



City of Long Beach
Working Together to Serve

Memorandum

Date: November 15, 2018
To: Mayor & Members of the City Council
From: Patrick H. West, City Manager *T.M.W.*
Subject: **Feedback for the Proposed Community Reinvestment Act Framework**

On August 28, 2018, the Office of the Comptroller of the Currency (OCC) released the "Advance Notice of Proposed Rulemaking" requesting comments to modernize or reform the existing regulatory framework to the Community Reinvestment Act (CRA) of 1977. Comments are due to the OCC on or before November 19, 2018.

On October 9, 2018, the City Council requested the City Manager to provide comments to the OCC on the regulatory framework to the CRA.

Attached for your information is the comment letter to be submitted to the OCC on behalf of the City.

If you have questions or comments, please contact John Keisler, Director of Economic Development, at (562) 570-5282 or John.Keisler@longbeach.gov or Diana Tang, Manager of Government Affairs, at (562) 570-6506.

CC: CHARLES PARKIN, CITY ATTORNEY
LAURA L. DOUD, CITY AUDITOR
TOM MODICA, ASSISTANT CITY MANAGER
KEVIN JACKSON, DEPUTY CITY MANAGER
ALL DEPARTMENT DIRECTORS
REBECCA GARNER, ASSISTANT TO THE CITY MANAGER
MONIQUE DE LA GARZA, CITY CLERK (FILE NO. 18-0909)

Attachment

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CITY OF LONG BEACH

OFFICE OF THE CITY MANAGER

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PATRICK H. WEST
CITY MANAGER

November 15, 2018

Office of the Comptroller of the Currency
Attn: Legislative and Regulatory Activities Division
400 7th Street SW, Suite 3E-218
Washington, DC 20219

Re: Reforming the Community Reinvestment Act Regulatory Framework

Dear Office of the Comptroller of the Currency:

On behalf of the City of Long Beach (City), thank you for allowing our City to submit comments on several aspects of the Community Reinvestment Act framework, as proposed by the Office of the Comptroller of the Currency, Docket ID OCC-2018-0008.

The Community Reinvestment Act of 1977 (CRA) has the potential to significantly improve the lives of individuals and families living in the City by supporting small businesses, housing and community development in low- and moderate-income communities. For years, the cost of living has soared throughout California and Long Beach is no exception. The median-price of a home in Long Beach, CA as of October 2018, was \$585,200, which represents a 3.9 percent increase from the previous year and it is forecasted to increase an additional 5.3 percent in the upcoming year.

Despite these market challenges, the City is committed to developing strategies to make housing attainable for all residents. The City's greatest housing need is for additional moderate-income housing. In response to that need, the City recently convened an Affordable Housing Task Force, comprised of community members, business leaders, government officials, nonprofit leaders and education partners. The Task Force identified 29 affordable housing strategies for Long Beach, one of which is to develop an inclusionary housing policy to encourage mixed-income housing.

The City recognizes that the CRA has invested significantly in low- and moderate-income communities for over 40 years. Since 1996, banks have issued almost \$2 trillion in small business loans and community development loans and investments in low- and moderate-income communities nationwide. In order to bolster CRA's effectiveness, and in particular, within the jurisdictional boundaries of Long Beach, the City would like to take this opportunity to provide comments on reforms to the CRA that are necessary, considering changes in the banking industry and technology. The City's comments are as follows:

1. An overlying critique of the CRA is that the rating system used to evaluate financial institutions is conducted by the Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (FRB) and the Federal Deposit Insurance Corporation (FDIC); meanwhile, only the OCC brought forth the proposed framework. To begin reforming the system, the City would like to see a proposed framework that reflects collaborative efforts amongst all CRA agencies (OCC, FDIC, and FRB), in partnership with local communities.

2. The City is concerned with a few CRA program modifications and their implications to the financial institution evaluation system. The City is concerned, based on a study by the National Community Reinvestment Coalition; that quantity-only metrics coupled with weakened definitions of assessment areas could have negative repercussions. This evaluation system could be improved by aligning proposed metrics and standardizing the evaluation system across all CRA agencies (OCC, FDIC, and FRB). The City suggests redefining assessment areas into zones based on a local banks' footprint and feedback from local communities.
3. The City is also concerned with the way in which assessment areas may be delineated. As the second largest city in the County of Los Angeles, Long Beach's population of 469,450 is dwarfed by the County's overall population of 10.16 million. In the Long Beach region, communities may be better served by the CRA if assessment areas could become smaller and more localized to the communities they service.
4. While cities are aware CRAs may support individuals and families in their communities, there is currently not an option or opportunity for cities to learn about specific CRA investments in each city. This problem can be mitigated by requiring banks to report bank lending, investment, and services by census tract. The reporting should be mapped online and consistent with the U.S. Bureau Labor of Statistics, American Community Survey, the State of California's Employment Development Department and other public agencies that report economic and demographic information. This type of reporting would enable cities to access data that will help inform decisions about the types and levels of private investments needed to support public community gains. Additionally, the public would benefit from a comprehensible peer-to-peer comparison of banks' performance ratings of similar-sized banks in CRA activities. This has the potential to increase business for financial institutions and improve the responsible parties' reputations amongst the public.

Given the City's interest in a successful CRA reauthorization and modernization, the City of Long Beach respectfully submits these comments for consideration. We sincerely hope the Office of the Comptroller will incorporate these changes to the process for reauthorization and current language so that the final program can result in equitable outcomes.

Sincerely,



Patrick H. West
CITY MANAGER

cc: The Honorable Speaker Anthony Rendon, State Assembly
The Honorable Steven Bradford, State Senate, 35th District
The Honorable Ricardo Lara, State Senate, 33rd District
The Honorable Janet Nguyen, State Senate, 34th District
The Honorable Mike Gipson, State Assembly, 64th District