Community Reinvestment Act Regulation Testimony
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HEARTLAND ALLIANCE

My name is Chris Giangreco and I am a Senior Policy Associate with Heartland Alliance for Human Needs and Human Rights, and I am honored to testify today about the Community Reinvestment Act (CRA).

Heartland Alliance is a service-based human rights organization focused on investments in and solutions for the most vulnerable men, women and children in our society. Through a network of dozens of direct service programs throughout the Chicago-area, Heartland Alliance provides housing, health care, human services and human rights protections for people who might otherwise fall through the cracks. We operate several programs aimed at promoting asset building and economic security among low-income people and leverage our direct service experience to advocate for meaningful policy and systems change.

In accordance with this mission, I'm here in support of revisions to the CRA to ensure financial institutions meet the pressing needs of low- and moderate-income communities. Meaningful reforms through regulatory and legislative action will ensure economic recovery that promotes sustainable and equitable lending and greater access to safe banking services and products. Financial institutions are a critical partner in enabling individuals and families to acquire assets, attain stability, and retain security in times of economic uncertainty. Currently, however, 27% of all Illinois residents lack the savings or financial cushion to sustain temporary financial setbacks. The modification and modernization of CRA can be a crucial turning point for the future economic stability of our communities.

In order for CRA to realize its full potential, the following reforms are needed:

- Award CRA credit to financial institutions for offering or expanding alternative small dollar credit programs to low to moderate income borrowers. However, a small dollar loan product should only be given CRA credit if its features make it a truly responsible alternative to payday loans. Responsible features include underwriting that takes into account a consumer's ability to repay the loan, an APR including fees of less than 36%, a loan repayment term of at least 90 days, and a fully amortized payment schedule.
- Regulatory Agencies should provide guidance to their institutions on the small dollar loan product. Currently, the FDIC is the only federal banking regulator that has provided guidelines specific to the offering of a small dollar loan product. The other regulators need to offer guidance to their respective institutions as well.

- Encourage financial institutions to bring un-banked individuals into the financial mainstream under reasonable conditions. For example, starter bank account products for low-income, un-banked individuals should be offered with baseline product criteria.
- Require and/or incentivize financial institutions to responsibly lend to and service minorities. A targeted approach is needed to reduce racial disparities in lending as a large body of research concludes that minorities received more high-cost and risky lending than was justified based on their creditworthiness.
- Maintain the proposed rule to include in the definition of "community development" loans, investments, and services by financial institutions that support, enable, or facilitate projects or activities approved by the U.S. Department of Housing and Urban Development (HUD) under the Neighborhood Stabilization Program (NSP). The growing number of vacant and foreclosed properties destabilizes communities by lowering property values, straining municipal resources, and increasing violent crime. Investment in projects designed to mitigate the effects of the foreclosure crisis is a primary credit need for low-income communities and all communities alike. The consideration of NSP-related investments, loans, and services under CRA will help evaluate how financial institutions are meeting this pressing need.

I appreciate the opportunity to provide testimony today.

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