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PRESS RELEASE
Historic Federal Regulators of Banks and San Diego Minority Leaders Meeting on Rising Racial Wealth Gap

Federal Reserve Study (Income Inequality/Racial Income Inequality):

2010-2013: White Median Net Worth +2% ($142,000)
San Diego +4 ($168,200) (adjusted for San Diego)
2010-2013 Minority Median Net Worth -17% ($18,100)
San Diego -27 (12,300) (adjusted for San Diego)
2013 HMDA Conventional & FHA Home Loans:
African Americans-Less than 1%
Latinos-7.2%
(92% of all San Diego Latinos & African Americans Will Never Own a Home)

To address the rising racial wealth gap, racial income inequality and poverty in minority communities of San Diego County, the first ever Federal Regulatory-Minority Community of San Diego meeting is scheduled for Monday November 3 at 5pm in downtown San Diego. Federal Agencies that regulate financial institutions and the Community Reinvestment Act (CRA) and key minority leaders of San Diego will convene to discuss the rising socio-economic data for San Diego minorities and the need to make CRA more race relevant that will lead to increased access to capital, minority home-small business ownership and job creation.

Passed by Congress in 1977, the Community Reinvestment Act (CRA) states that "regulated financial institutions have continuing and affirmative obligations to help meet the credit needs of the local communities in which they are chartered." The act then establishes a regulatory regime for monitoring the level of lending, investments, and services in low- and moderate-income neighborhoods traditionally underserved by lending institutions. Examiners from four federal agencies assess and "grade" a lending institution's activities in low- and moderate-income neighborhoods.

States Al Pina, Chair of FMCRC and newly formed San Diego Minority Community Reinvestment Coalition (SDMCRC) "The failure of these agencies to regulate the financial institutions directly led to the recent housing meltdown and economic recession. Minority communities were disproportionately negatively affected by these failures to protect our minority families, businesses and communities in San Diego. Those communities, which were already lowest on the economic ladder, were economically ravaged and financially decimated. The foreclosure rate for Latinos is 240% higher than that of whites; for African-Americans it is 160% higher. Most devastating is that the accumulated wealth that took 60 years to accumulate was lost in 3 years. The devastating net result is that minorities in San Diego represent 62% of the population (adjusted to include undocumented residents) but account for over 80% of its poverty."

SDMCRC is convening a community investment meeting with KEY San Diego minority leaders and representatives of the Federal Reserve, Office of the Comptroller of the Currency (OCC), The Federal Deposit Insurance Corporation (FDIC) and the Consumer Financial Protection Bureau (CFPB). All of these agencies have special responsibility, to ensure that our nations financial institutions comply with their regulatory and legal obligations to provide equal investment and services to our nations underserved consumers and communities.

According to John Gamboa, Co-Founder of the Greenlining Institute and CEO of California Community Builders, "The goal of this meeting is to begin a dialogue that will quickly develop into a community investment partnership between the major financial institutions, bank regulators and San Diego county minority community leaders. A partnership that will in particular address the lack of minority home-small business ownership and the fast rising racial wealth gap in San Diego"

SDMCRC will be working with San Diego minority community and small business leaders to educate them on how to create accountability and transparency for CRA investments in minority communities throughout San Diego County. States Al Pina, "The SDMRC believes that San Diego, with the assistance of financial institutions and regulatory agencies, can become a model if emulated in minority communities across the country that begins the narrowing of the racial economic and wealth gap of our country. And, in turn, help the economy grow for everyone.

The desired outcome of this historic Federal Regulatory Meeting:

- **Increased Access to capital for minority businesses and minority developers in San Diego County**
- **Increased Investments in minority Led non-profits of San Diego County**
- **A greenlining plan for investment in low-income communities of San Diego County**
- **Increased Investment in workforce housing and home ownership for minorities of San Diego County**
- **Increased Contracting with minority businesses of San Diego County**

Today in San Diego county:

- Minorities account for over 62% of the population (Adjusted to include undocumented residents of San Diego)
- Minorities account for over 82% of San Diego poverty (Adjusted to include undocumented residents of San Diego)
- Only 3% of San Diego minorities are economically able to purchase a medium priced home of $430,000
- Wealth Gap between whites and minorities has grown 26 to 1 (Adjusted from national average based on $430,000 medium price of home)
- San Diego white median income is $66,017 versus Latino Median Income of $43, 601
- Minorities account for less than 11% of 2013 San Diego Conventional-FHA Home Loans
- African Americans account for less than 1% of 2013 San Diego Conventional-FHA Home Loans
- San Diego minorities are declined for home loans more than 4 to 1 over non-minorities
- Latinos account for over 48% of California and San Diego foreclosed homes
- Less than 3% of all available private equity is invested in minority firms in any given year, despite minorities accounting approximately 54% of the San Diego population
- Less than 47% of San Diego minorities are covered by health insurance
- Over 87% of San Diego's minorities reside in low to moderate-income communities
- More than 78% of San Diego minority families are headed by a single mother and are living in poverty
- San Diego Unified School District (2012): African Americans (11% of students-78% classified as socio-economically disadvantaged) Latinos (45% of students-84% classified as socio-economically disadvantaged) Asian (14.8% of students-60% classified as socio-economically disadvantaged)
- San Diego Unified School District (2012) High School drop out rate: White (6.7%) African American (14.3%) Latino (13.2%) Asian (14.4%)
- San Diego Unified School District (2011): 4th graders: Math proficiency – White (66%) African American (17%) Latinos (24%) Reading Proficiency White (57%) African American (17%) Latinos (17%)

The Community Reinvestment Act of 1977 OVERVIEW:

The Community Reinvestment Act (CRA) is a federal law that requires banks to meet the credit needs of their entire communities, including low-moderate income (LMI) neighborhoods. The CRA Act begins by reciting to Congress three findings. First, financial institutions are required to serve the "convenience and needs" of the communities in which they are chartered to do business. Second, "the convenience and needs of the communities include credit services." Third, financial institutions have "continuing and affirmative **obligation(s) to help meet the credit needs of the local communities** in which they are chartered."

Passed by Congress in 1977, the Community Reinvestment Act (CRA) states that "regulated financial institutions have continuing and affirmative obligations to help meet the credit needs of the local communities in which they are chartered." The act then establishes a regulatory regime for monitoring the level of lending, investments, and services in low- and moderate-income neighborhoods traditionally underserved by lending institutions. Examiners from four federal agencies assess and "grade" a lending institution's activities in low- and moderate-income neighborhoods.

If a regulatory agency finds that a lending institution is not serving these neighborhoods, it can delay or deny that institution's request to merge with another lender or to open a branch or expand any of its other services. The financial institution regulatory agency can also approve the merger application subject to specific improvements in a bank's lending or investment record in low- and moderate-income neighborhoods.

In the spring of 1995, the federal agencies released new CRA regulations. The regulations outline how federal agencies are to assess the activities of lending institutions in traditionally underserved neighborhoods. The federal agencies conducting CRA examinations are: the Office of the Comptroller of the Currency (http://www.occ.gov) that examines nationally chartered banks, the Office of Thrift Supervision (http://www.ots.treas.gov) that examines savings and loan institutions, and the Federal Deposit Insurance Corporation (http://www.fdic.gov) and the Federal Reserve Board (http://www.federalreserve.gov) - both of whom examine state chartered banks.

The CRA regulations had been revised as part of the Clinton administration's initiative to create performance-based and objective standards. The new regulations attempt to satisfy community activists by focusing more attention on the lending, investment, and service records of banks. The regulations also attempt to reduce the amount of paperwork required of lending institutions. Gone are previous paper trail generating requirements such as documenting participation by a bank's board of directors in reviewing CRA compliance. In their place, are examinations that are suppose to flexibly assess lending activities in low- and moderate- income neighborhoods of institutions of various financial capacities.

The CRA regulation establishes various tests for lending institutions of different sizes and a strategic plan option. Under each test, examiners rate banks according to their lending records and responsiveness to community needs. Banks receive a score based on their evaluations of "outstanding", "satisfactory", "needs to improve", or "substantial non-compliance." The last two scores can result in delays or denials of mergers, acquisitions, or expansions of services.
Lending institutions with assets greater than $1 billion are subjected to the most rigorous exams. They are evaluated under a lending test that considers the number and percentages of loans made to low- and moderate-income individuals and communities. Likewise, they are evaluated under an investment test and a service test that consider, respectively, the number and types of investments and services (branches and bank accounts) in low- and moderate-income communities. When conducting the evaluations, examiners are to consider the "performance context" of the lending institutions. In other words, examiners are advised to consider factors such as the business opportunities available to a lending institution and the size and financial condition of the lending institution.

In 2005, the federal agencies established a streamlined exam for "intermediate small banks" defined as institutions with assets of $250 million to $1 billion (the asset range is adjusted annually to take inflation into account). These intermediate small banks or mid-size banks undergo a lending test and a community development test. The community development test incorporates elements of the large bank's investment and service test. The community development test scrutinizes the amount and responsiveness of a mid-size bank's community development lending, investing, and services. Unfortunately, the mid-size banks are no longer required to report small business or community development lending data.

Small banks, as defined as institutions with less than $250 million in assets, are evaluated under a test less encompassing than the evaluation for their larger counterparts. Small banks are not subjected to an investment and service test. Their lending test consists of the following five criteria: a "reasonable" loan-to-deposit ratio, the percentage of loans in the bank's assessment area, the bank's distribution of loans to individuals of different income levels and businesses and farms of different sizes, the geographic distribution of loans, and the bank's record of responding to written complaints about its lending performance in its assessment area.

The Gramm-Leach-Bliley Act of 1999 established a less frequent exam cycle for small banks of under $250 million in assets with passing CRA ratings. Small banks with outstanding ratings will be examined once every five years and those with satisfactory ratings will be examined once every four years. Banks with passing ratings can be examined more frequently if regulatory agencies believe a compelling reason, such as deteriorating CRA performance, makes it necessary to do so. Community groups should contact the regulatory agencies if they believe that a particular small bank should be examined before its lengthened time cycle.

Wholesale and limited purpose banks are also assessed under a test tailored to their capabilities. These banks provide services such as offering credit cards or specialize in large commercial deposits. Lending tests cannot adequately assess wholesale and limited purpose banks because many of them do not accept consumer deposits or make home loans. Instead examiners are to focus their evaluation of these banks on the number of community development loans and investments (such as affordable housing rehabilitation loans, low-income housing tax credits, or investments in organizations that finance small businesses). The tests for mid-size and large banks also consider community development loans and investments.

Any lending institution can opt for developing a strategic plan in lieu of a regulator evaluation. Developed in conjunction with neighborhood organizations, a strategic plan seeks to satisfy the credit needs of a bank's assessment area and must address the lending, investment, and service criteria that would have been part of the usual evaluation. Federal regulators must approve the strategic plan and rate it at least "satisfactory." If a bank receives a lower rating on its plan, it has the option of submitting to the applicable tests for large, small, or limited purpose banks.

A CRA rating can be downgraded if a federal agency uncovers evidence of illegal, abusive or discriminatory lending on fair lending exams that occur at about the same time as CRA exams. Community groups should bring fair lending concerns to attention of CRA examiners.

In addition to the strategic plan option, community groups can be involved in the CRA evaluation process. Federal agencies publish in advance a list of banks that will be evaluated each quarter. Timely comments can influence a bank's CRA rating by directing examiners to particular areas of strength or weakness in a bank's lending, investments, or services in low- and moderate-income neighborhoods. A community group's comment can have an influence on the overall CRA rating for an institution or the CRA rating for a state or one of the tests on the CRA exam. Even changing a rating from Outstanding to Satisfactory in one state or one part of the exam can motivate a bank to increase the number of loans, investments, and services to low- and moderate-income communities.

Also, community organizations can offer written comments on a bank's CRA and fair lending performance when a bank has submitted an application to merge or acquire another bank or thrift. The vast majority of merger applications are approved, but comments can still direct regulatory agencies' attention to areas of weakness. The federal agency can approve the merger application, but still indicate in the approval order that the bank should improve upon its area of weakness. In addition, the bank can pledge in writing to address its shortfall by implementing a fair lending reform and/or increasing its lending, investing, and services to traditionally underserved communities