Transcript
FedTalk: Connecting the Dots ... Redlining and the CRA in the Community
Federal Reserve Bank of Cleveland
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Presentation

Bonnie Blankenship, regional outreach manager, community development, Federal Reserve Bank of Cleveland: Good afternoon. Welcome to FedTalk. I'm Bonnie Blankenship. I am an outreach manager with the Federal Reserve Bank of Cleveland. FedTalk is a speaker series in which we share research that is relevant to our community and ask you to join us for discussion. Past events have covered such subjects as the opioid epidemic, the racial wealth gap, and the Paycheck Protection Program. All of our events can be found on the Cleveland Fed's website, Clevelandfed.org, or on our YouTube channel.

Redlining is a topic of inclusion, a value important to the Cleveland Fed. Research from the Cleveland Fed economists have found evidence that the racial wealth gap is largely due to homeownership and redlining, widening the wealth gap by creating barriers for minority communities. In response to redlining, the Community Reinvestment Act was created to address the disinvestment in low-income and minority communities. In this program today, the panelists will discuss the impact of redlining and the Community Reinvestment Act in the community. Because we believe that all people must be able to fully participate in the economy for it to operate in its full potential, this topic is important to the Cleveland Fed's commitment to racial equity and economic inclusion.

We will try to cover as many questions as possible at the end of today's presentation. We will begin the program with an overview of redlining followed by a moderated discussion with our group of panelists. Throughout the program, feel free to add questions to the chat.

Let's kick it off with a redlining overview by Braden Crooks, cofounder and partner of Designing the We. Take it away, Braden.

Braden Crooks, cofounder and partner, Designing the We: Thank you so much Bonnie. It's really wonderful to be here. As Bonnie said, I'm the cofounder of Designing the We, and we're a small design studio that has been working in community development—from housing and economic development to community-based projects. We created the *Undesign the Redline* exhibit, which has been, in fact, in Cleveland but also many, many other cities across the country. We bring that around to tell the story and history of redlining, and structural racism, and inequality in policy, systems, structures, and places. So what I'll do is I'm going to share my screen and I'm going to walk through a brief part of the introduction of that exhibit, kind of introduce redlining. A lot of you have probably heard of redlining before. You'll hear a little about how we talk about it and why we think it's so relevant to today's conversation.

This is *Undesign the Redline* and you can see also our website is down there and I think, if anyone wants to see it, designingthewe.com. I want to zoom in right away. This is zooming into our exhibit here.

Here you have a redlining map of the Bronx. We always start with the Bronx. These maps are made for 239 cities and places throughout the country. The Bronx is actually where we launched the exhibit and April, who is the other cofounder, designed where we grew up in a redlined neighborhood in the Bronx, so we like to use this map. But also it's emblematic of the maps that are going to go throughout the country. These are rolled out as part of the New Deal, so you have to take yourself back to the 1930s and the New Deal to sort of think about what's going on. We're responding to the Great Depression; the federal government is creating sweeping new policy to help buoy the middle class and really creates the middle class in America and social safety net programs. And they also get heavily involved in homeownership.

There's a foreclosure crisis in the Great Depression, and they decide, really for the first time, the federal government is going to swoop in and prop up mortgages. And so they invent the 30-year mortgage, the 15-year mortgage. I'm sure many on the call are familiar with those. They are going to federally insure home loans. They kind of open up owning your own home as a core piece of American identity. But they want that opportunity really to be reserved for white families.

In the 1930s, we're at the height of Jim Crow, and the federal government is explicitly racist. And so, if you look at these maps, like this one of the Bronx I have in front of me, you've got ... These maps are, in connection to giving out home loans, they're a risk assessment. So the federal government starts giving out the loans and they say, "wait a minute, we don't have a single way to, a national comprehensive way to assess credit worthiness." At this time, you just go to your bank and your bank would assess your credit. Well they decide they want to issue a system to do that and redlining becomes that system.

So essentially, it's a credit system, but this is before you and I would have a credit score. Instead, they essentially give everybody's neighborhood a credit score. And there's only four and everybody gets a color. So you're either going to be green, you can see a little bit of green there if you're familiar with [Watts and Riverdale]. Green is great, so definitely lend here. Blue, which is second best, pretty good. Yellow, which is sometimes called declining, it's not thought of as very good. And finally, red, which are called hazardous areas. And these hazardous areas are really going to get cut off inevitably from this availability of federal home loans. But because this is issued by the federal government, it's national, it has the weight of the government, but also, it's connecting to a lot of other things that are already going on in banking. Redlining is not going to limit itself to homeownership; it's really going to bleed out into business loans, bank branch locations, insurance rates, access to really the money system in general. And so as we're zooming in on the South Bronx here, where April grew up, you have the real strangling of investment and dollars in those neighborhoods.

And you have to imagine, when this happens, these are not empty, dilapidated, abandoned neighborhoods; far from it. These are often dense areas, areas full of people, where the shops are all full and people are shopping, the streets are busy. They are not things that we might think of as disinvested or areas that should be disinvested, certainly. But nonetheless, they get slated as hazardous and so it's hard to get home loans, it's hard to buy a home or sell a home. Property values decline. It's hard to start a business. Businesses shutter, and that cycle of disinvestment continues long after the redlining is formally made illegal. And this sends those neighborhoods on a pathway of decline. And throughout the country, we see redlined areas become areas with abandoned buildings, shuttered businesses, high unemployment, etcetera, etcetera.

And the question is, "well why would they do that to an area? Why subject it to this cycle of disinvestment?" And then you start to see some of the things that come along with that here: industrialization and predatory banking that comes to swoop in and replace the systems that got removed. Well the answer is in the map. It's very hard to see but there's these numbers, there's D4, D5, C7. Those correspond to what are called "area descriptions" and the area descriptions are really the smoking gun. Because they're going to say, "well, why is it yellow, why is it red, why is it green," right? And so, we have an area description here for the Bronx. If you get down here to line C, it says "detrimental influences Negro infiltration."

Right, so we're going to be completely explicit; there's no mincing words. The federal government comes out and says, "these are hazardous people, hazardous human beings in America." And we need to know where they are and where they're "infiltrating or invading." And by determining where that is going on, we're going to connect it essentially to the entire financial system, right; invariably that's what ends up happening. And this is going to associate race, geography, place, real estate value, all of these systems. And the federal government particularly calls out "Negro infiltration." They also group a lot of other folks as hazardous—Asian Americans, Latino Americans, new immigrants—what they call foreign-born groups, which at that time included Italian immigrants, Eastern European, Jewish people. All of whom get ranked somehow or another on sort of the American caste hierarchy of human value as hazardous.

And so you can zoom in here, line E. In this particular neighborhood, we have infiltration of Italian and Negro and if you go over here on line D, you have a particular call out like "Negro infiltration that's 3 percent." So in this case, it's almost a one-drop rule you'll see to our neighborhood. And this is going to be a big shift because, although beforehand, you'll see a lot of discrimination in banking and if I was a Black family, I would have trouble, probably, getting a home loan. Now so will all my white neighbors, right, because I happen to live on the block. And that is going to spur white flight out of redline neighborhoods and begin concentrating people into redlined areas. At the same time, they were disinvesting and devaluing those neighborhoods.

And so that, well that's happening on the one hand, that 3 percent becomes 97 percent and hyper-segregation, although segregation was increasing, hyper-segregation increased segregation until at least the'70s or '80s, and it really hasn't gotten that much better. On the other hand, you're opening up this huge spigot of wealth building that's going to be for homeownership. Well who gets access to that, right? Well that's going to go to these green areas. Well what makes an area green from blue is this is where white folks are living. It's also to say here are areas with restrictions on hazardous infiltration. So this is an area with a racial covenant that says it's whites only or it's the deed to the house; you can't sell this house to a Black family or an Asian family, etcetera.

And the federal government says that's good, that's what we want to see because by preserving homogeneity, you preserve property values. And a handful of places in cities get green but cities that are more heterogeneous—the vast majority of the America cities across the country—is going to be red and yellow. And just as an aside, if you're interested in looking at the maps in your city or somewhere you're familiar with you can go to, look up "mapping inequality," which is by the University of Richmond. They did a great job digitizing all of that.

Those areas that tend to be green, tend to be new developments, suburban areas. Areas that can kind of wall themselves off and say, "we're going to be whites only." And so this starts to produce over time this structural geography that we're so used to in cities across the country, which is concentrated areas of poverty mostly in cities, mostly people of color, and much wealthier, much whiter suburbs that surround them. And that essentially gets invented by that geography by redlining and the many systems that are connected to it.

This is why you see, when we see structural racism, you see that Black and white written policy, "hazardous infiltrators" in the 1930s, get designed into the very geography, the physical structure of the country. Where now, fast forward till today, and you can have different schools, you can have different policing, you can have different housing, different opportunity, all these different things. Not necessarily even mention race but still have different systems for different people, preserve essentially an apartheid-type system in the United States because we have turned racism into a structure. And this has major, major impacts. And this is one of the reasons why redlining is not just an artifact of the past, it's something very present today. You can go and look around and see it and its effects are deeply, deeply ingrained.

And the other major way that that reveals itself is through the racial wealth gap. There's this enormous racial wealth gap in the United States and not so surprising when you start to think about things like redlining. There were many families, who, in the '30s, '40s, '50s, were people of color who would've entered the middle class. Who would've, if they had access to the same, the GI bill, zero money down home loans, etcetera, etcetera, they probably would've built wealth and entered the middle-class. But guess what? They're forced into buying homes in redlined areas if they're able to buy at all. Or just renting through slumlords who are running the game. But a lot of folks who did buy ended up being forced to use contract buys, another subprime and predatory lending that comes in to replace in the absence of good federal loans, number one, and number two, you've bought in a redlined area.

So this isn't going to become the anchor asset that you build intergenerational wealth with to send your kids to college. You're going to lose the money on that home and you're going to see that become the albatross and destroy your wealth. And that happened to millions of families across the country who were working. April's mother is a great example: working, a full-time nurse, who works a second job, bought in the Bronx thinking, "hey, I'm buying into the American dream, I'm doing everything right, we're upwardly mobile." But nonetheless, ends up, unbeknownst to her, in a redlined area where it's redlined because of her presence and that becomes a totally different trajectory than that family would've experienced if they had either access to a green area or, of course, if redlining didn't exist.

And this is from a report, it's called *Umbrellas Don't Make It Rain*, which is a really great title because it's talking about all the programs and policies—some of which we'll talk about today—meant to ameliorate the historic wealth destruction that redlining and policies like it created, but doesn't go back to rebuild the wealth that was actually destroyed. You know this question of "how did we get here," it's so rarely asked in our policy. One of the things in our exhibit, that's just kind of the introduction to redlining, we have a timeline that goes all the way back and all the way forward till today, connecting many, many, many policies as well as how people are responding to that from civil rights to Black Lives Matter, etcetera. And showing that story but throughout that timeline, what you see are policies that end up reproducing the same inequities over and over again.

You have a few exceptions where people try to create policy and the Community Reinvestment Act, Fair Housing, things like that are examples that have had limited success. But one of the examples I'll give of this question not being asked, there are many stories where folks would go around and say, for example, "we want to raise property values in our city, we want to see property values increase because that brings up property taxes, and things like that. How can we do that?" "Well, we have certain neighborhoods that are really dilapidated. And why is that? Well, people aren't fixing up their homes, people aren't painting outside the houses or mowing the lawns or whatever, and if we just got them to do that then maybe the property values would go up."

So they ended up giving out code violations saying "hey, you're not following building codes," but people couldn't pay the code violations so then they put tax liens on the homes and they start taking homes. But when you look at that policy and say, "well what was your answer to the question?" Why this was this way? I guess the answer was, "oh, folks are lazy. They're not doing enough; they need to be pushed into doing it." But actually they did this in all the redline neighborhoods of that city. So, the actual reason is no. Decades and decades of racist structural disinvestment on behalf of banks, federal government, all these other actors, right? That's why. Basically you've created a policy that is actually punishing the very people who are the victims of redlining for being victims of it. What would a policy look like if we actually started with the question of "how did we get here?" I'm sure it would look very, very different. And of course, critically, if we involve the very people who are on the frontlines of these crises in the solution-making, that starts to get at some of the answers of what do we need to do in terms of repairing this legacy. I'm actually going to leave it off here because I think that's a good segue into the panel.

Q&A

Bonnie: Braden, thank you for that presentation. It sets the conversation for the rest of our discussion today. So with that, I would like to introduce our other panelists. Dr. Ronnie Dunn, Jeniece Jones, Stacey Skarlinsky. Can you each tell us a little bit about yourself? Starting with you Dr. Dunn.

Dr. Ronnie A. Dunn, interim chief diversity officer, Cleveland State University: Yes, good afternoon and thank you for having me, and Braden, thank you for that comprehensive history and overview of redlining. I'm Dr. Ronnie Dunn, the interim chief diversity officer and associate professor of urban studies at Cleveland State and I'm on faculty in the Maxine Goodman Levin College of Urban Affairs. I study issues of race and issues affecting the minority and urban poor populations. Once again thank you for allowing me to be a part of this important discussion.

Bonnie: Terrific. Thank you Dr. Dunn. Now I'm going to turn to my fellow Cincinnatian, Jeniece Jones. Jeniece?

Jeniece Jones, executive director, Housing Opportunities Made Equal (HOME): Hi, how are you, Bonnie? Thank you so much for having me. I'm so excited to be a part of the FedTalk series and this incredibly important topic of redlining and where we go from here, and how these structural issues are still impacting us every day. I'm Jeniece Jones. I am the executive director at

Housing Opportunities Made Equal of Greater Cincinnati. HOME is the fair housing organization here in Greater Cincinnati. We examine, explore, investigate allegations of illegal discrimination in housing, and we also do what we can to promote stable integrated communities. So thank you so much for having me.

Bonnie: Great thank you. With that I'd like to turn it over to my colleague, Stacey Skarlinsky. Stacey?

Stacey Skarlinsky, senior examiner, Federal Reserve Bank of Cleveland: Hi, good afternoon. I'm excited to be here with all of you today. Again, my name is Stacey Skarlinsky. I am a senior examiner with the Federal Reserve Bank of Cleveland, and I'm part of the consumer compliance supervision team. We work to ensure that our financial institutions are operating in compliance with consumer protection laws and regulations and that includes the Community Reinvestment Act and the fair lending related requirements. And just as a reminder, any comments I make are my views and don't necessarily represent the views of the Federal Reserve Bank of Cleveland or the Federal Reserve System. Thanks.

Bonnie: Excellent. And also for our panel, Braden is going to remain in taking questions. The first question I am going to ask as the moderator and it's really to any of our panelists, "describe how redlining legacy lives on in cities today across the country, if you would, please?" And we can start with Dr. Dunn.

Ronnie: Redlining lives on in so many ways. As we're in the midst of this COVID-19 pandemic, we see the racial health disparities that are being magnified by that. And if you were to do a heat map or a thematic map of the various underlying health disparities that predispose African Americans and communities of color in those areas of redlining and do an overlay, I'm sure that you would most likely see that they were parallel; those areas that were redlined throughout the 20th century. And then also with the predatory lending and the foreclosure crisis, that is once again another manifestation of contemporary practices comparable to redline.

Bonnie: Excellent, thank you. Braden, would you like to jump in here?

Braden: Sure. Well, you know a lot of what I mentioned in the presentation, the legacy of redlining has never been repaired. You can look at almost any indicator—whether that's schools and education based often on property tax and jurisdiction—the lines that sometimes will even line up with the 1930s redline maps. From that to policing to housing, we see the connection between place and race still very strong in many, many cities throughout the country and, something that we'll touch on later, things like gentrification are very connected to redlines.

Bonnie: Jeniece or Stacey, would you like to comment?

Jeniece: Yeah, I would. Also, and just echoing what's already been said before, one of the things that we did here in Cincinnati is a study a couple of years ago. We found the eviction rate in areas that had been previously redlined was also exceptionally high, so we feel like it's a legacy. It's kind of a thread to the past in terms of when you look at some of the disparities that are generational and systemic. Redline is kind of the original sin or the poisonous tree that a lot of these things spring from.

Bonnie: Thank you. We're actually going to turn to some questions now that we received during registration. The first one is going to be directed to Stacey. "How much of a role does the Fed play in ensuring banks are not redlining and what are the penalties?"

Stacey: Sure, thank you for that question. There are a couple of ways that the Federal Reserve can address redlining by the banks that we supervise. The first one is through the Community Reinvestment Act, referred to as CRA. CRA is intended to encourage banks to meet the credit needs of the communities in which they serve, and the banks are required to establish assessment areas, which are comprised of the geographies in which the branches and deposit ATMs are located. When regulators conduct a CRA performance evaluation, one of the criteria that's considered is how well the bank is meeting the credit needs of its borrowers of different income levels and businesses and farms of different sizes. So, while CRA encourages banks to lend to all parts of their assessment area, it encourages, of course, with some emphasis on lending to low- and moderate-income areas.

As examiners, we are intentional in our conversations about CRA and we limit those conversations to income as set forth by regulation BB. When it comes to redlining as it pertains to discrimination against a protected class, that falls more under fair lending. And fair lending consists of compliance with the Equal Credit Opportunity Act and the Fair Housing Act. Now the Equal Credit Opportunity Act or ECOA prohibits creditors from discriminating against applications of various protected classes, which includes things like race, religion, national origin, sex, marital status, and so forth. The Fair Housing Act makes it unlawful for any lender to discriminate in the housing-related lending activities on similar protected classes.

So the Reserve Bank routinely conducts redline interviews as part of our supervisory activities and we follow the Federal Financial Institutions Examination Council's fair lending procedures, which are utilized by all regulators so that we can have consistency throughout the banking system. So where CRA considers the income of the geography, a fair lending review under redlining or a redlining review under fair lending evaluates the racial and ethnic composition of the area and how effectively the bank is serving those minority areas.

So we look at four factors when we do this analysis. First, we consider the areas where the bank is lending, which can be larger than their assessment areas that they've delineated for CRA purposes. We do this to ensure that the assessment area or a larger credit market has not been drawn in a manner that reflects illegal discrimination. Then we also look at loan applications and origination and consider where they've been originated within the geography to make sure that the bank is serving those majority-minority census tracts. We compare the bank's performance to peers in that same area. Next, we identify whether or not the bank has any branches located in the majority-minority census tract. And then, finally, we review marketing and outreach conducted during the review period just to determine whether the bank has been promoting lending products to all of their communities.

Now you asked about penalties as well. There are some penalties for not complying with CRA and fair lending requirements. A less than satisfactory CRA rating carries reputation risks because the CRA performance evaluation is a public document, and ECOA and fair lending also include consequences for noncompliance. The Federal Reserve would refer any potential redlining matter to the Department of Justice and patterns of practice of discrimination could result in a lawsuit filed by the DOJ. Now those DOJ settlements can include civil money penalties and a remediation plan that can cost the banks millions of dollars. These settlements are public information as well, so again some reputation risks. And then further, if we were to identify any type of illegal credit practices that would also result in a downgrade of the bank's CRA rating.

I hope this quick overview provides some insight into how the Federal Reserve administers its regulatory responsibilities.

Bonnie: Thanks Stacey. Another question for any panelist and we can start with Braden. "Are government-led policies the answer to the ills created by redlining?"

Braden: Well I'll say that definitely it should involve everybody. The government absolutely needs to be involved because the government has harms to address that it conducted. So, I'll leave it at that and actually pass the torch 'cause I do want to hear from folks.

Bonnie: Jeniece?

Jeniece: Yeah, as Braden just said, the government has a responsibility to firmly further fair housing, in the sense that the Fair Housing Act explicitly says to eliminate illegal discrimination and promote stable integrated communities. One thing that we would say is that state, local, county jurisdictions that are getting federal dollars need to be highly incentivized and encouraged to do whatever they can do to eliminate the ills of redlining within their jurisdiction, to [put in place] fair housing plans that have real consequences—using their might as the largest, sometimes, developers within a jurisdiction to encourage both lenders and developers to put processes in place that do some redress around some of the ills that were caused by redlining. So I think there's a lot of money tied to these federal grants, these block grants that come down to the state and local jurisdictions. They do have a responsibility to implement affirmative policies that redress some of these systemic ills as part of their ability to get those federal funds.

Bonnie: Dr. Dunn, would you like to weigh in on this?

Ronnie: Yes, absolutely. I think the government has a central role to play in addressing the legacy of redlining. As the documents that Braden displayed earlier illustrates, the government explicitly promoted and facilitated, administered those, the FHA, the Home Owners' Loan Corporation, and backing the mortgage and real estate industry in a racially exclusionary and discriminatory way. So I say we have to be just as explicit in deconstructing or remediating the damage that these governmental policies have precipitated. So yes, I clearly believe the government has a critical role to play in this regard. And I'm going to say in this moment of racial reckoning, where we're trying to address and eradicate institutional racism in the structures of society, it's time to have that critical and serious discussion about reparations. In the wake of the unrest, in the wake of the George Floyd incident over the summer, Ta-Nehisi Coates, who wrote about reparations in *The Atlantic* several years ago, raised that argument and the late Congressman John Conyers had introduced over 25, 26 years ago, to commission the study of reparations for African Americans. I think it's time that our government passed that act and critically looked at reparations. That's the only way I think we're ever going to really eradicate the structural legacy of racism in this country.

Bonnie: Thank you, Dr. Dunn, for your comments. I've got a question regarding CRA and the prevention of redlining. "In what ways have the current set of rules established in the CRA to prevent redlining missed the mark and allowed redlining to continue?" Dr. Dunn, would you like to lead us off on this?

Ronnie: Well as I indicated earlier, the CRA, while well-intended in application, it has obviously fallen short in some areas. Now the city of Cleveland kind of was at the forefront of using their municipal deposits or the funds from municipal revenues in a way that held banks accountable as to where we deposit our funds in those banks that reinvest and adhere to the CRA. So now with online banking and these entities that aren't tethered to place, we need to have something comparable to the CRA to help require those banking entities to also contribute to local areas and cities where they might have a certain percentage of their depositors coming from to, once again, invest in those underserved communities as well. And the predatory lending that we saw in the foreclosure crisis, that's an inversion, if you will, of redlining because now they were targeting minority communities for these toxic loans. That, once again, is comparable to CRA and some of the shortcomings.

Bonnie: Excellent. Are there any other comments from our panelists? Braden, would you like to jump in?

Braden: One thing I just want to echo what I've heard from everyone, the CRA, I think looking forward, if we were going to get imaginative, I think what was said about reparations is spot on. The CRA, how could the CRA or new CRA or new operation, for example, look at rebuilding wealth that got destroyed in redlined areas, as well as driving investment because we know that despite CRA being in operation for 40 years that we haven't seen the wealth gap getting closed? How do we start to think about how that could happen? We did have out in Evanston, Illinois, we passed municipal reparation. It's the first of that in the US and we're very proud that the [*Undesign the Redline*] exhibit was there while that effort was going on. But thinking about if the federal government gets involved but also you can look at local government, state governments are thinking about this in a way that is deeply healing. And I think that conversation needs to be breathed life into for sure.

Bonnie: So, I'm going to go back to what Dr. Dunn said about internet banking. There's a question that came through and it is, "Do you think that the rise of internet banking is a threat to the effectiveness of the CRA? Specifically, if an internet bank does not have branches, it does not have local communities to serve. How is this currently handled and how should it be handled?" Jeniece?

Jeniece: Yeah, so the whole thing around fintech and everything around technology and banking and fair housing and fair lending required first of all a very deep intentional lens when it comes to bias because bias that was in our bricks and mortar system can carry over into our digital system. That said, I think just like anything else that comes to concern from a fair housing perspective, when we look at things in the absence or in the void of branches and engagement by local bankers, that's when the predators move in—whether it be predatory lending institutions or land installment contracts—and those types of things that we see are generally harmful. I think there should be considerable consumer protection and regulation around online banking, fintech, and as those entities grow and gain influence and target younger and more tech-savvy markets, regulations should quickly and closely follow.

Bonnie: Stacey, in the same line of questioning, here's a question for you that's coming from our chat. "How does the advent of digital banking, no physical locations, impact fair lending reviews and exams?"

Stacey: That's a great question. So I think this is a very timely question, too, as Jeniece pointed out, that with the changes to internet banking and digital opportunities for reaching customers, we are seeing the CRA as not keeping up and so with the Federal Reserve just reissuing their advance [notice of] proposed rulemaking and the comment period just closing, I think that this internet banking is going to be a hot topic from a CRA perspective for some time to come. I do look forward to seeing what kind of comments we're receiving and what the ultimate solution is.

I like that this question is focusing on the fair lending aspect of it because while the CRA is only looking at assessment areas, when regulators evaluate redlining as part of a fair lending review, we consider all areas where the bank is making loans. So we're not just looking at where the physical branches are. So, for example, if a bank were to have branches only in the Cleveland market, but they're assessing online mortgage applications from Cincinnati, Columbus, Pittsburgh, various areas like that, we would expect to see the bank is serving each of those markets in its entirety. And we would expect to see loan applications and originations from minority-majority areas in all of those metropolitan areas that they're serving.

Bonnie: Thanks Stacey. So another question from our chat is for Braden. Going back to your presentation, Braden, on the maps, "are these maps still being used today? Have the area descriptions not been updated since 1937?"

Braden: So, the maps that I showed are only produced once in the 1930s. The FHA, Federal Housing Administration, also produces an underwriting manual, which goes along with the maps but also really is kind of used everywhere. So even if your town or place didn't have a map, then an underwriting manual is the same racist language. In terms of those maps, that's the answer there. But redlining lingers on, it gets embedded in systems, and you'll even see some people do mapping projects today on like what neighborhoods are good or bad, and it can closely follow redlining. The answer is the maps are produced one time in the 1930s, technically, but it would be disingenuous to kind of say that's when it started and ended. It very much so even continues today. You can see it in insurance rates. Certainly there have been lawsuits against fair lending and bias throughout the system. I could say examples of that but it really is ambiguous still, even in real estate in the way that real estate gets appraised and valued. There have been instances where we've seen homes being appraised at much lower numbers simply because they have a Black owner, to racial steering in real estate to, you name it.

So, these practices still continue, and most importantly, also the legacy of redlining continues, which is structural; it's deeper. Even if you say, okay, with fair housing, anyone can buy a house in any neighborhood, can you afford that neighborhood anymore because you've seen your wealth destroyed in an intergenerational way?

Bonnie: Thank you. Another question from the chat. This is to Dr. Dunn. "Does redlining eventually lead to gentrification? Please explain the relationship."

Ronnie: Well it can but not necessarily. As the property values, for example, in Cleveland, as the property values decrease, it then, once those communities go through the cycle of decline and deterioration and generally they'll reach a bottom, at which point there's reinvestment in those communities. No, we haven't seen that uniformly across the landscape because some communities aren't seen or [been] targeted for reinvestment. If we look at Tremont, in the Cleveland area versus Hough or Central, while they are located near the central business district and a lot of the core of the city and have those larger institutional connections or amenities nearby, we still haven't seen that reinvestment in a Hough, in a Central, and those further outlying neighborhoods. So it doesn't necessarily lead to gentrification but in many instances it does. Depending on what the value of the amenities in that particular neighborhood happen to be or how they're viewed by the population.

Bonnie: Great. In a simpler question, this is to Jeniece: "How do we ensure that affordable housing development is equitable?"

Jeniece: That's a great question. One of the things that we advocate for and I advocate for is clearly the city, the community, the jurisdiction developing an equitable rubric for communities to have the power to sit down with developers, with the city, or the developing entity, and have conversations and decisions about whether or not this development is going to make sense for this community or if it's going to cause gentrification. Community voice is incredibly powerful and critical to that. That's the thing that does the most.

It's a lot of grassroots organizing, it's a lot of knowing that when election season rolls around you have to ask candidates what is your plan for fair and affordable housing in our community, can you tell me some things you can do to ensure that if I'm getting a little behind on my property upkeep that I'm not getting citations that are going to push me out? If I get a "we buy houses" postcard in my mailbox, who should I talk to about that? Who's buying these houses? Where are they coming from? Where can I get information to kind of drill down and figure who those actors are? So I think it's a lot of, I mean HOME does some of this community education in terms of meeting with community councils, church groups, tea parties, whoever. We'll meet with them and talk about here are the things you need to look for on a block-by-block basis, here are the questions you need to ask, here's how you need to be visible, here are the things you need to look for in your community. Is there a lot of commercial real estate cause usually it's the first floor that goes, and then it's the upper floors that goes, or it's the house that has the most issues on the street that comes in and gets part of this equity group and then it spreads. So that folks know to ask questions of, not only each other in their community councils, but their elected officials, and saying who are getting these permits, who are getting these zoning variances, why is this group getting a tax abatement, where are the affordable developments that are going to be connected to this? So those are some of the questions that we encourage folks who come to HOME to ask in a very intentional way and make sure they are on the ballot and issues that are on the ballot are going to support that. But it's definitely a matter of political will and folks taking direct action.

Bonnie: Thanks, Jeniece. So we have a question for all of our panelists now. "Moving beyond simply reinvesting in affected communities, what, if any, roles should regulators play in forwarding or championing wealth redistribution initiatives?" Braden, how about if I go to you first?

Braden: Well, I think that some of the things that we've already talked about, part of when we talk about undesigning redlining, which is in this, it's about system change and it's about repairing, rebuilding wealth. I mentioned earlier we have the Community Reinvestment Act. What about a community wealth act to tackle wealth crises? And we've talked about that on the level of something as small, seemingly, as a park. We were talking about this in Baltimore, where a new big park is going in and [there are] fears of gentrification because we know that private investment and speculation often follows public investment. So we said if there's a historic way we see this public investment in a park coming in that is reproducing inequities, what is the reparative approach to building a park? And so you can take anything like that and say there is a reparative approach because if there's a destructive approach, there's a reparative approach and start to think of that.

These become conversations about lifting up neighborhood stories, connecting to community organizations, cooperatives, you name it. I think that has to happen on many different scales—from the very local to the national—and you look at things like down payment assistance, things like which can really start to bring wealth directly back into homeownership for folks, people who are already homeowners, getting grants to refinance or fix their homes or invest in the homes. We just looked at that in Des Moines, a program to help existing homeowners. There's just a plethora of things that can be done. It's a process, I think, to get there, which is inviting folks to the table and really going through all the opportunities and listening, not just dictating from the top down.

Bonnie: Jeniece, would you like to jump in?

Jeniece: I think investing in community development corporations and CDFIs is one way to get banking really local and member-driven. Also, something that's on the horizon that's called alternative credit scoring, where you're looking at things more that aren't in typical credit scoring in the top three, that kind of roll up into the credit score, looking at some alternative factors that could be indicative of a person's ability to pay. A lot of thought around assets-to-loan ratios, low-dollar loan amounts. Again requiring jurisdictions that do business with these lending institutions, for the lending institutions to make affirmative steps to connect with the community and offer loan products that the community really needs, not just what they have in their menu. I think that creative thinking is a big part of that, community action is a large part of that, and again holding jurisdictions and electives accountable for what you want to see ultimately.

Bonnie: Thank you. Dr. Dunn, would you like to jump in on this question?

Ronnie: Well I think my colleagues have covered it pretty well, so there's nothing I can think of to really add there other than we need, as they both inferred or indicated, we need specific, targeted programs and innovative programs to address the needs of the underserved and historically marginalized populations and communities.

Bonnie: Thank you. Now another question from our chat is "you mentioned modern-day mapping efforts in the affordable housing industry. We are often seeing efforts to map neighborhoods based on opportunity. Fair housing advocates often argue that these maps help de-concentrate poverty and segregation, but they also mean investment is being directed to whiter, more suburban neighborhoods. What is your perspective on this practice of opportunity mapping?" Braden, how about if I toss this one to you?

Braden: Just checking in with Dr. Dunn and Jeniece, if you guys know more about opportunity mapping, you can jump in. I would say I know kind of, in general, what I would say is we have to work in both green neighborhoods and red neighborhoods, but I would definitely say that's the case. It's not just to say oh, red areas, I'm using the map as an analogy of where the problem is.

Actually, redlining was also about driving investment and segregation in green areas. Building affordable housing, bringing integration in green areas really should be the focus or a focus of what we're doing. At the same time, there should be no neighborhood where, for example, you have to move to for opportunity. There should be no neighborhood where there's never going to be opportunity there, and your only chance is to move out. That's not good either. So how do we bring reinvestment and wealth back into every neighborhood? Set the bar at what is our ideal neighborhood: It's a thriving place, it's a place where many different people from different backgrounds with different incomes, etcetera, can thrive and live together. Well green neighborhoods don't meet that one; neither do red neighborhoods.

Green neighborhoods are homogeneous and really exclusionary, and red neighborhoods are places with not enough opportunity. So how do we work in all of those areas to get to something that we want to see in our society that represents the ideals of our democracy?

Bonnie: Thank you. Jeniece, Dr. Dunn, would you like to also jump in on this?

Ronnie: Well I'll just add that we do have to not only focus on place-based applications relative to providing opportunity but as Braden referenced, moving people to opportunities and those green maps. We want to making universal across all areas where people have access to equitable opportunities. That's really what it's about. I served on the board for the Cuyahoga Metropolitan Housing Authority for years, four of which I served as the chair. We really tried to facilitate providing opportunities in various ways. Mixed-income housing, for example, that is the key focus to ensure that low-income residents aren't all segregated in the traditional public housing estates of old but are in more vibrant and resource-rich communities as well. Now some of that did entail providing housing choice vouchers to residents to move to those communities where they were more resource rich, but then by the same token, implementing programming and building and developments that were specifically designated as mixed-income housing as well. It takes a multiple-pronged approach to address this. Once again, we don't want to segregate opportunities and perpetuate or reinforce the segregation that already exists.

Jeniece: I'll just add, a lot of what I talk about to individuals, groups, parents, grandparents is what is the moon shot, the moon-shot thinking that we need to think about 2040 as well as we think about 2022. And if we're becoming a more Brown and more Black community, these disparities will no longer remain, and the margin will spread into the general populace. So if we're thinking nothing of, and it goes beyond telling people to do the right thing, it goes beyond saying, what is the future of your interest? What do you want for your children? What do you want for their future? And that goes to what Braden and Dr. Dunn spoke about intensively: making it tangible for individuals so they know they have to take action, today, tomorrow, next week, in order to ensure a future of opportunity for their children, who are probably, like I tell some of my brothers and sisters who are white, I say they're probably looking more like me than like you, if demography bears out. Do you want them to experience the same levels of racial segregation, racial discrimination, or do you want our communities to grow and thrive together? So it's moon-shot thinking. But I think it's important to tell people things in a way that this is the way you provide for your family's future.

Bonnie: I like that, Jeniece, moon-shot thinking. So I'm going to direct a question now to Stacey. So going back to CRA, "what does it mean for a financial institution to have a satisfactory exam?"

Stacey: Sure, from a CRA perspective, a bank that would have a satisfactory exam would mean that we found that they are serving the areas in which they are located. Again we would look at how well the bank is meeting the credit needs of different borrowers, excuse me, of borrowers of different income levels and also businesses and farms of different sizes. For some of our larger banks, we would also look at the services that they are providing and how well they are doing with community development as well.

Bonnie: Stacey, there's also another question that came through. "Are there technological developments that can speed up the process of evaluating banks' performance under CRA, assessing compliance issues, and developing enforcement actions when warranted more quickly?"

Stacey: That's a really good question. Definitely there are some technological advancements. Technology has greatly impacted the way that the Federal Reserve and other regulators can evaluate the banks' performance either under CRA or fair lending. As far as I think the last part of that question has to do with enforcement action, is that correct?

Bonnie: Yes. Assessing compliance issues and developing enforcement actions.

Stacey: Okay great. I think one of the areas that maybe would be most interesting to this group is just thinking about the availability of the mortgage data. The Home Mortgage Disclosure Act, which is known as PE, is a law enacted years ago that would require mortgage lenders to keep and report key pieces of information about their lending practices, and they are required to submit that to the authorities every year. So, with the HMDA data, it really is the most comprehensive source of publicly available data that we have about the US mortgage market. I think what's interesting about this and maybe interesting to others is that this information can be downloaded from the Consumer Financial Protection Bureau's website, and it can be used to identify trends in the market. It can be used to identify an individual bank's performance. And the Federal Reserve uses this when we're conducting examinations, other regulators use it as well, and it can be used by banks to figure out how their performance measures up against their peers. It can be used by community groups to figure out how effectively banks are serving the market. So this is a really great piece of information that is available.

I will add, though, that while this is available, it does not contain any type of personal identifiable information. So there are no names, addresses, or anything like that, but it does have the government monitoring information that would go along with the mortgage loan application. And so it would have things like where a loan was made, whether it was in a majority-minority census tract, the race and ethnicity, as well as the gender of the person that the credit was extended to. Again, I just, this is a really great piece of information and some technology that can be used by so many people to help understand banking and lending patterns throughout the United States.

Bonnie: Thanks Stacey. Another question came in about unbanked. So, let's see, "what about the unbanked and underbanked due to redlining? How do we onboard the credit invisible? How can CRA assist with this population, which is around 25 million." Jeniece, would you like to weigh in on this one?

Jeniece: Yeah and that's critical. So part of what HOME does is we get calls from individuals who are experiencing some type of housing crisis. And sometimes they say they're being treated unfairly and we investigate and we see if it's a landlord/tenant issue, dispute. Or if it's something under the Fair Housing Act. A lot of times what we learn is that so many of the folks who call us, they're low- to moderate-income, it may be that the landlord says, "You didn't pay your rent," and the client comes back and says, "Of course I paid my rent. I can bring you the MoneyGram stubs," or "I sent a money order." And we know, essentially, that person probably doesn't have a bank account and does all their bills in cash.

One of the things I think is just key is visibility and cultural competency in some communities. I think that we've heard where there's a real divide in terms of the assumption of some loan officers and thinking, they're low- to moderate-income. We want to get them signed up for bank accounts and maybe we can set up a learning day. And my response, naturally, is cash has been more responsive for these individuals. So there's a conversation that has to come with cultural competency and some middle-class thinking that doesn't make sense for folks who are working class and paycheck to paycheck.

So that's one thing I think to really drill down and look at, line by line, what a person's budget is when they're low- to moderate-income, when they're at or slightly above minimum wage versus maybe that loan officer's background in terms of the first major thing that they did when they got their job, when they were a teenager, was open their first bank account. You have people, grown people, adults with children, families who have never successfully been able to have a bank account. So, I think there's a real divide in learning on both sides in terms of when you're speaking to people about how you handle your money, how you handle your business on the daily. You have to meet people where they are and come with some competency with why folks might be hesitant to work with banks.

I've heard, of course, stories with the late fees that'll tear a paycheck to shreds, what one client once told me. So those are real experiences that people don't forget. Banks may have eased up on some of these policies, but still there is that belief that if I'm a little behind or something happens, I'm going to be penalized and that's going to eat into my checks for the following week. So, something as similar as that is something banks can look at to remediate. And then also, make sure that they're telling that story in the public and that folks get that information and know what to expect.

Bonnie: Dr. Dunn, would you like to comment on this question as well? Thanks, Jeniece.

Ronnie: Well, I'd just like to echo Jeniece's comment about the need for cultural understanding and competency on both sides. I've seen evidence of that middle-class bias in this regard. Just recently at my institution, when it came to dispersing checks to students and the issue was raised that some still needed a print check and an administrator couldn't believe that we would have to still issue physical checks. And I chimed in and told them, "Yes, in some communities there really is still a need for that." And that's a discussion that needs to be undertaken and ongoing within our own institutions.

So that financial literacy is very important in underserved communities. And then, once again, I mentioned serving on the board for our public housing authority. A lot of our residents in low-income communities just prefer to, in essence, stay off the radar, if you will. They have such a skepticism and distrust for public institutions in general, government and other types of institutions, so there is a lot of education that needs to take place on both sides.

Bonnie: Yeah, thank you for mentioning financial education. That's very important. So, Stacey, I have a follow-up question from the chat for you. "If banks are preparing their own performance evaluations, how are regulators verifying if CRA is really happening in low-income communities on all levels? Does the bank provide community contacts or does the regulators seek out community development and financial institutions or nonprofits?"

Stacey: Sure, thank you for that question. I would say that regulators do rely on the loan data, the HMDA [Home Mortgage Disclosure Act] or other loan data that I mentioned earlier. We would rely on that to conduct our analysis. When it comes to understanding how institutions are performing community development, our banks submit that information to us and then we make an assessment to determine what meets the criteria and then make an evaluative statement in the other data as to how well they're doing that. We do perform community HMDA tax and we typically look for organizations within the assessment area, or within the bank market, that would be applicable to the type of lending that the institution is doing. So, for example, if it's a bank that is heavy in mortgage lending, we might seek out some sort of housing authority or public housing, a group that could help assist us to understand the market and just put some performance context around what the bank is doing to make sure that we're truly understanding what's happening in their area.

Bonnie: Thanks, Stacey.

Bonnie: So I have a question for all of our panelists: "What current factors allow redlining to continue that may not be easily recognized? Such as financing, appraisals, realtor steering, or if there's something else." Braden, can we hear from you first?

Braden: Sure. All those things you just listed are happening. There was an instance, for example, in Chicago, I saw an article about it and I don't have it on the tip of my fingertips, but where a Black woman was selling her condo and found it appraised at about the same price that she had bought it for many years earlier. And was surprised by that and had it reappraised but hid the fact that she was a Black woman and found it appraised for, what, $60,000 or $80,000 or more. And I wonder, if you would ask that appraiser, did you appraise it lower because she was a Black person? They might not say that's the case. They might say, "I don't know. I don't know." But this bias is still manifesting. And so that shows how systemic it is.

So that real estate steering, as you mentioned, everything from ... I know people who've applied for a credit card, do have an address in a redlined neighborhood, and were able to use an address that wasn't in a redlined neighborhood, that was the only change. And they were able to get that credit card. There's many stories like that. Also, just touching on this question of underbanked as well. I was thinking about that in this regard. There's so much, and rightful, mistrust with these institutions. I mean, for a lot of folks, the only interaction for generations—and this is deeply embedded in the banking industry—has been predatory. Predatory loans coming in, predatory banking, payday loans today, things like that. The people who reach out in neighborhoods that are lower income tend to be the ones that are predatory. Those are the ones they interact with.

So, to be wary is very smart thing to do, it's well learned. So, to rebuild trust is going to take a lot of work, I think, on the effort of banks and others who've been engaged in this. And it starts with acknowledging the history. There was a huge Black banking industry in the United States. There was Black Wall Street in Tulsa, Oklahoma; that's the financial culture. So that got destroyed. And so, you have a lot of these pieces that become endemic. The memory, the history of it becomes endemic, and it's embedded in biases, embedded in things like mistrust. And so, you can set any laws you want, but how do you unearth and unwind and de-program all of that is a big, society-wide project that we're going to have to do in truth and reconciliation and things like this.

Bonnie: Thanks, Braden. This gives me, personally, a lot to think about. Jeniece, would you like to have a comment about this?

Jeniece: Yeah and just to echo Braden's assessment, I mean, I think that's just part of it. As Black people in this country, we carry a lot of history with us, and it's the history of spoken word. And mistrust comes along with misdeeds. And so, I think that we take that learned experience seriously and to undo that it will take a lot of intentional effort for as long as it takes. So that would be, I guess, my closing or final comment in terms of, yes, but rightfully so, we're inherently mistrustful and we have good reason to be.

Bonnie: Thank you. Dr. Dunn?

Ronnie: Once again, my co-panelists have articulated the point so well. We have to have that sustained engagement in this moment of racial reckoning. We have to sustain it and ensure it's not as, I'm sure we've all heard the cliche, "it's not a moment, but a movement." And the only way we're going to truly transform our society, and we saw the evidence of not doing that on January 6. So, we as a nation, we are ... the life of our very democracy depends on us collectively engaging in this reconciling and reckoning with our troubled history as a nation. And just sustaining that and redlining and housing is just one area of that. But it crosses all sectors of our society. So I'm cautiously "optimistic" is the watchword I use. I look at history, being a student of history, but this current moment, particularly with this younger generation, I have to give a shout-out to the Gen Zers in particular and the millennials. They aren't having what my generation and others have stood for. So that's my closing thought. Thank you.

Bonnie: Thank you. So with that, I'm going to close out our program. I do want to remind everybody that we're going to have ongoing conversations with Braden about redlining. And we're, let's see, we've got four minutes. I actually have one more question for our panelists, and we're going to do a lightning round here. "So how has redlining changed over the last 40 years? Hopefully it's less, but to what extent?" And just real quickly, we can start with Braden and then we'll pass it to Jeniece, Stacey, and then we'll conclude with Dr. Dunn.

Braden: Yeah, 40 years is an interesting period to pick because it comes back to the history of the CRA. And I think I want to touch off ... like Dr. Dunn, I want to leave on somewhat of a positive note, which is that there is a culture shift in banking that has been percolating through things like CRA, but I think metastasizing now, where folks would really want to try and figure out things that are different. And I would hope that that's going to carry over into practices and policies and systems and structures, more so. But I would say that we've worked with several banks with the exhibit and we work with others on thinking about ways to repair this legacy, and that conversation people are having in a serious way that maybe even five years ago you wouldn't have seen. So hopefully we can continue the conversation. This is an example of that and so thank you for having me here.

Jeniece: Yeah, Bonnie, thanks so much for hosting and doing a great job of fielding all these questions. And I would say, we have to focus on where we want to be, what we want to see, keep the aspirational thinking that started our whole racial movement to begin with, moving forward. I think that it's a part of all of this, it's a part of our deep responsibility to each other, and to ourselves, and to our children and to our grandchildren, to stay focused, stay humble, and keep pushing. I mean, that's where we came from. So, I can't let go of that because I wouldn't be here without that. I wouldn't be having this conversation. So, I think that that's something to be hopeful about.

Bonnie: Stacey, do you have any final words?

Stacey: Sure, well, first of all, thank you for having me here today and to all of the panelists for providing such great information. I don't have any data, necessarily, to discuss with the past 40 years. But I will say that we've been placing emphasis on redlining and talking to our financial institutions here in the Fourth District about redlining and about the practices within their banks and how to mitigate the risk of redlining. I do find, anecdotally, I feel like they want to do the right thing and that our banks are trying to implement policies and procedures that do benefit their communities and will reduce the risk of redlining. And so, I do find hope in that.

Bonnie: Great, thank you. Dr. Dunn?

Ronnie: Well really, I just parrot or echo my earlier comments. In regard to changes stemming from relative to the CRA and redlining over the past 40 years, I can't say that we've made much progress, other than there are efforts, and these discussions are underway. But when you look at the social, economic indicators, indices, as Braden pointed out earlier, we still see the manifestations of it and the legacy of it. And once again, over the past year, that's only been magnified by the pandemic that we're in. So, this is a start. Once again, this conversation is something that we all have to engage in. Silence is not an option, silence is complicity. I think we all should understand that now. So, I'm, once again, thankful that you've had me and allowed me to be part of this conversation. And thanks to the Fed for these FedTalks. I will be joining in more regularly. And thank you for having me, and Bonnie, thank you for moderating.

Bonnie: Absolutely, sir. And with that, we're at time, thank you to our panelists for the informative presentation and discussion. And thank you to our attendees for hanging in there with us and taking the time out of your day to join us. And the information referenced in today's program will be shared via email. Please mark your calendars for our next FedTalk. With that, stay safe, stay well everyone. Bye-bye.