CRA AT FORTY

Amplifying Connection: The CRA & Fair Lending Colloquium

Margaret Weir, Esq., CRCM
Attorney at Law

Every year, people in the United States look forward to fall: football, pumpkin-spiced everything, fairs, crisp air and decorative gourds galore. Those whose professional role touches on the regulatory compliance areas of the Community Reinvestment Act or fair lending also anxiously await the opportunity to sip their pumpkin spice latte while hearing directly from regulators, industry experts, law and consulting firms and colleagues about specific remedies to shared issues at the Wolters Kluwer CRA & Fair Lending Colloquium ("Colloquium").

WHY CRA AND FAIR LENDING?

Why the focus on CRA and fair lending amid an endless sea of competing regulatory priorities? CRA and fair lending affect the root cause of one of our nation's greatest problems: inequality.

Social scientists have created a plethora of research showing that inequality is tied directly to the divide in opportunities to successfully complete higher education. The divide occurs between those families who have, and those that have not, accumulated wealth, and is reflected subsequently in their children's generation.[1] In recent research, Alexandra Killewald of Harvard University points out that it is not just "income inequality" at issue, but rather "wealth inequality" – where wealth determines whether a family can send a child to college and whether the same family has the reserve savings to weather any unplanned, extraordinary expense.[2] The Brookings Institute found that "the share of total wealth owned by the top 0.1 percent increased from 7 percent in late 1970 to 22 percent in 2012."[3] Additionally, "an estimated 35 to 45 percent of wealth is inherited rather than self-made."[4]

---

[1] Matthew Desmond, "How Homeownership Became the Engine of American Inequality," The New York Times Magazine, May 9, 2017, available at https://www.nytimes.com/2017/05/09/magazine/how-homeownership-became-the-engine-of-american-inequality.html

[2] Marc Sollinger, "Innovation Hub: What Inequality Looks Like Right Now," WGBH.com, March 17, 2017, available at http://blogs.wgbh.org/innovation-hub/2017/3/17/berube-killewald-equality/

[3] Isabel V. Sawhill and Edward Rodriguez, "Wealth, Inheritance and Social Mobility," Brookings Social Mobility Memos, January 30, 2015, available at https://www.brookings.edu/blog/social-mobility-memos/2015/01/30/wealth-inheritance-and-social-mobility/.

The best mechanism for ordinary Americans to obtain and grow wealth in the United States is homeownership.[5] This is problematic, since before the CRA and fair lending laws, minorities were often discouraged or excluded from mortgage financial services, or otherwise excluded through redlining practices. Thus, those minority families could not create wealth to pass down. The vicious cycle continues since first-time homebuyers often rely upon familial wealth for a down payment.[6] When that is unavailable, often the only choice is to rent. The cycle of renting makes it virtually impossible to save a down payment without outside assistance, and thus wealth is never created.[7] Inequality is also linked to life satisfaction and happiness.[8] Those individuals who experience perceived income inequality have lower life satisfaction, or "happiness," over the long term, which in turn begets societal discontent.

Access to affordable credit products allows families to purchase homes, thus enabling them to begin to build wealth. Programs such as CRA and fair lending are of paramount importance in bridging the inequalities that engulf race relations today, and affect not only the individuals seeking access to credit, but also our larger society.

Building on these themes, the keynote speaker at the 2015 Colloquium was Vanita Gupta, the principal deputy assistant attorney general and acting head of the Civil Rights Division at the DOJ. She stated that "credit provides a very key rung on the ladder of economic mobility...access to credit enables people to uplift their lives and build a better future" in the American economy. As suggested by the research noted above, she also linked lack of credit as a root cause of civil unrest witnessed in American communities that year (and sadly, since) saying:

> *Underneath so much of the unrest that we've seen...lies a foundation of systemic inequalities and discriminatory biases, built up over decades, not days. To break down the barriers to opportunity, we must protect the rights of people to borrow money without bias or discrimination. Credit provides the means for families to own a home, to buy a car so they can get to work and to increase their earnings so they can invest in their own future.*

Highlighting not only the importance of CRA today, but also the caliber of discussion among participants, one 2016 attendee stated: "CRA is more important now than it has ever been. Low-income people are being redlined and disinvested by forces even more sinister than banks such as private equity, investment banks, technology credit scoring and the overall consolidation of money. It should be extended to all financial services companies."[9]

---

[4] Ibid.

[5] The Editorial Board, "Homeownership and Wealth Creation," The New York Times, November 29, 2014, available at https://www.nytimes.com/2014/11/30/opinion/sunday/homeownership-and-wealth-creation.html

[6] Ibid.

[7] Matthew Desmond, "How Homeownership Became the Engine of American Inequality," The New York Times Magazine, May 9, 2017, available at https://www.nytimes.com/2017/05/09/magazine/how-homeownership-became-the-engine-of-american-inequality.html

[8] Maria Konnikova, America's Surprising Views on Income Inequality, The New Yorker, November 17, 2016, available at https://www.newyorker.com/science/maria-konnikova/americas-surprising-views-on-income-inequality

[9] Quote by participant, and award honoree, Britt Faircloth, 2016

HONORING INDUSTRY LEADERSHIP

Since 2009, the Colloquium has reserved time during the general session to award The Community Impact Award. The award is intended to encourage groundbreaking community lending and programming, which shows a breadth of positive impact on low- and moderate-income communities. In addition to honoring the person and program that best exemplifies the ideals of innovation and service, the award is also useful in providing the financial industry with examples of successful programs.

The 2016 honoree, Britt Faircloth, VP and fair banking manager at Bank of North Carolina, won for the High Point Revitalization Program, which aimed "to revitalize and stabilize blighted or declining neighborhoods while increasing affordable home ownership in those areas." The bank partnered with the city to identify the areas of blight, provided affordable mortgage products to help homebuyers purchase new housing at or near cost and targeted the underbanked and "ignored" parts of the population. The program also featured an educational component for participants: a finance course taken over several months covering essentials such as how to pay property taxes and guidance on insurance and other mortgage elements. In accepting the award, Ms. Faircloth noted, "It was important for [us] to invest in the city where we are headquartered and where we began, as we not only want to improve the areas around us, but also ensure that this community continues to grow."

In 2014, the Colloquium added a second award, named for a practitioner who exhibited passion for data analysis that is inherent in CRA and fair lending compliance: the Alfredo deHaas Excellence in Analytics Award, intended to "trumpet the 'unsung heroes' who creatively and thoughtfully use data to advance their institution's CRA and/or fair lending management goals." The 2016 honoree, Daryl Hall, a compliance officer at Fifth Third Bank in Cincinnati, Ohio, was described by Byna Elliott, SVP and acting director of Community & Economic Development for Fifth Third Bank, as a person who "has a tremendous passion for helping people understand how compliance with the Community Reinvestment Act impacts both our bank and the communities we serve." As this quote illustrates, the data component of CRA and fair lending compliance is not only important for regulatory analysis, but is a useful tool in telling the institution's story to the broader community.

These awards are important recognition for those professionals who are often overworked and underappreciated at their particular institution, but also highlight for a broader public audience the positive impact banks have on communities, in operating in inventive and meaningful ways. Given the number of scandals arising from banks in recent years, it is important to highlight the amazing things banks do to develop and support their communities.

WHAT IS A "COLLOQUIUM" ANYWAY?

The CRA & Fair Lending Colloquium traces its origins back to a "user conference" for a company purchased by Wolters Kluwer, where users of specific CRA and Home Mortgage Disclosure Act ("HMDA") software would convene to engage on best practices, learn about developments and obtain training from company experts. It was clear from feedback received that there was a need for clients to better understand specific CRA and fair lending trends, oversight measures and recent regulatory developments —preferably from experts in the field, and directly from the regulators. With no other industry event available to bridge this gap, the Colloquium was born.

The term "colloquium" is generally considered an academic conference or seminar, where the participating academicians focus on one, very targeted area of study. Thus, the name, "CRA & Fair Lending Colloquium," was chosen to set apart the gathering from other, broader industry conferences. The purpose of this Colloquium is to dive deep into the intricacies of CRA and fair lending. As is the case with academic colloquia, the Colloquium endeavors to create agenda topics and invite esteemed speakers who hold divergent views to serve as catalysts for participants to delve even deeper into the marrow of what it means to have programs that not only meet regulatory scrutiny, but truly serve the original purpose of the organic statutes behind CRA and fair lending – building and sustaining strong communities.

The conference began with barely 100 people gathered in Newport, Rhode Island, a hotel snafu and a thinly stretched staff. The hotel, through either error or low expectations, began to sell rooms set aside for the conference – which forced planners to focus on contract enforcement rather than agenda development for a period of time. Despite these setbacks, the conference staff was able to marshal regulators and other regulatory experts to present a compelling agenda. To hear a veteran of the first session tell the story, it was a harrowing experience behind the scenes. The takeaway was that people were hungry for the information in this targeted, "colloquium" format. The event has blossomed to over 700 participants today.

THE CRA & FAIR LENDING COLLOQUIUM TODAY

The annual Colloquium brings together hundreds of compliance professionals and regulators to discover and discuss regulatory priorities, exam approaches and other firsthand guidance on how practitioners might enhance their institution's CRA and fair lending compliance programs. While there are other general "compliance" conferences that may include agenda items on CRA and fair lending, the Colloquium is the only available setting to bring such a depth of knowledge from all lenses together exclusively on the very important areas of CRA and fair lending. One participant from the 2015 Colloquium put it well in a survey response, stating "so many conferences offer subject matter a mile wide but only an inch deep...whereas the Colloquium really delves deeply on fair lending and CRA issues. I always learn something every year at this conference." This is because the agenda features strategy-oriented sessions focused on emerging trends and issues, not merely a recap of news items and official regulatory actions.

Previous years' sessions have included speakers from leading law and consulting firms, community development, fair housing and consumer advocacy organizations and invaluable participation from major banking regulatory agencies, including the Department of Justice ("DOJ"), the Consumer Financial Protection Bureau ("CFPB"), the Federal Deposit Insurance Corporation ("FDIC"), the Federal Reserve Board ("FRB") and the Office of the Comptroller of the Currency ("OCC").

This is the very best venue for understanding, directly from the source, the current regulatory landscape, including supervisory priorities, as well as providing attendees an unparalleled forum for lively discussion and debate on regulatory developments and concerns. Regulators have indicated that the benefit of being in the same room flows both ways – where the issues faced by practitioners are amplified and receive greater attention than when one banker, or one trade association, makes a case regarding a specific issue. For practitioner participants, the combination of regulators, law firms, consulting firms and colleagues provides a unique opportunity to step away from their institutions and crowd-source CRA and fair lending solutions. Networking among individuals who have a depth of knowledge in this very specialized area is also invaluable, with opportunities to do so built into the schedule each day. Additionally, there are pre-conference, educational "basics" programs for those who may be newer to the field. Finally, there are post-conference Wolters Kluwer user-group focused seminars that allow participants who use Wolters Kluwer systems to manage their CRA and/or fair lending obligations to gain a more in-depth understanding of the capabilities of the systems, and also learn of system updates or any other changes from prior system releases. As a testament to the high quality of programming, several professional certifying organizations offer continuing education credit for Colloquium attendance.

IMPACT OF THE COLLOQUIUM

The full impact of bringing together a hive of so many experts is hard to measure. However, it is clear, through anecdotal evidence, that the Colloquium moves the needle on CRA and fair lending compliance, helping increase one's regulatory quotient. Moreover, it can provide participants the foundations for returning home and challenging themselves to innovate as they have seen others do that were honored for their work in the field. Everyone comes away with best practice ideas that come from all sides of the field, including valuable regulator official input.

Year after year, participants submit rave reviews – previously via surveys, more recently via Twitter and consistently through repeat attendance. Compliance today is complicated, with CRA and HMDA rules changing significantly and requiring more expertise than ever before, across multiple competencies that are not generally bedfellows (data analysis with legal/regulatory analysis, plus program development and management). As the OCC's Grovetta Gardineer tweeted during a 2016 keynote address, "[C]ompliance is not a box to check, it's central to an institution's operations."[10] Going into much more specifics, another participant summarized something he learned on the anonymous survey response: "Perform a regression analysis on [a] large volume of HMDA data consisting of our assessment areas, so that we can more accurately tell our fair lending story. If not, the regulators will tell our story for us. Redlining analysis is crucial. Market share analysis essential." That is information he can take to the bank.

ABOUT THE AUTHOR

MARGARET "MAGGIE" WEIR, Esq., CRCM, is a regulatory compliance and legal professional with more than 25 years of experience in leadership roles with multiple financial institutions and consulting groups. Maggie is a graduate of the Boston University School of Law where she earned a J.D. and subsequently a LL.M. in Banking and Financial Law. She holds an MBA from the University of Denver and a B.A. in Political Science from the University of Houston. She is a Certified Regulatory Compliance Officer and a graduate of the ABA National Compliance School and Graduate School of Banking at Colorado. She is an attorney in the Boston metro area and serves as adjunct faculty within the J.D. and LL.M. programs at Boston University School of Law. She is also a faculty member for the ABA's National Compliance School and the ABA Graduate School of Compliance Risk Management, as well as a frequent regional and national speaker on relevant legal and business topics.

[10] Grovetta Gardineer, "Remarks by Grovetta Gardineer, Senior Deputy Comptroller for Compliance and Community Affairs, Before the 2016 CRA and Fair Lending Colloquium, Las Vegas, Nevada, November 15, 2016," available at https://www.occ.treas.gov/news-issuances/speeches/2016/pub-speech-2016-144.pdf

ABOUT THE BOOK

This article first appeared in **CRA at 40: Views on the Present and Future of Community Reinvestment**, published by findCRA in November 2017. The book was created in celebration of the 40th anniversary of the Community Reinvestment Act. It tells the stories of community development, from the perspective of those working in our communities who bring their knowledge and passion to bear every day in confronting the most critical problems facing communities in need. The book is about real-world experiences told in plain language by those who live them to provide a lens for readers to see CRA at work, ideas for its future and most importantly, what it means in people's lives. To access the full text or order copies of the book, please visit www.findCRA.com/CRAat40.