Community Reinvestment Act Joint Public Hearing, August 12, 2010
Individual Presentation: Calvin Holmes

[Applause]

Calvin Holmes:
Good afternoon. I've got good news for you. I'm number 13.

[Laughter]

Calvin Holmes:
So we're almost halfway there.

It's a pleasure to be here. My name is Calvin Holmes. I am the Executive Director of the Chicago Community Loan Fund. We're a midsized certified CDFI serving six-county metropolitan Chicago. We're one of the more flexible community development lenders supporting primarily housing, community facilities, and commercial real estate development. We're best known for our predevelopment financing, and I'm proud to say that we've nearly leveraged a billion dollars of public and private financing into low wealth communities around the region.

I thank you, regulators, for conducting these hearings. And to avoid being redundant, I want the regulators and our stakeholders to know that we stand with our partners, Opportunity Finance Network, National Community Reinvestment Coalition, Woodstock Institute, Community Reinvestment Fund, Housing Partnership Network, and many others, specifically regarding the need to redefine and expand the CRA -- sorry -- CRA assessment areas, rethink the community development test, and apply the law to bank affiliates. Given that many more broad community development issues have already been covered, I would like to specifically address how enhanced CRA implementation can help CDFIs serve their customers and our communities at a time when many have far less access to capital.

As you know, CRA has worked fairly well over the past 30 years. The CRA managers at the banks that we work with have been fine supporters in facilitating this work, and CDFIs have proven over the years to be sound and profitable partners for banks. However, market conditions and competing corporate objectives have recently resulted in a less than ideal situation for CDFIs working with banks. I tender three recommendations. None of them are easy, but they are all critical.

As a midsized CDFI, we survive on our ability to attract investors with low pricing -- who give us low pricing. I don't think I can call it low pricing anymore. I'm sorry. I don't think I can call it below pricing, below market pricing anymore because we're told that the higher rates that we're getting are below market. In the current economic climate, CDFIs throughout the country are seeing the cost of our available capital rise to unsustainable levels. Going forward, we need CRA application to encourage banks to offer low-cost, long-term investments to CDFIs so that we can continue to offer flexible technical assistance, supporting community development.

The other area is equity equivalent investments, which is a deeply subordinated investment vehicle that stays on our books for a long time and allows us to do some fairly transformation lending like predevelopment. As Ellen Seidman and Warren McLean said earlier, we need that kind of a capital structure to provide the kinds of innovative financing that we do to our community partners. We need for banks to understand that we are not as risky as we are perceived. We've had a cumulative maximum 2 percent default rate, even going through this year. So their capital market areas should not risk price us in an unrealistic way.

By encouraging banks to offer truly low-cost investments, subordinate investments, and other credit enhancements, we can greatly increase the ability of CDFIs to stabilize and expand economic opportunities in disadvantaged communities. In closing, I thank you for your effort to make CRA more effective and relevant; and I also encourage you to step up your effort to enforce CRA today. We need that. Thank you.