

1 This is our final panel of the day.
2 These are witnesses who asked for the
3 opportunity to testify in person and we wanted
4 to give them that opportunity. We'd ask you
5 please, to limit your oral statements to three
6 minutes each and we'll include the full text
7 of your written statements in the record of
8 the hearing.

9 Our first two witnesses, I believe,
10 are on a short time schedule in order to catch
11 a plane, so we'll let you all go first.

12 If I may, let me just introduce the
13 members of the panel.

14 I believe Sister Barbara Busch, who
15 is the Director of Working in Neighborhoods in
16 Cincinnati, Ohio.

17 And Marilyn Evans, who is the
18 Executive Director of Communities United for
19 Action, also from Cincinnati.

20 David Hanzel, who is the Policy
21 Director for the Association for Neighborhood
22 and Housing Development in New York City.

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1 Shasa Curl, if you could identify
2 the organization you're with?

3 MS. CURL: Director of Strategic
4 Initiatives with Green For All.

5 VICE CHAIRMAN GRUENBERG: Thank
6 you.

7 And Aaron Barley with People United
8 for Sustainable Housing in Buffalo, New York.

9 And Dominic Iannicola with the
10 Financial Literacy Group here in Washington,
11 D.C.

12 And William Cunningham with
13 Creative Investment Research, also in
14 Washington.

15 If I could Sister Busch to begin.

16 SISTER BUSCH: My name is Sister
17 Barbara Busch, and I'm the Executive Director
18 of Working In Neighborhoods. We're a 32 year
19 old community development and HUD certified
20 housing counseling agency. Since our
21 beginning we've worked with community and
22 reinvestment. In the late '80s we worked with

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1 local banks to create CRA mortgages and
2 construction lending products for community
3 development corporations in the city of
4 Cincinnati.

5 Today's financial crisis caused by
6 a number of factors. One of these is charging
7 high priced loans to minority and low income
8 families. This led to providing predatory
9 products in all of our neighborhoods, and even
10 in the neighborhoods next to you and to me.

11 What I know is that in Cincinnati
12 the HMDA statistics continually prove that low
13 income white families were approved three
14 times as often for mortgage as upper income
15 African-American families. We want it to
16 stop.

17 WIN believes that the current
18 grading system allows lenders to provide
19 subprime and high cost loans to people with
20 color, or worse yet predatory products are
21 being counted for points on lending tests in
22 our neighborhoods. We again, would like to

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1 see this stop now.

2 I would also like to say as a
3 housing counseling agency is what we need is
4 for banks to get points who actually have a
5 plan to improve their ratio of low income and
6 minority lending. That they have to have a
7 plan and that they actually start to improve
8 it. We'd like them to get points for that.
9 We'd like to see banks get points for loan
10 modifications that keep people in their homes.

11 Banks should get graded for fixing loans. It
12 takes time for them to do it, and we believe
13 if they do spend the time, they should get a
14 positive rating for doing that. But we want
15 stopped all racial inequity in lending.

16 As a community development
17 corporation a higher score should be given for
18 selling REOs for community groups who will
19 improve the property, provide home ownership
20 or to owner/occupants. We ought to take away
21 points for people who put them on bulk sales
22 for out-of-town investors who ruin the

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1 properties in our neighborhoods.

2 It's important to provide
3 construction and economic development loans to
4 CDCs. Banks should get credit for this. They
5 currently are backing away from it and we're
6 told it's because of the regulators. So we'd
7 like to see credit go in their favor.

8 At Working In Neighborhoods we
9 believe that we need to put the community back
10 into the process. So we would like to see the
11 community involved in the grading process, and
12 actually in each of the banks by name, not by
13 okay we'll come in and say we're doing
14 something. And then we have to try to figure
15 out who the someone is.

16 We would also like to see these CRA
17 hearings now and in the future expanded to
18 places like Boston and New York where there
19 are large numbers of grassroots community
20 input that's needed. We'd like to see them
21 earlier on in the agenda.

22 We feel like the community has a

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1 place in community reinvestment, and we'd like
2 to see you make that place. Working In
3 Neighborhoods has been an affiliate of the
4 National People's Action and we know community
5 reinvestment is truly important to each of us.

6 VICE CHAIRMAN GRUENBERG: Thank
7 you.

8 SISTER BUSCH: Thank you. And
9 thanks for letting me testify.

10 VICE CHAIRMAN GRUENBERG: Sure.

11 Ms. Evans?

12 MS. EVANS: Thank you also for
13 letting us testify.

14 My name is Marilyn Evans. I'm
15 Executive Director of Communities United for
16 Action. Communities United for Action is a 30
17 year old organization in Cincinnati, Ohio. I
18 have worked on issues related to the Community
19 Reinvestment Act for the last 30 years.

20 By the way, the people who created
21 the Community Reinvestment Act wrote it on the
22 church floor. It was a law that came from the

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1 people. We created Community Reinvestment Act
2 because our neighborhoods was considered high
3 risk and was realigned by the banks and the
4 insurance companies.

5 I live in South Cumminsville. My
6 community reminds me of a lot of the TV
7 program called "Mayberry." We don' have
8 Sheriff Andy, though.

9 One morning I woke up and my next
10 neighbor for the last 20 years lost her home
11 and had to move. Then we begin to see this
12 trend happen all over the neighborhood, and
13 all over the country. They were redlining our
14 community.

15 After CRA came into effect, we saw
16 that it's just not -- it was on paper, but we
17 saw and heard the sounds of CRA working in our
18 community. We heard the sounds of hammer and
19 saws building new homes and rehabing old
20 homes. New families was moving in and we were
21 beginning to get a handle on crime. That was
22 30 years ago.

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1 We must have left the back door
2 open because the economics starting come to
3 our communities through predatory lending,
4 subprime loans and pay-day lending. Thirty
5 years later our communities are back in the
6 same position that we are.

7 Today people are losing their homes
8 due to foreclosure. With more empty
9 foreclosed houses in our neighborhood,
10 neighborhoods are going down and crime has
11 increased. We need for CRA to be improved.
12 We need CRA regulations, not only for the
13 banks but for the bank's affiliate as well as
14 the lender who were not previously regulated
15 by the CRA.

16 We need for banks and their
17 affiliates to not only give good loans, but
18 also quality service and that their
19 performance be based on the ratings how they
20 meet these certain criteria.

21 We need bank products on consumer
22 lending, personal loans and small business

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1 needs, access to small business loans.

2 Other services that we need include
3 check cashing and quality service from the
4 bank. Accounts that are affordable for people
5 on fixed income and a small budgets.

6 U.S. Bank recently we looked at
7 their CRA file. Even though U.S. Bank has
8 many branches in Cincinnati and made many
9 loans, we were shocked to find that the only
10 material that they had available was from the
11 year 2003 to 2005 with only one paragraph
12 about their activities and how much in
13 counting, and nothing about house lending.

14 As U.S. Bank home office is located
15 in another city, we should not have to travel
16 to their home office to get information. This
17 is why we need every geographical area covered
18 by CRA.

19 We only demand that you provide us
20 with the same service that other communities
21 receive and provide services and products that
22 meets our needs.

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1 When we were in school we only
2 received an A when we did the good work and an
3 F when we did poor work. How can banks get an
4 A for poor work? That's a question that I
5 always look for an answer for.

6 We are disappointed that these
7 hearings do not give the opportunity for a
8 wide community participation, and we expect
9 that you will schedule at least one more
10 hearing on cities on New York.

11 Thank you.

12 VICE CHAIRMAN GRUENBERG: Thank you
13 very much.

14 If you have to leave, please feel
15 free to do so.

16 Mr. Hanzel?

17 MR. HANZEL: Good afternoon. Thank
18 you for this opportunity to testify about the
19 needs to modernize the regulations governing
20 the Community Reinvestment Act.

21 My name is Dave Hanzel, and I'm the
22 Deputy Director of the Association for

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1 Neighborhood and Housing Development in New
2 York City. ANHD is a not for profit membership
3 organization of over 100 neighborhood-based
4 housing groups across the five boroughs of the
5 city.

6 Our written testimony touches on
7 several topics such as CRA disclosures and
8 performance evaluations, ratings and
9 incentives and affiliate activities. I wanted
10 to use my time today, however, to talk about
11 community development especially some
12 distressing trends that we are experiencing in
13 New York and the importance of placing greater
14 emphasis on it in future bank evaluations.

15 Spurred by CRA, banks have played a
16 critical role in helping build welfare
17 households in revitalizing many neighborhoods
18 across through New York City through their
19 support of community development activities.
20 For example, since 1987 over 294,000 units of
21 low and moderate income housing have been
22 developed in New York City with a mix of

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1 public subsidy and private financing.
2 However, the changing nature of the banking
3 industry has led to retrenchment in both the
4 quantity and quality of community development
5 support placing these vital resources at risk
6 and leading to a situation where banks are
7 less focused on meeting the credit needs of
8 New York City's underserved populations.

9 ANHD recently released its first
10 State of Bank Reinvestment Report in New York
11 City, which is based on data we received from
12 17 of the city's largest commercial savings
13 and wholesale banks. The report presents
14 empirical evidence of this retrenchment
15 between 2007 and 2008.

16 For example, despite overall
17 deposits growing by over \$42 billion, an
18 increase of over 10 percent, there was a
19 decrease of \$560 million in community
20 development lending, which represents a 20.2
21 percent reduction.

22 Furthermore, there was a decrease

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1 of \$1.3 billion in multi-family lending, which
2 represents a 24.2 percent cut.

3 This reduced commitment is
4 especially alarming to ANHD because it took
5 place prior to the current recession.

6 In New York City where almost 90
7 low and moderate income households live in
8 multi-family rental housing, the availability
9 of private financing to develop affordable
10 housing in neighborhood stabilization
11 activities is essentially. Unfortunately
12 between this two year period there's a 29
13 percent reduction in the number of community
14 development loans. The number fell from 507
15 to 360. Again, in dollar terms the decrease
16 was \$560 million fallen from \$2.8 billion to
17 \$2.24 billion.

18 We believe these reductions are the
19 result of two factors. First, as more and
20 more banks become national or even global
21 institutions they have shifted from making
22 local commitments and creating a range of

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1 products and programs that respond to local
2 credit needs and opportunities to large
3 national programs that have big broad goals
4 but very few specifics, and little
5 accountability.

6 Furthermore, as banks have grown it
7 is less likely to encounter staff who are
8 knowledgeable about local subsidy programs and
9 developers who are committed to serving the
10 community over the long-term. Many of our
11 groups have to spend a considerable amount of
12 time educating underwriting staff based in
13 Texas or California about the New York City
14 market.

15 Another result of this growth in
16 consolidation of industry is that many banks
17 seem to be competing for the largest and most
18 straightforward deals. ANHD and our
19 community-based housing groups recently have
20 heard the following message from banks: The
21 cost of processing loans of this size is
22 prohibitive. It costs us the same to process

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1 your loan as it costs us to process a multi-
2 million dollar loan that will make us more
3 money.

4 One of our members who is based on
5 the Bronx is trouble by this justification.
6 He says "We heard this from the banks in the
7 1970s when we were looking for \$50,000 boiler
8 loans, and we've been hearing it from the
9 banks again in 2010 and the preceding years
10 when we were looking for \$500,000 rehab loans.

11 Our response is still the same. These are
12 the kinds of loans that we need in our
13 communities, and these are the kinds of loans
14 that are good risks that will be repaid."

15 In addition to these structural
16 changes it is important to acknowledge that
17 banks will focus their efforts on those
18 activities that are most likely to get them
19 the passing grade on their CRA exam. Given
20 their widespread understanding of community
21 development lending counts as only extra
22 credit toward their overall lending grade, it

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1 is not surprising that banks concentrate their
2 efforts on home purchase loans and small
3 business loans. Important activities, but not
4 the only needs, especially in New York City.

5 Given the reduction in the dollars
6 lent and unresponsiveness of lenders to core
7 credit needs, it is clear that community
8 development lending is under emphasized in the
9 current system. ANHD recommends regulators
10 place a greater emphasis on performance
11 context when evaluating the bank's community
12 development efforts and create a new community
13 development test for large banks.

14 The new test is especially
15 important as it would encourage banks to
16 provide -- sorry. To think more
17 comprehensibly about the range of products and
18 policies they needed to best fulfill its CRA
19 obligations. The current community
20 development test for a wholesale bank could be
21 a model that is adapted. And a key component
22 of this test should be obtaining substantially

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1 more community input. Bank examiners should
2 be required to conduct a certain amount of
3 community contacts with knowledgeable
4 stakeholders in the bank's core assessment
5 area.

6 Thank you for your attention to
7 these issues. And I'd be happy to take any
8 questions.

9 VICE CHAIRMAN GRUENBERG: Thank you
10 very much.

11 Ms. Curl?

12 MS. CURL: Good afternoon. My name
13 is Shasa Curl. I am the Director of Strategic
14 Initiative at Green For All. I am honored to
15 speak with you today.

16 Green For All is a national
17 organization working to build an inclusive
18 green economy strong enough to lift people out
19 of poverty. We work in collaboration with
20 business, government, labor and grassroots
21 communities to create and implement programs
22 that increase quality jobs and opportunities

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1 in green industry.

2 We are committed to putting people
3 to work building a new economy to create long-
4 term, high quality jobs making our
5 neighborhoods and homes cleaner and much more
6 energy efficient.

7 One of the objectives of Green For
8 All CRA proposal is to help banks obtain CRA
9 credit for investing in over 20 city scale
10 energy efficiency programs which have received
11 hundreds of millions of dollars of grants from
12 the Department of Energy via retrofit ramp up
13 grant awards, now Better Buildings that
14 include targeted hiring, high road career
15 pathway jobs.

16 We suggest that the agencies
17 propose a rule that would expand the
18 definition of community development which is
19 applied in the CRA regulations performance
20 test to include activities that have at least
21 one measurable impact in each of the three
22 triple bottom line categories of equity,

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1 environment and economy. These activities
2 would meet specific criteria in each of the
3 three categories. The proposal would
4 supplement existing CRA consideration for
5 community development activities; that is it
6 would expand the types of community
7 development activities for which institutions
8 may receive CRA consideration.

9 The proposal rule change would
10 impose no new requirements on institutions. It
11 would merely expand the categories of
12 activities that qualify for CRA consideration
13 under community development providing
14 increased certainty that banking institutions
15 will receive favorable CRA consideration for
16 supporting triple bottom line activities will
17 expand opportunities for qualified investments
18 in low and moderate income communities that
19 help those communities create more jobs and
20 realize environmental and health benefits
21 through sustainable economic development.

22 Last Tuesday Green For All and PUSH

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1 presented our CRA policy proposal in Buffalo.

2 Green Jobs For Buffalo. It is an innovative
3 initiative to prepare workers to meet
4 increased demand for qualified green jobs in
5 Buffalo.

6 Buffalo is the third poorest city
7 in the country. It has the fourth highest
8 heating home costs. In Buffalo, one out of
9 five structures is vacant and over 50 percent
10 of the African-American men are unemployed.

11 Green Jobs for Buffalo will provide
12 on-the-job training, employment, placement,
13 career pathways and green business incubation
14 for low income people and people of color in
15 emerging green sectors of the economy,
16 including green rehab, retrofitting of
17 affordable housing, environmental stewardship
18 including abatement of indoor and outdoor
19 environmental hazards and regional food system
20 development. Green Jobs for Buffalo was
21 achieve triple bottom line returns yielding
22 positive results for people, for the plant and

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1 for profit margins.

2 Programs like Green Jobs for
3 Buffalo are serving as national models.
4 Programs like Greens Jobs for Buffalo address
5 the need to scale sustainable economic
6 development programs and create markets for
7 investments and opportunities.

8 As with any start-up during general
9 economic downturns, sustainable economic
10 development endeavors need capital and other
11 financial support. Yet such support is hard
12 to secure in the current climate. The
13 Community Reinvestment Act is one tool for
14 such projects.

15 Seeding and supporting programs
16 like Green Jobs for Buffalo with grants and
17 loans should qualify. Community lenders
18 should obtain favorable consideration under
19 the CRA as the primary purpose of programs
20 such as Green Jobs for Buffalo is community
21 development. Green Jobs for Buffalo will
22 stabilize and revitalize low to moderate

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1 income areas in part by creating, retaining
2 and improving jobs for low and moderate income
3 persons in energy efficiency retrofitting.

4 Although Green Jobs for Buffalo
5 should be a qualified investment under current
6 CRA rules, changing those rules to encourage
7 depository institutions to support triple
8 bottom line activities would make it much
9 easier for such programs as Green Jobs for
10 Buffalo to enjoy the benefits of the CRA.

11 Specifically activities having
12 positive impacts in terms of equity,
13 environment and the economy should receive
14 favorable consideration under CRA performance
15 assessment. This subtle but important change
16 would expand the types of community
17 development activities which institutions may
18 receive CRA consideration to include
19 activities resulting in triple bottom line
20 benefits.

21 In our written comments we will
22 also provide other examples, as Green Jobs,

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1 Green New York which is the largest energy
2 efficient retrofit initiative that has been
3 launched in the United States thus far, which
4 intends to retrofit over a million housing
5 units, as well as our Energy Efficiency
6 Opportunity Fund.

7 In light of the recent challenges
8 with PACE, Property Assessed Clean Energy
9 Financing we feel that expanding the
10 definition of community development is
11 essential.

12 VICE CHAIRMAN GRUENBERG: Thank you
13 very much.

14 Mr. Bartley?

15 MR. BARTLEY: Good afternoon.

16 Thank you for the opportunity to
17 offer testimony today.

18 I direct People United for
19 Sustainable Housing, a nonprofit working to
20 rebuilt low income neighborhoods in Buffalo,
21 New York. PUSH is an affiliate of National
22 Peoples Action, which has organized thousands

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1 of Americans around the campaign to make big
2 banks more accountable to communities.

3 Buffalo neighborhood were
4 struggling before the financial crises with an
5 epidemic of vacant housing and the third
6 highest poverty rate in the country. Subprime
7 and other predatory lending by big banks that
8 triggered the global financial crises has
9 exacerbated these problems, and many of our
10 neighborhoods are now at the breaking point.

11 Bank owned real property, often
12 controlled by far away by financial
13 institutions litters our landscape. Like all
14 vacant property, they create nuisances for our
15 residents ranging from drug dealing to arson
16 to quality of life concerns.

17 The financial crises also
18 devastated our already weak job market. With
19 astronomical unemployment in our
20 neighborhoods, more people have turned to
21 working on our street corners in the
22 underground economy and violence is the end

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1 result.

2 Over the last 12 months I have seen
3 two young men die on our corner from gunshot
4 wounds they suffered in broad daylight. Both
5 were innocent bystanders caught in the cross
6 fire of violence fueled by an economy in
7 crises and the hopelessness that comes from
8 not having pathways to productive work.

9 We also have an energy crises in
10 our neighborhood with high heating bills due
11 to the lack of insulation in our older housing
12 stock and the high price of natural gas.

13 Our Board Chair, who worked full
14 time as a clerk, is in danger of having her
15 gas cut off this week because she's dealing
16 with a \$450 heating bill from last winter.

17 But all hope is not lost on the
18 west side. Like other communities across the
19 country we have taken steps to put our
20 neighborhood at the center of the green
21 economy. By investing in green affordable
22 housing construction, sustainable landscaping

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1 and the farming of vacant urban land, hazard
2 abatement and residential energy retrofitting
3 we are showing that our neighborhood can
4 become a model of sustainability, and also a
5 site of employment for our residents.

6 Our most recent housing development
7 reduced residents' heating bills by 80 percent
8 while employing ten neighborhood residents in
9 green construction.

10 We have a saying at PUSH, which is
11 we know what we need where we live. We know
12 we need investment to green our infrastructure
13 for more green housing renovation, more
14 weatherization and more urban farming. We
15 need that investment to make our neighborhoods
16 more competitive and to put our people back to
17 work.

18 The CRA should be much more than a
19 bi-annual exam on mortgage lending that the
20 big banks know they're certain to pass. It
21 should be a conduit for helping us to achieve
22 our vision of a sustainable community and

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1 should provide the kind of investment that
2 increases neighborhood wealth and our ability
3 to control own destiny.

4 Along with NPA and Green For All,
5 PUSH is advancing a proposal to include triple
6 bottom line criteria in the CRA, which would
7 ensure that banks are investing in projects
8 that help the economy, promote equity and help
9 us solve our environmental problems.

10 The CRA could help promote a
11 strategy for greening our cities on a grand
12 scale in ways that create good paying jobs for
13 residents, lower our cost of living and reduce
14 our carbon emissions.

15 One example where a renewed CRA
16 focus on community led development could
17 transform the physical and social landscape of
18 our neighborhoods is Green Jobs for New York,
19 a program enabled by New York State
20 legislation passed six months ago which will
21 create the largest residential retrofit
22 program in the country.

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1 PUSH helped advocate for the
2 program which calls for the creation of a
3 revolving loan pool that low and moderate
4 income homeowners could access for energy
5 efficiency improvements like insulation and
6 furnace replacement. The CRA should require
7 big banks to provide capital for well
8 conceived programs like Green Jobs for New
9 York which creates pathways to employment in
10 devastated neighborhoods while greening our
11 cities.

12 Part of improving the bank's record
13 on community led investment is related to
14 reporting requirements. We need objective
15 criteria for determining whether bank
16 investment is resulting in living wage jobs,
17 community controlled small businesses and
18 neighborhood wealth creation. We also need
19 transparency when it comes to vacant REO
20 property.

21 Our neighborhoods are starved for
22 investment, whether it's supporting the

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1 construction of green affordable housing,
2 green infrastructure or small business, a more
3 robust analysis of bank's role in promoting
4 community development could alleviate the pain
5 felt by millions of Americans who are still
6 grappling with one of the greatest and most
7 rapid losses of household wealth in our
8 nation's history.

9 Thank you for your time.

10 VICE CHAIRMAN GRUENBERG: Thank
11 you.

12 Mr. Iannicola?

13 MR. IANNICOLA: Good afternoon.

14 Thank you for the opportunity to
15 appear before you today to discuss one aspect
16 of the Community Reinvestment Act and how it
17 can be improved to encourage financial
18 institutions to be more effective in advancing
19 the cause of community development.

20 Sometimes overlooked in the
21 discussions of community development is the
22 topic literacy. While increased financial

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1 access for the underserved is necessary, it's
2 not sufficient. We have only to look at the
3 recent mortgage crises to see that consumer
4 access without consumer understanding leads to
5 financial turmoil on both the household and
6 national levels.

7 Put another way, without strong
8 efforts to financially educate LMI communities
9 it's difficult for a financial institution to
10 legitimately claim it's meeting the credit
11 needs of the community. It's been one of the
12 most acute needs it not just credit products,
13 but financial knowledge. That's why I want to
14 make suggestions today on how improvements in
15 the regulatory guidance can foster efforts to
16 strengthen LMI communities through financial
17 education.

18 By way of background, I'm presently
19 a consultant financial literacy field. For
20 the previous 52 I was Deputy Assistance
21 Secretary for Department of Treasury, and I
22 was over the office of Financial Education.

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1 I've also held roles with the
2 Department of Education as a local school
3 board president, as an attorney with financial
4 services industry advising my clients on bank
5 and finance matters like CRA. These
6 perspectives lead me to the conclusion that
7 CRA can be more effective in helping LMI
8 communities learn what they need to know about
9 money.

10 While financial education is
11 important for youth and adults, let me focus
12 on bringing financial education to schools
13 serving LMI students. Specifically CRA
14 regulatory guidance needs to take note of two
15 recent developments in financial literacy.

16 First of all, all of us, taxpayers,
17 policy makers, parents and educators are
18 asking financial education simply to do more.

19 We now want our kids equipped to deal with an
20 ever more sophisticated marketplace of
21 financial products and services.

22 Second, a growing number of states

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1 are requiring that personal finance be taught
2 in schools, and some of it have even made it a
3 graduation requirement.

4 Under CRA financial education
5 receives most of its attention under the
6 service test where bankers occasionally go
7 into classroom or host a school field trip to
8 the bank. While those are very helpful parts
9 of financial literacy programs, by themselves
10 such activities are not an effective financial
11 literacy program. Research tells us that an
12 effective course of study in personal finance
13 involves ongoing interaction using
14 professionally developed, research-based
15 materials that are mapped to state standards
16 under the guidance of a professional educator
17 who has adequate opportunity for evaluation of
18 both student learning and program
19 effectiveness.

20 The problem is many schools lack
21 the funds to provide these programs or give
22 teachers the necessary training. The bottom

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1 line: Financial education should be more
2 clearly recognized under the investment test
3 in addition to the service test. That way
4 financial institutions could receive favorable
5 consideration for grants to help schools fund
6 personal finance programs and the training of
7 the teachers to teach them.

8 Thank you.

9 VICE CHAIRMAN GRUENBERG: Thank
10 you.

11 Mr. Cunningham?

12 MR. CUNNINGHAM: Ms. Duke, Mr.
13 Gruenberg, Mr. Dugan and Mr. Bowman, I'm the
14 last one, so congratulations. You've come to
15 the end of the road here.

16 Thank you all for having me here.
17 I'm going to do this very quickly, okay? So
18 try to keep up with me. And I'm going to give
19 you a little background of myself and then I'm
20 going to answer the specific questions that
21 you asked of people to answer with respect to
22 CRA.

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1 Now my background, is I'm with
2 Creative Investment Research.

3 Can you hear me okay? All right.

4 We're a social responsible
5 investment research and management firm
6 founded in 1989. We created the first CRA
7 securitization, a mortgage backed security
8 backed by loans from Women in Minority on
9 Financial Institutions. We also created the
10 first predatory lending remediation mortgage
11 backed security in 2001, which was a mortgage
12 backed security that was backed by loans that
13 had formally been predatory that were
14 extinguished by the State of Minnesota. A
15 bank came in, wrote new non-predatory loans
16 and those were pooled into a mortgage backed
17 security.

18 In October of 1998 we opposed the
19 Citicorp-Travelers merger going as far as to
20 sue the Federal Reserve Board in case No. 98-
21 1459. In our case we said that the regulatory
22 system was not in place to effectively

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1 evaluate these combinations of security firms
2 and banks. It turns out, we were right.

3 In December of 2003 and 2006 we
4 warned the SEC that our econometric model
5 showed that there was a growing chance the
6 financial markets would freeze up. We created
7 a methodology called the Fully Adjusted Return
8 Methodology which combines social and
9 financial data that set the core of a number
10 of the questions you've asked today.

11 Have you all ever heard of this
12 stuff before? All right.

13 We've commented extensively. We've
14 gone as far as to sue the Federal Reserve.

15 In May 2010 we filed a CRA
16 complaint with the Federal Reserve against
17 Goldman Sachs because as a bank holding
18 company they had an affiliate that was
19 creating financial products that were contrary
20 to credit needs in communities. Right? Is
21 this making any sense? That follows from what
22 they were doing, right? So that should be a

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1 clear violation of CRA. It is not. So that's
2 part of the issue that I want to talk about,
3 is the fact that CRA does not work for the
4 current environment and it's led to great
5 damage for the country, both from the
6 standpoint of economic return.

7 One of the things that you should
8 focus on is the fact that be enabling lending
9 in minority communities, according to our
10 calculations, you've created something like \$8
11 trillion in economic activity for the country.

12 Once you get rid of discrimination,
13 basically, you enhance income for communities
14 of color, for people of color. They spend the
15 money that leads to another -- you know, it's
16 the multiplier effect that was outlined. So
17 we haven't seen any of this so far in the
18 regulatory analysis, we think that's a
19 problem.

20 So let me move on to basically the
21 questions hat you've asked.

22 In terms of geographic scope,

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1 geographic scope is irrelevant. What's
2 relevant is performance in meeting credit
3 needs in a nondiscriminatory manner. I
4 understand the problem that you face as
5 technicians. You have to figure out a way to
6 evaluate this stuff with rules that everybody
7 can get behind.

8 From our perspective what you want
9 to do is is you want to have very few CRA
10 rules, but you want to have very strict
11 penalties. Let me explain what that means.

12 You have Wells Fargo, right? Wells
13 Fargo is being sued by the City of Baltimore
14 for establishing predatory lending outposts in
15 PG County where they were steering African-
16 Americans to higher cost loans than they
17 should have been qualified for. It's not only
18 the State of Maryland, City of Baltimore.
19 State of Ohio also sues Wells Fargo.

20 What's Wells Fargo's CRA rating
21 today? Outstanding. Now how is that
22 possible? That's just not consistent, it's

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1 just not possible. It shows that the
2 regulatory framework is completely broken.

3 So, rather than address all of the
4 minutiae, and yes I get that. I'm an MBA,
5 University of Chicago, you know I like the
6 numbers. I run the numbers myself. But
7 rather than worry about that, given changes in
8 technology, given changes in the regulatory
9 framework, given the Financial Reform Bill
10 that just passed which adds a number of
11 complexities to your job, what we feel you
12 should do is should reduce the number of rules
13 but have very swift and secure penalties for
14 the rules that are in place.

15 You should also use the technology
16 to basically be able to capture comments from
17 the community. This is going to sound strange
18 to you all, I know. Facebook, LindedIn,
19 MySpace; you can use all of those social media
20 as a way of enhancing your ability to evaluate
21 the community development performance of the
22 financial institutions that you're responsible

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1 for.

2 So we covered geographic scope. We
3 covered kind of the general strategic
4 framework for a new approach to CRA: Fewer
5 rules, but the rules that you do have you
6 enforce the heck out of.

7 You know, we think again one of the
8 key points is to focus on affiliate
9 activities. We filed a CRA complaint with the
10 Federal Reserve in May of 1996 to basically
11 encourage you with respect to the Morgan-
12 Guaranty Trust merger that was approved by the
13 Fed in April of 1996. What we said in that
14 complaint was that, look, you have to look at
15 the institution in totality. The securities
16 markets activities of these institution are
17 increasingly important. They will
18 increasingly drive value and they will
19 increasingly drive economic activity in these
20 communities that are the low and moderate
21 income communities. We know that because
22 we're developing financial products to do

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1 that. So you also have to evaluate the
2 ability of these entities, the combination of
3 the depository institution and the securities
4 czars, you have to develop a coexistent
5 framework for evaluating the social impact of
6 those activities.

7 We think we did with the Fully
8 Adjusted Return Methodology that we developed
9 in 1991 and '92.

10 You know, again, we've submitted
11 comments in writing. I think, again, our key
12 points are:

13 Few rules, enforce the heck out of
14 them and look at affiliate activities closely.

15 You have to given that you've allowed people
16 like Goldman Sachs to become bank holding
17 companies and they are growing in importance
18 with respect to flow of capital into
19 underserved communities. You know that, I
20 know that, that was the nature of the
21 Financial Reform Bill and several of the
22 problems that we've run into.

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1 So, thank you again for your time.

2 I appreciate the opportunity to testify.

3 One thing I might recommend, I'd
4 suggest you hold this hearing in Prince
5 George's County. Why you're not out in Prince
6 George's County while Wells Fargo was actively
7 discriminating against African-Americans, you
8 know this, I know this. Why you don't have
9 this hearing out there is beyond me. It's
10 just beyond me. It's a clear example of a
11 major financial institution violating in a
12 discriminatory manner the credit rules and
13 regulations of this country. And you're here
14 in Arlington or Alexandria, wherever the heck
15 we are as opposed to being in Prince George's
16 County where you could get a much better feel
17 from the community. It's called the Community
18 Reinvestment Act, for crying out loud. You
19 could get a much better feel from the
20 community as to what is really going on were
21 you to travel to those venues.

22 So, again, thank you very much.

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1 VICE CHAIRMAN GRUENBERG: Thank
2 you.

3 Any questions for this panel?

4 I'd like to thank you for your
5 testimony. You really have been very helpful.

6 And that concludes this panel, and
7 it concludes today's hearing.

8 Thank you all very much.

9 (Whereupon, at 4:48 p.m. the
10 Hearing was adjourned.)

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