

COUNCIL POLICY

SUBJECT: COMMUNITY REINVESTMENT

POLICY NO.: 900-09

EFFECTIVE DATE: November 5, 2001

BACKGROUND:

Financial institutions, through their credit and investment practices and the financial services they provide, play an essential role in maintaining healthy businesses and community institutions, promoting wealth creation and providing jobs and affordable housing for San Diego residents.

Banks are granted a public charter conveying numerous economic benefits for which they must in return serve a public purpose. As federally regulated financial institutions, they are required to comply with the federal Community Reinvestment Act of 1977 (CRA). CRA requires that they act affirmatively to meet their local communities' banking needs as a condition of being granted a charter. Non-bank financial institutions control an increasing share of the nation's capital base, and although they are not currently required to comply with CRA, they also greatly impact community reinvestment.

Local government is uniquely able to identify specific community reinvestment needs and is a major consumer of financial services. The City of San Diego can encourage reinvestment practices and programs which are responsive to community needs and support community-based organizations in establishing positive working relationships with financial institutions within the spirit of CRA and support the extension of CRA regulations to include non-bank financial institutions.

PURPOSE:

It is the purpose of this policy that the City encourage private sector financial practices and programs that promote the economic stability and growth of the City of San Diego and meet the financial needs of all of its neighborhoods and residents.

POLICY:

It shall be the policy of the City to encourage financial institutions doing business within its boundaries to develop and implement San Diego-specific community reinvestment programs consistent with the spirit of CRA. Such a program may include, but need not be limited to, the following reinvestment activities.

Affordable single-family and multi-family residential mortgage new construction and rehabilitation lending and investing, especially to nonprofit organizations and to historically underserved and low- and moderate-income persons;

Consumer lending and checking and deposit services, especially to historically underserved and low- and moderate-income persons and neighborhoods;

Small business and commercial lending and investing, especially to historically underserved and low- and moderate-income persons and neighborhoods;

Financial participation in City housing, redevelopment, revitalization and economic development projects;

Philanthropic and charitable giving to local nonprofit cultural and social service organizations and community groups involved in affordable housing and economic development activities; and

Continuation of the full range of financial services to the entire community, notwithstanding mergers, consolidations and acquisitions activities and other practices pertaining to headquarters office and branch openings and closings.

To encourage the above activities, the following ongoing actions shall be undertaken:

A Community Reinvestment Master Plan shall be implemented by the San Diego City-County Reinvestment Task Force. The Task Force shall also assist interested financial institutions to develop San Diego-specific community reinvestment programs and monitor and assess their performance thereunder. The results of these efforts shall be reported annually to the City Council by the Task Force.

As part of the banking services contracting process, the City Treasurer shall include as a selection criterion and take into consideration banks' San Diego-specific community reinvestment programs. City departments entering into contracts with non-bank financial institutions whose total annual compensation is reasonably projected to exceed \$100,000 and whose total assets exceed \$250 million shall request San Diego-specific reinvestment programs, consider any other data provided related to the reinvestment activities set forth in this Policy and make the information received available to the Task Force for compilation and analysis.

The City shall actively support State and federal legislation which strengthen CRA and extend CRA requirements to non-bank financial institutions.

HISTORY:

Adopted by Resolution R-277695 04/15/1991
Amended by Resolution R-295687 11/05/2001