

Community Reinvestment Act Joint Public Hearing, August 12, 2010
Individual Presentation: Laura Page

[Applause]

Laura Page:

Hello my name is Laura Page. I'm a Policy Advisor for the State Treasurer of Illinois, Alexi Giannoulis, and I'm here on his behalf today and I want to thank everyone for hosting this event.

Our office works with financial institutions everyday in a variety of ways, and we're committing to making sure that those banks are really serving those communities. So my focus today is the importance of building transparency on the regulatory side of the CRA, specifically with regard to the ratings, the qualifying activities and reporting.

So as most of you know more than 95% of banks in Illinois receive a grade of satisfactory or better, which makes it appear that we are already doing enough but we know that that's not the case. When CRA ratings were first made public 20 years ago, one in 10 financial institutions failed their exam. Today that number has shrunk to less than 2%.

In the state treasurer's office we want to know which banks are really going an extra mile; and we only want to do business with those that show commitment to their communities. So we require all banks that receive state deposits from us to sign a CRA pledge that goes beyond just earning a simple satisfactory rating. They also must show commitment to providing non-predatory foreclosure prevention products, conventional banking services to the unbanked, and small business loan products, among other things. So we're doing what we can at the state level but new federal regulatory reforms are really necessary to make clearer distinctions between banks that are really going that extra mile or just earning satisfactory by the skin of their teeth.

To achieve this we recommend that the agencies assign ratings on a numeric scale of 1 to 100 rather than 0 to 24, which is very non-intuitive. All of us that went to school understands what an A, B, C, D, F grade is. It would make it much easier for us to understand that these banks are really doing.

The agencies also need to refocus on what the purpose is of CRA and clarify what qualifies for CRA credit. We've come a long way, as many people have mentioned today, since 1977, when lending was a key indicator of community development. Today, however, we believe that giving the service test more weight will encourage banks to help serve low and moderate income communities one individual at a time. And we want that weighting to be clear and transparent and proportionate to a given community's needs.

To give some examples of qualifying activities from our office we recently launched a new microloan program which provides a safe alternative to payday loans, and we worked with a number of people in the room--thank you for all your work on that. We also offered Bank on Illinois which is a statewide initiative to provide checking services to unbanked people. And then finally through our link deposit programs, we offered low interest loans to borrowers enabling them to gain access to credit in these really troubling economic times.

I'm going to skip to my final recommendation which is the in order to make the process more transparent and banks accountable, it's really important that we ensure that the resulting data from these exams is accessible and easy to understand. Right now all the information is on each individual agency's website. If it was all in one place to get everyone's score report so we can compare and contrast, that would be very important. So thank you for your time today.