

STATEMENT OF MICHAEL A. GRANT, J.D.
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Regarding Community Reinvestment Act Regulations

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Good morning. I would like to express my sincere gratitude to the Interagency for allowing me to address this very important issue on behalf of the National Bankers Association.

With the passage of this landmark bill in Congress (Dodd-Frank), it seems most appropriate that those agencies charged with oversight of financial institutions would be holding public hearings on modernizing the regulations that implement the Community Reinvestment Act (CRA).

Please let me begin by saying that the recent upheaval in U.S. financial markets, coupled with a reshifting of government focus to protecting consumers, could be the propitious moment to improve our nation's financial infrastructure in ways that create new opportunities for those communities hardest hit by the recession.

From the Topics and Questions presented for responses, I would like to focus my remarks on four pertinent issues:

- Geographic coverage;**
- Small business and consumer lending evaluations and data;**
- Access to banking services; and**
- Community development.**

Geographic Coverage

Since the Community Reinvestment Act was passed in Congress over 30 years ago, there has been a tidal wave of movement causing major demographic shifts in the U.S. population.

To correctly frame the issue, it is of critical importance that all policy makers take judicial notice that urban or inner city neighborhoods can just as easily be defined by regentrification as by urban blight or the concentration of population centers dominated by low-to-moderate income minority communities.

This has serious policy making ramifications because when mega or regional financial institutions report that they are investing in urban communities, the compelling question that regulators should pose to these institutions, "But who are you lending to and for what purpose do you make the loans? Ultimately, who is benefitting by your investment, an upscale non-minority clientele or the poor – to – moderate income population who were the focus of Congressional intent when CRA was enacted into law?"

Small Business and Consumer Lending

While a newer approach to small business lending and consumer lending may require statutory authority, I believe the Interagency should reevaluate how CRA credit to distressed communities should be awarded.

If mega and regional financial institutions are willing to partner with small community and minority banks to increase lending where it is most needed, regulators should use CRA ratings to encourage loans where underwriting standards may not be “Prime A” but certainly would not be low or no doc loans.

Access to Banking Services

In order to more effectively create access to banking services for the nation’s unbanked and underbanked, larger financial institutions should know that “cherry picking” will not be rewarded while genuine efforts to partner with small community and minority banks to provide access to financial services could result in a bonafide “outstanding CRA rating.”

Community Economic Development

Let’s be clear as to what community economic development is not: It is undeniably not regentrification! Moving poor people out of their neighborhoods – especially when affordable housing remains one of their greatest survival challenges and when so many were victims of the nation’s continuing nightmare: home foreclosures.

Small community and minority banks continue to be the real engines of economic development and job creation in America’s most distressed communities. Mega and regional financial institutions – many of whom grew richer during this recession – absolutely should not receive “outstanding” or even “satisfactory” CRA ratings if they are not willing to meaningfully “invest” in America’s historically underserved communities.

When the Community Reinvestment Act is finally given “teeth” by Congress and when the legislative intent for which it came into existence is reflected in the scorecards of the nation’s regulators of bank and thrifts, those communities most in need of “economic revitalization” will finally see it.