



February 16, 2021

Governor JB Pritzker
Office of the Governor
James R. Thompson Center
100 W. Randolph, 16-100
Chicago, IL 60601

Delivered via email

Subject: Support for Signing Creation of IL Community Reinvestment Act (IL CRA) in SB 1608 into Law

Dear Governor Pritzker:

As you consider whether to sign Senate Bill 1608, part of the Illinois Legislative Black Caucus' economic equity agenda, into law, the 57 undersigned organizations want to provide you with some background on the provisions establishing the Illinois Community Reinvestment Act (IL CRA). We urge you to sign the IL CRA into law.

Creating the IL CRA will support the banking, credit, and other financial service needs of low- and moderate-income (LMI) communities throughout Illinois and, if robustly implemented, can have a significant positive impact on the Illinois Legislative Black Caucus' efforts to promote economic access, equity, and opportunity to stop systemic racism.

As you know, areas with a Black majority population generally suffer from a lack of access to banking and lending capital, crucial ingredients to create healthy markets where locally-owned businesses and housing markets can thrive.

An example of systemic racism that IL CRA can help remedy is unequal access to affordable mortgage loans based on race. A recently published academic study¹, which analyzed loans originated by independent mortgage brokers across various markets throughout the nation, found that minorities pay between 3% and 5% more in fees than similarly qualified whites when obtaining a loan through the same white broker.

¹ *Does Borrower and Broker Race Affect the Cost of Mortgage Credit?* Brent W Ambrose, James N Conklin, Luis A Lopez. *The Review of Financial Studies*, August 7, 2020.

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3006793

Locally, a June 2020 report from WBEZ and City Bureau revealed wide racial disparities in mortgage lending between Chicago's white communities and the city's Black and Latino neighborhoods. Calling it modern-day redlining, the analysis found that in Chicago, lenders have invested more in a single white neighborhood than all the black neighborhoods combined.²

The IL CRA will complement the federal Community Reinvestment Act. With respect to state-chartered banks, a state CRA will enable the State to help direct state-chartered banks' lending, services, and investments to promote *state*-specific priorities, such as efforts to assist existing LMI residents to be able to remain in affordable housing in their neighborhoods.

A state CRA, implemented by the Illinois Department of Financial and Professional Regulation's Division of Banking (DOB), will be more accessible and transparent than the complex regulatory system implemented by the three massive federal banking regulators. Compared to federal regulators, we believe DOB will be better able to facilitate community input and involvement and a robust assessment of community needs, which are the core components of the CRA. For credit unions and mortgage companies, which do not have federal CRA obligations, a state CRA will spur significant investment by these institutions into LMI neighborhoods.

We know that opponents of the IL CRA will argue that the federal CRA is sufficient to assess whether financial institutions are meeting the credit needs of LMI communities.

However, research by the federal Consumer Financial Protection Bureau shows that, nationally, a majority of mortgages—we estimate between 60 to 70 percent—are originated by institutions that are not covered by the federal CRA, including loans originated by residential mortgage brokers and credit unions.

We also know that enforcement of the federal CRA has not been particularly robust, even before recent attempts to undermine the law by the Trump administration. Financial institutions that have violated anti-discrimination and deceptive practice laws and regulations continue to garner Satisfactory CRA ratings from federal regulators.

Opponents of IL CRA will also argue that the law will create an overly burdensome regulatory environment for state-regulated financial institutions overseen by the Illinois Department of Financial and Professional Regulation. However, the regulatory burden on state-chartered banks will be minimized by provisions in SB 1608 allowing State examiners to partner with federal examiners during federal CRA exams. State regulators at the IDFPR already partner with the Federal Deposit Insurance Corporation (FDIC) on certain bank examinations.

The impact of IL CRA will actually be to even the playing field in Illinois, as credit unions and mortgage companies will be held to the same standard as banks, which, nationally, have been

² *Where Banks Don't Lend*. Linda Lutton and Alden Loury, WBEZ; Andrew Fan, City Bureau. June 3, 2020. <https://interactive.wbez.org/2020/banking/disparity/>

losing market share to non-bank lenders. For example, in July 2020, Quicken Loans replaced Wells Fargo as the lender doing the most mortgage originations in the country.

When SB 1608 is signed into law, Illinois will join New York, Connecticut, and Massachusetts in having state CRA laws. Massachusetts and Illinois will be the only two states that cover all three main segments of the mortgage lending market: banks, credit unions, and mortgage companies.

In closing, IL CRA will provide a means for state government to provide oversight regarding how well state-regulated financial institutions are serving the residential, small business, and consumer credit needs of people in urban, suburban, and rural communities, particularly those that most suffer from systemic disinvestment based on race.

If you have questions or comments, please contact Brent E. Adams, Senior Vice President of Policy & Communication for Woodstock Institute, at badams@woodstockinst.org or 312-368-0310 x2028; or Sheila Sutton, Housing Policy Organizer for Housing Action Illinois, at sheila@housingactionil.org or 312-854-3016.

Thank you for considering our perspective.

Sincerely,

A Safe Haven Foundation
Alliance to End Homelessness in Suburban Cook County
Arise Chicago
Breakthrough
Brighton Park Neighborhood Council
Chicago Area Fair Housing Alliance
Chicago Coalition for the Homeless
Chicago Community Loan Fund
Chicago Lawyers' Committee for Civil Rights
Chicago Neighborhood Initiatives Micro Finance Group
Chicago Rehab Network
Chicago Urban League
Collaborative for Health Equity Cook County
Communities United
Connections for the Homeless
Democratize ComEd campaign
Disability Resource Center
East Bluff Community Center
Enterprise Community Partners
Garfield Park Community Council
Hana Center
Harold Washington Unit 1987

Housing Action Illinois
Housing Choice Partners
Housing Opportunities & Maintenance for the Elderly (H.O.M.E.)
Illinois Asset Building Group
Illinois People's Action
Illinois-Iowa Center for Independent Living
IMPACT CIL
Jewish Council on Urban Affairs
JP Credit Education & Consulting LLC
La Casa Norte
Latino Policy Forum
Lawndale Christian Development Corporation
Legal Aid Society of Metropolitan Family Services
LUCHA
Metropolitan Planning Council
Moran Center for Youth Advocacy
Neighborhood Housing Services of Chicago
Northside Community Development Corporation
Oak Park Regional Housing Center
Peoria Housing Authority
Phoenix Community Development Services
Preservation of Affordable Housing
Progress Center for Independent Living
ReBirth of Greater Roseland
Rockford Area Habitat for Humanity
Rule of Law Institute, Loyola University Chicago School of Law
Small Business Majority
South Suburban Housing Center
South Suburban PADS
Springfield Housing Authority
The Resurrection Project
Universal Housing Solutions CDC
Vennmedia-A Nonprofit Media Enterprise
Woodstock Institute
Working Credit NFP

cc: State Senator Jacqueline Y. Collins
State Senator Christopher Belt
State Representative Sonya Harper
Deborah Hagan, Secretary, Illinois Department of Financial and Professional Regulation
Chasse Rehwinkel, Acting State Banking Director, Illinois Department of Financial and Professional Regulation