



REPORT

DATE ISSUED: July 11, 2003 **ITEM 101**

REPORT NO.: HCR03-046
For the Agenda of July 18, 2003

SUBJECT: Annual Progress Report on Lender Agreements (Citywide)

SUMMARY

Issue: Should the Housing Commission recommend that the City Council accept the Reinvestment Task Force (RTF) calendar year 2001 annual progress report on lender reinvestment agreements?

Recommendation: It is recommended that the Housing Commission accept the San Diego reinvestment plan progress report (Attachment 1) and forward to the City Council for consideration.

Fiscal Impact: There is no additional government cost associated with this action. However, there is significant benefit to the economy of the region and for affordable housing that has resulted from this effort.

Affordable Housing Impact: This report provides information regarding the volume and characteristics of affordable housing lending done in accordance with Lender Reinvestment Agreements that are monitored by the RTF.

Previous Related Action: The Housing Commission, over the past nine years, has reviewed and approved the ten lender reinvestment agreements from which this report has been compiled.

Future Related Action: Following Housing Commission action, this item will be forwarded to the City Council for consideration at its next available meeting.

BACKGROUND

The Reinvestment Task Force was formed in 1977 by joint resolution of the City Council and the County Board of Supervisors. It is made up of lenders, community organizations



and members at large, and is co-chaired by a City Council member and a member of the Board of Supervisors. A membership list is included as Attachment 2. Funding for the RTF comes from the City and County; in addition, the RTF secures periodic funding from grants to accomplish research work.

The RTF meets monthly and is staffed by a Director and a Program Analyst. The Housing Commission has been directed by the City Manager to manage the RTF contract and act as fiscal agent, and the County Housing Department provides office space and some support services and supplies. The activities of the RTF are defined by a scope of service and a report is provided annually regarding the fulfillment of the terms of that scope of service. The scope of services is incorporated into the contract between the Housing Commission and the Reinvestment Director.

City Council Policy 900-9 authorizes the City-County Reinvestment Task Force to develop San Diego specific reinvestment plans with regulated lenders operating in the region. The purpose is to work with lenders to fulfill the standards of the federal Community Reinvestment Act (CRA), and to develop programs that address the needs of the City's low-income communities. Investigation by the RTF has shown that there is disparate treatment between San Diego and other regions of the state in the manner in which CRA activities are being implemented. Specific plans or programs that delineate the content and scale of local reinvestment are called for in the City policy.

The RTF utilizes a fifteen-member sub-committee to work with lenders in the formation of reinvestment plans. The subcommittee is made up of representatives from City and County government and non-profit organizations involved in housing and economic development.

Over the past six years, the RTF has developed reinvestment plans with ten lenders that comprised 79.25% percent (\$24.089 billion in deposits) of the San Diego market in 2001. Those lenders include Washington Mutual, Bank of America, Wells Fargo, Union Bank, California Bank & Trust, San Diego National Bank, US Bank, Citibank, Comerica Bank, and Borrego Springs Bank.

Many of the reinvestment plans have been developed in context of a bank merger or the resulting challenge by the RTF of a merger based on a statistical review of lender performance. All challenges are based upon research and analysis completed by RTF staff. Reinvestment plans are intended to mitigate identified deficiencies in each bank's performance under CRA.

DISCUSSION

The federal Community Reinvestment Act places requirements on banks for home loans, small business loans and consumer loans in low/moderate income communities. It also applies to lending for affordable housing, community development lending and

investments. The annual review of the RTF examines performance in each of these categories for the San Diego region.

Incorporated into each reinvestment plan is a proposed annual review meeting between the bank and the RTF sub-committee. Each bank is requested to provide data, in a uniform format, to the RTF for review and discussion. The data is compiled and analyzed for presentation to the lenders and to the City Council and County Board of Supervisors. Due to the lengthy process of compiling and reporting the data, the 2001 data is the most recently available from the banks. Once the data is received, a summary report is prepared annually and then is reviewed by a formal sub-committee of the RTF as a part of its annual assessment of the bank agreements with the RTF. The attached report covers the period 1993 through calendar year 2001. The report is presented in graph form (Attachment 1). Highlights of the report show that:

1. Total dollars loaned for Community Reinvestment Act activity of participating FDIC-insured lenders in the San Diego region approximated \$1.932 billion in 2001, a 30% increase (\$451 million) over 2000.
2. Increases occurred in all of the reinvestment categories except affordable housing development. The largest percentage increase from 2000 was in consumer loans to low- and moderate-income tracts, which increased 311% (\$38 million to \$157 million). Part of this increase may be attributable to an increased effort to get the banks to report their lending data by tract.

The total for consumer loans and the reinvestment totals for California Federal Bank and Comerica Bank are understated because these institutions do not report consumer loan data by census tract.

3. The largest dollar increase in 2001 was in small business loans, which increased \$147 million (21%) over the amount for year 2000. Special recognition was given to banks, such as Union Bank and San Diego National Bank that have developed products to meet the needs for micro-loans or loans to small business owners with less than perfect credit or no credit history. Smaller loans reduce a banks total reinvestment dollars, but are strongly encouraged by the RTF as they address a need identified in the Countywide Credit Needs Assessment.
4. The average ratio of CRA lending to total deposits for the participating lenders was 8%. This is an increase from a reinvestment percentage of 6.66% in 2000. The reinvestment dollars increased at a greater rate than the deposit base of the lenders.
5. Most of the institutions had increases in their CRA lending as a percent of deposits. Comerica experienced the largest gain, increasing their reinvestment activity from 34% to 77% of deposits. California Bank and Trust was next with an increase from 10.5% to 16% of deposits.

6. Comerica had the highest level of corporate giving for housing and community economic development as a percent of their deposit base in the County (0.17%). Corporate contributions are a primary source of support for the network of agencies involved in housing, small business, and community development activity.

A primary factor in the steady increase in the volume of lending for community reinvestment is that new reinvestment plans are being continually developed between the RTF and local lending institutions. The increase by most institutions in their CRA lending as a percentage of their total deposits implies that reinvestment plans have been instrumental in increasing CRA lending by institutions.

Respectfully submitted,

Approved by,

Signature on File with Original Document

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Reinvestment Director

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- Attachments: 1. Reinvestment Volume in San Diego County: Years 1993-2001
2. RTF Membership List