

Oral Statement of Mark A. Willis  
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Federal Reserve Bank of San Francisco's  
Branch in Los Angeles, California  
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Good Morning. Thank you for inviting me to share with you today my thoughts on ways to make the CRA more effective in helping to stabilize and revitalize low- and moderate-income (LMI) communities. My name is Mark Willis. I am a Resident Research Fellow at the Furman Center for Real Estate and Urban Policy at New York University. I speak today solely in my personal capacity and based on my years of experience as head of Community Development for JPMorgan Chase and as a researcher and urban economist.

I commend you for holding these hearings. The CRA can benefit greatly from changes that are within your power to make. My submitted written testimony outlines a number of options including balancing quantitative measures with qualitative ones; establishing a community development test for large, retail banks; creating a safety valve to guard against any risks to safety and soundness and unnecessary duplication of the efforts of others; increasing responsiveness to variations in local needs; and ensuring that all communities can benefit from the CRA.

CRA is an exceptional legislation because, at its core, it establishes an affirmative obligation—rather than a prohibition against certain behavior or actions. However, an affirmative obligation also presents certain challenges: it requires continual adaptation to changes in markets, industry structure, and community development best practices. Examination procedures also need to be adjusted regularly, as lessons are learned as to which tests are working well and which are not.

The CRA has many stakeholders with widely varying perspectives. You are no doubt hearing a broad range of opinions, not all of which seem reconcilable at least on the surface, thus making your job particularly difficult. So I want to suggest that you consider, in addition to hearings, encouraging forums to convene diverse groups of stakeholders specifically for the purpose of exploring possible common ground. Last year, in my role as a Visiting Scholar at the Ford Foundation, I twice convened a small group encompassing a cross-section of stakeholders, offering a forum to allow the participants to get to know and better understand each other and each other's perspectives. The reactions were very positive, and I believe these sessions have already borne fruit in opening up new lines of communication between the parties and in helping to build consensus.

Let me now use my limited time to say a few words about the two topics which are the principal focus of this hearing. With regard to data for small business and consumer lending, the first question should be: what type and quality of data are needed for your examiners to be able to assess impact in LMI communities without imposing unreasonable data collection costs on banks? This is not as simple a question as it may seem initially since it begs the question as to what should be the scope of the exams. In that regard, I suggest caution in trying to do too much through CRA. The challenges faced by LMI communities cannot be solved by a single regulation, exam process, or a limited group of institutions.

A separate question is: how much of the data should be made public? The answer requires finding the right balance between the benefits of public disclosure and bankers' concerns about borrower privacy, proprietary information, etc. CRA has and should continue to benefit from public participation in monitoring banks' performance and highlighting issues for more regulatory scrutiny. Especially given the likely *decrease* in the number of public meetings triggered by CRA related mergers and acquisitions, it is critical that the public have at least enough information to be able to shift the burden of proof to the banks (or to the examiners) when the data suggests areas of concern. I also recommend that you hold annual public forums to review the new data as it is released.

With regard to Performance Evaluations, a major problem is that their publication lags far behind the time period they cover. For banks, this delay limits their ability to adjust their CRA business plans until well into their next exam period. For the community, the information is so dated that it can be of only limited use for identifying any issues with the current or future performance of a bank. New exam protocols are needed to facilitate faster exams, at least for the larger banks, and more timely release of the results.

Let me end with a note on the need not just to update the CRA regulations but to institute a process to keep them current. I believe that more regular updating is not only essential for a regulation based on an affirmative obligation, but it could also make change easier by allowing for smaller steps, more rapid mid-course corrections, and for time to promote efforts for the stakeholders to find common ground. Stakeholders rarely find themselves in a meaningful dialogue with each other even when they appear at the same hearing or participate on the same conference panel. I again encourage you to promote modest-sized gatherings which allow all the participants to speak and be heard and have proven to be successful in improving communication and building consensus on critical issues and potential changes to CRA regulation.

I would be happy to answer any questions you may have. Again, thank you again for the opportunity to be part of this process.