



Testimony HB 1135
Economic Matters Committee
February, 27, 2024
Position: FAVORABLE

Dear Chairman Wilson and Members of the Economic Matters Committee:

The Community Development Network of Maryland (CDN) is the voice for Maryland's community development sector and serves nearly 200 member organizations. CDN—focuses on small affordable housing developers, housing counseling agencies and community-based non-profits across the state of Maryland. The mission of CDN is to promote, strengthen and advocate for the community development sector throughout Maryland's urban, suburban and rural communities.

HB 1135 – Requires certain regulated financial institutions to develop a community benefit plan in connection with certain applications to the Commissioner of Financial Regulation relating to financial services; requiring the Commissioner to exercise certain oversight authority relating to the adequacy of the community benefit plans and attainment of goals under the plans; establishing the Community Reinvestment Fund as a special, non-lapsing fund to finance certain community development activities; etc.

Redlining has left a lasting impact on the landscape of the state. Despite legislative efforts and increased awareness, redlined investment patterns continue to shape housing, health, education and economic disparities in Maryland today.

The federal Community Reinvestment Act of 1977 (CRA) requires banks to help meet the credit needs of Low- and Moderate-Income (LMI) communities where they do business. CRA creates an incentive and affirmative responsibility for financial institutions to intentionally invest in LMI areas with the purpose of curbing discriminatory bank lending. This bill is an important tool for holding financial institutions accountable. However, CRA only targets FDIC-insured depository institutions, such as national banks, savings associations, and state-chartered commercial and savings banks. This means that credit unions and mortgage lenders are not held accountable for continuing discrimination and bias.

According to a December 2023 CNN report, Navy Federal Credit Union (NFCU), the nation's largest credit union, [denied more than 50% of Black applicants for new conventional home mortgages in 2022](#), even as it had an approval rate greater than 75% for white applicants seeking the same product. According to that report, NFCU was responsible for the widest disparity in approval rates between Black and white borrowers. Black applicants were more

than twice as likely to be denied as White applicants even when controlling for income debt-to-income ratio, property value, down payment percentage, and neighborhood characteristics — were the same.

To increase reinvestment, the Community Benefits Act of 2024 would impose an obligation upon lending institutions to demonstrate public benefits in return for the privileges of receiving licenses to lend or approval for their applications to merge or open new branches. The bill would require mortgage companies making 50 or more single family home loans to develop a community benefits plan (CBP) as part of their application for licenses or renewal of licenses. A CBP would include measurable goals over three years for lending and community development investments and services such as community grants or delivering housing counseling. Banks and credit unions seeking to merge would also be required to develop CBPs. A bank or credit union opening a new branch would be required to describe how the branch would benefit modest income communities and other underserved and distressed communities.

Mortgage loan originators are already required to renew their license every year with the office of Financial Regulation in order to continue conducting business in the state. The community benefit agreement is just one additional requirement of the licensing process that has the potential to vastly improve the economic landscape of Maryland.

We urge your favorable report for HB 1135.

Submitted by Claudia Wilson Randall, Executive Director