

Panel #27  
Lue Scott



CALIFORNIA COMMUNITY ECONOMIC DEVELOPMENT ASSOCIATION

TESTIMONY TO THE FEDERAL RESERVE ON THE APPLICATION FOR  
NATIONSBANK TO MERGE WITH THE BANKAMERICA CORPORATION  
JULY 10, 1998

Good Afternoon. My name is Lue Venia Scott and I am a program manager in the Oakland office of the California Community Economic Development Association. My testimony today is on behalf of CCEDA and its Executive Director, Ralph Lippman.

CCEDA is a statewide membership association of community based organizations that are actively engaged in the revitalization of California's low income neighborhoods. In their respective communities CCEDA members produce results in many areas of community building including, but not limited to, the production of housing, industrial and commercial space, employment training, job creation, business start up and expansion, and the provision or facilitation of human services.

State associations provide clearinghouses for information and action. To build the capacity and expand the resources for community based organizations, thirty state associations advocate on behalf of the nation's 2,200 CDCs. Critical partners are banks like NationsBank and the Bank of America. Forty-eight percent of the nation's community development corporations reported the receipt of more than fifty thousand dollars in grants, investments, or loans in a National Congress of Community Economic Development study published in 1993. "Against all Odds". The amount has substantially increased over the last five years as deal structure changed, subsidies shrunk, and our members grew more financially sophisticated.

State associations and CDCs are very concerned that mergers may result in the attenuation of partnerships with banks for community economic development projects. In this time of devolution and consolidation of resources at the state level any decline is a serious concern. We have found that local groups and state associations have a much more difficult time negotiating support from their banks following a merger.

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This is particularly underscored today. The Bank of America, its foundation and the Community Development Bank have been unflagging partners of the work of CCEDA and its members. Jim Wagele, Susan Howard, Don Mullane and Mike Mantle have been responsive and supportive. The rural initiative and the economic initiative are national models. To be at this juncture in the merger and

still have uncertainty in the absence of written commitment about the organizational fate of the CD Bank, the Initiatives, and the Foundation's targeting is, in our view, unacceptable. California deserves better.

We believe the CD Bank has acquired considerable knowledge and expertise regarding development in California. We would like to see it stay here.

We note the integral role the Foundation has played in the operation of California's community based groups. A percentage of the Bank's earnings would ideally be earmarked for California's communities, with a decision making group that is close to the ground in the west, not the southeast.

We would like to see an established target goal that would help us to back into conclusions regarding how far the new Initiatives will go.

Finally, the nation's state CDC associations want a firm commitment from banks that are merging to work with their state associations. We want every financial institution to recognize that policy advocacy and training are important to the viability of community economic development. We suggest that merging institutions invest a portion of their resources to support the work of state CDC associations. An alternative approach beyond a direct multiyear commitment to CCEDA and groups like us, such as Housing California, could be for the banks to utilize the National Congress for Community Economic Development as an intermediary which would serve as the granting entity and then distribute funding to affiliated state groups in which the newly merged entity would do business.

We believe that Banks understand that a rich and vibrant environment is good for the community and for business. We believe that they understand that public policy is moving to the States. We urge a written commitment to support California and state associations.