**STATEMENT OF TRINITA LOGUE**
**PRESIDENT AND CEO, IFF**

**FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL JOINT PUBLIC HEARING ON THE COMMUNITY REINVESTMENT ACT REGULATION**

**CHICAGO, ILLINOIS**
**AUGUST 11, 2010**

Thank you, members of the Federal Financial Institutions Examination Council (FFIEC), for the opportunity to participate in these hearings on the Community Reinvestment Act (CRA).

My name is Trinita Logue, and I am the President and CEO of IFF, a nonprofit community development financial institution (CDFI) that provides below-market loans to nonprofit corporations serving low-income communities and special populations.

I want to focus my comments on three, big-picture recommendations on the future direction of CRA and its enforcement. My first point – that the CRA/CDFI partnership has eroded and needs to be strengthened – has been made, but I want to add that the bar should actually be raised.

CDFIs are ideal partners to banks – in both good and bad times – and this was envisioned when the CDFI program was designed. Today many examiners are reverting to assessment factors that reward form over substance, and we know that dollar volume is rewarded over strategy and local knowledge. This actually discourages work with CDFIs. Paperwork is overvalued, and the work done by Congress, the Treasury Department and the President to build a CDFI industry, is undervalued and in some cases unrecognized.

In the very early years of CRA, banks were told to take local economic conditions into account, and that they would be examined on results only. Today, examiners narrowly define the compliance role and bring little or no knowledge of CDFIs to their work.

Let’s correct this and go even further by raising the bar. After years of experience with CRA, we see that 92 percent of the country’s banks routinely score satisfactory, yet whole communities and sectors still lack adequate access to capital. Perhaps we have engaged in “grade inflation,” or, as mentioned, count volume rather than impact. It is time to set even higher standards for impact, because investments in low-income communities are needed more than ever.

Second, the President understands CDFIs – our role and our structure. He has begun the twin process of providing strategic funding for CDFIs in several government departments to ensure successful implementation of new initiatives, while also challenging CDFIs to step up with our specialized financing skills. The President’s actions strengthen the understanding that CDFIs are expected to look at markets holistically, and to evaluate, understand, and build products that are financially successful and will also support jobs, health, recreation, education, family support, and transportation. For almost 30 years we have built the capacity within CDFIs to do just this.

But the CRA regulatory link to banks has broken down, weakening this social impact value chain so many have worked for years to create. And not only is it a strong foundation – government regulation, bank capital, CDFI local knowledge and risk capacity – but this structure is expandable and replicable across sectors, geographies and size of need.

The President's emphasis on place-based initiatives in areas of high need for jobs, health care services, access to healthy food and economic growth is an excellent example. Coordinating new public investment to leverage private bank investments – all within and through a CDFI – mirrors the administration's goal of targeting while combining and coordinating program goals. If we adopt this way of thinking, we will also stop thinking of CRA in isolation and as only a compliance matter, and start thinking about how to link CRA to community needs as they are reflected in today's public policy.

A good example of this is the movement in our country to a more prevention-based approach to public health. The federal health care reform law demands it. Other local, state and federal policies have called for more walkable communities, better access to grocery stores and fresh produce, improved nutrition in our schools, and more. Equally important, many low-income communities have organized around these issues. Imagine how meaningful CRA and its enforcement would be if we could connect it to the changing needs and priorities of communities in this way. I propose additional points and special recognition for CRA investments and loans that respond to these new initiatives.

Finally, as the public's financial assets in CRA-regulated banks continues to decline – in 2007, only 15 percent of all households' financial assets were in CRA-regulated institutions – we need to extend CRA to all financial institutions, such as insurance, securities and mortgage companies. CRA will become less and less relevant unless we take this step.

As this country begins to recover from the recent recession, low-income communities must be given hope that their need for credit and investment will not be ignored. The administration has set the stage for social policy that leaves no one behind, and we have worked to build a CDFI industry to help spread risk. Please bring banks back to full partnership with us, and extend CRA to new partners.