



California Community Reinvestment Act,

State CRA- AB 801 (Bonta)

(Principal coauthors: Assembly Members Bryan, Elhawary, Gipson, Jackson, McKinnor, Sharp-Collins, and Wilson)

(Principal coauthors: Senators Richardson, Smallwood-Cuevas, and Weber Pierson)

THIS BILL

A state-level Community Reinvestment Act (state CRA) would set standards for how financial institutions in California invest and conduct business in our state, how they can help address racial and other wealth disparities, and how they can help ensure that all of our communities thrive.

State CRA would position California in response to expected Trump Administration deregulatory efforts. This bill would create incentives for urgently needed community-serving investments in disaster relief efforts in Altadena and encourage private investment in affordable housing, homeownership programs, and small business development throughout California. The bill would also create and maintain transparency and oversight of the state's financial services market and ensure equal access to credit and services for all Californians.

State CRA empowers the Department of Financial Protection and Innovation (DFPI) to conduct a disparity study of financial service provision, ensure that covered financial institutions are assessing community needs, evaluate covered financial institutions on their efforts in meeting community needs, and identify and address discrimination in the provision of financial services.

PROBLEM

Across mortgage, small business, and auto loans, Black and Hispanic consumers are more likely to be denied credit or receive higher interest rates when they do get a loan. Secret shopper studies have shown that Black and Hispanic consumers receive different information from bankers when applying for loans or seeking to open bank accounts. The more limited availability of traditional, affordable credit pushes these consumers into predatory products with very high interest rates, like payday loans.

The federal Community Reinvestment Act (CRA) was enacted in 1977 to combat redlining. The CRA obligates banks to lend and invest in the communities they serve, including low- and moderate-income areas. While the federal CRA has driven billions of dollars into historically underserved communities, several challenges remain to ensure that the changing landscape of financial service providers meets community needs, does not redline, and operates with integrity.

- **Weak enforcement:** Federal banking agencies have been notoriously lax in overseeing the federal CRA, allowing nearly

all banks to get a passing CRA grade. When the agencies recently tried to strengthen the CRA rules, the banks sued to stop them. The updated federal CRA rules are likely to be scuttled during the Trump Administration.

- **Limited scope:** Federal law only applies to deposit-taking banks, excluding credit unions, non-bank mortgage lenders, and fintech firms. These companies, which now dominate financial markets, have no reinvestment obligations, despite offering bank-like financial services and profiting from California communities.
- **Race-neutral design:** The federal CRA encourages investments in “low and moderate-income” people and neighborhoods but doesn’t specifically address BIPOC borrowers or communities of color. Yet systemic discrimination, redlining, and disparities in access to credit persist.

State-level action and oversight are needed to close these gaps and ensure equitable lending, investment, and financial service access in California’s underserved communities.

SOLUTION

Seven other states and the District of Columbia have enacted CRA laws to encourage financial institutions better to meet the needs of residents in their communities. Californians deserve to see increased access to credit and investment in our communities, and the same protections against discrimination as in other states.

The State CRA would impose an obligation to provide equal access and reinvest in communities on:

- state-chartered banks,
- state-chartered credit unions,
- state license independent mortgage companies, and
- certain fintech firms that offer bank-like services and products.

The State CRA would not only ensure that all financial institutions are doing their part to meet community credit and financial needs, but can also direct financial institutions toward the kinds of investments that have the biggest impact on our communities, such as those that promote affordable housing, quality jobs, community land trusts and other community ownership models, digital equity and broadband initiatives, climate change mitigation, and Special Purpose Credit Programs (SPCPs) that encourage lenders to address historic barriers to credit by tailoring good wealth building products to underserved communities.

All of our state-chartered and licensed financial institutions can and should play their part in building strong California communities.

SUPPORT

1. Rise Economy (co-sponsor)
2. SEIU California (co-sponsor)
3. California Housing Partnership (co-sponsor)
4. Inclusive Action for the City (co-sponsor)
5. AmPac Business Capital
6. ASIAN, Inc. 美亞輔鄰社

7. Asian Pacific Islander Small Business Collaborative
8. California CLT Network
9. California Capital Financial Development Corporation
10. California Coalition for Rural Housing
11. California Housing Partnership
12. Center for LGBTQ Economic Advancement & Research (CLEAR)
13. CoBiz Richmond, Inc.
14. Consumers for Auto Reliability and Safety
15. Community Vision Capital and Consulting
16. East Bay Housing Organizations
17. East Los Angeles Community Corporation
18. Esperanza Community Housing
19. Fair Housing Advocates of Northern California
20. Faith and Community Empowerment (FACE)
21. First Unitarian Church of Los Angeles
22. Fresno Housing Authority
23. Haven Neighborhood Services
24. Housing Rights Center
25. HPP Cares
26. ICON CDC
27. Inland Equity Community Land Trust
28. LaunchPad Collective Inc.
29. Main Street Launch
30. Microenterprise Collaborative of Inland Southern California
31. Multicultural Real Estate Alliance for Urban Change
32. National Community Reinvestment Coalition (NCRC)
33. Neighborhood Housing Services of the Inland Empire
34. Neighborhood Housing Services of Los Angeles County
35. Neighborhood Partnership Housing Services
36. PCR Business Finance
37. People's Opportunity Fund
38. Public Counsel
39. Reinvent South Stockton Coalition
40. Southern California Black Chamber of Commerce
41. Southwest Fresno Development Corporation
42. Thai Community Development Center (Thai CDC)
43. The Academy of Financial Education
44. The Central Valley Urban Institute
45. The Greenlining Institute
46. The Sacramento Environmental Justice Coalition
47. Urban Strategies Council
48. Ventures
49. Vermont-Slauson LDC, Inc.
50. Women's Economic Ventures
51. Working Solutions CDFI
52. Youth Leadership Institute