

Community Reinvestment Act Joint Public Hearing, August 12, 2010
Individual Presentations: Jeremy Smith

[Applause]

Jeremy Smith:

Good afternoon. I'm Jeremy Smith with the Service Employees International Union, SCIU. I'm here today on behalf of 2.2 million janitors, nurses, home care providers, child caregivers, security officers and public servants that SCIU represents across the country, many of whom have suffered tremendous hardship as a result of the financial crisis. Our members live in communities where the Community Reinvest Act has played an essential role in promoting economic growth and development for decades. So I'm grateful for this opportunity to testify on their behalf.

SCIU believes that a modernized, fairly applied, and strictly enforced CRA can help prepare neighborhoods devastated by foreclosures, support quality job growth and aid our economic recovery. CRA has an impressive record of improving access to fair and affordable financing in the communities in which it's enforced. We urge you to modernize the regulations so that all working families are able to benefit from its provisions. I will focus briefly on four recommendations.

First, as everyone in this room knows and as we've discussed today, the banking industry has changed dramatically. Banks should be required to meet CRA's affirmative obligation wherever they or their affiliates do business, not just where they capture deposits or maintain a headquarters. The millions of Americans who live in markets served by bank-owned mortgage companies, investment banks, credit card divisions or companies or online financial products deserve the same protections as those who live in places served by branch locations.

Second, the financial crisis demonstrated what we have known for some time in which many commentators have already noted. That predatory lending based on race is real. And that it has disastrous consequences. We recommend that regulations should be modified to include a formal review to ensure that banks are not excluding racially diverse or minority areas so that people of all ethnicities and backgrounds have access to safe financial products and services.

Third, CRA can be a powerful tool for creating and sustaining broadly shared economic growth. To enhance this role, the CRA regulatory framework should subject large institutions to a community development test, which would guide bank activity and emerging markets and explicitly emphasize bank initiatives that have a substantial economic impact. In addition to lending and investment tests, banks would be evaluated on their ability to offer differentiated products and services, often in partnership with community-based partners like the Community Development Financial Institutions in markets that still remain underserved.

Lastly, we recommend that a more rigorous review of the quality and impact of small business and community development lending be included in bank assessments. While commercial lending is more varied than mortgage lending, basic data on the type of credit extended and the number and type of jobs created could significantly improved reviewer's evaluation of bank

activity. Revising CRA regulations is key to revitalizing communities and millions of working Americans who were hit hardest by the economic crisis.

We must ensure that CRA is enforced in the broadest and most creative manner so that families and neighborhoods that lost so much hard-earned wealth from the crisis are a primary focus for future investments that will restore local communities. Thank you.