Community Reinvestment Act Joint Public Hearing, August 12, 2010
Opening Remarks: Thomas Barnes

Thomas Barnes:
Thank you, Governor Duke. Good morning my name is Tom Barnes; I'm the Deputy Director for Examination, Supervision and Consumer Protection at the Office of Thrift Supervision.

Welcome to the third of four public hearings sponsored by the four Federal Financial Regulatory Agencies that evaluation the Community Reinvestment Act performance. I was fortunate to have been the Director of the OTS Central Region here in Chicago before taking my current position last year in Washington. That makes it a special pleasure for me to represent OTS today. Chicago is a great and vibrant city; I'm delighted to see this enthusiastic turn out, thank you for participating.

These public hearings provide us an opportunity to evaluate the current CRA regulations and explore possible options for improving them. Updates may be necessary to make the regulations consistent with the business and market realities of the financial services industry in the 21st century. Through this process, we affirm our commitment to make the CRA rules as effective and meaningful as possible for the financial institutions they cover and the communities and consumers they benefit. The CRA plays a pivotal role in encouraging banks and thrifts to meet the credit needs of all segments of their communities, including low and moderate income areas.

The CRA statute in implementing regulations encourage the expansion of branches in low and moderate income neighborhoods as well as the development of innovative and responsive retail products and services for lower income households and families.

The CRA also encourages depository institutions and community-based organizations to work collaboratively to promote the access of credit and other banking services to underserved communities. One of the issues for discussion today is how to define the geographic scope of a depository institution’s activities. The agencies established the assessment area as the basic building block of performance evaluations when we last made comprehensive revisions to the rules in 1995. Under the rules an institutions assessment area generally includes the geographies in which it has its main office, its branches, its deposit-taking ATMs as well as the surrounding geography where it originated or purchased a substantial portion of its loans.

The underlying assumption is that the physical locations where the deposits are taken define an institutions community or assessment area for CRA evaluation purposes. As the financial services industry continues to evolve and new technologies to serve customers, is the current definition of assessment area the best way to delineate an institution's community? I'm interested in your thoughts and how we can stay true to the CRA goal of meeting community credit needs while accommodating today's business models and risk profiles. This hearing also focuses on the effectiveness of current CRA evaluation methods. Would it be beneficial to revamp the ways we evaluate the delivery systems and distribution mechanisms of different CRA covered institutions to more fully recognize their markets, products offerings and business strategies? I'm very interested in hearing your views on these important issues. Some ideas for CRA reform would necessitate congressional action, however we ask participants at this hearing to focus on ways the agencies can work within their preview to make the current revisions of the current rules. We are committed to working with all stake holders to ensure that the mission of CRA is fulfilled and organization efforts encompass all the providers, products and services necessary to meet the credit needs as fully and effective as possible. Thank you again for your participation I look forward to your insightful comments and recommendations.