

Community Reinvestment Act Joint Public Hearing, August 12, 2010
Opening Remarks: Elizabeth Duke

Elizabeth Duke:

I will be joined today by Martin Gruenberg but you may notice this is not Martin Gruenberg –

[Laughs]

-- Ellen Lizar, who is senior advisor to the chairman for consumer policy at the FDIC and we understand that Marty is in a vehicle on his way here, and so whenever he gets here he will take his place. Barry Wides [phonetic], who is Deputy Controller for Community Affairs at the ICC and Thomas Barnes, Deputy Director Examination, Supervision and Consumer Protection of the OTS.

Before we begin I'd like to express my appreciation to President Evans and our colleagues here at the Federal Reserve Bank of Chicago for hosting us today. Charlie you want to stand up just so they can see. This is President Evans, this is...we're in his house. Alicia Williams, the Vice President of Consumer and Community Affairs Division at the Chicago Reserve Bank and the staff here have worked to ensure that this hearing goes smoothly and that we're all well taken care of. Thank you Alicia, Maryjo Conestra, Maryjo Huck, Laura LeBarbra, Donna Mortensen, Elizabeth Taylor, Ron Glasic, and Damon Warfield, for all of you for your work.

I'd also like to thank the witnesses here today both on the panels and individually for the input that's so important to our work. I would encourage each of you as well as anyone here who will not be testifying to also provide us with written comments. And finally let me apologize to anyone whose comments we need to cut off and to those of you that we couldn't accommodate the speaking part. Please report that interest in this topic has been tremendous and we have filled every available speaking slot and many of the seats in the room so I'll be asking for everyone's assistance to observe time limits and stay on schedule. I'm going to begin with a few opening comments and then give my fellow regulators a chance to make some remarks and then we'll begin with the first panel.

As we know the structure of the financial services industry, the financial products that banking services offered and the methods used to deliver those products and services have changed dramatically in the 33 years since CRA was enacted. The needs of communities have also changed. These hearings are designed to help us gather input on whether and how we should update our CRA regulations. Our overarching goal is to ensure that the regulations remain relevant and effectively encourage financial institutions to help meet the credit needs of their communities including low and moderate income neighborhoods consistent with safe and sound operations. We're fortunate to have a plethora of witnesses here today, all of them are highly knowledgeable about the CRA, and although they play different roles and have different perspectives I think it's safe for me to say that all of them share the common goal of working to ensure that financial services are readily available in their communities.

Having worked with CRA as a community banker I've witnessed its benefits first hand. CRA is not only about mortgage lending to low and moderate income borrowers in lower income

neighborhoods. It's also about meeting the needs of small farms and businesses and as such it serves as a valuable catalyst for job creation in both urban and rural areas across the country. The formation and growth of small businesses and the health of neighborhoods depend critically on access to credit and other financial services. So I'd like to offer a few principles to guide our thinking as we consider changes to the CRA regulations.

First any regulatory initiative should be transparent and have clearly stated goals. Much of the motivation for the CRA regulatory amendments in 1995 stem from the vagueness of the original approach. The revisions to the regulations were designed to improve clarity and thereby promote increased lending and investment activity.

Second, regulations should achieve their stated goals as effectively and efficiently as possible. We should focus more on impact than on process. Documentation requirements should take into account the size and resources of the institution and performance measurements must balance quantitative measurements of performance with consideration of the quality of the credit investment and services extended.

Third, any changes we make to the regulation should retain the flexibility that has been integral to CRA success. Our efforts to redesign the CRA rules over the years have kept them relevant amid changes in financial markets and community needs. In June of this year, this flexibility enabled us to issue a proposal for comment designed to respond to a pressing need to provide housing related assistance to stabilize communities affected of high levels of foreclosures. The agencies are currently reviewing comments received on this proposal with the goal of issuing a final rule as soon as possible. Today's hearing will focus on several aspects of CRA regulations including the geographic scope of depository institution lending, investment or deposit-taking activities under CRA, the performance test used in the CRA regulations, affiliate activities and regional and emerging issues. Your participation here today is very much appreciated and now I would like to invite my fellow regulators to make some introductory remarks. And since Marty is not here shall we start...