Testimony of
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Before

Federal Deposit Insurance Corporation

Community Reinvestment Act Proposed Changes
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I. Introduction

My name is Rev. Jesse L. Jackson, Sr., Founder and President, Rainbow PUSH Coalition and I am honored to provide testimony today about the Community Reinvestment Act ("CRA"). and subtitle 1, section 1801 for Diversity cabinet position.

Justice is fair trade. Justice is balanced trade. On behalf of those left out of the marketplace, we seek economic justice. Those sitting on the sidelines of American economic growth have suffered too long from one-way trade. Justice for everyone will only be achieved when two-way trade is a reality.

Forty-six years after the passage of the Civil Rights Act of 1964, the Voting Rights Act of 1965, we must still work to level the playing field for all citizens and identify incentives for financial institutions to invest in underserved communities. Let's re-evaluate/evaluate the current CRA and proposed subtitle I, section 1801 of the House Financial Reform Bill addressing the "Inclusion of Minorities and Women; Diversity in Agency Workforce", addressing the lack of African-Americans and other minorities in the twelve (12) regional Federal Banks.

> Many players in the home mortgage industry engaged in predatory schemes to "red line" against the poor and people of color. Lawsuits have proven that African Americans and Latinos were targeted and steered to sub-prime loans, higher priced loans than those for which they qualified. Brokers often received kickbacks for steering borrowers into high-priced loans.

These predatory lending practices – NOT CRA as some have mistakenly argued - are the cause of the high levels of foreclosures and abandonment of whole neighborhoods of homes. It is the largest threat to wealth accumulation for individuals and for the promotion of a strong and healthy economy.

The Community Reinvestment Act has worked well as a model for promoting access to financial services in regulated institutions. Meaningful reforms to CRA will ensure economic recovery that promotes sustainable lending to small businesses for job creation and responsible home lending. Regulatory action alone is not sufficient. Congress needs to apply CRA **broadly throughout the financial industry** in order to maximize safe and sound lending and investment in communities. CRA should be strengthened and expanded to address all the changes in the financial industry to protect us from another financial meltdown.

As beneficial as CRA has been, we respectfully urge that the following reforms be implemented in order for CRA to realize its full potential:

- Assessment areas or the geographical areas on CRA exams must cover the great majority of banks' loans. Currently, 25 percent of all home purchase loans are made by banks operating in their assessment areas. Research has shown that bank loans outside assessment areas are more likely to be high-cost than loans in assessment areas and scrutinized by CRA exams.

- Currently, banks have the option of including their non-depository affiliates on CRA exams; they will opt against inclusion if the affiliates engage in risky lending or discriminatory lending. Banks must be required to include their affiliates on CRA exams.

- People of color received more high-cost and risky lending than was justified based on their creditworthiness. If CRA considers classifying by lending and service provided to minorities, racial disparities in lending will be reduced.

- CRA exams must have more ratings in order to provide meaningful distinctions in performance. Over the last several years, 99 percent of banks have passed their CRA exams.

- Mergers and acquisitions have declined, meaning that additional enforcement mechanisms are needed. Banks must be required to submit public improvement plans, subject to public comment, when they receive a low rating overall or in any of their assessment areas. Fair lending reviews on CRA exams must be more detailed and must include reviews of safety and soundness of loans.

- Incentives for superior CRA performance such as eligibility to more tax credits under the New Markets or Low Income Housing Tax Credit programs could be considered, but we are strongly opposed to providing exemptions from merger review or less frequent CRA exams for banks with Outstanding ratings. CRA performance will decline when institutions receive less frequent scrutiny.

- Data has increased responsible lending by holding banks publicly accountable. In order to bolster affordable bank lending and basic services, we support enhancements to small business data to include the race and gender of the small business borrower, census tract data on community development lending and investing, and bank deposit and consumer lending on a census tract level.

- We support favorable CRA consideration for investments in multi-regional funds for Low Income Housing Tax Credits and other CRA-related investments as a way to serving diverse areas including rural communities. We also believe that the bank must be adequately serving its assessment areas (must have Outstanding on their investment test) before being allowed to venture outside of their assessment areas.

- The recent finance reform bill includes a provision to establish Offices of Minority Inclusion in federal agencies. This position is responsible for the evaluation, monitoring and to implement inclusion of minorities and women, not only in the twelve (12) Federal Banks but throughout government.

Additional recommendation which should be considered:

- We are supportive of CRA consideration for financial institutions investments in Emerging Market Funds for Small Business (EMFSB). Creation of such EMFSBs or pools will insure that adequate capital will become available to fund worthy small minority and women-owned businesses that have little or no access to much needed capital currently. It creates the incentive for these institutions to do what they are in business to do.
- We are support the creation of a Minority Inclusion/Diversity Cabinet Position with the same influence/attributes of the other cabinet officers.

We believe that the regulatory agencies can contribute significantly to sustainable economic recovery by updating the CRA regulation. In addition, Congress must do its part and apply CRA to non-banks including mainstream credit unions, independent mortgage companies, insurance firms, and investment banks.

Federal law requires banking regulators to protect citizens, regardless of race. By updating the CRA regulation and enforcing the law we will go a long way to play with one set of rules, evenly applied to all Americans—whether Native American, African American, Latino American, Asian American, or European American. If the playing field is even, the rules are public and the goals are clear, we can all win."

Thank you