

# Weakening the Community Reinvestment Act Will Make It Harder for Latino Families to Get Ahead\*

This month, the Trump administration is expected to issue a new rule that would significantly weaken the Community Reinvestment Act (CRA)—a 1977 historic civil rights law enacted to curb discriminatory practices in lending against communities of color and low- and moderate- income (LMI) households.

The CRA was passed to address decades of damage attributed to the [government-sanctioned practice](#) known as “redlining,” where banks deliberately marked off areas on maps to avoid investments based on community demographics.<sup>1</sup>

Under the CRA, financial institutions have a responsibility to meet the credit needs of the entire community that they serve, including LMI neighborhoods that disproportionately affect people of color.<sup>2</sup> In 2017, the law contributed \$1.7 trillion in lending to these economically distressed areas, increased credit activity by 9%, and reduced the number of people with no credit scores or incomplete credit scores by 7%.<sup>3</sup> These increases in lending have made homeownership—a critical part of wealth-building—attainable for millions of people, especially in communities of color and in the Latino community. In fact, almost 40% of Latinos’ assets are invested in their home equity, and since 2014, the CRA has facilitated between 15% to as much as 35% of home loans to Latinos. The CRA empowers historically disadvantaged communities and helps ensure that they have a real shot at achieving the American Dream.

Any attempts by this administration to use the rulemaking process to roll back hard-won civil rights protections and the ability to build wealth are deeply concerning and should be opposed.

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\* The terms “Hispanic” and “Latino” are used interchangeably by the U.S. Census Bureau and throughout this document to refer to persons of Mexican, Puerto Rican, Cuban, Central and South American, Dominican, Spanish, and other Hispanic descent; they may be of any race. This document may also refer to this population as “Latinx” to represent the diversity of gender identities and expressions that are present in the community.

We at [UnidosUS](#)— the nation’s largest Latino advocacy and civil rights organization—are concerned about the administration’s attempt to strip CRA of its original intent and the disparate impact it could have on Latino communities across the country. To fulfill its mission, the CRA should:

1. **Continue to weigh activities from physical branches more than ATMs and mobile lending.** Under the CRA, federal regulatory agencies issue credits for banks undertaking qualifying activities that benefit LMI communities that are used to weigh a performance rating. With the advent of internet banking and the changing nature of technology, the current CRA approach for determining assessment areas should be expanded, but not at the expense of physical branches. Bank branches remain extremely important in providing access to financial services and credit to LMI communities and communities of color; in 2017, some seven out of 10 Latinos visited a bank branch, and more than a quarter of whom visited a branch at least ten times throughout the year.
2. **Oppose providing more weight to workforce development and social services activities.** In general, expanding community development activities to include workforce development and social service activities falls outside the original intent of CRA. In most cases, those activities do not help meet community credit needs, thus they should not receive equal weight to lending or investments that directly benefit LMI residents.
3. **Oppose affording equal value to loan originations and loan purchases.** Under current guidelines, a bank’s loan originations qualify for more credit on the lending test than its loan purchases. Only loan originations require the proactive and affirmative outreach activities to underserved members of the banks’ community envisioned by CRA. Scaling back LMI lending would also have a disparate impact on Latinos, who are already twice as likely as Whites to be denied a mortgage credit.

## About Us

UnidosUS, previously known as NCLR (National Council of La Raza), is the nation’s largest Hispanic civil rights and advocacy organization. Through its unique combination of expert research, advocacy, programs, and an [Affiliate Network](#) of nearly 300 community-based organizations across the United States and Puerto Rico, UnidosUS simultaneously challenges the social, economic, and political barriers that affect Latinos at the national and local levels. For more than 50 years, UnidosUS has united communities and different groups seeking common ground through collaboration, and that share a desire to make our country stronger. For more information on UnidosUS, visit [www.unidosus.org](http://www.unidosus.org) or follow us on [Facebook](#), [Instagram](#), and [Twitter](#).

## Endnotes

- 1 Sen. William Proxmire stated that “the CRA responds to nationwide demands that Congress do something about redlining.” 123 *Cong. Rec.* 17,604 (1977).
- 2 Marscio, Richard D. “Fighting Poverty Through Community Empowerment and Economic Development: The Role of the Community Reinvestment and Home Mortgage Disclosure Acts.” *New York Law School Journal of Human Rights* 12 (1995): 281-89. Accessed October 10, 2018. <https://pdfs.semanticscholar.org/7e16/91bafb4638bcf5fd2aa602e5db8f786307fe.pdf>.
- 3 Kristin F. Butcher & Ana Patricia Munoz. “Using Credit Reporting Agency Data to Assess the Link Between Community Reinvestment Act and Consumer Credit Outcomes.” 19 *Cityscape* 2, 97-98 (2017). <https://www.jstor.org/stable/26328328?seq=1>.