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For Immediate Release
April 9, 2020

News Release 2020-49

Hawaii Attorney General Joins Effort to Defend Federal Regulations Protecting Underserved Communities from Banking Discrimination

HONOLULU – Hawaii Attorney General Clare E. Connors today announced joining a coalition of 22 attorneys general, led by California, in filing a comment letter urging the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) to withdraw a proposed rule that threatens to undermine the Community Reinvestment Act (CRA) and Congressional efforts to combat banking discrimination. The CRA is a critical civil rights tool that is responsible for directing trillions of dollars in investments back to low- and moderate-income communities. It also provides access to financial services and loans that incentivize the availability of affordable housing and support small businesses across the country.

“The CRA combats institutional and market barriers faced by certain sectors of our community,” said Attorney General Connors. “The proposed rules impede its important mission and should be withdrawn. The CRA needs to remain an effective mechanism to help low- and moderate-income businesses and families in Hawaii.”

The CRA was enacted in 1977 to tackle concerns around racially driven redlining and disinvestment in urban communities. A study by the Senate Banking Committee at the time uncovered that banks were diverting investment funds away from the low- and moderate-income communities they served despite ample local lending opportunities. For example, only 10 percent of money invested by District of Columbia residents was reinvested back in their communities. The same pattern was reported in neighborhoods across the country. The CRA has worked to combat these issues by unlocking lending to small businesses and increasing access to affordable housing. Between 2010 and 2016, the CRA expanded the number of small business loans to underserved neighborhoods by 38 percent. In addition, the CRA is credited with facilitating between 15 to 35 percent of home loans to Latinos in low- and moderate-income communities. For multifamily rentals, the CRA has been instrumental in

connecting banks with local organizations to work hand-in-hand on smaller, more involved projects that rely on state and local subsidies or public-private partnerships. The CRA has also incentivized banks to make bank accounts and other important financial products available to members of low- and moderate-income communities.

In the letter, the coalition urges the OCC and FDIC to withdraw the proposal because of fundamental flaws that run counter to the purpose of the CRA. The coalition asserts that the proposal:

- Relies on arbitrary benchmarks in a CRA compliance rating system that ignores local realities;
- Fails to appropriately downgrade banks' CRA ratings when their actions harm low- and moderate-income communities;
- Radically decreases the importance of physical locations of bank branches without fully determining if online services are fulfilling community needs;
- Waters down bank obligations by expanding CRA-eligible activities, potentially gutting the important investment, loan, and retail services that banks currently undertake in low- and moderate-income communities;
- Inflicts real-world harms on the states and their residents by undercutting affordable housing efforts; and
- Violates the law by putting forth arbitrary and capricious provisions that run contrary to Congressional intent in passing the CRA.

In submitting the letter, Attorney General Connors joins the attorneys general of California, Colorado, Connecticut, Delaware, Illinois, Iowa, Maine, Maryland, Massachusetts, Michigan, Nevada, New Jersey, New Mexico, New York, North Carolina, Oregon, Pennsylvania, Vermont, Virginia, Washington, the District of Columbia.

A copy of the comment letter is available [here](#).

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