.

★ Campaign Step One

★ **Identify Short and Long Term Goals**: What does your community want from the bank? For example, the California Reinvestment Committee’s goal is to develop a long term relationship with a financial institution based on a detailed, written CRA commitment that allows access for all California communities, with semiannual bank meetings where CRC members can advocate for expanded access. Other organizations may seek one specific short term loan or support for a particular effort. The goals determine the methods which the coalition employs.

★ **Identify Team Members**: What is your multi-skill team? Recruit people who have the range of skills needed by your core action team. Some of these folks could be volunteers who assist the group. The team needs people who have negotiating skills and experience, can understand the banking culture, understand data on bank lending and community needs, know housing and economic development, represent consumer concerns for banking services, and can see the whole picture strategically.

★ **Identify Key Information and Sources**: Where can you go to get information on the bank? This information would include the points of leverage listed on pages 12 and 13. In addition, there may be people in your community, public office, the media and elsewhere that can assist your campaign.

★ **Identify the Timeline**: How soon do you need to act? If the campaign is a response to a bank acquisition, there is a clear timeline that you need to follow. You need to identify the federal financial regulator for the bank or savings & loan. Regulators have a twenty or thirty-day period for public comment which begins once the financial institution has filed its application for merger approval with the regulator and advertised the merger in the Federal Register (See Appendix C). Your campaign timeline needs to be planned so that, if you are not able to achieve your goals in your negotiations with the financial institution,
protest letters calling for public hearings or for additional time to comment are received by the regulator in a timely manner.

★ Campaign Step Two

★ **Identify Points of Leverage:** *How do you get the bank to the negotiating table?* There is a combination of public exposure and pressure, personal connections, concrete negotiating points, and timing that will allow you to succeed in your negotiations. What are these points of leverage and how do they fit with your goals and strategy?

★ **Identify Additional Players and Stakeholders:** *Who else is concerned about this bank and/or your community?* Beyond your initial coalition, who are the people who will be involved in or strongly affected by the campaign? Which of them can become allies? How should you approach or deal with the others so that they stay neutral?

★ **Obtain Data and Information:** *What do you need to know?* Identify the types of data available (see Appendix B), where it is available, and what you should analyze. This can include census data, local property transfer data, and other information that identifies your community and its needs.

★ **Contact Bank:** *How do you get the bank decision-maker to the table?* Identify the key bank players with decision-making authority that you must have at the meeting (i.e., CEO, regional president: *can this person commit for the bank at your meeting*). In most cases, bank CRA officers are not key decision makers although they can facilitate communication. Inform them in writing of your general and specific concerns and issues with a copy to their regulatory agency. The letter should include a request that it be put in the bank’s public CRA file.

★ Campaign Step Three

★ **Analyze Stakes:** *What do the players want and fear?* What are the key issues for all the major players and how will these issues affect the campaign? Analyze different potential negotiating campaign scenarios to see how they will advance your goals.

★ **Organize Team:** *What are the players’ roles on the team?* As you launch the campaign, each player on the core and supporting teams needs to be clear about their role in the struggle. The roles depend on the skills and expertise of team members and the campaign strategy.
Analyze Data: What is the real story on the bank? Look at the information on the bank and its operations that you have obtained. Analyze it yourself or get assistance from a nearby college or other source of assistance (see Appendix C).

One local CRA coalition was unsuccessful in getting serious negotiations with an out-of-state bank that had made acquisitions in their area. The local city council passed a linked banking ordinance that called for review of all banks with which the city was doing business. The bank was a major trustee for bonds from this city and many other cities. When the city began to consider no longer doing bond business with the bank, negotiations were re-opened and came to a successful conclusion.

Know what data affects your issues and what you need to make your case.

Set Meeting Date: Are you running out of time? Be clear on the timeline for the public comment period, if there is a bank merger, or other critical dates. Be sure that you contact the bank as early as possible to set a date for a meeting with key decision makers at the bank.

Campaign Step Four

Re-Assess Goals: Do you need to revise your plan? At this point in your campaign, the coalition needs to reassess its goals in order to assure agreement on the most important three to five issues and review tactics. Some goals or tactics may have changed based on information analysis or changed membership in the coalition.

Involves Stakeholders and Players: How do you apply the maximum pressure? At this point, you may need to broaden your coalition to ensure your success through numbers and influence. This may include informing the media of your goals and letting them know about the planned bank meeting.

Set Action Plan: Are your strategy and tactics set? With broader participation, the coalition should review its action plan and set goals for the first bank meeting. It may be necessary, given sufficient time, to see the first meeting as community education for the bankers and have real negotiations at the second meeting.

Meet with the bank: What results do you want? Go into the meeting prepared with clear priorities and plenty of ammunition to back up your negotiating points. Try to anticipate the bank’s responses and assign specific roles to coalition members to address those responses.
Campaign Step Five

Key Decision Point: What still needs to be won? The coalition needs to review the response from the bank and decide next steps. If all goes well, you may be deciding on how to finalize the specific, written details of the agreement. More typically, you need to plan how to bring additional more pressure on the bank either before the next meeting or to obtain another meeting. If there is no possibility of agreement from the bank, you should consider protesting the merger to the regulators based on the information that you have developed regarding the bank’s lack of response to community needs. You may also want to explore other avenues of pressure.

Keep Moving: Are you being put on hold? Be careful not to be stalled by the financial institution. If they agree to “study” your proposals, be certain to get a quick turnaround. Do not agree to a series of meetings without clear goals and timelines. Your time is valuable: make it count in the CRA campaign.

Reassess: Where do you go next? Based on your determinations above, it may be critical to reassess your overall goals (Step One) to be most successful in your negotiations. Have you achieved your basic goals? If so, it may be time to work on the document’s wording to complete negotiations. If not, it may be necessary to go back to Step Four and reorganize the campaign. (Clearly, it is not unusual to need to “go back to the drawing board” so that the team is sure whether it is time to announce victory or ramp up the struggle.)
What should the CRA Agreement look like?

The key issue with the CRA agreement, although bankers may prefer it to call a community commitment, is that it be clear and specific so that both parties can return to discuss CRA progress and have no trouble agreeing on what was intended and written. In other words, the agreement or letter from the bank to community leaders must be written in a manner that is measurable and indisputable. It should also be filed with the appropriate regulatory agency so that a third responsible party has a record of it.

The following are a few examples of dos and don’ts regarding language of the agreement. Other examples may be found in the summary issues section that follows.

**Affordable Housing**

★ DON’T: $50 million annually for affordable housing loans. While there is a specific amount of money to be lent over a specific amount of time, there is no definition of the kind of housing to be financed under the agreement. To whom is it affordable? Is this single family (one to four units) or multi-family housing (five units or more)? To whom will the loans be made? Most for profit housing developers do not keep the property affordable to low-income people for more than the minimum number of years before then raising the rents to market rate.

★ DO: $100 million minimum annually for multi-family rental housing loans with 2/3 of loans for very low-income tenants and nonprofit housing developers. While this is not very restrictive, it allows clear evaluation of its accomplishments.

**Charitable Contributions**

★ DON’T: Charitable contributions of $200,000 annually to nonprofit organizations. While this may be an increase of charitable contributions, there is no plan to increase contributions in the future nor any targeting of those contributions to community needs. Will it go to the opera, a homeless shelter or a nonprofit providing technical assistance to small businesses?

★ DO: Charitable contributions equal to 2% of net income or no less than $1 million annually, of which 40% is allocated to nonprofit organizations doing housing or economic development. In this case there is a mechanism for increasing contributions but also a minimum dollar amount for those contributions. There is also specific targeting of those contributions to affordable housing and economic development.

There are some issues that become increasingly difficult as banks expand beyond any one community or state. What should community advocates use as the base measurement for the commitment? When a bank was located in only one state, CRC would use its assets and net income as the base measurement. The commitment might be for 4.5 % of assets with 2% of net income before taxes as the amount of community investment and grants. Once a financial
institution operates in more than one state, it is difficult to assess the amount of assets based in or net income produced by operations in any one state or community. CRC has begun to use deposits as the base measurement because the amount of deposits is easily calculated for any geographic area. The advantage of this information is that it is available from and verifiable with the FDIC.

However, measuring bank achievement continues to be a complicated issue as some financial institutions do not lend using only their deposits but borrow money to make their loans. Borrowing funds allows them to loan against an amount larger than their total deposits. So, there is no set percentage of any base measurement that will work for all banks. Nor is there an absolutely perfect proportion of housing lending, business lending, consumer lending, community investment, etc. that can be applied to all financial institutions. The best measure is to look at what the bank or savings & loan is doing now or plans to do in the future in relation to your assessment of community needs.

Summary Issues for A CRA Commitment

- **Lending**: flexible underwriting that responds appropriately to cultural and other borrowing habits of low income people and people of color

- **Affordable Housing Lending**
  - Single Family Housing: target loans to purchasers with incomes at or below 80% of median income; perform secondary review of denials
  - Multifamily Rental Housing: target developments where tenants have incomes at or below 50% of median income; priority to nonprofit housing developers; number of years that the housing will remain affordable to these tenants

- **Subprime Mortgage Lending**: that lending program matches conventional loans in fees, insurance and other elements; that there are cross-referrals with conventional mortgages

- **Small Business Lending**: 50% of the number of loans at or below $50,000; perform secondary review of denials

- **Consumer Lending**: Match percentage of loans to low and moderate income borrowers to percentage of low and moderate income households in the bank’s assessment area

- **Consumer Services**: free or low cost checking accounts with low opening and balance requirements

- **Marketing**: Use local minority-owned media companies; support counseling programs for loan programs

- **Branches**: Open more full-service branches in low-income communities and communities of color; clear procedure requiring community organization involvement before a decision to close any branch

- **Community Investments**: investments in local CDFIs; equity investments for CDCs to do venture capital

- **Grants**: substantial grant programs to support capacity of community organizations, including community and housing developers, to expand local economy
Vendor Program: programs focused on purchasing from minority-, disabled-, and women-owned firms; clear accounting by type of owner

Rural: programs that include self-help housing

Meetings: Agree to share specific data prior to semiannual bank meetings

What about a Relationship?

In most cases, it is beneficial to build a long term relationship with the bank. Agreeing on a commitment is only the first small step. No institution, including financial institutions, changes overnight. So, even the most detailed and clear CRA agreement does not guarantee that the bank or savings & loan will implement their commitment in the manner which most benefits the community. Meeting annually or semiannually with the bank allows the community make sure that the financial institution is honoring its agreement and to promote new needed programs and services. In addition, community representatives and organizations should be clear that a portion of their role is to educate bank staff through group meetings, participation in nonprofit Boards of Directors, tours of the community, and other approaches.

Bank meetings need to be approached in a manner similar to that of negotiations. It is at these meetings that the real work of implementing the commitment and responding to other community needs take place. Community members need to be prepared to speak about community needs as well as the quality of the bank’s follow-through on its commitment. The bank should be prepared to share specific information and data so that the community can understand whether the commitment is being honored. You need this information several weeks prior to the meeting so that community members can review it and be prepared. The meeting should focus on key issues for community members. It helps for community members to meet before the bank meeting to analyze and identify priority issues for the meeting. You can add spice to the meeting by focusing a major portion of the meeting on a key issue or including individuals and organizations that have experienced recent discrimination by the financial institution.

Remember that any good relationship takes time to develop. This is even more the case when you come from different worlds. There is a common interest expressed in the Community Reinvestment Act wherein the community gains through increased access to banking and the bank gains through increased sale of products.

The following are some approaches to cross the cultural barrier:

Focus on opportunities: What can the bank gain in the way of profit, market and reputation? Open their eyes to new opportunities but recognize that they can be reluctant learners.

Understand Concerns: What are the issues that the bank sees that block more access to banking for your community?
- **Use the Regulations:** Banks are examined under the CRA regulations for lending, services and investments. So couch your language in those terms because bank representatives don’t like the regulators breathing down their necks.

- **Community Boards:** Get bank representatives on nonprofit community organizations’ Board of Directors to educate them on the economic vitality and importance of your community. It also helps them to understand the world of nonprofit organizations and the role they play in communities and how they do business.

- **Community Tours:** Take bank representatives out to the community so that they can see thriving businesses and change possible mis-perceptions about economic problems in the neighborhood and its businesses.
Appendix A: the Community Reinvestment Act

The Community Reinvestment Act of 1977, or “CRA,” established as federal law the continuing and affirmative obligation of banks and savings & loans to help meet the credit needs of their local communities. Companion legislation, the Home Mortgage Disclosure Act (HMDA), requires banks, savings associations and mortgage companies to record and make publicly available their mortgage lending data on an annual basis. HMDA data will tell you how many individuals applied for mortgage loans, how many received them, how many were rejected, and their race, sex, and income level. It is available from each mortgage lender.

The Rules

1. Each financial institution must have at its principal office and at each branch office a CRA file which contains:
   - a map showing the local community the bank serves;
   - a list of the types of loans the institution is willing to make within its community; and
   - a notice of the process by which the public can comment on the institution’s CRA performance.

2. At each institution’s principal office and at least one office in each local community, a CRA public file must be kept which includes:
   - written comments from the public about the institution’s CRA performance;
   - any responses the institution has made to the public’s comments; and
   - the most recent CRA Performance Evaluation by their regulator.

3. You may also call, write, or visit your local financial institution to get a copy of its most recent CRA Performance Evaluation. You may be charged for copying and mailing costs.

4. If a bank is merging, you have the right to obtain a copy of the merger application that has been submitted to the regulators.

Which Regulator to Contact?

Your comments should be sent to the appropriate regulator. Different financial institutions are overseen by different regulators. Credit unions and mortgage companies are not covered by CRA. If you are unsure about which agency supervises a particular financial institution, you can call the FDIC in San Francisco at (415) 546-0160.

The Federal Deposit Insurance Corporation (FDIC) supervises state chartered banks that are not members of the Federal Reserve System. You may write or call the western regional office at (415) 546-0160, or 25 Ecker Street, Suite 2300, San Francisco, CA 94105. Or, access the web site at www.fdic.gov.
The Federal Reserve System (FRS) supervises bank holding companies and state chartered banks that belong to the FRS. You may write or call the Federal Reserve Bank of San Francisco at (415) 974-2000, or 101 Market Street, San Francisco, CA 94105. Or, access the web site at www.federalreserve.gov.

The Office of the Comptroller of the Currency (OCC) supervises national banks. Often the word “National” appears in the bank’s name, or the initials “N.A.” or “N.T.&S.A.” follow its name. You may write or call the western district office at (415) 545-5900, or 50 Fremont Street, Suite 3900, San Francisco, CA 94105. Or, access the web site at www.occ.treas.gov.

The Office of Thrift Supervision (OTS) supervises federally and state chartered savings associations as well as federally chartered savings banks. The names of these institutions generally identify them as savings and loan associations, savings associations, or savings banks. Federally chartered savings institutions have the word “Federal” or the initials “FSB” or “FA” in their names. You may write or call the western regional office at (415) 616-1500, or PO Box 7165, San Francisco, CA 94120. Or, access the web site at www.ots.treas.gov.

What Do Regulators Do?
Examiners from all the agencies perform CRA and safety and soundness examinations. The CRA assessment uses the lending, service, and investment tests to review the CRA activities of banks with more than $250 million in assets. Smaller banks have a streamlined review. The rating system identifies five levels of performance to rate an institution’s record of meeting community credit needs:

- Outstanding
- Needs to Improve
- High Satisfactory
- Substantial Noncompliance
- Low Satisfactory
Appendix B: Where to Access Data

**HMDA Data:** These are available at [www.ffciec.gov](http://www.ffciec.gov), the Federal Financial Institutions Examination Council (FFIEC) site.

**Small Business Lending Data:** These are available at [www.ffciec.gov](http://www.ffciec.gov), the Federal Financial Institutions Examination Council (FFIEC) site.

**Corporate Financial Reports:** These are available from the bank itself or the US Securities and Exchange Commission ([www.eric.org](http://www.eric.org)). Phone number (202) 789-1400.


**Fair Housing Information:** This is available from your local Fair Housing Council or the National Fair Housing Advocate at [www.fairhousing.com](http://www.fairhousing.com).

**Population Data:** This is available from the US Census Bureau at [www.census.gov](http://www.census.gov) and your county and state governments. Phone number (301) 457-4608.

**Local Data:** This is available from your city or county planning office.
Appendix C: Important Contacts

Nonprofit Organizations

- **the Center for Community Change**
  1000 Wisconsin Avenue, NW, Washington, D.C. 20007.
  Phone: 202-342-0567   Fax: 202-333-5462   [www.communitychange.org]
  CCC helps poor people to improve their communities and change policies and institutions that affect their lives by developing their own strong organizations.

- **Consumers Union, West Coast Office**
  1535 Mission Street, San Francisco, California 94103
  Phone: 415-431-6747   Fax: 415-431-0906   [www.consumersunion.org]
  Consumers Union is an independent, nonprofit testing and information organization serving only consumers. We are a comprehensive source for unbiased advice about products and services, personal finance, health and nutrition, and other consumer concerns. Since 1936, our mission has been to test products, inform the public, and protect consumers. Our income is derived solely from the sale of Consumer Reports and our other services, and from noncommercial contributions, grants, and fees.

- **Community Reinvestment Association of North Carolina**
  P.O. Box 28958, Raleigh, NC 27611.
  Phone: 919-856-2170   Fax: 919-688-0082   [www.cra-nc.org]
  CRA-NC is a statewide organization dedicated to changing the philosophy, orientation, and practices of financial institutions in North Carolina so that the credit needs of traditionally underserved communities are fully met.

- **Corporation for Enterprise Development, West Coast Office**
  353 Folsom Street, San Francisco CA 94105
  Phone: 415-495-2333   Fax: (415) 495-7025   [www.cfed.org]
  The Corporation for Enterprise Development (CFED) fosters widely shared and sustainable economic well-being. CFED promotes asset-building and economic opportunity strategies, primarily in low-income and distressed communities, that bring together community practice, public policy, and private markets in new and effective ways.

- **Inner City Press/Communities on the Move**
  P.O. Box 580188-Mt. Carmel Station, Bronx, NY 10458.
  Phone: 718-716-3540   Fax: 718-716-3161   [www.innercitypress.org]
  The Inner City Press began in 1987, investigating and reporting on “the good, the bad and the ugly” then taking place in the South Bronx of New York City.

- **the National Community Reinvestment Coalition**
NCRC was formed in 1990 by 16 national, regional, and local organizations to develop and harness the collective energies of community reinvestment organizations from across the country so as to increase the flow of private capital into traditionally underserved communities.

**the National Congress for Community Economic Development**  
1030 15th Street, NW, Suite 325, Washington, DC 20005  
Phone: 202/289-9020   Fax: 202/289-7051   [www.ncced.org](http://www.ncced.org)  
Toll Free: 1-877-44NCCED  
The National Congress for Community Economic Development (NCCED) is the trade association and advocate for the community-based development industry. Founded in 1970, NCCED represents over 3,600 community development corporations (CDCs) across America. CDCs produce affordable housing and create jobs through business and commercial development activities. NCCED services the community development industry through public policy research and education, special projects, newsletters, publications, training, conferences, and specialized technical assistance.

**the National Council of La Raza**  
1111 19th, NW Suite 1000, Washington, DC 20036  
Phone: 202-785-1670   Fax: 202-776-1796   [www.nclr.org](http://www.nclr.org)  
The National Council of La Raza (NCLR) is a private, nonprofit, nonpartisan, tax-exempt organization established in 1968 to reduce poverty and discrimination, and improve life opportunities, for Hispanic Americans.

**the National Fair Housing Alliance**  
1212 New York Ave NW # 525, Washington, DC 20005  
Phone: (202) 898-1661   [www.fairhousing.com](http://www.fairhousing.com)  
The National Fair Housing Advocate Online is a resource designed to serve both the fair housing advocacy community and the general public with timely news and information regarding issues of housing discrimination.

**Nevada Fair Housing Center**  
2725 E. Desert Inn Road, Suite 180, Las Vegas, NV  89121  
Phone: 702-731-6095   Fax: 702-731-6170

**San Diego Reinvestment Task Force**  
3989 Ruffin Rd., MS-0231  San Diego, CA  92123-1890  
Phone: 858-694-8729   Fax: 858-694-4871   [www.co.san-diego.ca.us/rtf/](http://www.co.san-diego.ca.us/rtf/)  
The City-County Reinvestment Task Force (RTF) was created in 1977 to monitor lending practices and to develop strategies for reinvestment in the San Diego region.
the Woodstock Institute
407 S. Dearborn St., Ste. 550  Chicago, IL 60605
Phone:  312-427-8070  Fax:  312-427-4007  www.woodstockinst.org
Woodstock Institute, a Chicago nonprofit incorporated in 1973, works locally and nationally to promote community reinvestment and economic development in lower-income and minority communities.

Government Agencies

Federal Register,  www.access.gpo.gov

20th Street and Constitution Avenue, NW, Washington, DC 20551
Phone:  202-452-3000

Federal Deposit Insurance Corporation,  www.fdic.gov
Central Call Center, Room H-1057, 550 17th Street, NW, Washington, DC 20429-9990
Toll-free number:  877-ASKFDIC (877-275-3342)

Independence Square, 250 E Street, SW, Washington, DC 20219-0001
Phone:  202-874-5000

1700 G. Street, NW, Washington, DC 20552
Phone:  202-906-6000

US Department of Housing and Urban Development (HUD),  www.hud.gov
451 7th Street, SW, Washington, DC 20410
Phone:  202-708-1112

US Department of Justice, Civil Rights Division,  www.usdoj.gov
PO Box 65808, Washington, D.C. 20035-5808
Phone:  202-514-2151
Appendix D: a Sample Bank Contact Letter

The following is a draft bank contact letter to Bank X. If it does not get a response, then the second letter should be sent to the bank with copies to politicians, regulators and others than can add pressure.

Dear Ms. Banker:

The <your organization> is interested in the scope of the CRA activities of Bank X in Z County. <Sentence describing your organization>. As a locally owned financial institution, the bank’s activities have a significant effect on communities in Z County.

We therefore request the following information about Bank X’s activity in Z County:

1. Population demographics for each bank branch. This data should include percentage ethnicity and income levels of census tracts within five miles of each branch.
2. The most recent CRA performance evaluation of the Bank.
4. The amount and distribution of <the last two years’> charitable contributions and community investments by the Bank in total and the names of community organization that received grants.
5. The total dollar amount, number, and recipients of participation in single and multi family affordable housing lending by Bank X, including summary HMDA data for <the last two years>.
6. The level and extent of conventional and government guaranteed small business lending for <the last two years>, including total number and dollar amounts of loans in each category and as reported to federal regulators.
7. Description of Bank products that are most accessible to low-income people and people of color, including checking/savings account information.

If you have any questions about this request, please call me at <your phone>. Please place this letter in the Bank’s public CRA file.

Sincerely,
Appendix E: a Sample Protest Letter

Dear:

<your organization> writes to oppose the X Bank’s acquisition of Z Bank. <Organization> believes that the acquisition will have a negative impact on California communities, decreasing access to credit and financial services. We therefore ask for public hearings on the merger and an extension of the comment period. An extension of the comment period is necessary as 1999 HMDA data will only be released after the comment period expires, and <organization> feels this is critical information in analyzing the merger’s impact. <Organization> believes the Federal Reserve Bank should deny the merger of X Bank and Z Bank.

<description of your organization>

Record of Mortgage Lending
X Bank has a pattern of insufficient lending to low-income communities and to communities of color in California. For instance, throughout California in 1998, lenders on average made nearly 2% of its single family loans in low-income census tracts. X Bank, on the other hand, made less than 1% of its loans in low-income census tracts. Lenders on average made about 42% of its single family loans in upper-income census tracts. X Bank made more than 46% of its single family loans in upper-income census tracts. These same patterns occur on a county-by-county basis.

CRC found similar patterns of lending in communities of color. For instance, in California in 1998, all lenders on average made about 39% of its single family loans in largely white census tracts. X Bank made nearly 45% of its single family loans in largely white areas. In contrast, on average all lenders in California made about 8% of its single family loans in census tracts that were 80-100% minority, whereas X Bank made only 3% of its single family loans in census tracts that were 80-100% minority. Again, CRC found similar patterns at a county-by-county basis. In Los Angeles County, all lenders on average made about 21% of its single family loans in census tracts that were 80-100% minority, whereas X Bank made 11% of its single family loans in such census tracts. These numbers show statistical patterns of discrimination.

X Bank has significantly higher denial rates to people of color for home mortgage loans than Z Bank. For instance, in 1998 in Los Angeles County, X Bank denied home mortgage applications from African-American 7.17 times as many times as it did for home mortgage applications from Whites. In 1998 in Los Angeles, Z Bank on the other hand only denied home mortgage applications from African Americans 1.47 times as many times as it did for home mortgage applications from Whites. X Bank also falls far behind meeting the minority needs of the California market. For instance, according the 1990 U.S. Census information, African-Americans make up 7% of the population in the State of California. X Bank, however, only accepted 2.6% of its total applications for
conventional home purchase loans from African-Americans in 1998. Similarly, Latinos make up 17% of the population in the State of California according to 1990 U.S. Census information. X Bank, however, only accepted 8.2% of its total conventional home purchase loan applications from Latinos. In contrast, according to the same census data, Whites make up 67.8% of the population. X Bank accepted 65% of its total applications for conventional home purchase loans from Whites.

**Loans to Small Businesses in with Revenues Under $1 Million**

Small businesses with revenues under $1 million make up an important niche of smaller community businesses. In 1998, there were 1,230,144 small businesses in California, of which 914,933, or 74.4% had less than $1 million in revenue. X Bank made 61,460 small business loans in California in 1998; 22,792 of them, or 37.1% were small business loans made to small businesses with less than $1 million in revenue. While none of the banks in California in 1998 were making loans in proportion to the portion of small businesses with revenues under $1 million, X Bank made the smallest percentage of loans to these businesses. 

**Anticompetitive Nature of this Merger**

X Bank and Z Bank have overlapping branch networks in 31 local banking markets. Even as calculated by the Applicants, the proposed combination would result in increased concentration levels in fourteen markets that raise competitive concerns under the Department of Justice’s and Federal Reserve Board’s merger guidelines. However, the Applicants are proposing divestitures in only eight of these fourteen markets.

<Organization> encourages the Federal Reserve Board to grant an extension of the comment period and public hearings on this serious merger. <Organization> is opposed to this merger unless the banks make a detailed, written commitment to California communities. Thank you for your consideration, and we hope that your agency will investigate these pressing issues.

Sincerely,
Appendix F: Sample Mortgage Lending Analysis

The following is HMDA (home mortgage) data representing home purchase lending for Oakland California in 1998. There is clear inequality shown by the information below.

<table>
<thead>
<tr>
<th></th>
<th>Loans Originated</th>
<th>% Total Loans</th>
<th>Oakland Population</th>
<th>Loans Denied</th>
<th>Denial Rate(^6)</th>
<th>Total Applicants</th>
<th>% Total Applicants</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>American Indian</strong></td>
<td>28</td>
<td>0.6%</td>
<td>0.5%</td>
<td>3</td>
<td>0.8</td>
<td>31</td>
<td>0.5%</td>
</tr>
<tr>
<td><strong>Asian American</strong></td>
<td>569</td>
<td>11.4%</td>
<td>14.5%</td>
<td>106</td>
<td>1.3</td>
<td>675</td>
<td>11.1%</td>
</tr>
<tr>
<td><strong>Black</strong></td>
<td>904</td>
<td>18.1%</td>
<td>43.2%</td>
<td>354</td>
<td>2.3</td>
<td>1,258</td>
<td>20.8%</td>
</tr>
<tr>
<td><strong>Latino</strong></td>
<td>539</td>
<td>10.8%</td>
<td>13.2%</td>
<td>94</td>
<td>1.3</td>
<td>633</td>
<td>10.5%</td>
</tr>
<tr>
<td><strong>White</strong></td>
<td>2,415</td>
<td>48.4%</td>
<td>28.5%</td>
<td>318</td>
<td>1.0</td>
<td>2,733</td>
<td>45.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,987</td>
<td>100.0%</td>
<td>1,068</td>
<td>6,055</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- African American households received a proportion of home loans representing less than half their portion of the city population. They were denied loans more than twice as often as whites.
- Latinos and Asian Americans got loans proportionally less than their share of the population and were denied more often than whites.
- Applications taken from all people of color were significantly below their representation in the City of Oakland. This means that outreach to potential home owners of color was not adequate proportionately.
- African Americans were denied 2.3 times as often and Asian Americans and Latinos 1.3 times as often as white applicants. This indicates that the bank underwriting process may unfairly judge applicants of color.

\(^{6}\) Denial rate compares the percentage of African-American, Latino, Asian American or American Indians denied loans to the percentage of whites denied. For example, 354 of 1,258 African-American loan applications were denied, or 28 percent denied, compared to 318 of 2,733 white loan applications, or 12 percent denied. So the denial ratio is 2.3 showing that African-Americans were denied 2.3 times more often.
These facts can be the basis for negotiations for increased marketing to people of color, hiring more loan officers of color, and new products that meet the needs of people of color more appropriately. They can also be the basis of letters to bank regulators who exam the banks in your community. These statistics do not meet the basic requirement of equal access under CRA from the point of view of the California Reinvestment Committee.
Appendix G: Fair Housing Amendments Act

In 1988, Congress added some special provisions to the Fair Housing Act to protect persons with disabilities and families with children. The 1988 amendments make it unlawful, with limited exceptions, to discriminate against these two protected classes.

IF YOU HAVE CHILDREN OR YOU ARE PREGNANT....
You have a right to the housing of your choice.

Families with children or Familial Status is a minor under the age of 18 living with either:

- a parent;
- a legal custodian;
- or the designee of a parent or legal custodian.

The familial status protections include any woman who is pregnant or any person who is in the process of obtaining child custody.

This means that families may not be denied the housing of their choice simply because they have children under 18.

How do I recognize housing discrimination?
Landlords and real estate agents rarely say "no kids."
Suspect housing discrimination when any of the following comments are made:

- "Our building for children is full."
- "A parent and a child may not share a bedroom at this facility."
- "Only 3 people are allowed in a 2 bedroom apartment."
- "Children are only permitted to live on ground floors."
- "This complex doesn't rent to families with children because there is no playground."
- "We can only rent to families with kids if you pay an extra security deposit."
- "We take younger children, but no teenagers. They cause too much noise."
- "This is older persons housing, I don't have to rent to you."
- "I live in this home so I can discriminate against anyone I choose."

IF YOU ARE DISABLED...
You are protected by the Fair Housing Act. It is illegal for anyone to deny you because you

- have a mental or physical disability, or
- a record of having a mental or physical disability, or
- because people think you have a mental or physical disability.
The Fair Housing Act protects people with mental retardation, cerebral palsy, epilepsy, visual and hearing impairments, AIDS, and other disabilities. People who use walkers, service dogs, or a personal care attendant are all protected by the Act.

Reasonable Modifications

A handicapped tenant is permitted to make "reasonable modifications" to both the inside of the apartment unit and the common/public use areas of the building.

Examples of reasonable modifications include:

- widening a doorway to accommodate wheelchair access;
- installing grab bars in the bathroom;
- constructing a wheelchair ramp in the lobby or laundry room.

The tenant bears the cost of a reasonable modification. When the tenant moves out, the tenant is responsible for the restoration of any modifications made to the inside of an apartment ONLY IF the modification would affect the future use of the apartment by other tenants.

How do you know if you will bear the cost of restoring a modification to its original state?

The test is one of reasonableness. It may be reasonable to require a tenant to remove grab bars in the bathroom. It may not be reasonable, however, to require a tenant to restore a doorway to its original width. IMPORTANT: Restoration only relates to interiors, not common use areas.

Reasonable Accommodations

A person with a physical or mental disability may request a "reasonable accommodation" of property management policies, practices, and procedures. Thus, a disabled tenant may request a reserved parking space near a building's entrance or a blind tenant may request that management waive their "no pets" rule to accommodate a seeing eye dog.

The key is requesting the accommodation and having proof that you made the request.

Identify Housing Discrimination

Landlords and real estate agents normally will not say "We don't rent to persons with disabilities."

Suspect discrimination if you hear:

- "You can't live here because if you did my insurance rates would increase."
- "We have a no-pets rule. No exceptions. Sorry."
- "I need to see your medical records before I can tell you if you can live here."
"Your wheelchair will cause too much damage to the walls and I'm worried about my liability if there is a fire."

"No persons with alcohol problems or past addiction to drugs are permitted to live here."