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Pre-Existing Conditions:

Assessing the Financial Services Response to Racism, Inequality, and COVID-19

crc

SAN FRANCISCO OFFICE OF FINANCIAL EMPOWERMENT

Table of Contents

Executive Summary

As COVID-19 continues to ravage the health and economic security of millions of Americans, it is critically important to evaluate the relief efforts offered by financial institutions. And at this time, when our nation is confronted with the reality of its historic and systemic racism, it is crucial that we evaluate such relief efforts with a racial equity lens. Black, Indigenous, and People of Color (BIPOC) communities are experiencing the most severe impacts from job losses and small business closures, and these same communities are most vulnerable to both illness and economic disruption.[1] Given the financial sector's history of systemic exclusion and discrimination, the San Francisco Office of Financial Empowerment (OFE) and the California Reinvestment Coalition (CRC) worked together to analyze banking relief that is currently being made available to consumers and borrowers, identify gaps and best practices, and outline recommendations for financial institutions and policy makers on how to dismantle systemic racism in banking and to reimagine relief and reforms that banks should embrace.

BIPOC are and have been systematically marginalized and excluded from the mainstream financial system, denied access to safe and affordable bank accounts, disproportionately foreclosed upon, and rejected for mortgages and small business financing by government policy and corporate actions, since our nation's founding.

In the report, you will find:

- Background and context for current economic conditions, describing the financial insecurity that existed before the crisis and how the ongoing economic fallout will exacerbate these problems – especially for BIPOC who are at higher risk of distress due to a long history of discrimination and exclusion.
- Analysis and discussion of existing forms of banking relief, drawing from two recent surveys of banks and credit unions and other sources.
- A set of recommendations for banks and credit unions on COVID-19 relief dealing with consumer banking, housing and home lending, small business borrowing, and community reinvestment and corporate citizenship.
- Policy responses and other next steps that must be taken to dismantle systems that lead to financial abuse and to reimagine how banks can best protect all consumers and safeguard the financial stability of all our communities, with a focus on BIPOC and communities most impacted by COVID-19 and systemic racism.

BIPOC are and have been systematically marginalized and excluded from the mainstream financial system, denied access to safe and affordable bank accounts, disproportionately foreclosed upon, and rejected for mortgages and small business financing by government policy and

corporate actions, since our nation's founding. It is no longer enough to talk about racial equity and economic justice. We are calling on California's banks to begin to right the historical wrongs of structural racism within the banking system.

Racism in banking has contributed to an expanding racial wealth gap, resulting in the systematic extraction of wealth from BIPOC and the denial of BIPOC's ability to build intergenerational wealth. These inequities have driven the disproportionate impact of COVID-19, and as a result, inform our specific recommendations. These recommendations include the dismantling of the current racist systems, a substantial investment in BIPOC jobs, small businesses and communities, and a reimagining of community investment to include reparations for Black consumers, small businesses and communities for past and continuing injustices.[2]

Some relief is available to banking customers impacted by COVID-19, however, accessing this relief will likely be challenging for many, especially for those communities who have been systematically excluded and discriminated against. By and large, banks indicated in survey responses that customers are required to contact their financial institution to request help and that customers would likely need to attest or demonstrate that they have been financially harmed by COVID-19. These are potentially heavy burdens, especially for BIPOC that have been historically marginalized and systematically denied access to banking. Limited English Proficiency (LEP) clients and those with limited experience navigating the banking sector, or essential workers who do not have the luxury to navigate long hold times may not fare well in accessing relief; technological barriers (such as lack of scanner, fax, or even internet) also pose significant challenges. So, while it is important that relief is offered by financial institutions, it is critical to ensure that this relief is actually reaching hard hit households and communities.

We acknowledge the substantive actions that banks and credit unions have taken to mitigate certain financial burdens for their clients and to keep operations running safely during this challenging time, and yet it is clear that banks and credit unions can and should do more.

Specific recommendations include:

Consumer Banking: Checking and Savings Accounts

- Offer free check cashing for federal Economic Impact Payments and any other stimulus related checks, and for any government-issued or payroll check
- Promote overdraft-free Bank On certified accounts and second chance checking accounts
- Stop assessing overdraft or nonsufficient funds fees for any transaction
- Eliminate monthly maintenance fees, minimum balance requirements/fees, and ATM fees
- Stop negative reporting to account screening consumer reporting agencies
- Implement online/remote account opening and eliminate fees associated with online bill pay or other online services
- Maintain availability of branch services in low-income communities and communities of color
- Provide living wages and benefits (including paid sick leave) to bank and credit union employees,

Borrower Protections: Credit Cards and Mortgage, Small Business, Auto, and Personal Loans

- Suspend or defer loan repayment and stop assessing late fees or interest for borrowers in need and stop negative reporting to credit agencies
- Provide mortgage forbearance for all single-family homeowners, affordable housing developers and small, mom and pop landlords, based solely on attestation of need
- Stop all foreclosure proceedings, evictions and repossessions
- Develop strong, equitable real estate owned (REO) policies that enable tenants, nonprofits, community land trusts and owner occupants a meaningful opportunity to acquire foreclosed and at-risk properties
- End high cost consumer loans and provide affordable small-dollar credit
- Endorse CRC's anti-displacement Code of Conduct

Reinvestment and Corporate Citizenship

- Track and report on the race, ethnicity, gender and zip code and/or census tract of all lending and relief activity
- Strengthen corporate social responsibility (CSR) practices
- Drastically increase philanthropic and other support for housing
- Embrace reparations with and for Black customers, small business owners, and communities
- Engage with BIPOC, OFE, CRC and other local agencies, consumer advocates, and community stakeholders

Introduction: The COVID-19 Crisis Has Deepened Inequities in the Economy

In the Bay Area and throughout the state of California, Black, Indigenous, and People of Color (BIPOC) have been at the heart of what makes the unique diversity of our region a destination for businesses of all sizes, visitors from across the globe, and new residents seeking opportunity. Yet, as a result of systemic racism, far too many BIPOC households in the Bay Area and across the state and country were teetering on the brink of financial ruin before the COVID-19 crisis began. Crises are not great equalizers; they lay bare racial inequities and uncover deep structural flaws in social and economic systems.

During the pandemic, BIPOC workers make up the majority of the people who provide essential services in food and agriculture (50%) and in industrial, commercial, residential facilities and services (53%)[3] – the very services upon which our local, state and national economies depend. And, not surprisingly, Black and Brown communities are also experiencing the most severe impacts from both illness and economic disruption,[4] for reasons including lower availability of paid sick leave and ability to work from home, fewer savings or assets to rely on in case of emergency, higher likelihood of underlying health conditions, and lack of health insurance.[5]

In the midst of this unprecedented pandemic, American society is also suffering from the continued trauma of racist violence, as has been made tragically clear through the recent murders of George Floyd and Breonna Taylor at the hands of police officers. We are in a time when Black people are facing the continuing scourge of racism, which has been with us since the founding of this country, as well as the pandemic of COVID-19 and its disproportionate impacts on BIPOC. Black people are left, by accounts and by reason, angry and frustrated that violence and killings persist, that racism is increasingly conspicuous and weaponized, that their voices are not being heard, and that wealth disparities are widening.

Widening racial wealth gap

Generations of discrimination and structural racism, including a long history of redlining policies created by banks and governments, have resulted in an ever-widening racial wealth gap. The most recent figures from the Census Bureau show that the median net worth for a Black family is $13,000 and median Latinx net worth is $21,000, compared

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to $144,000 for a white family. Other estimates are even more severe, indicating that the median white family has 41 times more wealth than the median Black family and 22 times more wealth than the median Latinx family. And the situation has gotten worse in recent decades; the proportion of Black families with zero or negative wealth rose by 8.5%, to 37%, between 1983 and 2016 (while zero or negative wealth declined over this period for Latinx families, the rate of zero or negative wealth for these families remains at 33%).[6]

Growth in household debt

Historic levels of unemployment will contribute to continued growth in household debt. Consumer debt, including an increasing reliance on payday loans and other high cost consumer products, has kept American families and consumers underwater for a long time, with total household debt a staggering $14.3 trillion.[7] Before the pandemic, delinquency rates had already been growing for consumer finance loans, credit card debt, student loans and auto loans.[8] The pandemic will exacerbate this trend.

Affordable housing crisis

The pandemic is also exacerbating the affordable housing crisis that plagues cities throughout California and the U.S. and contributes to rising racial and economic inequality, housing insecurity, and homelessness. Nationally, April saw the largest one-month increase in mortgage delinquencies ever recorded, as the number of borrowers who stopped paying their home loans spiked by 1.6 million.[9] Black homeowners were reportedly three times as likely as white borrowers to be behind on mortgage payments as of mid-May, according to the Urban Institute.[10] Even for those who have received some temporary relief in recent months, it is hard to imagine how families that already are so cost-burdened will be able to pay off any debts when relief and forbearance programs expire and lenders may demand large, lump sum repayments.

Access to financial products and services

The pandemic also highlights the impacts of inequitable access to financial products and services. Among Black households in California, the unbanked rate is 20.5% and the underbanked rate is 25.4%; among Latinx households those rates are 14.5% and 26.6% respectively. By contrast, only 2.6% of California's white households are unbanked, and 12.9% are underbanked.[11] Black and Brown Americans also incur more bank account costs and fees than white Americans, even when dealing with small financial institutions.[12] The relative lack of access to mainstream banking and concentration of high-cost financial services such as check cashing and payday lending in neighborhoods where BIPOC families disproportionately live[13] leads to higher expenses and contributes to the racial gap in family savings.

Today there is growing concern that BIPOC and other low-income homeowners will not be able to take advantage of very low refinance loan interest rates as credit tightens up.[14] A New York Times article highlighted numerous examples of Black clients being denied services or racially profiled at bank branches around the country.[15] A more recent study by the National Community Reinvestment Coalition (NCRC) scrutinized bank lending and assistance for small businesses during the coronavirus pandemic, finding that, "White applicants were treated better than Black applicants, a pattern that was well documented in small business lending before COVID-19."[16]

In 2017, the California Reinvestment Coalition filed a redlining complaint against a California bank for a dearth of bank branches and home loans in neighborhoods of color.[17] According to a 2018 study, Black and Latinx borrowers continued to be denied mortgages at far higher rates than white borrowers in 61 metro areas.[18] A 2019 paired testing study by NCRC found that better-qualified Black and Hispanic testers who shopped for small business loans at Los Angeles area bank branches were treated worse than less qualified white testers.[19]

There is growing evidence that, as with past historical crises, current relief efforts by governments and financial institutions will not reach those who have been hardest hit, including Black and Latinx consumers and business owners. Given this reality it is more important than ever to take a critical look at the relief efforts proposed by government and financial institutions to ensure they are sufficient, targeted to reach those most impacted, implemented equitably and accessible to those most vulnerable. And yet, it is not enough to cease discriminating; reparations for past discrimination and redress for historic redlining and inequity are also required.[20]

How Have Financial Institutions Responded to COVID-19?

In April, San Francisco Treasurer José Cisneros and the California Reinvestment Coalition separately and independently sent similar surveys to a broad set of banks and credit unions operating in San Francisco and across the state of California. This report cannot and does not attempt to detail the responses to every survey question or compare and contrast individual institutions in-depth, particularly because this could penalize banks that provided the most comprehensive and candid responses as compared to institutions that did not even bother to respond to the survey, or those that completed and returned surveys quickly when bank responses to COVID-19 were still developing as compared to those who were late in responding and therefore able to reflect refined approaches to the crisis. Instead, the report provides a general snapshot of the financial industry's early response to the crisis. For more information about methodology and responses, see Appendix A.

Checking and Savings Accounts

Nearly all respondents noted that depository (checking and savings account) clients can request fee waivers and/or refunds for the following:

- Overdraft fees
- Non-sufficient funds fees
- Monthly maintenance fees
- ATM fees
- Certificate of deposit (CD) early withdrawal fees

Aside from these common fees, a smaller number of responses noted changes to savings withdrawal limits and fees, and safe deposit box fees.

Mortgage and other Loans and Credit Cards

Payment deferrals (forbearances or payment suspensions) are common, with terms that vary based on the institution, the product line (home, small business, auto, credit card, consumer), and type of loan (federally-backed mortgage, private label security, SBA, portfolio, etc.).

Mortgage — Single Family:
It was common for mortgage forbearance to be offered for up to six months, with the possibility of extension, but often banks indicated they started borrowers off with a 90-day deferral. Many, but not all, banks are providing this forbearance to borrowers with pre-COVID-19 delinquencies.

A few banks reported early mortgage forbearance rates, ranging from 3.2% to 14% of their mortgage portfolio.

A few banks responded that repayment of deferred mortgage amounts could come in the form of lump sum payments, which homeowners and housing counselors report is worrisome and damaging to families in distress. Lump sum or balloon repayment is also inconsistent with current Federal Housing Finance Agency policy.

Also concerning, banks offering mortgage forbearance were not consistent in ensuring that no fees were charged or interest accrued during the forbearance period.

Mortgage — Multi-Family:
Banks generally did not respond about whether or how they were ensuring that multifamily loan borrowers (landlords) who had secured forbearance relief were not unlawfully evicting tenants in violation of the CARES Act.

First Republic Bank is including a Borrower attestation in its COVID-19-relief documents regarding continued compliance with applicable laws, including COVID-19 eviction moratoria, and its mortgage documents also require compliance with all applicable government-imposed requirements and restrictions.

Capitol One reported all multifamily borrowers that request a payment deferral must attest that they are in compliance with federal, state and local laws, as well as executive orders and regulatory guidance regarding COVID-19-related real estate and tenant hardship.

US Bank indicated it would take steps if they understand a landlord was not following the rules.

Small Business:
Most respondents are offering three months of payment deferral for small business owners in distress, and some offered the possibility to extend deferrals if needed, though the terms of the relief may differ by financial institution.

First Republic Bank reported that it offers term loan modifications to small business clients. Terms typically include 6 months of deferred principal and interest payments.

Consumer:
Consumer loan relief differed significantly by bank and was generally for a shorter period of time – from 30 days to a few months – than mortgage and small business relief. Most institutions reported halting foreclosure and repossession proceedings and negative credit reporting, but not in every instance.

Paycheck Protection Program (PPP) Small Business Lending

The small business Paycheck Protection Program (PPP) was designed by Congress to distribute much needed no-interest, forgivable loans through banks. All respondents participated in the federal PPP small business lending program, made a strong organizational and staff commitment to making PPP loans, and were proud of their results. Most respondents touted the number of businesses or nonprofits served, the dollars lent, and the number of jobs protected, as well as their results in originating or arranging PPP loans to smaller businesses or nonprofits, and in smaller loan sizes. However, nearly all respondents also acknowledged prioritizing existing clients over businesses that did not have a prior banking relationship, especially during the first round of PPP funding.

Early analysis of the PPP suggests that it will mirror and reinforce redlining and existing disparities. Only 12% of Black and Latinx business owners who applied for a PPP loan received what they requested.[21] The full list of PPP recipients released by the Small Business Association on July 6, 2020 shows that of the 14% of businesses which chose to identify race in their loan application, Black-owned businesses received 1.9% of loans while white-owned businesses received 83%.[22]

JPMorgan Chase, which has been criticized for offering "concierge services" to higher wealth customers, reported making a concerted effort to encourage a diverse pool of applicants for PPP, reaching out to groups such as Black Enterprise, the U.S. Black Chamber of Commerce, National Urban League, Veterans Business Project, and the Female Quotient, as well as to its existing diverse partnerships.

Community Bank of the Bay reported that in 24 days, it originated 50% of the number of loans it had originated over the prior 10 years, enabling small business borrowers to save 4,437 jobs.

Self-Help Credit Union reported working with several community partners and foundations to contact their clients and provide technical assistance with PPP applications.

Lending Club responded that it has established partnerships to offer PPP loans to new and existing customers, including small business customers and self-employed individuals, and has vocally supported the collection of small business demographic data under section 1071 of the Dodd-Frank Act.

Small Business Grants and Additional Efforts to Serve Communities Often Excluded from the Financial Mainstream

Despite strong participation in PPP, no banks were directly providing much-needed grants to small business owners, though most respondents expressed an interest and openness to support funds that would do so, and a few institutions were in fact supporting Community Development Financial Institutions (CDFIs) or other intermediaries which are making direct grant assistance available to small businesses.

Most institutions originated mortgage or small business loans to immigrant family Individual Tax Identification Number (ITIN) holders who might not otherwise be able to participate in federal relief efforts.

The Citibank Foundation donated $10 million to a fund to support CDFI efforts to serve businesses which may not qualify for the PPP, Citibank donated net profits from PPP to its Foundation in order to expand CDFI support, and Citi is partnering with Minority Owned Depository Institutions to buy up to $50 million of their PPP loans.

For its part, US Bank has provided $50 million in capital to seven CDFIs and will use a Federal Reserve facility to further support liquidity for CDFI lenders.

JPMorgan Chase reported a $150 million commitment to CDFIs, with a focus on minority owned CDFIs, and reported on its research and policy efforts, including initiatives to address barriers facing formerly incarcerated persons.

Bank of America is providing $250 million in capital to CDFIs and Minority Owned Depository Institutions.

Cathay Bank reported devoting new funds for Equity Equivalent (EQ2) investments in CDFIs.

Other Community Investments

The majority of respondents indicated new or refocused community investments in response to this crisis. These investments include grants and charitable contributions to nonprofits and local government agencies, capital and grants for CDFIs, employee donation matching programs, and employee hiring, retention, and support. Responses generally provided an overview of community investments in communities throughout the financial institution's footprint, while some provided further details on local and regional investments in the Bay Area and throughout California. Respondents emphasized disaster relief and humanitarian aid, and support for frontline workers, economic recovery efforts, and entrepreneurs and small businesses (especially women and minority-owned businesses).

Respondents reported a variety of forms of community investment. Most respondents reported increasing support for housing counseling and legal aid organizations, but it is not clear that these are new funds as opposed to continuing and preexisting efforts. Similarly, half or more of the respondents reported increasing support for CDFIs as well as for affordable housing, though again it was not clear whether this constituted additional support beyond current efforts.

Silicon Valley Bank reportedly increased its grant budget by $5.5 million in light of COVID-19, is providing support to legal service offices helping tenants fight evictions, and provided $5,000 grants to 20 of its affordable housing clients to support residents. Silicon Valley Bank also indicated it would donate net fees from PPP lending.

The much larger Bank of America reported new funding of $250 million in capital to CDFIs and Minority Depository Institutions for funding small business loans through the PPP program, plus an additional $10 million in increased grants to nonprofits.

Regarding anti-displacement efforts, a majority of those responding to the question indicated that in most or all instances their institutions underwrite loans on multifamily properties based on a consideration of current rent paid by existing tenants, and not based on increased rents that would indicate the future eviction of existing tenants. This is a key provision of CRC's Anti-Displacement Code of Conduct.[23]

Importantly, Community Bank of the Bay was the first bank to sign on to the Code of Conduct.

Another key provision of the Code of Conduct requires lenders to conduct due diligence on borrowers to ensure that borrowers do not have a business model or engage in business practices that fuel displacement of BIPOC or low-income residents and businesses. Recently released PPP data from the SBA suggest that several banks, including a number of institutions that completed these bank surveys, originated forgivable PPP loans to landlords who have been identified as problematic for harassing and displacing tenants.[24]

CIT Bank was the only bank that indicated it made single family and multifamily Real Estate Owned (REO) properties available first to nonprofit groups and/or owner occupants, over investors.

Beneficial State Bank expressed an openness to prioritizing nonprofits in REO related efforts if it has any foreclosed properties.

We know that large scale foreclosures on single family homeowners is coming. Banks must commit to prevent all unnecessary foreclosures in the first instance, finance tenant and nonprofit purchases of foreclosed and at risk homes generally, and put in place proactive and aggressive policies for REO properties they acquire in order to ensure we do not repeat the mistakes of the last crisis and permit a huge transfer of property and wealth to Wall Street landlords, Real Estate Investment Trusts (REITs), and private equity companies. This is a critical corporate and public policy priority that can go a long way in the fight against displacement, prevention of the further widening of the racial wealth gap, and preservation of family and community stability.

Equity and Accessibility of Relief Offered

For all the relief outlined above, essentially all respondents indicated that customers are required to contact their financial institution by phone, via website, or in person or otherwise to request help. While not always explicit, responses also indicated that customers would likely need to attest or demonstrate that they have been financially harmed by COVID-19. Survey responses were often vague or imprecise as to specific forms of relief and procedural requirements; bank and credit union websites have similarly lacked adequate clarity and detail as to what relief is available and how customers can access this relief – while typically highlighting the long wait times that are likely for customers who need to call and speak with someone.

These are potentially heavy burdens, especially for BIPOC that have been historically marginalized and systematically denied access to banking. Limited English Proficient consumers and those with less experience navigating the banking sector, or essential workers who do not have the luxury to navigate long hold times, may not fare well in accessing relief. Accessing this relief may be similarly difficult for low-income consumers who are juggling loss of income, limited and potentially risky childcare options, and the day-to-day challenges of keeping a roof over their heads and food on the table. Lack of access to technology (such as internet access, printers, scanners, and fax machines) are also likely to form barriers to completing procedural requirements to receive banking relief.

Further, it is well known that banking clients who are wealthier and more adept at navigating financial services, often with assistance from lawyers, accountants, and even bank staff, have always had greater ability to obtain fee refunds, or renegotiate loan payment terms or secure new credit compared to low-income clients - even before the crisis.

Most respondents were not tracking the race, ethnicity, gender and census tract of mortgage relief and PPP small business lending, but a few institutions were interested in doing so. The fact that government policies do not require, and that bank policies do not ensure, the collection of race and ethnicity data on relief efforts is a symptom and a cause of continuing racial inequities in the banking system.

HomeStreet Bank, to its credit, did report that it tracks PPP loans to nonprofits, women and minority owned businesses, and businesses located in low- and moderate-income (LMI) and minority census tracts.

Many banks are attempting to provide materials and customer service in languages other than English via written materials, bilingual staff, and language lines.

East West Bank reported keeping 85% of its branches open for banking business, when many institutions may have decided to close branches during the pandemic. Working to maintain branch access during the pandemic is a noble effort and important for BIPOC communities, assuming that all necessary health precautions are in place and branch staff are paid a living wage.

Recommendations for Banks and Credit Unions

We urge all banks and credit unions to implement measures to protect vulnerable consumers, small businesses and communities throughout the economic crisis created by the COVID-19 outbreak. These recommended actions should be enacted immediately and kept in place for a minimum of one year, or 90 days beyond the expiration of the emergency, whichever is longer. Depending on the duration and severity of the crisis, banks and credit unions may need to sustain these changes for longer or make them permanent to even begin to address the legacy of historic structural racism in the financial system, and to address current barriers that perpetuate and broaden racial economic inequities.

We further urge that all forms of fee and loan repayment relief be made universal and automatic. In order to ensure that relief reaches BIPOC, who have been systematically and structurally denied access to banking and continue to face barriers to accessing relief, it is imperative that relief be made universally available, and automatically provided, instead of placing the onus on consumers to find and request relief or prove that they have been impacted by COVID-19. This is especially important at a time when customer service call centers are overwhelmed and wait times may be long.

During the foreclosure crisis, many families lost their homes due to unnecessary documentation requirements, language barriers, and bank systems that were overwhelmed or set up to fail. We cannot let this happen again.

Today's relief provided by banks is reactive rather than proactive, placing the onus on consumers to be aware of and access relief. In general, industry responses have been inconsistent, insufficiently transparent, and inadequate to meet the needs of this moment.[25] Relief that is available only upon request or the provision of additional supporting documentation is itself an equity issue, as language access, digital divide, housing and health instability, and prior bad experiences with financial institutions might create additional barriers for BIPOC. As such, we urge all financial institutions to adopt a number of needed measures, products and policies.

Consumer Banking: Checking and Savings Accounts

- **Offer free check cashing for the federal Economic Impact Payment and any other stimulus related checks and any government-issued or payroll check,** regardless of client relationship, and for existing clients, do not garnish stimulus checks to offset negative account balances.[26]
- **Promote overdraft-free Bank On certified accounts** widely, via advertising, outreach and partnerships, as a resource to unbanked and underbanked consumers, as well as to customers who might benefit from moving from another transactional account to a Bank On account; expedite the development of a Bank On account or adapt existing accounts to meet Bank On standards. Offer second chance checking accounts to consumers who faced prior challenges.
- **Stop assessing overdraft or nonsufficient fund fees for any transaction,** including at ATMs, at the register, or involving checks or recurring payments. Extend a reasonable overdraft line of credit to consumers with insufficient funds, without assessing fees or penalties.
- **Eliminate monthly maintenance fees, minimum balance requirements/fees, and ATM fees** for Bank On accounts and other entry level or basic checking/saving products and waive or reimburse such fees for all impacted customers.
- **Stop negative reporting to account screening consumer reporting agencies** like ChexSystems and Early Warning Systems and suspend account closures, other than in cases of verifiable, documented fraud.
- **Implement online/remote account opening and eliminate fees associated with online bill pay or other online services** needed during public health orders to shelter in place.
- **Maintain availability of branch services in low-income communities and communities of color,** where branch closures have continued to expand banking deserts. Ensure the physical and financial health of bank employees and their families by taking all necessary COVID-19 protections and by providing living wages and benefits to all employees.

Borrower Protections: Credit Cards and Mortgage, Small Business, Auto, and Personal Loans

- **Suspend or defer loan repayment and stop assessing late fees or interest for borrowers** with small business loans, mortgage and home equity loans, auto loans, and credit cards/lines of credit; stop negative reporting to credit bureaus.
- **Provide mortgage forbearance for all single-family homeowners, affordable housing developers and smaller, mom and pop landlords based solely on attestation of need,** regardless of loan type (whether federally backed or not) and do not require lump sum repayment. Where forbearance relief for landlords triggers eviction protection or other relief for tenants under federal or state law, ensure that landlords notify their tenants of such protections and relief.

- **Stop all foreclosure proceedings, evictions and repossessions,** for a period of at least one year or 90 days after the emergency period, whichever is longer, and work with all levels of government to protect consumers against harmful debt collection activities during the crisis.
- **Develop strong equitable real estate owned (REO) policies** for both commercial and residential properties, so that foreclosed and at-risk properties are donated or sold to qualified nonprofits, community land trusts, tenant and owner occupants, and small businesses, not private equity investors, REITs or Wall Street firms. All banks should develop policies to give a meaningful first right to purchase all REO and at-risk properties (single and multifamily, residential and commercial) to these individuals and entities. We must not repeat the mistakes of the last crisis where intergenerational wealth of BIPOC and other families was transferred to large corporations that scooped up foreclosed properties, outbid and deprived first time homebuyers and nonprofits of household and community wealth building opportunities, abused tenants, and changed neighborhoods. Banks must also create and support financing mechanisms which facilitate such community purchases and control, which can have a profound impact on preservation and community development efforts.
- **End high cost consumer loans and provide affordable small-dollar credit.** Eliminate small-dollar, payday-style loans over 15% APR during the crisis, and commit to providing affordable small-dollar loans under 36% APR going forward.
- **Endorse CRC's Anti-Displacement** Code of Conduct and perform due diligence to ensure that lending does not facilitate displacement of low-income residents and communities of color.
- **Help small businesses** by funding grants, making smaller loans, collecting borrower and neighborhood race data for loans originated, offering ITIN loans to immigrant owned businesses, and investing in CDFIs that serve the communities and businesses most impacted by the crisis.[27]

Reinvestment and Corporate Citizenship

- **Track and report on all lending and relief activity by race, ethnicity, gender, zip code and census tract.** The fact that government policies do not require, and that bank policies do not ensure, the collection of race data on relief efforts is a symptom and a cause of continuing racial inequities in the banking system.
- **Strengthen corporate social responsibility (CSR) practices,** for example by diversifying boards and staff leadership, eliminating stock buybacks and dividend payments, and donating fees earned through federal relief efforts, such as PPP small business loan fees.
- **Drastically increase philanthropic and other support for housing,** including housing counseling, tenants' rights counseling and advocacy, legal services, fair housing work, and economic health promotora programs which will be increasingly needed by families in financial distress. Banks should prioritize philanthropic support for organizations run by and working with BIPOC and should develop strong outreach campaigns and partnerships with BIPOC-led and BIPOC-serving organizations.

- **Embrace reparations by making specific and significant dollar commitments to initiatives with the Black community designed to address systemic racism in banking and restricted access to credit, amongst other measures.** Such initiatives should include portfolio no-interest loan products and investments to support Black homeownership, Black-owned businesses, and nonprofits led by and dedicated to the Black community in San Francisco and throughout California, in partnership with Black-led organizations. These commitments should include transparent targets and reporting to the public, ensure systematic review of all existing policies through an equity lens, and tie bank staff compensation to achieving initiative goals. Reparation goals should be tied to bank assets, should continue indefinitely, and should be in addition to continuing community reinvestment obligations and efforts.
- **Engage with BIPOC communities, OFE, CRC and other local agencies, consumer advocates, and community stakeholders** within the next three months to discuss how to translate these recommendations into action plans.

Recommendations for Policymakers

While this report primarily focuses on recommendations for banks and credit unions, policymakers must also act to provide comprehensive consumer and community relief, in large part because voluntary commitments by financial institutions will not be enough to protect Americans from financial abuse and harm, nor create sufficient access to credit to ensure a full and fair recovery. Policymakers and banking regulators must take immediate steps to establish and strengthen consumer protections. These include:

- Allowing consumers to put a pause on all payments, with no accrued interest, late fees, or other penalties for nonpayment of a debt;
- Enacting sweeping prohibitions on debt collection, including pausing garnishments, evictions, and repossessions;
- Halting proceedings against debtors; and
- Pausing all negative credit reporting.

Regulation to ensure consumer financial protections and relief is necessary at all levels of government.

- On the federal level, specific policy asks include halting the implementation of a misguided rule recently finalized by the Office of the Comptroller of the Currency (OCC) that would fundamentally undermine and weaken the Community Reinvestment Act (CRA), the nation's anti-redlining law, which ensures that banks meet the credit and retail banking needs of the communities that they serve.[28]

- On the state level, Governor Newsom and the legislature must continue to strengthen protections for consumers and small businesses against financial abuse and displacement, especially through the creation of the Department of Financial Protection and Innovation (DFPI). Additionally, California should pursue additional funding to small businesses and local governments, potentially through expanding the existing Infrastructure Bank.

- Local governments should consider enacting strategies to promote socially responsible banking practices.

- All levels of government must take bold actions to keep people in their homes and stabilize small businesses by preventing foreclosures, evictions and business closures. Additionally, federal, state and local governments should develop reparations programs and policies to begin to address historic wrongs though the provision of grants, zero interest loans, contracting opportunities, and investments in Black consumers, homeowners, small businesses, organizations, and communities.

Next Steps: Call to Bold and Immediate Action

This call to action includes taking immediate and long-lasting steps to provide automatic and universal fee relief; forbearance and post-forbearance options that work for and are accessible to credit card, mortgage, small business, and auto loan borrowers; access to safe and affordable credit; suspension of negative credit reporting; reparations and reforms focused on Black customers and communities and increased investments targeted to BIPOC communities.

The Federal government has provided significant assistance to the financial sector through tax and regulatory relief and through various Federal Reserve financing mechanisms, and banks have enjoyed record profits in recent years[29]; that government assistance - and at least some of those profits – must be passed along to consumers. Right now, federal assistance to large corporations far exceeds that provided to consumers, small businesses, homeowners, small landlords and tenants. And actions going forward must finally account for devastating actions taken prior – reparations and recompense are necessary to address financial harm, equity stripping and exclusion that can be traced from official and de facto redlining, to targeting of subprime and predatory products, to disparate foreclosures and loss of intergenerational wealth, to Banking While Black biases. What we have done before has not worked.

The assistance that has already been made available to consumers is a positive first step, but the financial stability and resilience of Black communities and communities of color requires bold, ambitious, collaborative action from our local banking partners, in tandem with a comprehensive set of policy responses and reforms. To ensure that banks and other financial institutions are meeting the extraordinary needs of the moment, a first step is to acknowledge that banking has been plagued by systemic bias and to agree to dismantle the baked-in racism in the financial industry.

OFE and CRC request that banks and credit unions:

1. **Adopt the recommendations outlined in this report** and commit to taking an ambitious, collaborative approach to providing small business, consumer, and community relief during this unprecedented moment.

2. **Provide additional, detailed, and ongoing data to local governments on crisis relief efforts and outcomes,** building transparency and accountability. Data should include consumer complaints, and the number and amount of consumer relief requests and relief provided, broken out by race, ethnicity, gender, census tract or zip code, and other relevant demographics. Such efforts should begin immediately, and data shared with OFE, CRC and stakeholders by year's end.

3. **Build a dialogue with community partners, including BIPOC, municipal governments and consumer advocates** to better understand community needs and impacts, and more clearly communicate challenges and opportunities, focused especially on communities of color and Limited English Proficiency households. The solutions are known. They just need to be adopted in haste.

4. **Within the next month, join BIPOC, OFE, CRC, and relevant community leaders and members at one or more convenings focused on shared goals of financial stability and community resiliency** during the pandemic and through its aftermath and eventual recovery. Options include internal dialogue, potentially hosted by the FDIC or Federal Reserve, and external engagement, through town hall meeting(s) where members of the public will be welcome to ask questions and offer concerns. Impacted communities must have a seat at the table.

The bottom line is this: while certain forms of relief are available to banking customers impacted by COVID-19, accessing this relief will likely be challenging for many, especially for those communities who have been systematically excluded and discriminated against, and more help is desperately needed. While we acknowledge the actions that banks and credit unions have taken to mitigate certain financial burdens for their clients and to keep operations running safely during this challenging time, we are calling for financial institutions to work with BIPOC, local governments and consumer and racial justice advocates to take much bolder action to meet the needs of the present crisis and to specifically address the history of racism within banking.

About the San Francisco Office of Financial Empowerment

The San Franciso Office of Financial Empowerment (OFE) is a unique private-public partnership housed within the Office of the Treasurer & Tax Collector that convenes, innovates and advocates to strengthen economic security and mobility of all San Franciscans. For more than a decade, under the leadership of Treasurer José Cisneros, the OFE has engaged partners inside and outside City Hall to equip San Franciscans with knowledge, skills and resources to strengthen their financial health and well-being. At the same time, the OFE has leveraged what has worked on the ground to model what is possible across the country.

About the California Reinvestment Coalition

The California Reinvestment Coalition (CRC) builds an inclusive and fair economy that meets the needs of communities of color and low-income communities by ensuring that banks and other corporations invest and conduct business in our communities in a just and equitable manner. CRC's 300 organizational members include multi-service agencies, affordable housing developers, housing and financial capability counselors, tenants' rights and legal aid organizations, small business technical assistance providers, Community Development Financial Institutions (CDFIs), small farm incubators, immigrant service organizations, and other community-serving organizations located throughout California. We envision a future in which people of color and low-income people live and participate fully and equally in financially healthy and stable communities without fear of displacement and have the tools necessary to build household and community wealth.

Appendix A: Survey Questions and Methodology

San Francisco Office of Financial Empowerment Survey

OFE sent a survey to 29 banks and credit unions on April 24, 2020. Surveys were sent via email, and responses were requested by May 8th. OFE received responses from eight banks and credit unions (28% response rate).

OFE Survey Responses:

Bank of America
Citibank
JPMorgan Chase
Mechanics Bank
Self-Help FCU
Union Bank
US Bank
Wells Fargo

Did Not Respond:

Bank of the West
East West Bank
Mission National Bank
Redwood FCU
SF Fire Credit Union
Bank of San Francisco
Bank of the Orient, SF
Beneficial State Bank
Comerica Bank
First Republic Bank
Gateway Bank
New Resource Bank
Northeast Community FCU
Pacific Coast Banker's Bank
Patelco Credit Union
PFM
Preferred Bank
Presidio Bank
San Francisco FCU
SF Police Credit Union
Trans Pacific National Bank

OFE Survey Questions:

1. **How is your institution supporting clients during this crisis?** Please make sure that your response includes specific information addressing OFE's recommendations, including the elimination of overdraft, ATM, and other fees and the suspension or deferment of payments owed.
2. **How is your institution treating the CARES Act Economic Impact Payments?** Will you offer free check cashing for these checks, regardless of client relationship? Will you use these payments to offset or collect on consumer debts, including overdraft/NSF fees or other negative balances?
3. **How is your institution supporting borrowers during this crisis?** Please include specific information about mortgage/home equity borrowers, suspension/deferment of payments, waivers on fees/interest,

and any changes impacting foreclosure sales, evictions, and repossessions.

4. **How is your institution working to develop and promote safe and affordable bank accounts during this crisis?** Please include information related to the promotion of Bank On certified accounts, development of new Bank On accounts, and strategies to engage unbanked and underbanked populations - including making online account opening and online services available at no cost.
5. **For all crisis relief in place or under consideration, please provide specific information about any requirements to receive help.** Will relief from fees, payments, interest etc. be automatic, or will clients need to call you? Please describe any requirements necessary in order to receive help, and explain how emergency assistance is possible if it is necessary for clients to call you and/or provide additional documentation – including providing current estimated wait times for customer service hotlines.
6. **Please provide any additional information** about actions your institution has taken or will shortly implement to help and support the community at large, beyond your responses to the questions above.

California Reinvestment Coalition Survey

CRC sent a survey to 41 banks, credit unions, and non-bank lenders on April 16, 2020. Surveys were sent via email, and responses were requested by May 1st. CRC received responses from 17 financial institutions 41.5% response rate).

CRC Survey Responses:

Bank of America
Beneficial State Bank
Capitol One
Cathay Bank
Community Bank of the Bay
CIT Bank
Citibank
East West Bank
First Republic Bank
HomeStreet Bank
JPMorgan Chase
Lending Club
Mechanics Bank
Self Help Federal Credit Union
Signature Bank
Silicon Valley Bank
US Bank

Did Not Respond[30]:

Amalgamated Bank
American Express
Banc of California
Bank of Hope
Bank of the West
Charles Schwab Bank
Citizens Business Bank
City National Bank
Comerica Bank
Farmers & Merchant Bank of Long Beach
First Bank
First Foundation Bank
Flagstar
Funding Circle
Hanmi Bank
Luther Burbank Savings
MUFG Union
Opportun
Pacific Premier Bank
Pacific Western Bank
Square
Tri Counties Bank
Umpqua Bank
Wells Fargo

Note: Pacific Premier Bank did provide a response to an earlier data request during its recent acquisition of Opus Bank.

CRC Survey Questions:

1. Is the bank offering 6-months forbearance to borrowers with GSE, FHA, VA, USDA and OWN PORTFOLIO LOANS?
2. Is the bank offering 6-months forbearance to borrowers who were delinquent, in forbearance, or in a loan modification before passage of the CARES Act?
3. What method is the bank using to communicate with borrowers? (Select all that apply)
4. In what languages is the bank communicating to mortgage borrowers, verbally and in writing? (Select all that apply)
5. Are there reasons a borrower who requests a COVID-19 forbearance would not get one?
6. What are average wait times for the bank's call centers for borrowers seeking mortgage forbearance as of 4/13/20?
7. During the forbearance period: (Select all that apply)
8. What happens at the end of the 6-month forbearance period? Can borrowers request another 6 months?
9. What is the bank doing for borrowers with other (PLS) loans? (Select all that apply)
10. If some PLS borrowers are offered forbearance, some are not, approximately what % are offered forbearance?
11. What happens at the end of all forbearance periods? (Select all that apply)
12. What % of borrowers have requested forbearance?
13. Does the bank track the race, ethnicity, gender and neighborhood for forbearance requests made and granted?
14. What steps is the bank taking to ensure that multifamily borrowers who have sought forbearance are not impermissibly evicting tenants in violation of the CARES Act's eviction restrictions? Is the bank making known to tenants when landlords have sought forbearance and are restricted from filing certain evictions?
15. Does the bank offer ITIN mortgages to single family home loan borrowers?
16. Does the bank originate PPP loans?
17. If yes, does the bank prioritize or lend exclusively to those with a relationship with your bank?
18. If yes, does the applicant need to have: (Select all that apply)
19. What outreach to small businesses is the bank doing on PPP loans?
20. Does the bank rely exclusively on SBA criteria for PPP loans, such as allowing self-certification by PPP loan applicants of payroll info?
21. Does the bank track the race, ethnicity, gender and neighborhood of where PPP loans are made?
22. Is the bank offering forbearance to existing small business term and credit card loan borrowers?
23. If Yes, on what terms?

24. In what languages is the bank communicating to small business borrowers, verbally and in writing? (Select all that apply)
25. What are average wait times for the bank's call centers for small business borrowers seeking loan payment relief as of 4/13/20?
26. Separate from PPP, does the bank offer small business loans to ITIN holders?
27. Does the bank offer grants directly to small businesses in order to mitigate COVID19 impacts?
28. Would the bank consider supporting a fund that would provide grants to small businesses?
29. Is the bank waiving account late fees, minimum balance account and related fees, and OD fees?
30. Is the bank waiving credit card late fees?
31. Is the bank ceasing all negative reporting to Credit Reporting Agencies?
32. If yes, how, and how does this differ from pre-COVID-19 collection/repossession policies?
33. Is the bank offering forbearance on consumer and auto loans?
34. If yes, on what terms?
35. In what languages is the bank communicating to consumer loan borrowers, verbally and in writing? (Select all that apply)
36. What are average wait times for the bank's call centers, for consumer loan borrowers seeking loan payment relief, as of 4/13/20?
37. Is the bank offering, or planning to offer, a deferred deposit loan or similar product for existing account holders?
38. If yes, at what APR? What other parameters will you have in place to ensure the product is in the interest of distressed customers?
39. Is the bank refraining from sending any delinquent accounts to collection agencies or auto repossessions?
40. If yes, how? And how does this differ from pre-COVID-19 collection/repossession policies?
41. Does your bank pledge to not take any part of stimulus checks of any customer the bank believes to owe certain debts (fees, defaults) to the bank?
42. Is the bank providing grants in excess of your pre COVID grant budget?
43. If Yes, how much has the bank added to its grants budget in excess of its pre-COVID grant budget?
44. Is the bank now targeting grants in particular ways?
45. If Yes, how?
46. Is the bank increasing its support of housing counseling, financial capability, and legal services efforts in response to COVID-19?
47. How much are you devoting to these efforts?
48. Is the bank providing additional investments in CDFIs in response to COVID-19?

49. If Yes, is this new money, or shifted from another part of CRA budget?
50. Does the bank make single family and multifamily REO properties available first to nonprofit groups and/or owner occupants, over investors?
51. If Yes, how so?
52. Is the bank stepping up efforts to support affordable housing development in response to COVID-19?
53. If Yes, is this above and beyond the bank's CRA plans and normal course of reinvestment?
54. Consistent with CRC's Anti Displacement Code of Conduct (see http://calreinvest.org/about/code-of-conduct/), does the bank agree not to originate mortgages on rental properties that are underwritten to rents that are higher than current rents, or that otherwise will foreseeably lead to the displacement of existing tenants?
55. Are there other pandemic relief efforts the bank is undertaking that it would like to share?

End Notes

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30 While CRC believes that most or all of the intended recipients of the survey did in fact receive the survey and merely chose not to complete it (some told us so), it is possible that one or more institutions never received the survey.