Testimony – Community Reinvestment Act

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Good Afternoon. I want to thank you for convening these hearings about the Community Reinvestment Act. The Community Reinvestment Act is a critical element in the on-going work to increase economic opportunity in our nation's poorest communities.

My name is Carol Gallant and I am the Director of Program Development for the largest Asian Community Development Corporation in the nation—PACE – which stands for Pacific Asian Consortium in Employment. Although we were founded 35 years ago to serve Asians, we now serve all low income, ethnic minorities, immigrants, refugees and asylees living in the Los Angeles area. Today we serve MORE THAN 50,000 low income people annually--approximately 1/3 Asian, 1/3 Hispanic and 1/3 African Americans. The programs PACE offers provide skills, knowledge and services to enable people to become economically self sufficient; the proverbial hand-up, not a hand out.

I have been working in community development since 1974 including extensive work in the late 1980s and early 1990s with 8 Federal Reserve Banks and several of their branches to promote understanding about CRA among their regulated institutions; promote partnerships with community based organizations and provide a framework for financial institutions to see CRA as an OPPORTUNITY to not just meet an examination requirement, but to expand their business AND do good work in low income communities.

In the years from the late 1980s until now, CRA has been eroded by factors that have been discussed here today and at other hearings: changes in the size of regulated institutions; mergers; acquisitions; failures; the evolution of new types of non-bank entities and the economy in general to name a few.

There are extremely erudite, astute individuals and organizations such as John Taylor at the National Community Reinvestment Coalition and Alan Fisher at the California Reinvestment Coalition, their staff members and others who have done an amazing job of accumulating data, analyzing various indicators and proposing very thoughtful, complex and detailed suggestions to strengthen CRA. Many members of these two organizations as well as other community-

based organizations have submitted excellent testimony to these hearings as well as directly to the bank regulatory agencies participating in these hearings.

I support their positions and proposed actions.

In the limited time that I have today I would like to draw attention to the need to support a strong, reinvigorated Community Reinvestment Act in order to assure maximum bank participation in low income communities.

While I recognize and endorse the need to improve the CRA to reflect changes in technology, the way that financial services are delivered and reorganization of the financial industry itself, it will all have limited impact until the **financial services industry** again recognizes the value—both to them, to our neighborhoods and to our nation—of taking a leadership role in Community Development.

To paraphrase John Taylor of NCRC: "….our financial system is central to the health and vibrancy of our neighborhoods."

Simply put: substantive economic change in low income neighborhoods, is not sustainable without REAL, long-term support, belief and buy-in by financial institutions into the work of community organizations.

As CRA has been watered down, credit availability for low income communities and direct bank participation with community based organizations has also been eroded.

In 2010 the extent of the dilution of CRA is evidenced by the fact that 99% of the banks pass their CRA exam. Are 99% of the banks examined really meeting the credit needs of all of the communities from which they get their deposits? I can only speak about PACE's experience—From 2008 to 2009 the number of small business loans that our clients were able to get funded from banks declined by 79% and the amount of loans received by small businesses declined by 83%. In addition to cutting credit, some banks are cutting community development dollars, staff and involvement. Other banks are choosing to focus all of their community development resources on small portions of their market while totally disregarding the majority of the communities in their market area. Dazzling billion dollar "commitments" to community development are often focused on sophisticated financial products that, while important, divert critical resources from funding more direct community development activities.

All that said, many banks do still have active community development programs, and we are grateful for their continued involvement and commitment to our neighborhoods. Still,

there has been a shift in approach and attitude that I believe is a reflection of the fading strength of the current Community Reinvestment Act provisions.

The unequivocal buy-in and commitment of financial institutions to comprehensive Community Development is an essential ingredient in the on-going effort of our neighborhoods and our nation to continue to address the problems of persistent poverty.

A strong, reinvigorated Community Reinvestment Act is necessary to provide the motivation that financial institutions need to fully focus their will, their resources and their transformative power on the economic needs of low income communities.

I urge you to adopt the proposed provisions of the Community Reinvestment Act that will promote productive partnerships between banks and community development organizations, provide accountability through reporting, and oversight of compliance.