

1 A-F-T-E-R-N-O-O-N S-E-S-S-I-O-N

2 1:18 p.m.

3 VICE CHAIRMAN GRUENBERG: Good  
4 afternoon. We'd like to continue with our  
5 hearing.

6 Our third panel will focus on  
7 issues of community development with regard to  
8 CRA.

9 And if I may briefly introduce our  
10 witnesses:

11 Michael Rubinger, who is the  
12 President and CEO of Local Initiatives Support  
13 Corporation;

14 Terri Ludwig who is the Executive  
15 President and Chief Operating Officer of  
16 Enterprise Community Partners;

17 Dorothy Broadman, who is a Board  
18 Member for the National Association of  
19 Affordable Housing Lenders and also Senior  
20 Vice President of Capitol One and she's  
21 testifying on behalf of NAAHL;

22 Lisa Hall, Executive Vice President

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 and Chief Lending Officer for the Calvert  
2 Foundation;

3 Julie Gould, who is Senior Vice  
4 President for Community Investment and Impact  
5 for Mercy Housing;

6 Sarah Gerecke who is Executive  
7 Director of Furman Center at New York  
8 University, Furman Center.

9 We welcome you all.

10 And, Mr. Rubinger, would you please  
11 begin.

12 [REDACTED] Good afternoon.

13 [REDACTED] First of all, I want to thank you  
14 for inviting me today. I do very much  
15 appreciate the opportunity to be here this  
16 afternoon.

17 My organization, LISC, as many of  
18 you know is one of the largest community  
19 development organizations in the country. And  
20 our particular approach to community  
21 development emphasizes the importance of  
22 comprehensiveness in delivering community

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 development resources to low-income distressed  
2 neighborhoods. So for that reason I am  
3 particularly pleased that the focus of my  
4 remarks this afternoon will be on CRA's  
5 relationship to community development  
6 activities.

7 From our perspective, community  
8 development involves lending, investment and  
9 services to support low- and moderate-income  
10 families and communities in a vast variety of  
11 ways, including multi-family rental housing,  
12 home construction and rehabilitation, retail  
13 and other commercial real estate such as  
14 grocery stores and business facilities,  
15 community service facilities such as health  
16 clinics, charter schools and childcare centers  
17 as well as support for other CDFIs and  
18 nonprofit developers.

19 CRA motivated bank financing is  
20 without any doubt an integral part of  
21 community development. Motivated by CRA,  
22 banks have made billions of dollars of

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 successful community development loans and  
2 investments.

3 One of CRA's signature  
4 achievements, we believe, has been to create  
5 successful partnerships among banks,  
6 government and both nonprofit and for profit  
7 developers. Most federal housing production  
8 and other community development policies now  
9 depend on these partnerships which help  
10 leverage limited public funds. Bank  
11 participation has also brought business  
12 discipline to the community development  
13 process greatly increasing the success of  
14 public programs.

15 Community development investment  
16 projects often anchor the broader  
17 stabilization and revitalization of low- and  
18 moderate-income communities and compliment  
19 with responsible lending to individual  
20 consumers and small businesses in these  
21 communities.

22 Unfortunately, CRA effectiveness in

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 encouraging community development has eroded  
2 over the past several years. One reason  
3 community development activities can be  
4 overlooked is that their consideration is  
5 divided among the three CRA tests for large  
6 retail banks: Lending, investment and  
7 services. This fragmentation obscures a clear  
8 view of how banks are applying the various  
9 tools at their disposal to address the needs  
10 and opportunities of different communities in  
11 an integrated and responsive way.

12 Second, quantity has clearly  
13 outstripped quality as a measure of CRA  
14 performance. In assessing community  
15 development activities volume is undoubtedly  
16 important, but so is an understanding of how  
17 they address community needs. This  
18 qualitative aspect often gets lost as CRA has  
19 become more predominately numbers driven.

20 Third, there is little incentive  
21 for the major multi-state banks which have  
22 most of the banking systems' deposits and

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 assets to undertake community development  
2 activities beyond the largest metropolitan  
3 areas. While CRA policy recognizes that how a  
4 bank responds to local needs is essential in  
5 evaluating the bank's community development  
6 activities, for most multi-state banks  
7 activities in only one or two parts of each  
8 state receive any such qualitative review.

9 Community development practitioners  
10 increasingly characterize these areas as CRA  
11 hotspots and other areas as CRA dead zones as  
12 if CRA were not truly a national policy.

13 We believe that community  
14 development deserves greater attention under  
15 CRA than it currently receives. For this  
16 reason we recommend that a new community  
17 development test replace the current  
18 investment test on the CRA exam for large  
19 retail banks. We would, however, propose  
20 keeping the current general lending test and  
21 the services test.

22 A new community development test

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 would include all forms of participation  
2 including loans, investments, credit  
3 enhancements, services and support for  
4 nonprofit partners.

5 To recognize and encourage  
6 community development activities in both large  
7 metropolitan areas as well as in other  
8 communities which may not receive sufficient  
9 attention currently, we propose a revision in  
10 the way community development needs are  
11 determined and community development  
12 activities are examined. What is needed is a  
13 more manageable consistent and predictable  
14 approach to community development that  
15 includes all communities and recognizes local  
16 needs.

17 In that spirit, we propose for  
18 consideration one possible new approach, no  
19 doubt there are others. Under this approach  
20 the banking agencies would jointly conduct a  
21 community development needs assessment for  
22 each of the 50 largest metropolitan areas as

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 well as for the balance of each state: A  
2 total of 100 areas nationwide. These needs  
3 analyses would be the basis for the community  
4 development component of CRA exams. Under  
5 this system major metropolitan areas would  
6 continue to get attention, but now smaller  
7 metro areas and rural areas would get more  
8 attention as well. At the same time, the  
9 number of assessment area targets would be  
10 more manageable for all interests,  
11 particularly the larger banks which can  
12 sometimes have 200 or 300 or more assessment  
13 areas.

14 Finally, CRA examiners should get  
15 community development training. Assessing  
16 community development activities requires CRA  
17 examiners to exercise some judgment about the  
18 responsiveness of a bank to community needs.  
19 For this reason it will be important for CRA  
20 examiners to have strong familiarity with  
21 community development and clear guidance on  
22 how to apply appropriate judgment.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1                   Thank you very much.       I look  
2 forward to your questions.

3                   VICE CHAIRMAN GRUENBERG: Thank you  
4 very much.

5                   Okay.

6                   MS. LUDWIG: Good afternoon.

7                   I'm Terri Ludwig.       I'm the  
8 Executive Vice President and Chief Operating  
9 Officer for Enterprise Community Partners.  
10 Enterprise is a national nonprofit  
11 organization. We create opportunity for low-  
12 and moderate-income people through activities  
13 that support affordable housing in diverse  
14 thriving communities. Enterprise provides  
15 financing and expertise to community-based  
16 organizations for affordable housing  
17 development and other community revitalization  
18 strategies across the United States.

19                   For more than 25 years Enterprise  
20 has invested over \$10 billion to create more  
21 than 270,000 affordable homes and strengthen  
22 hundreds of communities across the country.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1           To begin, I'd like to thank you.  
2           Thank you for showing your leadership and  
3           initiative to convene these hearings and to  
4           ask the thoughtful questions about how to  
5           improve the regulatory implementation of the  
6           Community Reinvestment Act.

7           My own career in investment banking  
8           and nonprofit leadership prior to coming to  
9           Enterprise has been very intertwined with CRA.

10          I've led nonprofits that benefitted from bank  
11          investments that were driven by CRA, and I've  
12          also led the Merrill Lynch Community  
13          Development Company which was subject to CRA.

14          And so I've seen firsthand how CRA helped  
15          financial institutions to see new lending and  
16          investment opportunities in low- and moderate-  
17          income communities, and also how the CRA  
18          regulation sometimes did not work as well as  
19          intended.

20          Enterprise and other community  
21          developers that are testifying here today sent  
22          a joint letter in December asking that you

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 commence a review to review and update the CRA  
2 regulations. We're delighted that you  
3 followed up with these hearings, and we thank  
4 you for your leadership on these matters.

5 There are four key areas that we  
6 think are especially important to discuss  
7 today:

8 First, the need to create a  
9 community development test;

10 Secondly, the importance of  
11 examiner training;

12 Third, the recognition of green  
13 building practices, and;

14 Fourth, the need to rethink how  
15 assessment areas are determined and how banks  
16 get credit for these activities.

17 The community development field has  
18 evolved a great deal since the lending,  
19 service and investment tests for larger banks  
20 were created in 1995. At that time, the  
21 legislation creating the community development  
22 financial institutions or CDFIs had just

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 passed. Thanks in part to the CDFI statute,  
2 the CRA, tax credits and other policies, as we  
3 know a full industry has arisen that provides  
4 credit to low- and moderate-income communities  
5 on more favorable terms than the private  
6 market alone could provide. And many of the  
7 institutions represented on this panel make  
8 impact investments working with our bank  
9 partners. We're mission-oriented businesses,  
10 if you will, that can structure complex  
11 transactions and can meet community needs.

12 Currently evaluation of bank  
13 activities, as we know, is scattered among the  
14 lending, service and investment tests  
15 depending on the form the investment takes.  
16 Importantly, the dollar value of one loan to  
17 fund a supportive housing project, for  
18 example, that is fairly complex that involves  
19 state, local governments and possibly a CDC  
20 intervention can be dwarfed by a bank's volume  
21 of conventional home mortgage lending in low-  
22 and moderate-income communities. Yet that

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 same community development loan can many times  
2 have a larger impact on that neighborhood.

3 The time and complexity required by  
4 community development projects needs to be  
5 recognized by a separate test that looks at  
6 community development as an integrated whole.

7 This is why current regulations should be  
8 augmented with a rigorous community  
9 development test that replaces the investment  
10 test. The test should have both quantitative  
11 but also qualitative elements.

12 Lending, services and investments  
13 in affordable rental housing, economic  
14 development projects, community facilities  
15 like childcare centers or charter schools,  
16 community loan funds, microfinance funds and  
17 other community development activities in low  
18 and moderate income communities should qualify  
19 for this test.

20 Equity investments in community  
21 development financial institutions and other  
22 investments that help build the capacity of

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 community developers should also qualify.

2 An important part of our  
3 recommendation today is that there should be  
4 interagency assessments of community needs so  
5 that bank performance is judged against an  
6 analysis of those community needs. The  
7 regulatory agencies should work together on an  
8 interagency assessment for each major metro  
9 area that replaces the assessments of  
10 community needs done by the individual  
11 agencies as part of the CRA exams for various  
12 financial institutions.

13 The agencies might want to contract  
14 out this responsibility, for example, to a  
15 knowledgeable independent third party like a  
16 research firm or academic institution. Public  
17 input certainly should be a crucial part of  
18 this assessment as well.

19 Another important aspect of our  
20 recommendations is the importance of examiner  
21 training and the quality of their exam  
22 guidance. A community development test by its

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 nature required more qualitative judgment than  
2 creating a table of mortgage lending data, for  
3 example. The creation of a community  
4 development test requires training of bank  
5 examiners in order to be successful.

6 Enterprise would be happy to work  
7 with our community development colleagues and  
8 the banking agencies to design a curriculum  
9 for bank examiners that reflects the answers  
10 and complexities of our more than 25 years of  
11 community development experience.

12 Financial institutions should  
13 receive extra consideration under the  
14 community development test if the housing or  
15 commercial developments finance in low and  
16 moderate income communities are energy  
17 efficient and built according to green  
18 building standards, like the Enterprise Green  
19 Communities criteria. Enterprise's experience  
20 with green communities suggests that adding in  
21 an environmental overlay to CRA does not  
22 require any dilution of the low and moderate

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 income focus of CRA. All lending or  
2 investments that receive credit under CRA  
3 should serve low and moderate income  
4 communities, and we are not suggesting that  
5 that should change.

6 What green communities has taught  
7 Enterprise is that green and affordable  
8 housing can be one in the same. And similar  
9 thinking should infuse the creation of a  
10 community development test that allows for  
11 additional consideration for green buildings  
12 that serve low and moderate income  
13 communities.

14 Our final thought is the concept of  
15 assessment areas under CRA that needs to be  
16 reconsidered. One of the most difficult  
17 regulatory issues that we are grappling with  
18 is deciding where and how to give banks  
19 credits for lending, investment and services.

20 When CRA was passed in 1977 there was neither  
21 nationwide banking nor the community  
22 development industry that exists today. CRA

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 encouraged banks to lend neighborhoods from  
2 which they took deposits. Today in a world of  
3 nationwide banking and deposit taking, and  
4 with an array of mission-oriented community  
5 development conduits like CDFIs, loan pools or  
6 tax credit investment funds it seems misguided  
7 to focus on only giving banks CRA credit where  
8 they take deposits. A better question to  
9 ask is this high quality community development  
10 work that meets a need in a low and moderate  
11 income neighborhood.

12 CRA is an unusual and a powerful  
13 law whose effectiveness needs to be  
14 maintained. It is unusual because it is broad  
15 and affirmative obligation for the private  
16 market. CRA doesn't prohibit behavior,  
17 instead it lays out a broad goal that is to be  
18 met consistent with safe and sound banking  
19 practices. And it has succeeded in fostering  
20 an industry that tackles tough community  
21 development challenges.

22 Thank you for your commitment to

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 maintain the strength and relevance of CRA.  
2 Enterprise would be pleased to work with you  
3 on these complicated and difficult issues.

4 VICE CHAIRMAN GRUENBERG: Thank you  
5 very much.

6 MS. BROADMAN: Good afternoon.

7 My name is Dorothy Broadman, and  
8 I'm here representing the National Association  
9 of Affordable Housing Lenders or NAAHL as I  
10 chair its Legislative and Regulatory  
11 Committee.

12 NAAHL's mission is to increase  
13 investments for economic development of low  
14 and moderate income communities. Our  
15 membership is comprised of 80 organizations  
16 representing the full spectrum of community  
17 development including nonprofits, CDFIs,  
18 banks, thrifts, public agencies and others.  
19 This combination of our unique mix of members  
20 coupled with our mission enables us to provide  
21 a reasoned voice bringing years of hands-on  
22 experience to discussions about practical

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 solutions and likely impacts of policy  
2 decisions.

3 The agencies are considering  
4 several areas of expansion for CRA. We note  
5 that broadening CRA's objectives to address a  
6 wide range of social and economic problems  
7 could stretch resources and risk diluting some  
8 of the most positive impacts of this important  
9 and effective law. Maintaining focus on  
10 serving LMI in geographies where the banks  
11 have the resources to deliver effective  
12 programs, and encouraging activities that  
13 address unmet need with adequate risk  
14 management and return we view as critical to  
15 the long-term viability of CRA.

16 There's often conversation about  
17 whether a specific activity should count.  
18 That is only a first step to gaining attention  
19 from banks. What really matter is the  
20 weighting, meaning how much it influence the  
21 rating. Currently some high impact activities  
22 count but receive little weight.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1           In addition to the comments I will  
2 make here, NAAHL is providing written comments  
3 that address today's questions in more detail  
4 as well the agency's questions about  
5 geographic coverage and access to banking  
6 services.

7           Regarding question 6, NAAHL support  
8 expanding the consideration and weighting of  
9 community development in the evaluation. When  
10 the rule was written in '95 there was a need  
11 to emphasize quantitative assessment. We have  
12 evolved beyond that as banks have since  
13 expanded their understanding of how to make  
14 safe and sound loans to LMI populations and  
15 neighborhoods. It is time to reduce emphasis  
16 on the quantitative methodology which compares  
17 activity to demographic benchmarks without  
18 serious consideration of need or demand, risk  
19 and profitability.

20           This current emphasis on the  
21 quantitative versus the qualitative has  
22 undercut support for CDFIs, an industry that

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 is able to reach and provide services that  
2 would be impractical for regulated banks to  
3 address directly. Emphasis on quantity  
4 encourages banks to finance the larger least  
5 time consuming transactions leaving the  
6 smaller important developments with few to no  
7 financing options.

8 Further, such quantitative emphasis  
9 has caused distortions in some markets  
10 resulting in a negative impact to CRA's  
11 reputation.

12 It is important to provide more  
13 flexibility and greater weight to high impact  
14 activities so that banks will be encouraged to  
15 reach deeply into underserved markets. This  
16 means emphasizing both the complexity and  
17 impact of community development. We recommend  
18 that institutions have the option of a CD or  
19 community development providing flexibility in  
20 the provision of the three categories:  
21 Lending, investments and services.

22 There should be full consideration

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 of banks' investments in multi-investor funds  
2 that are active outside of their assessment  
3 areas. For more than 30 years these funds  
4 have provided important financing for  
5 community development. They diversify the  
6 risk of lending and investing.

7           Regarding question 7 ratings and  
8 incentives we recommend that the agencies make  
9 CRA less complicated and therefore effective.

10       The endless conversations and voluminous and  
11 growing Q&As addressing minutiae related to  
12 what counts and doesn't count has grown way of  
13 proportion to the value it provides. We  
14 recommend a major simplification.

15           The regulations should provide  
16 clear incentives to outstanding CRA  
17 performance. These could include a  
18 streamlined regulatory application process  
19 that relies heavily on the rating.  
20 Recognition from the agency head to the  
21 executive leadership of the institution and  
22 the public, and longer periods between exams.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1                   Regarding question 7 discriminatory  
2                   or other illegal credit practices.     Our  
3                   overriding theme here is to do no harm.  It is  
4                   important to maintain the integrity of  
5                   separate laws.  CRA has been effective because  
6                   of the continuing focus on expanding capital  
7                   and banking services to LMI households and  
8                   neighborhoods.  Other laws and regulations  
9                   play important and separate roles in the  
10                  federal construct of consumer protection.  If  
11                  existing consumer protection laws are  
12                  inadequately enforced, the answer is not to  
13                  add them to CRA, but rather to enhance their  
14                  oversight as needed.

15                         Thank you.

16                         VICE CHAIRMAN GRUENBERG:     Thank  
17                         you.

18                         Ms. Hall?

19                         MS. HALL:     Good afternoon.

20                         Thank you for inviting me here  
21                         today to discuss the Community Reinvestment  
22                         Act and share my thoughts on how the capital

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 and credit needs of underserved communities  
2 and specifically small business owners can  
3 best be met by financial institutions by the  
4 regulatory system.

5 My name is Lisa Green Hall and I am  
6 Executive Vice President and Chief Lending  
7 Officer at the Calvert Foundation, a certified  
8 community development financial institution  
9 since 1996 with more than \$300 million in  
10 assets under management.

11 Calvert Foundation raises capital  
12 from socially motivated individuals and  
13 institutional investors. We then invest that  
14 capital with CDFIs and other mission driven  
15 community development organizations both here  
16 in the U.S. and abroad.

17 Calvert Foundation currently has  
18 \$70 million in loans outstanding with 70 CDFIs  
19 throughout the United States. Furthermore,  
20 serving in an asset management capacity,  
21 Calvert Foundation recently announced a  
22 partnership with Citibank to create the

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 Communities at Work Fund. We, along with the  
2 Opportunity Finance Network, are managing a  
3 \$200 million commitment from Citi to invest in  
4 CDFI loan funds that finance small businesses,  
5 not for profits, charter schools and other  
6 community service organizations in low income  
7 and low wealth communities.

8 Thank you for inviting me to be  
9 here today. And my focus is going to be on  
10 CDFIs and small business lending.

11 CDFIs are playing an increasingly  
12 important and prominent role in serving the  
13 capital needs of low income communities and  
14 communities of color, particularly with  
15 respect to small businesses.

16 Furthermore, these communities have  
17 been more vulnerable to economic downturns  
18 than higher income, higher wealth communities.

19 And for the past two years disproportionately  
20 affected by the mortgage foreclosure crises  
21 and the broader economic recession. How  
22 income communities and communities of color

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 have experienced the highest unemployment  
2 rates, the greatest foreclosure rates and the  
3 largest number of small business bankruptcies,  
4 as we all know. I would like to highlight the  
5 need for small business loan capital and  
6 microloan capital that I have observed in my  
7 role at Calvert Foundation evidenced by  
8 incredibly strong demand from our CDFI  
9 borrowers.

10 The small business lending market  
11 has been largely abandoned by the large  
12 traditional financial institutions while CDFIs  
13 continue to serve and expand their lending and  
14 technical assistance to small businesses,  
15 nonprofit social enterprises and community  
16 facilities.

17 Since launching the Communities at  
18 Work Fund just two months ago, we have  
19 received loan requests from a wide range of  
20 nearly 80 certified CDFIs. Of those we are  
21 actively considering nearly every state has  
22 been represented in the applications, and

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 requests range from 200,000 to 20 million.

2 CDFIs are well suited to serve the  
3 credit needs of small businesses, especially  
4 those with employees less than 50 people and  
5 with credit needs for small dollar loans of a  
6 million dollars or less, and particularly  
7 200,000 and less.

8 CDFIs are well suited to serve  
9 small business credit needs in low income  
10 neighborhoods and communities of colors  
11 because of their mission focus, specialized  
12 expertise, lower administrative burdens  
13 compared to medium and large banks, and  
14 lending criteria which can be more flexible  
15 and more patient than those of regulated  
16 institutions.

17 One way in which CRA could have a  
18 great impact in underserved areas is to boost  
19 the type of capital available to CDFIs from  
20 financial institutions for small business  
21 lending and investment activity. In  
22 particular, the community development sector

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 would greatly benefit from equity like capital  
2 which it could obtain if the regulations were  
3 revised to create clearer incentives to make  
4 equity equivalent longer term investments in  
5 CDFI intermediaries, regulated CDFI's and  
6 unregulated CDFI loan funds.

7 In addition to recommending that  
8 CRA provide more incentives for small business  
9 lending I would like to highlight four  
10 specific items for the regulatory agencies to  
11 consider.

12 The first, as has been mentioned by  
13 many, is to re-envision assessment areas. The  
14 concept of an assessment area was developed at  
15 a time when all banks were mostly local  
16 institutions. In today's world banks are no  
17 longer defined by narrow and specific  
18 geographies. Customers are more transient and  
19 less loyal to specific locations.

20 In the CDFI sector we have  
21 witnessed traditional institutions abandon the  
22 credit needs of entire communities where

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 traditional financial institutions no longer  
2 take deposits.

3 Assessment areas as currently  
4 defined limit a bank's ability to serve  
5 communities in need. A more reasonable  
6 approach given current activities and  
7 structures of banks might be to require CRA  
8 investments in areas where an institution does  
9 business and delivers services, not just takes  
10 deposits in a concentrated manner and a  
11 threshold or minimum percentage of market  
12 share could be established.

13 Number two, the second issue for  
14 the regulatory agencies to consider is  
15 tracking methods, which is not unrelated to  
16 the assessment area issue. The assessment  
17 area challenge which I just raised is  
18 particularly tough because of tracking and  
19 reporting demands of the current regulations.

20 For intermediaries like Calvert Foundation  
21 and other national CDFIs which provide  
22 important capital to organizations rather than

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 capital to projects, the type of tracking  
2 required by the CRA is impractical if not  
3 impossible. One approach might be to expand  
4 credit for investments in any CDFI, regardless  
5 of location given that all certified CDFIs  
6 must meet primary purpose tests.

7 The third issue I'd like to  
8 highlight pertains to EQ2 or equity equivalent  
9 investments. By allowing EQ2 investments to  
10 receive investment credit for existing loan  
11 portfolios, financial institutions would have  
12 more certainty around meeting the existing  
13 investment test, and therefore would be more  
14 motivated to make EQ2 investments, thus  
15 bolstering the balance sheet of CDFIs.

16 And the final issue I'd like to  
17 highlight is that of tests. We would  
18 encourage the regulatory agencies to consider  
19 a broadening of tests to include a wide range  
20 of community development purposes and  
21 activities, including loans to community  
22 facilities, health centers, charter schools

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 and other nonprofit uses.

2 In conclusion, I found the hearing  
3 to far to be quite formal. And I think it is  
4 important for us all to remember the personal  
5 aspect of CRA.

6 I'm the daughter of a civil rights  
7 activist. And my father literally risk his  
8 life demonstrating and protesting to secure  
9 fair housing and lending for all U.S.  
10 citizens. I know exactly what it means for a  
11 neighborhood to be relined. And I'm very  
12 grateful for the incentives that CRA has  
13 created for financial institutions to lend  
14 where they wouldn't otherwise lend. There are  
15 countless consumers, businesses and  
16 communities suffering in disproportionate  
17 numbers because of the current economic  
18 downturn. These individuals and families  
19 deserve a modern CRA which meets their credit  
20 needs.

21 Thank you for having me today.

22 VICE CHAIRMAN GRUENBERG: Thank you

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 very much.

2 Ms. Gould?

3 MS. GOULD: Good afternoon.

4 I'm Julie Gould, Senior Vice  
5 President of Community Impact and Investment  
6 at Mercy Housing.

7 Mercy Housing applauds the CRA  
8 regulatory agencies for holding these national  
9 hearings. Over the past 33 years the CRA has  
10 fostered important partnerships resulting in  
11 increased reinvestment to low income  
12 communities. In the context of the current  
13 financial crises it's crucial that a strong,  
14 relevant CRA be part of the reform solutions  
15 for building healthy communities across  
16 America.

17 Mercy Housing's mission is to  
18 create stable, vibrant and healthy communities  
19 by developing financing and operating  
20 affordable, program enriched housing for  
21 people who lack economic resources to access  
22 quality safe housing. In our first 27 years

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 we developed and financed over 37,000 units of  
2 affordable housing and touch the lives of  
3 128,000 people everyday. In the next five  
4 years we've set a very ambitious goal of  
5 adding 60,000 more affordable housing units in  
6 partnership to help close that affordable  
7 housing gap that exists today. We're  
8 commenting on two aspects in need of reform:  
9 Community development and geographic coverage.

10 In building a 21 century regulatory  
11 definition of community development the  
12 biggest challenge is raising capital at costs  
13 that support mission driven business work.  
14 With reform that encourages broader investment  
15 in soundly performing community partners, the  
16 CRA will catalyze developer's and lender's  
17 ability to serve low income people and  
18 communities.

19 Mercy Housing recommends an  
20 approach that elevates the importance of  
21 community development activities in three  
22 ways.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1           Our first recommendation is to  
2 consider community development activities  
3 separately in the examination process. An  
4 example of why that's needed. Mercy Housing  
5 is currently working to link affordable  
6 housing at its delivery centers for health  
7 care, including community health clinics in  
8 San Francisco and Sacramento.

9           The impact today of the banks'  
10 lending or investment in these projects is too  
11 small compared to other investments in lending  
12 that they would do to be impactful, and yet  
13 these projects build healthy communities.

14           Secondly, we recommend expanding  
15 the term community development to include all  
16 activities by banks inside and outside their  
17 assessment areas using a new category called  
18 national needs. This could be measured by  
19 federal, state and local stimulus programs  
20 aimed at jump-starting the nation's economy.  
21 An example of the new eligible activity could  
22 include giving CRA credit for all investments

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 in mission driven financial intermediaries  
2 such as CD or loan funds, Lisa mentioned that.  
3 And Mercy has the Mercy loan fund as the DFI  
4 fund. And these funds by their mission enable  
5 catalytic community development activity  
6 regardless of geography.

7 A third recommendation is to add  
8 community impact as a category for qualitative  
9 extra credit to banks that lend to, invest in  
10 or provide services to nonprofit mission  
11 driven businesses.

12 We should together develop a simple  
13 quantifiable measurable table and narrative as  
14 part of this CRA exam that captures community  
15 impact. At Mercy Housing we're developing a  
16 community impact scoreboard that's described  
17 further in our written testimony.

18 Regarding CRA geographic coverage,  
19 assessment areas are no longer reflective  
20 solely of geographic boundaries. Our biggest  
21 concern is that community development  
22 organizations are forced to move with projects

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 the banks will lend to in large urban areas  
2 leaving other projects to flounder. We have  
3 two recommendations for geographic coverage.

4 Our first is to give full CRA  
5 credit to banks to lend to and invest directly  
6 in community development financially sound  
7 businesses that benefit broader regions inside  
8 and outside their assessment areas.

9 Today high performing nonprofit  
10 enterprises are regional and national in their  
11 service areas. We're financially strong,  
12 we're risked managed and we did not exist at  
13 the scale today that when the CRA regulations  
14 were last rewritten. Moreover, the CDFI  
15 sector has grown up since 1995.

16 Secondly, we recommend creating  
17 incentives for financial institutions without  
18 a retail presence to invest and lend in  
19 community development businesses that benefit  
20 from the national consumer base that these  
21 institutions have. Their potential to invest  
22 in, for example, community development tax

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 credit vehicles like the Housing and New  
2 Market Tax credit programs could create  
3 positive community impact nationally.

4 Thank you. And Mercy Housing  
5 stands ready to assist.

6 VICE CHAIRMAN GRUENBERG: Thank you  
7 very much.

8 Ms. Gerecke?

9 MS. GERECKE: Governor Duke, Vice  
10 Chair Gruenberg, Comptroller Dugan and  
11 Director Bowman and colleagues and guests,  
12 thanks for inviting me to testify today. My  
13 testimony draws on the experience of my NYU  
14 colleagues at the Furman Center from two  
15 discussions we hosted this Spring on the power  
16 and potential of CRA, and from my experience  
17 in community development programs working in  
18 Government, nonprofit and for profit sectors.

19 We welcome today's broad review by  
20 regulators to assess whether CRA  
21 implementation can better meet its statutory  
22 objectives. The credit needs of local

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 communities and the programs available to meet  
2 those needs have changed dramatically, as you  
3 well know.

4 CRA can and should be used to help  
5 restore low income communities and individuals  
6 to financial health. CRA can and should also  
7 be used to leverage other public and private  
8 initiatives that have parallel or similar  
9 objectives so that there's a maximum long-term  
10 impact on communities.

11 Based on our research and  
12 experience we'd like to make two observations  
13 for you to consider in the course of your  
14 review.

15 First, regulators should invest in  
16 consistent, timely and rigorous data driven  
17 analysis to measure both the local community  
18 credit needs and also the impact of CRA  
19 programs in meeting those needs.

20 And second, there should be more  
21 incentives for financial institutions to  
22 support a broader range of community

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 investment activities, especially those that  
2 leverage other public and private investments  
3 to maximize their impact.

4           Regarding the first observation  
5 about measurement, again many panelists have  
6 said that today already. The regulatory  
7 yardstick of counting loans or investments to  
8 low and moderate income houses or Census  
9 tracks is a blunt tool that too often leaves  
10 important credit needs unidentified and  
11 unaddressed.

12           The mortgage crises has hit certain  
13 population groups and certain neighborhoods  
14 rapidly and hard. The needs of the  
15 communities now are very different from needs  
16 in previous decades. And as credit conditions  
17 change rapidly, regulators must have objective  
18 information so that they can encourage timely  
19 responses that are effective in addressing  
20 local needs.

21           Our second observation is that  
22 regulators should also use this opportunity to

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 review how to reward CRA initiatives that  
2 major positive impacts because they were  
3 thoughtfully designed and they leverage other  
4 public and private resources. And this is  
5 another thing you've heard today. Our  
6 research shows that different types of credit  
7 can different impacts on household and  
8 community stability, and that these  
9 distinctions should be recognized.

10 For example, as of March 2010 out  
11 of more than 60,000 homes built by the City of  
12 New York in partnership with nonprofit and  
13 other groups, less than one percent had gone  
14 into foreclosure according to *The New York*  
15 *Times*. Now lest you think the bulk of these  
16 home sales predated the current crisis, a  
17 tally by the City's Housing Agency shows that  
18 of the 20,614 such home sold since 2004, only  
19 13 have gone to foreclosure auction.

20 Furman Center research has  
21 demonstrated that investment by local  
22 government in affordable housing and

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 community development improves communities as  
2 measured by significant increases in  
3 surrounding property values and may help  
4 insulate those communities from episodic  
5 turndowns in housing prices.

6 Much of New York City's public  
7 investment in subsidized housing leveraged  
8 private funds that qualified for CRA. And, in  
9 fact, CRA regulators in the 1990s and early  
10 2000 actively encouraged these partnerships.

11 The two points we highlight today:

12 Investing in timely and objective measures of  
13 need and impact an rewarding CRA programs that  
14 have demonstrated impact in meeting those  
15 needs are easy to posit and difficult to  
16 accomplish. There's an inherent tension  
17 between flexible, responsible community  
18 reinvestment on the one hand and fair and  
19 predictable standards and measures on the  
20 other hand.

21 CRA can be a useful vehicle to  
22 respond to the current crises, and we're

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 pleased it's not being overlooked as a tool  
2 for financial reform. CRA's core objective of  
3 meeting the credit needs of the entire  
4 community will take time to design, implement  
5 and assess. Financial institutions should not  
6 be encouraged by CRA regulation to provide  
7 superficial or one-shot solutions, but should  
8 be rewarded for being part of collaborations  
9 that meet objective needs and have measurable  
10 long-term impacts.

11 Thank you.

12 VICE CHAIRMAN GRUENBERG: Thank you  
13 very much.

14 Comptroller Dugan?

15 COMPTROLLER DUGAN: Thank you. I  
16 wanted to get at the issue that Ms. Gerecke  
17 was talking about and that a number of you  
18 have touched on, which is this question of  
19 some concern about the overly quantitative  
20 aspect of what's being measured now versus  
21 some of the complex kinds of financings that  
22 don't seem to get as much credit even though

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 they potentially can have more impact, and yet  
2 the tension that you have of not being able to  
3 measure that in a way that gives people  
4 comfort. It's less transparent. There is  
5 this trade-off I think that's real. And it's  
6 hard for examiners and for the agencies to  
7 figure out how to do this in a way that does  
8 maximize the benefit of CRA, does so in a  
9 transparent way, doesn't shift towards some  
10 things that are quite subjective in ways that  
11 then are open to criticism in different ways.

12 So, I'd like to follow-up with the  
13 thought: Are there ways that we can quantify  
14 some of these more complicated types of  
15 investments that many of you have suggested  
16 are deserving of more credit in ways that are  
17 more transparent?

18 And why don't we start down this  
19 way and go all the way down.

20 MR. RUBINGER: I think there are.  
21 I mean, it will never be perfect, I admit  
22 that. There is going to be subjectivity in a

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 lot of this, I believe. But on the one hand I  
2 think it's important to note that I don't  
3 think any of us are talking about moving the  
4 pendulum all the way in that direction. I  
5 think there will still be a lot of  
6 quantitative analysis that goes into CRA. But  
7 on the more subjective side, on the  
8 qualitative community development side, I  
9 don't know that it's a perfect solution but  
10 our testimony recommended that we pick 50  
11 metropolitan areas, again there's nothing  
12 scientific about that, to agree on what the  
13 needs are of those communities and then be  
14 able to measure what the response to those  
15 needs is from the banks. So that everybody  
16 agrees on what the standards are and everybody  
17 agrees on what the measurement will be up  
18 front, and then try to get it at that way.

19 Now, is that completely  
20 quantitative? No, I don't think it is and I  
21 don't think it's ever going to be. I think  
22 some of this is going to be in the eye of the

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 beholder, and I don't think that's necessarily  
2 bad either.

3 MS. LUDWIG: Agreed. It's very  
4 difficult to do, as we all agree. I think  
5 that is, in fact, why we're suggesting the  
6 community development test because it sets  
7 aside from a quantitative standpoint, allows  
8 us to emphasize what could be a smaller dollar  
9 commitment, allows us to recognize the  
10 importance of that.

11 In my experience going back to  
12 Merrill Lynch, you know we weren't big dollar  
13 volume players but what we were allowed to do  
14 was to work the FDIC, who was our regulator at  
15 the time, to really craft a plan up front you  
16 know carefully looking at -- while it wasn't a  
17 strategic plan, it was really a conversation  
18 about what were the specific needs in our  
19 communities, what were the ways that we as an  
20 institution could offer stronger value. What  
21 was the value proposition here? What could we  
22 provide that someone else potentially could

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 not provide?

2 And it was almost this conversation  
3 in trying to align our regulatory conversation  
4 which happened a bit through, I guess you know  
5 is somewhat organic in the way we approached  
6 it in that we looked and said -- you know to  
7 having the conversation at the federal level,  
8 at the national level, at the local level what  
9 are those needs and how could we make a great  
10 impact. And through that conversation we were  
11 able to arrive at some potential ways of  
12 operating where we could have higher impact.

13 And so we came to exam time, we  
14 were able to very clearly look at the  
15 community development activity that we had  
16 completed and be able to, I guess  
17 qualitatively express how it linked back to  
18 the need or the impact that we had suggested,  
19 you know up front, that was needed in that  
20 particular community. So I think in that case  
21 it's really a combination of the qualitative  
22 and the quantitative. But I think having that

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 dialogue throughout the process and up front  
2 actually helps enable some of that.

3 COMPROLLER DUGAN: Ms. Broadman?

4 MS. BROADMAN: Yes, a couple of  
5 points.

6 First of all, I think it's really  
7 important to note that the agencies did not  
8 come up with the idea of metrics on their own.  
9 I think that industry and community groups  
10 have pushed us all in that direction. We also  
11 have responsibility for that because it is  
12 less subjective and it yields more  
13 predictability, and so there is a natural  
14 tension between that, between subjectivity and  
15 metrics that are defensible.

16 But CRA is not a check the box kind  
17 of activity in the way that some aspects,  
18 other types of compliance are. And so I think  
19 we have to accept that for it to be effective  
20 it's going to have some subjectivity. We need  
21 good training of examiners. And I think it's  
22 always going to be subject to criticism. I

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 just think that that's part of CRA that we  
2 have to accept and acknowledge, and work with  
3 as best we can.

4 I would say in terms of the  
5 metrics, NAAHL also doesn't believe we should  
6 get rid of metrics altogether, but we think we  
7 should de-emphasize those in relationship to  
8 where we are today, and that the benchmarks  
9 should be more appropriate. Comparing  
10 population demographics to credit distribution  
11 doesn't take into account demand, nor does it  
12 take into account risk. And so we think the  
13 benchmarks should align probably more with  
14 industry data and also take into account  
15 products.

16 We used to be examined in the  
17 mortgage business against prime lenders were  
18 examined against the performance of subprime  
19 lenders, which really did not make sense. So  
20 there needs to be adjustment for product type  
21 as well.

22 It's a difficult area, but I think

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 it's one that we would all benefit if the  
2 agencies could take some risk in this area.

3 MS. HALL: So it's obviously a  
4 challenge when you start to bring qualitative  
5 measures into play, but we would encourage  
6 simplicity. You know, keep it simple. And  
7 one of the reasons why we're encouraging the  
8 agencies to look at the systems that are  
9 already in place, like the CDFI sector which  
10 is a primary purpose test that's built around  
11 serving people. At the end of the day of  
12 you're concerned about serving people whose  
13 credit needs are not being met by financial  
14 institutions, then having a mechanism for  
15 those financial institutions to invest in  
16 CDFIs regardless of their geography helps to  
17 keep it simple and remove some of these  
18 questions about quantitative versus  
19 qualitative.

20 I would also echo the comments that  
21 the regulations have gone a long way in terms  
22 of moving from process to output. And that I

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 don't think you're ever going to totally get  
2 rid of the quantitative, of the outputs, but  
3 having the balance of some qualitative inputs  
4 can make it easier for the examiners to  
5 evaluate the actual outputs.

6 So I and Calvert Foundation would  
7 not encourage a total abandonment of the  
8 outputs and the metrics, but to look at them  
9 in concert with qualitative factors.

10 COMPTROLLER DUGAN: Ms. Gould?

11 Thank you.

12 MS. GOULD: Well, I would add that  
13 right now in terms of qualitative you have  
14 innovative and complex, too, as factors to  
15 describe. And from Mercy Housing's  
16 perspective complex is what we don't need. We  
17 need simplicity, as Lisa was saying. The more  
18 and more layers of a deal that you have 10, 12  
19 different sources of subsidy doesn't make  
20 sense. It takes longer to get the housing  
21 done. It is really inefficient. So that's why  
22 we're suggesting this idea of community

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 impact.

2 And the score card that we're  
3 building is built around people, planet and  
4 profits. So social, environmental and  
5 economic. And we're starting with version 1.0  
6 and listing the several factors under each.

7 For example, in the area of social,  
8 so we'd look at financial literacy, we'd look  
9 at health and wellness, we'd look at community  
10 participation. And we'd do some simple  
11 measures of that. I think that's how you see  
12 a difference in sticks and bricks and an  
13 impact on a community.

14 So, that's why I think qualitative  
15 is important in addition to building the  
16 housing.

17 COMPTROLLER DUGAN: Ms. Gerecke?

18 MS. GERECKE: I'd like to  
19 distinguish the metrics used by examiners for  
20 measuring individual bank performance and  
21 measures of community credit needs that could  
22 be initiated by the regulators, both in

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 measuring or assessing what the needs are and  
2 in assessing the overall impact of the CRA in  
3 meeting those needs.

4 I think having the regulators  
5 initiate the needs assessment would actually  
6 increase transparency in the way some of the  
7 other panelists have referred to RFPs that lay  
8 out criteria.

9 It would also allow -- and I'm  
10 thinking out loud of annual hearings or a  
11 process of studies and collecting various  
12 needs to let banks choose what their best fit  
13 may be. There's an extraordinarily wide range  
14 of ability for banks to effectively meet needs  
15 depending on their business model. But if the  
16 regulators affirmatively identify what this  
17 needs are and provide guidance in showing what  
18 the impact results are, I think it would be  
19 clearer to show the results.

20 And a benefit of this is that the  
21 regulators could really play a role in sharing  
22 best practices that they find from

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 examination-to-examination, bank-to-bank. A  
2 lot of that knowledge is not captured or  
3 shared, and yet if we're starting to measure  
4 impacts and look then best practices can be  
5 lifted up, even as the needs change.

6 I will say finally that my comments  
7 I think go beyond just a community development  
8 test. When we look at the credit needs for  
9 local communities in the statutory language of  
10 CRA, at least in my remarks I would say that  
11 the opportunity to measure needs and measure  
12 impact goes to every aspect of CRA.

13 COMPTROLLER DUGAN: Thank you.

14 VICE CHAIRMAN GRUENBERG: Thank  
15 you,

16 Governor Duke.

17 GOVERNOR DUKE: It's interesting.  
18 As I was listening to you I was trying to  
19 imagine what we would do if our job here was  
20 not to gather information on CRA, but was  
21 actually to determine what the needs were and  
22 which needs were more important than others,

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 and to begin to try to rank them and define  
2 the importance of lending to small businesses  
3 as far as the creation of new affordable  
4 housing versus the work on neighborhood  
5 stabilization in neighborhoods where there  
6 have been a lot of vacant and foreclosed  
7 properties.

8 The second piece that hit me was  
9 your suggestion that investments in CDFIs  
10 should count just sort of on their face.

11 So combining those two how would we  
12 rank order or grade a CDFI investment? In  
13 other words, a dollar which you could measure  
14 as a dollar, but then how would you also  
15 determine the impact of that dollar depending  
16 on which CDFI or which entity got it and what  
17 its mission was, one mission versus another?

18 MR. RUBINGER: Ms. Hall looks like  
19 she wants to tackle it.

20 MS. HALL: I obviously emphasized  
21 that point twice. And I think in terms of  
22 ranking what occurred to me while you were

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 posing your question is the phrase that the  
2 young people use: It's all good. And in some  
3 senses it all is all good with respect to  
4 serving the needs of the communities that  
5 aren't being served by traditional markets.

6 And I suppose that one of the  
7 things that you could really look at in  
8 assessing needs, because really you want your  
9 test to be specific to what the needs are, and  
10 so when you look at the needs portion of  
11 Community Reinvestment Act you could look at  
12 expanding the breadth of needs and really  
13 having banks make an assessment or a strategic  
14 plan, as was discussed earlier.

15 I mean, it is true that banks do a  
16 lot of strategic planning around their  
17 economic model, about product development. And  
18 why not have them incorporate strategic  
19 planning for community needs. I mean, there  
20 is tremendous amount of market data and lots  
21 of metrics on what it takes to make a healthy  
22 community. And they could incorporate that in

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 their strategic planning and have a needs base  
2 evaluation that's set up in front that then  
3 helps to drive are they in whatever order they  
4 have identified and they have committed to  
5 meeting those needs.

6 GOVERNOR DUKE: Then one second  
7 question. This one should be a pretty brief  
8 response.

9 Could you recommend that the  
10 community development test apply also to  
11 smaller banks or primarily to large banks?

12 MS. GERECKE: As I said initially,  
13 I would go even beyond the community  
14 development test. But I did want to answer  
15 your question just by observing the  
16 extraordinary variation in how small banks,  
17 wholesale banks, large banks are able to  
18 develop CRA programs in remarkable ways.

19 I am aware that small banks have  
20 concerns about onerous requirements and that  
21 their requirements should be different. I  
22 would suggest that at a minimum the

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 requirements be impactful and that there be  
2 reward for encouraging and promoting programs  
3 that would meet results. And I've seen small  
4 banks do that much more effectively in some  
5 cases than large, and vice versa.

6 MS. BROADMAN: NAAHL's position is  
7 that the community development test should be  
8 optional and not required. And the reason for  
9 that is that many banks are not positioned, do  
10 not have the resources to do community  
11 development lending themselves. They may have  
12 opportunities to invest in CDFIs or loan  
13 funds, and should be encouraged to do that.  
14 But we wouldn't want CRA to push banks that  
15 are not properly resourced into lending areas  
16 where they don't have the proper risk  
17 management or the expertise to do it  
18 effectively.

19 MS. GOULD: Well, our experience is  
20 that in those areas outside of major urban  
21 areas community banks are the ones that are  
22 willing to invest in low income housing tax

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 credits and know those markets. They are very  
2 familiar with the markets. They have a good  
3 risk management system. So I would say that  
4 it should be sized appropriately the test.

5 VICE CHAIRMAN GRUENBERG: John?

6 ACTING DIRECTOR BOWMAN: During the  
7 panels this morning a number of panelists  
8 threw out the concept, and I think you've also  
9 mentioned it, regarding the assessment area.  
10 And I'll call it the sanctity or lack thereof  
11 of the assessment area. And I'm curious sort  
12 of what's driving the focus o that particular  
13 part of the test.

14 And a couple of theories. One is,  
15 and I think was mentioned earlier, there's  
16 been a tremendous amount of mergers,  
17 consolidation within the industry.

18 Second, probably is there are a  
19 number of communities as a result of those  
20 actions have lost the local institution or the  
21 party that would provide the kind of  
22 assistance or what have you to communities.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1           And I think somebody else had  
2 mentioned development opportunities. There  
3 are some communities that just don't have an  
4 opportunity for a local institution to provide  
5 funding or assistance for development.

6           What I'm curious about, and maybe  
7 my supposition is incorrect, is I also have  
8 the assumption that there are communities that  
9 do receive assistance from financial  
10 institutions, CRA credit, et cetera. To the  
11 extent that you open up the concept of the  
12 assessment area to include, and I won't even  
13 provide boundaries, a larger set of  
14 opportunities for financial institutions, what  
15 are the consequences to current communities  
16 as far as future funding, future assistance,  
17 future services, et cetera, and are there  
18 suggestions that you would have assuming the  
19 regulators were to look at the assessment  
20 area, through regulations be able to bring  
21 some greater options to the providers of CRA  
22 assistance? What would be the limits on our

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 being able to do so to minimize the disruption  
2 to current communities, current organizations  
3 that are receiving CRA assistance? And I'm  
4 sure there are more than a 100 other  
5 consequences not thought of by us, but I'd  
6 love you input on it.

7           Anyway, please, start and everybody  
8 that has a thought.

9           MR. RUBINGER: Okay. I'll start.

10           I think what's driving this concern  
11 is the sense that there's a mismatch of  
12 capital. That there is a lot of capital  
13 fighting over a finite number of geographic  
14 areas and a whole lot of geographic areas that  
15 are going virtually untouched. And we see  
16 that everyday in our business. And it drives  
17 distortions. I mean, it changes pricing. It  
18 does all sort of things. It's not healthy.

19           So, I think that's what's driving  
20 the concern. How you go about it is more  
21 difficult.

22           I guess my feeling is that what

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 we'd be recommending in some way shape or form  
2 is a movement of capital away from some of the  
3 larger metropolitan areas. I think that's  
4 inevitable. But I don't think that's  
5 necessarily bad. And this speaking as someone  
6 who does most of our business in large  
7 metropolitan areas. But we also see a lot of  
8 other areas that, as I say, don't have capital  
9 at all.

10 So, I think some movement of moving  
11 capital from a few large metropolitan areas to  
12 a broader geography is certainly desirable.  
13 And I guess I think, and maybe I'm just being  
14 naive about this, I think those large  
15 metropolitan areas will get served anyway.  
16 And I would think that the market will take  
17 care of that. That the capital that moves out  
18 of those areas probably wasn't being used very  
19 effectively or efficiently anyway, and it will  
20 go, and it will go someplace else. And the  
21 market will stabilize itself.

22 I'm not sure we need to set a lot

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 of rules around there, or that you even could  
2 set a lot of rules around that. I think the  
3 market largely would take care of it.

4 ACTING DIRECTOR BOWMAN: And when  
5 you talk about rules, I envision a recipient  
6 in one of those large metropolitan areas who  
7 is currently receiving some sort of CRA  
8 assistance that if the provider is allowed to  
9 go elsewhere, assuming there's a finite amount  
10 of assistance available, there will be  
11 winners, there may be losers. We get to deal  
12 with the losers as well as with the winners.  
13 So I'm looking for some guidance in terms of  
14 how you make those kinds of distinction if  
15 required.

16 MR. RUBINGER: Well, truthfully,  
17 I'm not sure I know that at the front end.  
18 But I would say this: There are a lot of  
19 losers now. So, you know --

20 ACTING DIRECTOR BOWMAN:  
21 Absolutely.

22 MR. RUBINGER: -- and you probably

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 are and should be hearing from those people.  
2 So they'll be happy. I mean if that's a  
3 consolation, there will be some people who  
4 will be happy. There will be some winners as  
5 well as some losers. And frankly, I don't  
6 think the losers, as I say, are going to be  
7 major losers. I think they will still -- you  
8 know take the low income housing tax credit.  
9 Their deals will still get done. The pricing  
10 will change, and that will not be to the  
11 benefit of the developers, necessarily. But  
12 the deals will still get done. And I would  
13 argue that that change would be marginal  
14 compared to a lot more capital going someplace  
15 where it doesn't exist at all.

16 MS. LUDWIG: Just adding to that,  
17 to the conversation. At Enterprise we think  
18 it should be balanced. So I guess I would say  
19 we would need to think further about what  
20 would be the exact limits. I would love the  
21 opportunity to go back and consider that. But  
22 certainly when we get into our full testimony

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 we look at trying to balance for larger  
2 institutions where you do have a physical  
3 presence and then where you don't have a  
4 physical presence. So I think inherent in  
5 that there is some sort of balance that does  
6 need to be achieved.

7 We see firsthand in our business as  
8 all that you have a lot of dollars chasing  
9 deals in economic ways in New York. Certainly  
10 sitting at my Merrill Lynch former seat in  
11 Utah, you know it was very much a lot of deals  
12 being chased there in ways that we felt were  
13 not productive.

14 So, I agree. It is a balance. And  
15 I think, again, trying to couple that with  
16 very robust needs assessments and then  
17 balancing out with that community development  
18 test I do think that that -- just some of the  
19 structural elements that we're talking about  
20 will also help set those limits in a more  
21 natural way.

22 MS. BROADMAN: I think this is a

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 really important and complicated question and  
2 needs a lot of conversation and thought before  
3 there are any actions taken.

4           And I also think you've articulated  
5 very well the issues and where they have  
6 arisen from. So we know that there are  
7 markets that are underserved and we think  
8 there are a couple of ways to get more capital  
9 into those areas without disrupting the whole  
10 construct of CRA being locally based, because  
11 it has value being local based and we don't  
12 want to lose that.

13           So, we think that banks that don't  
14 have a meaningful local presence, limited  
15 purpose, wholesale banks, other banks that  
16 don't have branches or just a few branches  
17 could have the country as their assessment  
18 area so that they would have the ability to go  
19 anywhere and invest. And we suspect that they  
20 would be attracted to the markets that do have  
21 better pricing, and that reflects that they're  
22 less well banked.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1                   We also commented that banks should  
2                   have full credit for investments and funds  
3                   regardless of where the fund's activities  
4                   area. That's another way to get capital into  
5                   underserved markets because the funds can go  
6                   there. But we also feel strongly that it's  
7                   important to retain a local focus because CRA  
8                   is most effective at the local level where  
9                   there are employees who are engaged with  
10                  community groups and customers at the local  
11                  level. And too broad an expansion of the  
12                  assessment area we feel risks diluting this  
13                  very important focus.

14                 MS. HALL: In the comments that  
15                 we've made about the assessment areas are not  
16                 to suggest that we should totally abandon any  
17                 measurement and that everyone should be opened  
18                 up to national assessment. And there could be  
19                 other ways to approach it, other than deposit  
20                 taking. You could do percentage of market  
21                 share for services provided, as an example,  
22                 not just deposits. But services that are

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 provided in a certain geography.

2 I think what's driving this  
3 conversation from our standpoint is the very  
4 real issue of it's not about deposits anymore.

5 I mean, it's a very real example.

6 You know, we have a young person in  
7 our office who went to school in Massachusetts  
8 and grew up in Seattle and lives and works in  
9 D.C. And she happens to be a person of color,  
10 and one day she might need a small business  
11 loan. And the deposit that's counting in  
12 Seattle because that happens to be where she  
13 had her first account, is not connected at all  
14 to her need for a loan in Washington, D.C.  
15 And so that's what's driving this conversation  
16 or just the practical reality of the world  
17 that we live in today where deposits should  
18 not be driving assessment areas, or totally  
19 driving it.

20 MS. GOULD: And I would just  
21 further add that our recommendation about  
22 creating a category of national needs, and

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 you've done a terrific job with that with the  
2 disaster areas with now neighborhood  
3 stabilization areas. But there are other key  
4 national needs in rural areas, in areas that  
5 need transportation, in areas where there's  
6 homelessness. So, I think you could really  
7 build on this concept of national needs to  
8 create some distinction for investment and  
9 lending.

10 MS. GERECKE: I'll just add  
11 briefly, you might want to consider the  
12 concern around minimizing disruption to the  
13 organizations who have received CRA. I'm  
14 speaking as one of several of those  
15 organizations. There was no predictable rhyme  
16 or reason when you might get CRA assistance  
17 from a particular institution, and certainly  
18 in the last two years between bank failures  
19 and bank mergers, the idea of minimal  
20 disruption I think takes on a whole different  
21 context.

22 ACTING DIRECTOR BOWMAN: Great.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 Thank you.

2 VICE CHAIRMAN GRUENBERG: This has  
3 a very helpful panel, if I may say. And I  
4 think clearly there is some thought that needs  
5 to be given related to the community  
6 development test.

7 I've sort of heard three things  
8 articulated here. One is I think currently  
9 community development credit is given under  
10 the three CRA tests: The lending test, the  
11 services test and investment test all provide  
12 community development credit. I think I've  
13 heard, although I'd like to get a sense of  
14 whether there's a consensus on this, that  
15 there would be value in consolidating these  
16 into a single test and perhaps have a  
17 consolidated community development test  
18 replace the investment test. Is that a shared  
19 view among you, if I could just ask?

20 ALL: Yes.

21 MS. HALL: Yes, our view is that it  
22 should be optional.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1                   VICE CHAIRMAN GRUENBERG:           But  
2           assuming a separate question of whether it was  
3           an option or not, do you agree that it should  
4           be consolidated into a single test?

5                   MS. HALL:    Yes.

6                   MS. GERECKE:    I'm going to just  
7           have a little bit of hesitation.

8                   VICE CHAIRMAN GRUENBERG:    Oh, sure.  
9           Go ahead.

10                   MS. GERECKE:    Mostly around whether  
11           the other tests are unchanged.    Because,  
12           again, I think the issue of recognizing local  
13           credit needs and how to respond to them can  
14           attract community development results.    And so  
15           the creation of a community development test  
16           may actually have unintended consequences on  
17           the activities that take place in the other  
18           areas.

19                   VICE CHAIRMAN GRUENBERG:    But I  
20           sense this consolidation issue is one matter.  
21           A second issue that's already been discussed  
22           at some length is the quantitative versus

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 qualitative issue. And then third is this  
2 issue of geography, which I gather is  
3 particularly important in the community  
4 development test, in part because it in many  
5 instances has greatest relevance to large  
6 institutions which may have multi-state or  
7 national operations.

8 And Mr. Rubinger, in your testimony  
9 you outlined a particular approach to thinking  
10 about the multi-state or national issue. If  
11 you would, could you walk us through, if  
12 you've thought it through, an example of, say,  
13 a large institution that might have operations  
14 in multiple states? And I think you laid out  
15 a formulation under which you'd identified the  
16 50 largest MSAs. And then you have, I gather,  
17 some sort of system for allocating credit  
18 under the test. I'd be curious how that might  
19 work under your approach.

20 MR. RUBINGER: Well, as we've said,  
21 the focus would be the 50 largest metropolitan  
22 areas because that's really more, we think,

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 than are getting the focus now.

2 Now, we were only talking about the  
3 community development test. I want to be clear  
4 about that. We really haven't thought through,  
5 to be honest with you, what the implications  
6 of a system like that might be for the other  
7 tests.

8 But we felt that now, right now the  
9 community development test is really getting  
10 applied in a much smaller geography than 50  
11 metropolitan areas. And, again, as I said  
12 before, that's not necessarily a science  
13 through which we put that.

14 And then there would be a balance  
15 of state test as well. So the smaller  
16 communities and the rural communities would  
17 get some credit for that.

18 And the thought here would be that  
19 the credit that goes to the institution would  
20 be a common credit across the board. That  
21 it's now a lot of the credit they get for  
22 community development is extra credit. You

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 don't get penalized for not doing it, but you  
2 get extra credit for doing it. This would be  
3 applied the same way that the other tests are  
4 applied.

5 Now, again, there is a concern, and  
6 we have the concern, about how many areas  
7 we're talking about and who is the 51st place.

8 I'm not so sure about that. But again, I  
9 think we have to come to some consensus that  
10 for many of the large multi-state institutions  
11 they have far many more assessments areas than  
12 that, and it just seems to be unworkable. So  
13 we're trying to find a number that works both  
14 for the institutions and for the regulators in  
15 terms of something that manageable.

16 Again, setting the needs criteria  
17 at the front end so that everybody involved  
18 knows what the standards are and what the  
19 measurements that are going to be used to  
20 apply credit.

21 VICE CHAIRMAN GRUENBERG: Does any  
22 other panelist have a comment on this?

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 MS. GOULD: Well, I would just  
2 comment that today if a bank invests in a  
3 national fund that they look for that fund to  
4 place investments in their assessment areas  
5 very selectively. And that has been really  
6 disruptive, I think, to the flow of capital  
7 around the country. And so the idea of having  
8 investments into particular national, state,  
9 city funds that meeting mission driven needs  
10 is really a critical need and a way to  
11 distribute capital through a CRA evaluation  
12 process.

13 VICE CHAIRMAN GRUENBERG: Yes?

14 MS. LUDWIG: I was just going to  
15 add also, of course, some of the larger  
16 financial institutions Enterprise puts forward  
17 in our testimony the importance and the  
18 opportunity for these larger financial  
19 institutions in particular to respond to some  
20 of the broader national issues facing our  
21 country. So the recent foreclosure problem  
22 presents an opportunity for folks to respond

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 to the foreclosure crisis. We think that's  
2 also a matter of very good policy. We saw  
3 that in the Gulf Coast, we've seen it with  
4 foreclosure and as needs rise to that level,  
5 we think adding that to those types of  
6 responsibilities, the opportunity to respond  
7 is important.

8 VICE CHAIRMAN GRUENBERG: All  
9 right. I think that under the current  
10 assessment area approach, we have -- at least  
11 for large institutions, we may have the effect  
12 of creating in fact undue competition in  
13 certain markets and lack of capital in others  
14 simply by virtue of where the institutions'  
15 headquarters or branches might be. And I  
16 think that part of the effort here, at least a  
17 question that people want thought given to,  
18 is how can we expand credit under CRA so that  
19 more communities might benefit, even if  
20 they're not necessarily located in the  
21 assessment area of institutions deeply engaged  
22 in community development. Is that sort of the

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 challenge being presented? And the question  
2 is can we come up with some workable approach  
3 to help achieve that, which is not a small  
4 challenge. But I think at least you've helped  
5 frame the issues here.

6 You've been very helpful panel.  
7 Thank you all very much.

8 We'll take a five minute break  
9 before the next panel.

10 (Whereupon at 2:32 p.m. off the  
11 record until 2:45 p.m.)

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701