



City of Dallas

Responsible Banking Ordinance

**Economic Development Committee
May 2, 2022**

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City Controller

Presentation Overview



- Background
- Responsible Banking Ordinance
- Requirements
- Next Steps



Background: Community Reinvestment Act



- Passed in 1977, the Community Reinvestment Act (CRA) is a federal law designed to encourage commercial banks and savings associations to help meet the needs of borrowers in all segments of their communities, including low- and moderate-income neighborhoods
- The goal of the CRA is to reduce discriminatory credit practices against low-income neighborhoods, also known as redlining



Responsible Banking Ordinance



- Local responsible banking ordinances:
 - Seek to leverage socially responsible loans, investments, and services from financial institutions receiving municipal deposits
 - Require these institutions to demonstrate a commitment to serving low- and moderate-income and minority neighborhoods
 - Establish oversight bodies, data reporting requirements, evaluation methods, and public input mechanisms
 - Hold financing institutions publicly accountable and increase their responsible lending and investing in neighborhoods



Cities with Responsible Banking Ordinance



City of Dallas's Ordinance



- Requires prospective bidders submit data on their socially responsible banking practices
- Uses socially responsible banking performance as a factor in determining the winning bid
- Requires City depositories submit an annual study of lending disparities



Requirements



- Banks and financial institutions bidding to become or serving as the City's depository must submit a statement of work and a supplemental report with required information as well as a long-term community reinvestment strategic plan, and a statement certifying policies against predatory lending to demonstrate its commitment to being a socially responsible bank



Requirements



- Community involvement and reinvestment
 - Report its effort to invest in low- and moderate-income areas and minority census tracts
 - Report its effort in collaborating and supporting organizations that target low-income people in the City and its community development activities
- Community banking needs
 - Continue to support and participate in programs that strive to reach underserved populations as described in the Community Reinvestment Act



Requirements



- Home ownership and consumer credit
 - Participate in outreach and educational opportunities aimed at preventing foreclosures for borrowers experiencing financial hardship
- ESG Practices
 - Participate in community-based causes and activities established to create responsible lending and reinvestment in moderate- to low-income neighborhoods and communities of color



Bidding and Annual Reporting



- Residential lending information
- Small business lending information
- Community development loan and investments
- Checking, savings, and loan products





- There will be an annual briefing to the appropriate City Council committee
- Committee will review:
 - Implementation
 - Effectiveness
 - Enforcement



Next Steps



- Receive feedback from Committee
- Schedule for City Council approval on May 25





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