



## THE MONROE FOUNDATION

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*Mission Statement: The Monroe Foundation is a publicly supported not-for-profit agency that seeks to educate, link and fund community development projects within low-income communities in the City of Chicago*

Testimony to the Federal Reserve Bank of Chicago

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Modernization of the Community Reinvestment Act (CRA)

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President & CEO

The Monroe Foundation

My name is Otis Monroe and I am the president of the Monroe Foundation, a 20 year-old not-for-profit community development and public policy advocacy organization that has facilitated over \$10 million community and economic development partnerships in the Greater Chicago area that are CRA-driven partnerships. I am speaking today in support of the modernization of the Community Reinvestment Act of 1977 by proposing several recommendations to expand CRA qualifiable activities in the **Investment and Service Test** components of the CRA exam. These recommendations can offer more meaningfully relevant opportunities for CRA-regulated institutions to address the banking, lending and investment needs and opportunities that didn't exist 33 years ago.

### **THE SERVICES TEST**

The Monroe Foundation recommends that the Service Test of the CRA evaluate how financial institutions participate in and offer products and services that promote alternatives to payday/title lending products which remains a dominant lending product in low-moderate-middle income individuals and families seeking to address “real life” living financial emergencies and gaps between paydays where applications have increased as a result of demising personal and family incomes.

The recent piloting of the **Small Dollar Loan Program** by the FDIC was an excellent opportunity for financial institutions with a branch presence in an LMI communities, to have participated in the Program that addresses a legitimate consumer need that can also promote financial services access, checking and savings accounts, to the unbanked.

Unfortunately, in Illinois, only two institutions participated in the pilot and none of them were institutions with branch locations within an LMI community.

**RECOMMENDATION: When an institution that has (a) branch location(s) within an LMI community that it has been unable to provide consumer credit products to or does not participate in programs offered by the FDIC to increase credit access, or develop (a) similar consumer product(s) such as the Small Dollar Loan Program in LMI communities that could support such a product, the institutions should receive a grade consistent with such a decline to participation, or inability to offer a product similar in scope directly.**

Further, we support recommendations by the National Community Reinvestment Coalition, and others, to revise the CRA grading structure that will allow for grades of “**LOW SASTIFACTORY**” or “**LOW GOOD**”, that would be consistent for this kind of missed CRA opportunities by banks, instead of simple grades of “**SASTIFACTORY**” or “**GOOD**”. The current grade system rewards banks for “their best” efforts that often were not “best efforts” at all to meet the credit needs of their market or assessment area.

## **THE INVESTMENT TEST**

The economic “backbone” of many urban and rural communities is “Ma and Pa” businesses owners, often storefront operations, hiring locally, and depended upon by many for the basic needs of life in these communities, particularly communities that are food deserts, like several communities in Chicago.

However, these stores are laying off employees, ordering fewer commodities, reducing hours, or simply closing due to the inability to receive credit lines for financial institutions, or existing credit lines that have been lowered.

For these stores and businesses that chose to remain in some of the most economically and socially disadvantaged communities in Chicago, the unwillingness of banks to provide or extend credit is terminal to that business owners survival.

## **RECOMMENDATION:**

***We urge the CRA evaluate how SBA approved lending institutions are developing, marketing and investing in the expansion of micro-enterprise programs or how it is working with community and economic development groups to create access to micro-enterprise lending and support the expansion or creation of technical assistance intermediaries that can help struggling “Ma and Pa” companies access micro-enterprise/small business lending opportunities.***

In Illinois, SBA programs such as SOHO (Small Office/Home Office), led by the former SBA intermediary, Entrepreneurs University Foundation assisted over 200 “Ma and Pa” operations in accessing credit that they would not have been able to obtain from mainstream lenders directly. However, no SBA approved bank in Illinois would offer the program, requiring the SBA intermediary to work with a bank out of Oakland, CA to originate loans through this program.

Again, CRA regulated lenders with a branch location(s) in an LMI community that has not, does not, cannot demonstrate why it cannot lend to these types of business owners, should be graded consistent with such inability.

Our organization believes that these are recommendations for a modernized Community Reinvestment Act that will be meaningfully relevant for communities today that are struggling economically, across racial and income groups, unlike in 1977.

Thank You!

Otis Chandler Monroe, III