TESTIMONY OF

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FEDERAL RESERVE BANK of CHICAGO

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Good Afternoon Ladies/Gentlemen:

It is an honor and I'm thankful for the opportunity to speak to you this afternoon about CRA and its' significance to creating equitable, livable and sustainable LMI communities. In particular, my purpose here today is to relate how CRA will play a major role in the President's Sustainable Communities Initiative, SCI, that focuses on regional planning and development around housing, transportation and energy. A key component of SCI in the planning and implementation of development strategies is all phases must conducted in an equitable and inclusive manner. The importance of CRA in the redevelopment of LMI communities, specifically urban and communities of color cannot be overstated.

Since CRA's inception in 1977, low-wealth and communities of color have relied on the Community Reinvestment Act to rebuild their neighborhoods and communities. With over 7 trillion dollars in investments, lending, and services, banks are proven allies to resident led initiatives and are the most valuable stakeholder in both urban and rural community and economic development.

Since the 1980s banks have worked in partnership with community development corporations, neighborhood housing groups and faith based organizations to help build and rehabilitate thousands of units of affordable housing, resurrect urban commercial corridors that have turned traditionally un-invested communities into thriving residential neighborhoods and avenues of commerce and community facilities. Additionally, banks have provided enumerable services that support diverse community empowerment programs inclusive of serving on board of directors to help organizations maximize their organizational capacity and volunteers for programs. Needless to say, historically the Community Reinvestment Act has been the most treasured asset and friend to low and moderate income communities and the organizations that work to improve them.

As in life, the time comes when we must conduct personal assessments to see if we're meeting our personal and professional goals, it is now that time for CRA to analyze it weaknesses and strengthens and determine, as an industry, how it can be improved to better serve its original intent.

The wave of New Urbanism and Smart Growth enthusiast have shifted the landscape of urban development. Baby boomers are now empty nesters and no longer in need of mega houses, 4 car-garages and 3 acre lots and find downtown living more palatable. Environmentalist in their quest to curb urban sprawl and reduce their carbon footprint are finding solace in traditional urban neighborhoods. Historic preservationist are flocking to the inner cities to take advantage of declined property values, property tax abatement incentives and to save our national treasures, while local jurisdictions are struggling to increase their tax base and stand ready to maneuver unprecedented tax-credit deals for wealthy developers who promise unsubstantiated jobs and upscale redevelopment that often result in mass gentrification of the indigenous residents. As the result, CRA has become, in many instances, a foe rather than a friend to low income and communities of color.

Developers readily take advantage of these communities by using socio-economic demographic data gleaned from the Census to justify blighting and subsequent tax incentives such as Tax Increment Financing, TIF. Banks subsequently invest in these development projects because their wholesale appeal for CRA investments in targeted low income census tracts but not necessarily in the low income people who live in them. Such practices are most prominent in urban centers that are largely populated by people of color. We foresee this practice escalating as communities across the country gear up for the Sustainable Communities Initiative, that purports to fuse livability principles into a cache of housing, transportation and energy development. Some may well view SCI as an euphemism for 70s style Urban Renewal as buzz words like Transit Oriented Development, TOD, renew memories of failed Urban Renewal practices.

The St. Louis-MO-IL MSA is a prime example of current urban planning and redevelopment trends in particular the North Side, North County and East St. Louis, IL all having large concentrations of African-Americans. I'll now shift my comments to a personal perspective and discuss North St. Louis City, the community where I live. As a seasoned community and economic development practitioner, upon my relocation to St. Louis in January 2006, I readily realized the absence of an equitable Community Reinvestment system in North St. Louis. The housing stock was severely deteriorated with no evidence of building code enforcement, payday lenders were as prominent as liquor stores and churches, little to no affordable housing development had taken place in years, save for HOPE VI projects, community facilities were outdated and more surprisingly there were no community development corporations engaging in traditional community development activities.

You see since 1975 the North Side experienced strategic and systematic divestment in response to a plan known as the “Team Four Plan.” The following statement is taken from the introduction of the document, “the plan, in fact, is not so much Team Four, Inc.‘s plan as it is the plan of the City Fathers and the big business interest they represent.“ “In November 1973 two bills were proposed to the Board of Alderman by 2 gentlemen, John Roach and Richard Gerhart. The 2 bills were designed to preserve 74,000 buildings on the Southside while destroying 70,000 houses in North St. Louis. The bills clearly deemed, as stated, “that the North Side, where the great majority of St. Louis black population lives, to be an insignificant residential area not worthy of special maintenance efforts. Thru out the North Side we can see the results of this philosophy in abandon buildings and deteriorating neighborhoods. Already fire boxes have been removed, street cleaning has been decreased and other city services have been cut.” Source: Team Four Inc. City-Wide Implementation Element of Interim Comprehensive Plan. Although, the City never officially adopted the Team Four Plan the recommended suggestions of depleting the housing stock by 70,000 units and the denial of essential City services were implemented. Thirty plus years later the North Side today resembles bombed Beirut and the current socio-economic indicators are comparable to 3rd world conditions.

The local banking community was surely a part of those “big businesses” the City Fathers represented and subsequently played a major role in the demise of the North Side. Even after CRA’s enactment local banks failed to invest, lend and provide services in the North Side of St. Louis. And, although there are bank branches receiving deposits the communities’ physical and social environments are indicative of gross disparate treatment in lending and investments.

I began meeting with Mira Tanna, Deputy Director, of Metropolitan St. Louis Equal Housing Council, EHOC, the fair housing agency, to discuss my observations and learned there wasn‘t an entity whose mission was to oversee CRA. Our discussions led to the establishment of the St. Louis Equal Housing and Community Reinvestment Alliance, SLEHCRA, which was formed to systemically examine banks’ CRA performance throughout the region. Not surprisingly the disparate findings were stunning relative to banks’ CRA performance in African-American communities. In fact, the finding were off the radar screen and disclosed some banks’ assessment areas were craftily drawn to exclude low income areas in North St Louis City, North County and East St. Louis, again all with high concentrations of African-Americans.

One particular bank argued that it had invested millions of dollars in affordable rental housing, however, the HMDA data clearly indicates a lack of lending to individuals of color for homeownership. Granted the Bank had made significant community development investments in the Old North St. Louis community that has the largest concentration of White residents on the North Side; and, the only viable CDC in the area, Old North St. Louis Restoration Group. Over the years ONSLRG has receives preferential treatment from this particular bank and the

Regional Housing and Community Development Corporation, who the bank president just so happens to sit on RHCDC's board of directors. The organization also was privileged to receive substantial technical assistance for the local universities to the exclusion of the other North Side communities. In lieu of ONSLRG's strong partnerships, the organization recently celebrated the completion of over a $100 million dollar mixed use commercial/residential redevelopment project, which we applaud. Unfortunately the other North Side communities continue to wither into a wasteland. I should note that Old North St. Louis is adjacent to the downtown central business district.

Years of divestment by the City of St. Louis and the local banks have led to the majority of North St. Louis' deterioration. Regulators are not exempt from culpability. FDIC's field office, by its own admission, hadn't investigated a consumer complaint since 1987. An OCC regulator stated at a meeting with SLEHCRA that the organization had made history due to our filing the first ever complaint since 1977 against an OCC regulated bank. For the past 18 mos. I have tracked OCC's bank examines and not one bank has received a Needs to Improve nor Unsatisfactory rating. I find it difficult to conceive that every bank that OCC regulates is doing an Outstanding performance under CRA. There is something wrong with the current system. The City of St. Louis' divestment coupled w/weak regulatory CRA oversight has led to unprecedented socio-economic disparities among African-Americans living in North St. Louis City and throughout the region.

Lastly, FDIC released its' Unbanked Survey in December 2009, which surveyed 20 US MSAs of which the St. Louis, MO-IL MSA was among. St. Louis was found to have the highest percentage of unbanked and/or under banked African-Americans in the country. The survey cites 63% of African-American households, approximately 88,000, are either unbanked or marginally banked compared to Non-Hispanic Whites at 3.3%. The report further disclosed an additional 4.3% approximately 49,000 households maybe unbanked and a resounding 46.9% of African-Americans households have never been banked compared to 7.7% of their Non Hispanic White counterparts. The astounding disparities prompted FDIC to take a closer look at the banks they regulate to further examine and determine the causes of the gross disparities between African Americans and Non-Hispanic Whites. On July 29th FDIC kicked off the St. Louis Regional Unbanked Taskforce to work on increasing the bank ability of African Americans in the region, targeting the North Side as a pilot.

Given both FDIC and SLEHCRA's findings of banks' disparate treatment relative to communities of color, it is imperative that CRA be modernized to include race as a defining indicator to measure how and if local banks are engaging in equitable investments, lending and services in LMI census tracts with large concentrations of people of color.

I extend my humble appreciation for this opportunity to share the concerns of my community and organization in this important discussion. Thank you.

Duration: 3 minutes.