



**Remarks of Sasha Werblin, The Greenlining Institute
Economic Growth and Regulatory Paperwork Reduction Act**

*December 2, 2014
Federal Reserve Bank of San Francisco in Los Angeles*

Thank you Comptroller Curry, Chairman Gruenberg, other key financial regulatory representatives, for the opportunity to contribute to this discussion and potentially improve the systems, regulations, and data that protect consumers on the margins and ensure they too have access to the positive benefits of the financial system.

Again, my name is Sasha Werblin, Greenlining's Economic Equity Director.

The Greenlining Institute was created 21 years ago to drive solutions to redlining, the unsustainable practice of excluding communities of color from economic opportunities. The term Greenlining is the proactive practice of providing targeted access and service to communities of color. Greenlining represents a coalition of 50 community based organizations in California that collaborate to bring more Greenlining policies to the forefront on issues related to the Environment, the Economy, Health, Energy, Voting, and Telecommunications and Technology. Greenlining strongly believes that for our nation to succeed, communities of color will have to succeed.

Based upon our experience, data is the most valuable tool in fighting Redlining. Without access to data, Redlining will once again be swept under the rug. We fear that attempts to reduce paperwork and burdensome regulations can often result in efforts to hide the redlining of communities of color.

Please note that in the spirit of brevity, my comments are not an exhaustive overview of all the regulations included in the EGRPRA review. My comments reflect those of both Greenlining and Housing Economic Rights Advocates, a California state wide non-profit legal services and advocacy organization, who were unable to make this event today.

It has been a long day. I'm prepared to watch eyes glazing over and heads nodding as I delve into my comments, but if nothing more, I hope you walk away with these three key points:

- 1. Regulators should distinguish between: burdens resulting from regulation (like reporting requirements) and those caused by inefficiencies within the regulated companies, and within regulatory agencies themselves.***
- 2. Regulatory agency silos are often unnecessary and burdensome.***
- 3. The CRA as a whole is outdated and needs an emergency blood transfusion.***

The bulk of my comments will likely address this last point.

I. Further clarify “regulatory burden”

When reviewing for regulatory burden, the OCC and other agencies should take care to distinguish between burdens resulting from the regulation (e.g., a reporting requirement) and those that are actually caused by inefficiencies within the regulated institutions (e.g., difficulty accessing the information that must be reported), and within regulatory agencies.

I will expand on the latter, about company and agency inefficiencies.

As an example, HERA and other homeowner advocates who work on mortgage servicing problems have witnessed disorganized servicers’ data systems. They are often extremely inefficient such that a person assigned to a specific homeowner’s account often cannot access basic information (e.g., how much the borrower would have to pay to reinstate the loan) without initiating an escalation involving personnel from one or more other departments and taking days and sometimes weeks to respond. The servicers themselves have acknowledged that their various data systems are often outdated, and/or incompatible with one another because newly introduced systems are layered on or set up in parallel without being integrated into an overarching system. What may look like regulatory burden at first glance may in fact be the regulated entities’ own failures to upgrade and integrate their own data systems.

Essentially, what may look like regulatory burden at first glance may in fact be the regulated entities’ own failures to upgrade and integrate their own data systems.

Agency silos can also create increased regulatory burdens.

II. Burdensome: Breakdown agency silos

Regulatory agency silos are burdensome and often unnecessary. While we have seen better coordination across financial regulators, agencies inherently still operate in silos. While it’s not regulation per se, a clear example can be seen through countless actions: the OCC vs. Fed’s separate bulletin’s on third party relationship risk; the IFR that was separate from the NMS, did not include the CFPB, that is responsible for consumers, and was incredibly confusing to borrowers; the CRA related websites and information sharing that vary between the OCC, Fed, FDIC, and FFIEC; and overall shared data systems.

A timely recommendation is to better coordination with the CFPB and other regulators to create shared data systems, so that: 1) regulated entities do not have to engage in multiple rounds of data entry of the same information; and 2) consumers and advocates have a more efficient and comprehensive way to access publicly available information through a shared database.

III. Outdated: Bring CRA into the 21st Century.

The Community Reinvestment Act has helped expand economic opportunities for millions of Americans. For many families, CRA was the bedrock that helped form their American Dream: ensuring loans for homes, small businesses, and other wealth building opportunities. As the daughter of black woman, born in 1947 in Memphis, TN, I know it’s critical value, and intention.

Banks have shared CRA's benefits as well. Many banks have found new and profitable markets in communities that they might have otherwise overlooked.

While the CRA has been a great benefit, the Act must be updated to meet the demands of the modern and complex financial marketplace. Mr. Calvin Bradford with National People's Action was spot on in his 2010 comments at a subcommittee hearing on CRA¹:

"For the much simpler financial markets in which it was developed, the Community Reinvestment Act was designed to assure fair access to credit to all persons and all communities – and to serve as an engine for the creation of a development banking industry. Over the years since the Act was created, the markets have become more complex and simultaneously both more segmented and more fragmented. As the regulations for the Act have become more diffuse and lax, neither of the original goals of the Act is now being met."

As it stands, we believe that CRA's real enforcement is at the hands of the community, yet we have limited, and outdated tools to truly be effective. In addition, banks make it clear that CRA is not a priority, and that its retail banking business doesn't make the money, it's the investment wing.

As mentioned before, this is not an exhaustive list, but a few critical updates necessary for CRA to truly be effective. To wake you up a bit, I've tried to exercise my inner examiner and rate the regulators on their performance using current CRA ratings.

- **Poor** reinforcement that redlining is illegal, as seen through banks receiving Satisfactory ratings following discrimination claims filed by the DOJ against the bank.
- The **poor** use of technology makes all elements of the CRA **unreasonably inaccessible** for information/resources, public engagement-like commenting on CRA exams and mergers.
- **Poor** use of metrics and data that leads to no clarity on how to truly quantify opaque phrases like "meeting the financial needs of" the community in which it does business.
- **Poor** utilization of community-group insights, and consumer stories that should color a bank's performance, and how mergers will affect consumers.
- **Poor** understanding of the service needs of communities, for example, how location is important, but language access that is critical to making bank services available to large LEP populations, like California's 40% Latino population.
- **Inadequate** response to redlining given that CRA is colorblind.
- **Inadequate** approach to setting guidance for CRA activities.

Based on these ratings, regulators receive a **needs to improve**.

¹http://democrats.financialservices.house.gov/media/file/hearings/111/bradford_testimony_4.15.10.pdf

To address some of these issues, we recommend the following:

1. CRA examinations must **evaluate an institution's process for achieving performance**, not just the results of its lending, investments, and service activities.
2. **Create a floor for the number and percentage of public comments that must be utilized/included in CRA examinations** based on the population size and number of community-organizations in the area,
3. More thoughtful assessment that evaluates **lender's record under fair lending** and anti-discrimination laws. It should be clear that a lender that violates any of these provisions is not meeting the needs of its community. No bank should receive a satisfactory CRA rating after the DOJ settles or sues that bank for violating fair lending laws, or essentially redlining communities and consumers of color. Metrics, and clear guidelines must be part of this assessment.
4. CRA can **no longer be blind to race**. Similar to questions raised by Chair Yellen regarding the lack of diversity in the field of economics, had CRA data been available by ethnicity, regulators could have been better informed and therefore prepared to respond to targeted discriminatory lending practices. CRA must look at minority census tracks, and the race of consumers.
5. Regulators must work together and create a **central portal for all CRA information**, and learn from the CFPB on how to increase its outreach and updates about CRA related actions.
6. Regulators should **leverage the service test** to improve bank responsiveness by encouraging banks to provide services, onsite, and materials, in languages other than English. Including this would better ensure that banks truly tailor its services to meet the needs of all geographies in which it provides services. This would improve access and eliminate barriers for the over 22.5 million LEP Americans nationally, a population that has grown 81% since 1990. California represents 27% of this population.
7. Finally, the regulators current **approach to clarifying CRA via the Q&A process** is confusing, and leaves room for gaping holes in how CRA is interpreted. Regulators should use its normal approach to rule making and guidance by publishing proposed rules and final guidance.