Community Reinvestment Act Joint Public Hearing, August 12, 2010
Individual Presentations: Elisabeth Risch

[Applause]

Elisabeth Risch:
Good afternoon. My name is Elisabeth Risch, and I work at the Metropolitan St. Louis Equal Housing Opportunity Council. We are a nonprofit fair housing organization that works in the Metropolitan St. Louise area. We started working with the Community Reinvestment Act a couple of years ago in our banking research, and based on the wide racial and income disparities we found, we convened the St. Louis Equal Housing and Community Reinvestment Alliance known as SLEHCRA. We are now a coalition of 14 non-profit organizations that throughout the past year has been regularly submitting public comments, letters on banks' CRA performance evaluations and applications for banks operating in the St. Louis metro area. Our organization has four recommendations for the improved CRA regulation that are particularly relevant to our work in Saint Louis today.

First off, the assessment areas of institutions on CRA exams must be expanded to include the geographies where the bank is doing a significant amount of lending based on their market share. In St. Louis, geographical disparities within banking services have been and continue to be a significant issue of concern. For example, the city of St. Louis is a separate county from the St. Louis County and includes more of the low and moderate income communities in areas with high minority populations. We have a number of cases where banks completely exclude the city of St. Louis from their assessment area while including the surrounding higher wealth and mostly white counties, even when they're doing a significant amount of lending within the city. One such case appeared to draw the line of their assessment area in a bowtie that excluded most of the predominantly minority in low income areas. The regulatory agencies cannot accept this gerrymandering to avoid serving the low and moderate income communities.

Second off, the CRA regulation needs to include the consideration of service and lending to minorities. The fair lending tests while helpful in identifying some discriminatory practices does not account for an institution's lack of service to minorities. St. Louis has a banking atmosphere that has continuously excluded minorities. There are widespread disparities in terms of bank locations, assessment areas and lending for minorities. Many banks have lending percentages well below the aggregate performance and taken on a hold the aggregate data shows inadequate lending.

Third, banks have consistently received satisfactory ratings on their performance evaluations when it's clear that not all banks in St. Louis are meeting those satisfactory standards. For example, one bank that we referred to the Department of Justice because they had not originated a single loan to an Africa-American in the past five years was still receiving satisfactory ratings. The bank within an assessment area that resembled a bowtie was also receiving satisfactory ratings. And we discussed them with our--our concerns with the regulator about the assessment area, we were consistently told our regulator approved it. We discussed it with the bank, sorry. We recommend additional ratings, harsher scrutiny and more rigorous exams for all banks.

Finally, as a relatively new coalition working on CRA issues, we have been frustrated with some of the regulatory responses to our public comments. We would like to regulatories to engage with community groups in a meaningful and transparent way throughout the process of CRA examinations. We ask the regulators to defer processing of bank applications during a fair lending investigation by HUD or the Department of Justice and we recommend that the regulatory--the regulators include a substitution for summary of public comments within the bank's performance evaluation. We applaud and encourage you and you're rule making for a stronger CRA, and I thank you for the opportunity to speak today.