CONSUMER BANKING

KeyBank diffuses community tensions with new agreement

By Allissa Kline  April 03, 2024, 7:25 p.m. EDT  4 Min Read
One year after the National Community Reinvestment Coalition asked regulators to investigate Key Bank’s mortgage lending practices for alleged redlining, the fair-lending advocacy group and the bank say they are working together again to improve Key’s lending in minority communities.

On Wednesday, NCRC President and CEO Jesse Van Tol announced that Cleveland-based Key has pledged $25 million as part of an "agreement" between the two parties that could open the door to a new community benefits plan. The two sides have been at odds since late 2022 when the NCRC published a report blasting Key’s mortgage lending record to Black borrowers.

Of the $25 million, $17 million will be directed to grants, down payment assistance, fee waivers, product and branch expansion and marketing, all in an effort to "expand credit and assist loan applicants in minority and underserved communities," Van Tol said during a keynote speech Wednesday afternoon at the NCRC's annual Just Economy conference in Washington, D.C.

Key Bank will be responsible for allocating $8.5 million of the $17 million and the NCRC will allocate the remaining $8.5 million, "each with meaningful input from the other," Van Tol added.

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and housing, monitors banks to ensure they are serving underserved communities, trains housing counselors and conducts research on behalf of its 700-plus member network.

In his speech, Van Tol said the agreement "resolves [the NCRC's] concerns with KeyBank."

"This is a big deal," he added.

After Van Tol's speech, the two sides issued similar statements about the agreement, saying Key and the NCRC "have a long history of working together to promote access to credit."

But "in recent years NCRC has raised concerns about KeyBank's lending in minority and underserved communities and whether it has kept its promise to be a leader in inclusive home mortgage lending," the statements said.

"KeyBank disputes NCRC's reports, but we value our relationship with the NCRC and are committed to serving all communities within our footprint," the bank noted in its statement. "We are pleased to be moving forward with this agreement to continue the important work of increasing lending and helping to build wealth in all the communities we so proudly serve."

The NCRC statement included additional details. The organization said Van Tol and KeyBank CEO Chris Gorman "have met to discuss the renewed commitment, future partnerships and the respective goals [that] both organizations hope to achieve as they chart a new path forward together to continue and enhance investment in minority and underserved communities."

Ruhi Maker is a community development advocate in Rochester, New York, who's been involved for years in community development discussions with KeyBank. She said she has stayed in touch with Key, even after the NCRC ended its relationship with Key in 2022.

"I kept pushing KeyBank and frankly being extremely aggressive on their lack of lending," Maker said in an interview. "So this is a positive."
"This is an important first step," she said.

The long relationship between KeyBank and the NCRC hasn't always been so fraught. In 2016, amid parent company KeyCorp's pending acquisition of First Niagara Financial Group in Buffalo, New York, the two sides announced a community benefits plan of $16.5 billion, the largest of its kind at that time. The five-year plan — which pledged more investments in mortgage, small-business and community development lending and philanthropy in low- to moderate-income communities — became a key tool in easing antitrust and other concerns about Key's bid for First Niagara.

But the NCRC has said that Key didn't live up to its commitments. In its November 2022 report, it accused Key of making fewer, not more, home purchase loans to Black and low- to moderate-income borrowers in all but three of the major metro areas it serves, as well as decreasing low- to moderate-income borrowers' share of such lending in most of its markets.
The credit card giant says that it is "proactively meeting" with advocacy organizations to gather feedback that would help with the creation of a community benefits plan. The National Community Reinvestment Coalition, which has negotiated 21 such deals since 2016, opposes Capital One's proposed acquisition of Discover.

By Allissa Kline
March 26

In January of 2023, it warned that it would take its concerns to regulators.

Two months later, the NCRC and 80-plus other community development and fair-lending groups sent a letter to the Federal Reserve and the Office of the Comptroller of the Currency, requesting that both regulators not only investigate Key for alleged redlining, but that also downgrade the bank's Community Reinvestment Act rating, a move that would prevent it from merging or opening new branches until it receives a higher rating on a future CRA exam.

Key's next scheduled CRA exam period was set to begin on April 1, 2023. Last year, federal regulators updated their framework for monitoring CRA compliance among the banks they supervise, but several banking groups have sued the agencies over the revisions. In March, regulators changed their finalized CRA rules, giving banks more time to comply.

On Wednesday, the bank declined to say when it expects to receive the results of that exam.

In his speech, Van Tol said the agreement allows the two parties to "return to the table in good faith to form a new community benefits agreement ... with the potential to channel billions of dollars of lending capital into communities."

"We will always remain open to partnership and collaboration for those who are truly committed to improving, to those who share our goals, our values and our vision for a just economy," he said.
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