



## Legislation Text

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### Res. No. 247-A

Resolution calling upon the United States Congress to amend the Community Reinvestment Act to provide credits to financial institutions that fund affordable middle-income housing construction projects that have stalled or suspended their activities due to a discontinuance of project funding.

By Council Members Reyna, Vann, Chin, Dickens, Fidler, Lander, Mendez, Williams, White, Sanders Jr., Dromm, Mark-Viverito, Koppell, Foster and Mealy

Whereas, Currently pending in Congress is the Community Reinvestment Modernization Act of 2009 (HR 1479), which would amend the Community Reinvestment Act (12 U.S.C. 2901); and

Whereas, In 1977, the United States Congress enacted the Community Reinvestment Act (CRA) to encourage federally insured banks, thrift institutions, national banks, state-chartered commercial banks and savings banks to help meet the credit needs of all segments of their communities throughout the United States, including low and moderate-income communities, through appropriate lending practices; and

Whereas, Through the CRA, Congress requires regulated financial institutions to demonstrate that they serve the convenience and needs of the communities in which they are chartered to do business, and that the convenience and needs of communities include reasonable access to credit, as well as reasonable access to deposit services; and

Whereas, The CRA has proven to be a social and economic benefit for many communities in need, with more than one and a half trillion dollars having been made available to developers and non-profit groups through financial institutions that have been used to build such assets as affordable housing and medical clinics in underserved communities; and

Whereas, Although the CRA does not impose explicit penalties or fines for poor performance under the CRA, "the CRA has generated major changes in the manner of which banks and thrifts view and serve low-and

moderate-income communities and customers. Billions, perhaps trillions, of dollars of credit has come into these communities, spurred, incited, or directed by the act and collateral laws..." according to Ellen Seidman, the former director of the Office of Thrift Supervision at the Department of the Treasury; and

Whereas, Due to the current economic recession, often referred to as "The Great Recession", many financial institutions subject to CRA have significantly restricted their lending activity, especially among construction projects, resulting in a slow-down or a complete work stoppage on such projects; and

Whereas, The restrictive lending has led to many stalled construction sites across the City, including construction sites related to affordable low- and middle-income housing and construction sites that could be used to provide affordable and low- and middle-income housing; and

Whereas, In these extreme economic times it is important that the government make every tool available to help communities continue to sustain themselves, to grow and continue to maintain the highest quality of life possible; and

Whereas, Many communities contain stalled construction sites, which could be used to provide affordable low- and middle-income housing; and

Whereas, a reasonable method of converting stalled construction sites into affordable middle-income housing would be to amend the Community Reinvestment Act to encourage financial institutions to provide funding to developers and non-profit organizations, on fair terms, to complete stalled projects which could include both new financing and the re-negotiation of terms and existing loans, where the lender could execute a regulatory agreement with the local housing agency to provide affordable middle-income housing for families earning up to 130% of the Area Median Income (AMI) for rental units and 165% of the AMI for units for homeownership;

Whereas, New York State has a CRA like statute, section 28-b of the Banking Law, and regulations that implement the statute; and

Whereas, the State Banking Department is intending to promulgate regulations that would allow for

higher CRA-type credits to be used upon such factors as:

1. Whether the new owner has the support of the community, which may be demonstrated by working with a not-for-profit community development corporation;
2. the length of time that the units will be set aside for affordable, low-and moderate-income housing; and
3. the amount of the write-down that is over and above the amount the bank could have obtained if the set aside for low-and moderate-income tenants was not in place; and

Whereas, the federal CRA law should incorporate these factors as well; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the United States Congress to amend the Community Reinvestment Act to provide credits to financial institutions that fund affordable middle-income housing construction projects that have stalled or suspended their activities due to a discontinuance of project funding

TBD  
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