



May 10, 2021

Colonial Savings, FA  
Charter Number 706809  
2626 West Freeway  
Fort Worth, TX 76102

Office of the Comptroller of the Currency  
Fort Worth Field Office  
9003 Airport Freeway Suite 275,  
North Richland Hills, TX 76180-9127

**RE: Comment on Colonial Savings Bank 's Community Reinvestment Act (CRA) Performance**

I am submitting this letter to Colonial Savings Bank 's Community Reinvestment Act (CRA) public file for consideration on Colonial Savings Bank 's CRA Performance Evaluation. I have a couple concerns with Colonial Savings Bank small business and mortgage lending in Dallas. I would like Colonial Savings Bank and other banks to focus on Southern Dallas as I believe the heightened poverty in my neighborhood has held back my community, and the city of Dallas as a whole, for too long.

**Fair Lending & Redlining Concerns**

I worked with the National Community Reinvestment Coalition (NCRC) to analyze the mortgage lending of Colonial Savings Bank in Dallas. This is what NCRC found.<sup>1</sup>

- According to the Home Mortgage Disclosure Act (HMDA) data from 2018 to 2019, Colonial Savings Bank made a total of 180 in Dallas County. This data demonstrated that in 2019, 31.67% (57) of all home loans in Dallas went to minorities however only 6.66% (12) of Colonial Savings Bank 's home loans were extended to Blacks (African Americans).
  - Dallas County, Texas's estimated population is 2,641,680. Of that approximately 606,168 are African Americans.
  - City of Dallas's estimated population is 1,343,573. Of that approximately 322,457 are African Americans.
  - Dallas is a city with a population of just under 1,344,000, including 24.3 percent African American residents, 41.8 percent Hispanic/Latinx residents, and 3.4 percent Asian residents; and 30.5 White (Non-Hispanic)
  - Less than 1.0% of the loans were made in Southern Dallas

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<sup>1</sup> See lending mentioned CRA Report. <https://www.occ.gov/static/cra/craeval/feb20/706809.pdf>

- Small Business Lending
  - NCRC compared Colonial Savings small business lending to other non-credit card small business lenders in Dallas and found that Colonial Savings trailed in lending to businesses with less than \$1 million in annual revenue.
  - 0% of those loans were made in Southern Dallas

Gaps in lending to people of color, borrowers with LMI, and small businesses are usually the result of a lack of products that meet particular credit needs, gaps in marketing, or a lack of partnerships. I believe that working with my organization can improve Colonial Savings Bank performance.

### **DFW AA/Community Needs Assessment**

Does Colonial Savings conduct a Community Needs Assessment? If not, how is Colonial Savings meeting the credit needs of the communities in the DFW MSA, which directly includes the low- and moderate-income neighborhoods in Southern Dallas, if they do not know the exact needs?

A Community Needs Assessment is a market study conducted to help a bank identify and understand the need for financial services and community development within its Assessment Area. It is not required by regulation. As explained in Federal Register /Vol. 71, No. 47 / Friday, March 10, 2006 /Notices 12429:

*The Agencies do not intend that intermediate small banks prepare a particular “needs assessment” solely for purposes of its CRA evaluation under the community development test. If intermediate small banks prepare business plans and market analyses that reflect community needs and opportunities, they may rely on such information, as well as other currently available information, when assessing community development needs in their assessment areas.*

One advantage of developing a Community Needs Assessment is that it will paint a picture of the “Performance Context” which is the basis for establishing performance standards applied under the various tests administered in a CRA Performance Evaluation. Even more importantly, as stated in the Federal Register a bank “may rely on such information (emphasis added) . . . when assessing community development needs in their assessment areas.”

### **Focus on Southern Dallas**

The need in Southern Dallas is well documented. HUD has designated Southern Dallas as a racially or ethnically concentrated area of poverty (R/ECAP) since at least 1990, meaning that since 1990 the population of Southern Dallas has had a poverty rate of at least 40%. That poverty rate is more than double the 16.6% poverty rate for Dallas County as a whole.<sup>2</sup> The Urban Institute looked at economic trends, data on income segregation, housing affordability, job availability, and racial disparities in 274 large US cities from 1980 to 2013 and found that Dallas was the least economically and racially inclusive.<sup>3</sup> Increased obstacles to economic opportunity in Southern Dallas has a negative impact on

<sup>2</sup> “Percent of Population Below the Poverty Level in Dallas County, TX.” 2018 Poverty Rate for Dallas County TX. Federal Reserve Bank of St. Louis Economic Research. Available online at <https://fred.stlouisfed.org/series/S1701ACS048113>.

<sup>3</sup> “Inclusive Recovery in US Cities.” Urban Institute. April 2018. Available online at [https://www.urban.org/sites/default/files/publication/97981/inclusive\\_recovery\\_in\\_us\\_cities.pdf](https://www.urban.org/sites/default/files/publication/97981/inclusive_recovery_in_us_cities.pdf).

Dallas as a whole. Numerous studies show that high levels of inequality stunt economic growth as it prevents economies from performing to their full potential.<sup>4</sup> Economies with less inequality not only maximize their productive potential, but also minimize the significant fiscal and social costs of inequality. Childhood poverty—one outcome of insufficiently inclusive growth—costs the U.S. economy an estimated \$500 billion a year, or four percent of GDP, due to lost productivity, higher crime and incarceration, and larger health expenditures. Cities end up bearing these costs, at the expense of other important investments in growth and opportunity.<sup>5</sup> Heightened inequality also creates resentments and hostilities that damage social and political cohesion, which also negatively affects economic growth.

Researchers are also predicting that Southern Dallas will be particularly hard hit by COVID-19, both medically and economically, given the unfortunate correlation between poverty and unfavorable health outcomes.<sup>6</sup> I am very concerned about the impact COVID-19 will have on my community that was already facing increasing economic hardship, and I believe that without an intentional focus on Southern Dallas these unfortunate economic trends will continue. To make matters worse, many banks do not include Southern Dallas as part of their CRA assessment area. We would like Colonial Savings Bank to be more responsive to our community needs and position itself as a leader in addressing inequality in Dallas.

**The following sections discuss demographic in the Southern Dallas assessment area.**

- Southern Dallas is home to 43% of all Dallas residents in just 57% of the city's land area.
- Of the 560,000 residents of neighborhoods in southern Dallas, approximately 38% live below poverty - roughly 9% higher than the City's overall poverty rate of 29%.
- Overall, 56% of Dallas residents living below poverty live in the southern neighborhoods of Dallas.
- *The City of Dallas is a unique place. There is a difference between "South Dallas" and "Southern Dallas".*
- *The Southern Sector of Dallas (Southern Dallas) is commonly defined as those areas south of Interstate 30.*
- *The Southern Dallas is 196.7 total square miles. 45% of the City's residents live in Southern Dallas (91% of the residents are minorities in Southern Dallas). \**

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<sup>4</sup> "Introduction: Inequality of Economic Opportunity." Katharine Bradbury and Robert K. Triest. RSF: The Russell Sage Foundation Journal of the Social Sciences, Vol. 2, No. 2, Opportunity, Mobility, and Increased Inequality (May 2016), pp. 1-43. Available online at

[https://www.jstor.org/stable/10.7758/rsf.2016.2.2.01#metadata\\_info\\_tab\\_contents](https://www.jstor.org/stable/10.7758/rsf.2016.2.2.01#metadata_info_tab_contents)

<sup>5</sup> "Opportunity for growth: How reducing barriers to economic inclusion can benefit workers, firms, and local economies." Brookings Institution. Joseph Parilla. September 28, 2017. Available online at

<https://www.brookings.edu/research/opportunity-for-growth-how-reducing-barriers-to-economic-inclusion-can-benefit-workers-firms-and-local-economies/>.

<sup>6</sup> "Mapping the Areas at Highest Risk of Severe COVID19 in Dallas, Austin and San Antonio." UTHealth School of Public Health Institute for Health Policy. April 2, 2020. Available online at

[https://sph.uth.edu/research/centers/ihp/COVID-19\\_Dallas\\_Austin\\_SA%20Final\\_4-3-20.docx.pdf](https://sph.uth.edu/research/centers/ihp/COVID-19_Dallas_Austin_SA%20Final_4-3-20.docx.pdf).

**Review your Reasonably Expected Market Area (REMA) to identify redlining that may be happening to the Southern Dallas community.<sup>7</sup>**

- Most regulatory agencies will use the term REMA; however, the Federal Reserve Board performs a similar analysis, but uses the term Credit Market Area (CMA).
- FDIC defines an institution’s REMA based on the following factors:
  - Where the institution has received applications
  - Where the institution has originated loans
  - The history of mergers and acquisitions
  - The market area as defined by the bank in its written policies and procedures
  - Branch structure and history including closures, acquisitions, and relocations
  - Physical presence including the location of branches/offices, LPOs, brokers, and other third-party originators.
  - Advertising and marketing efforts including print, telemarketing, and direct mail campaigns.
  - The inappropriate exclusion of majority minority census tracts from the institution’s assessment area.
- Redlining risk factors include, but are not limited to the following practices:
  1. Offering different loan programs in different areas
  2. Marketing efforts that exclude and/or target certain geographies
  3. Loan programs that exclude certain types of residential property
  4. Loan minimums without consideration of the average home value

*A digitization of the 1937 Homeowners’ Loan Corporation 'Residential Security Map' of Dallas, Texas, including the Area Descriptions which were the basis for the neighborhood security ratings.*

*Description*

*The plans, laws, and investments made today will shape our communities tomorrow. Indeed, past policies have deep connections to present conditions. Even the most obscure tax codes and legislative acts can lead to tragic outcomes for some communities while paving the way for triumphant opportunities for others. Whether at the Federal, State, or Local level, understanding the laws of the land and the context in which they were created is critical to understanding how disparities have arisen and to improving the health, education, transportation, housing, and economic landscapes of our cities in an equitable and sustainable way.*

*This web map was developed in order to analyze the historic development patterns in the Dallas region, and to illustrate the legacy of discriminatory policies such as 'Redlining' and the way highway planning*

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<sup>7</sup> REMAs are not defined by fair lending laws, but the concept is not new. The Interagency Fair Lending Examination Procedures reference, “credit markets in which the institution is doing business”.  
<https://www.ffiec.gov/pdf/fairlend.pdf>

*and construction interrupted or destroyed the community fabric of the city. The purpose of integrating these spatial data together is to facilitate helpful dialogue about how public decision making and private markets can produce more equitable outcomes for the future health and sustainability of the region.*

<https://www.arcgis.com/home/item.html?id=29041b0623ef482981e1bcc50220eff6>

The practice of ‘redlining,’ outlawed years ago, is still seen as a factor in the lack of progress for some Southern Dallas neighborhoods.

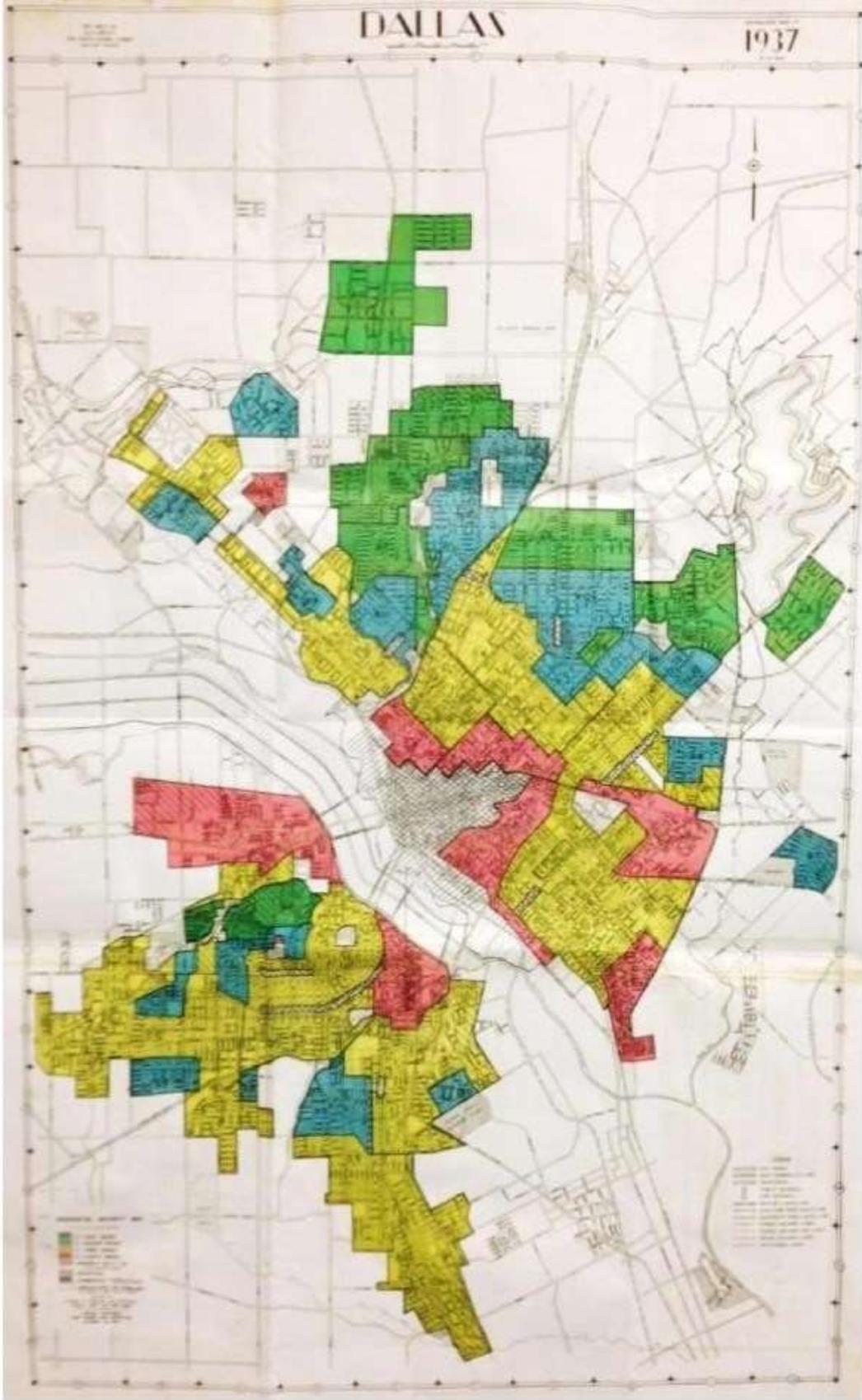
Maps from the 1930s designed some neighborhoods as red zones where investments by banks were considered unsafe.

In Dallas, those neighborhoods tended to be inhabited by people of color and redlining kept them from receiving the investments that other sections of the booming sunbelt city saw over the years.

*An interactive online tool released by the National Community Reinvestment Coalition charts out the effects of some of those injustices, combining notorious “redlining” maps of the 1930s with current data on neighborhood income and demographics. Redlining is a term for the denial of loans, mortgages, and other services based on a neighborhood’s demographic makeup — in the U.S., black communities have usually been the ones targeted. The practice gets its name from the red outlines drawn around “high-risk” neighborhoods in maps created in the 1930s by the Homeowners’ Loan Corporation, a New Deal agency formed to refinance mortgages during the Great Depression.*

<https://ncrc.org/holc/>

*Those HOLC maps have become infamous as stark visual representations of the government abandoning black communities, as a federal agency labeled nearly any community with a significant minority population “hazardous” for lenders. Researchers at the University of Richmond digitized the maps last year, and its site lets you see HOLC’s assessments of each neighborhood, many of them remarkably frank about their racist discrimination. A 1937 HOLC map of Dallas is below. Neighborhoods marked green were considered “best” for government-backed mortgages, blue “still desirable,” yellow “definitely declining,” and red “hazardous.”*



### **23 Southern Dallas Zip Codes**

75116, 75134, 75203, 75207, 75208, 75210, 75211, 75212, 75215, 75216, 75217, 75223, 75224, 75226, 75227, 75228, 75232, 75233, 75236, 75237, 75241, 75249, 75253

### **Questions from the Southern Dallas Community to Colonial Savings Bank**

- How many mortgage loans were made to minority borrowers were in Southern Dallas (City of Dallas)?
- How many mortgage loans were made to minority borrowers in Southern Dallas County?
- How many mortgage loans were made to African American borrowers in Southern Dallas (City of Dallas) and how many were in low-income census tracts?
- How many mortgage loans were made to African American borrowers in Southern Dallas County and how many were in low-income census tracts?
- How many of the CRA small business/small farm loans were made in Southern Dallas (City of Dallas)?
- How many of the CRA small business/small farm loans were made in Southern Dallas County?
- How many of the CRA small business/small farm loans were made in Southern Dallas (City of Dallas) and how many were in low-income census tracts?
- How many of the CRA small business/small farm loans were made in Southern Dallas County and how many were in low-income census tracts?
- How many Commercial loans were made in Southern Dallas (City of Dallas)?
- How many Commercial loans were made in Southern Dallas (City of Dallas) and how many were in low-income census tracts?
- How many Commercial loans were made in Southern Dallas County and how many were in low-income census tracts?
- Also, how do the numbers above compare to Northern Dallas?

### **Community Ask:**

- Increase mortgage lending to African American and Hispanic by 50%
- Increase mortgage lending in Low-Income census tracts by 40%
- Increase mortgage lending in Majority Minority Census Tract by 40%
- Increase small business loans to African American and Hispanic by 70%
- Increase small business loans in the Low-Income census tracts by 60%
- Launch Small Business Cohort Focuses on Small Minority Businesses located in/or Serving Low Income Areas of Southern Dallas
  - <https://www.nteetc.com/>
- Perform a credit needs assessment for Southern Dallas
- Create a Business Diversity Lending Program
- Require the CDFI's that you invest in to collect demographic information on the individuals they serve
  - <https://www.consumerfinance.gov/compliance/supervisory-guidance/statement-collection-demographic-information-community-development-financial-institutions/>

- Create African American Micro Business Loan Fund with CDFI
  - Example:
    - <https://www.chicago.gov/content/dam/city/depts/bacp/Small%20Business%20Center/africanamericanloanprogramtermsheet.pdf>
- Make CRA Qualified Investments to Dallas based CDFIs that focus on Southern Dallas
  - <https://www.advacentx.org/>
  - <https://www.liftfund.com/>
  - <https://bcloftexas.org/contact>
- Make donations to minority lead organizations that focus on Southern Dallas with operating incomes under \$600,000
  - <https://racialequity.org/2018/11/minority-led-nonprofits/>
  - <https://www.philanthropy.com/article/nonprofits-led-by-people-of-color-win-less-grant-money-with-more-strings-study/>
- Establish special purpose credit programs (SPCPs) to address lending disparities in Southern Dallas
  - <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-issues-advisory-opinion-to-help-expand-fair-equitable-and-nondiscriminatory-access-to-credit/>
- Volunteer and Support Youth Entrepreneurship Programs
  - <https://targetevolution.org/about-us>
  - <https://lemonadeday.org/greater-dallas>
  - <https://www.nfte.com/north-texas/>
  - <https://www.starsunitedglobaloutreach.org/>
- Advertise with local minority newspapers
  - Dallas Weekly (<https://www.dallasweekly.com/>)
  - North Dallas Gazette (<https://northdallasgazette.com/>)
- Develop a strategic plan with the input from the Southern Dallas Community
- Create positions for CRA Community Development Commercial and Mortgage Lenders positions that focus on Southern Dallas
- Adopt Bank On Accounting Standards
  - <https://joinbankon.org/accounts/>
  - <https://2wvkof1mfraz2etgea1p8kiy-wpengine.netdna-ssl.com/wp-content/uploads/2020/10/Bank-On-National-Account-Standards-2021-2022.pdf>

## **Research on Dallas Community Needs**

Dallas has a housing shortage of approximately 20,000 units.

<https://dallascityhall.com/departments/housing-neighborhood-revitalization/DCH%20Documents/Adopted%20Housing%20Policy.pdf>

North Texas Regional Housing Assessment

<https://dhantx.com/report/north-texas-regional-housing-assessment/>

Dallas' Small Business Ecosystem Assessment

<https://www.dallasecocodev.org/DocumentCenter/View/2789/Dallas-Small-Business-Ecosystem-Report-PDF>

Report on Housing Affordability and Vulnerability in Dallas, Texas

<https://nalcab.org/nalcab-releases-report-on-housing-affordability-and-vulnerability-in-dallas-texas/>

*FINDING G: MINORITY OWNED BUSINESSES ACCESS TO CREDIT/CAPITAL ANALYSIS (CHAPTER 6)*

<https://dallascityhall.com/departments/public-affairs-outreach/DCH%20Documents/availability-disparity-study.pdf>

**Conclusion**

We appreciate this opportunity to comment on Colonial Savings Bank's CRA performance and would look forward to discussing a plan for Southern Dallas and be a leader in addressing inequality in Dallas.

Sincerely,

*James McGee*

James McGee

President/Chair

[JMcGee@SouthernDallasProgress.com](mailto:JMcGee@SouthernDallasProgress.com)

Southern Dallas Progress Community Development Corporation