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Good morning. My name is Mark A. Willis, I am a Resident Research Fellow at the Furman Center for Real Estate and Urban Policy at New York University. I represent solely myself at this hearing.

As background, I spent nineteen years in community development at JPMorgan Chase and Chase Manhattan Bank where I oversaw all of its community development programs and products to help strengthen low- and moderate-income communities. Since leaving JP Morgan Chase two years ago, I was fortunate to be offered a position as a Visiting Scholar at the Ford Foundation to work on ideas for reforming the Community Reinvestment Act (CRA). Most recently, I have joined the Furman Center for Real Estate and Urban Policy at New York University as a Resident Research Fellow. Also of some relevance to my testimony is my earlier career as an economist at the New York Fed and as a Deputy Commissioner at New York City's Department of Housing Preservation and Development. I have attached a brief biographical summary at the end of this statement.

The passage of the Community Reinvestment Act in 1977 set in motion a bold experiment that has yet to achieve its full potential. While CRA has had a number of successes over the past decades, it has fallen short of its original goals.

The CRA legislation sought to encourage banks to help meet the credit needs of all communities where they were taking deposits, with a special focus on helping to stabilize and revitalize low- and moderate-income (LMI) communities, consistent with the safe and sound operation of the institution. It created an affirmative obligation (sometimes also called a duty to serve) for banks to seek to expand access to credit to underserved consumers and neighborhoods, and was specifically not structured as a prohibition of certain behavior as is the approach taken by many other statutes and regulatory schemes. The statute gave you the bank regulators broad latitude in determining the measures to use for evaluating performance as well as the procedures they can use to examine the banks. (For more detail on the basic elements of CRA, see my article "It's the Rating Stupid: a Banker's Perspective on the CRA" in Revisiting the CRA, a joint publication of the Boston and San Francisco Federal Reserve Banks.)

To be fully effective, CRA needs to be updated on a regular basis. Yet, the statute has rarely been updated since it was originally enacted and the last major re-write of the regulations occurred over 15 years ago in 1995 when the emphasis shifted to measuring

production rather than process. Only slightly more frequently have been updates to the Interagency Questions and Answers (Q&As).

As a result CRA is in need of a major revamp. Neither the law nor the regulations implementing that law have kept up with the changes in the banking industry and in community development best practices. It may also be time to consider expanding the focus beyond the availability of credit to other types of financial products. Perhaps most needed is to redesign the system to allow for more regular updates. The more frequent the opportunity to make changes, the sooner the ability to build upon what is working and to re-examine what is not. Moreover, the very possibility of continuous improvement would have the virtue of making it easier to explore new directions without the fear that any changes would not be susceptible to midterm correction or repeal.

Today I will outline some ways to facilitate more regular updating of the CRA regulations as well as specific proposals to increase the effectiveness of CRA in helping to stabilize and revitalize LMI communities.

CRA Successes

Banks have undertaken many CRA eligible activities that have helped to stabilize and revitalize LMI communities. Yet, developing statistical proof that CRA has made a difference has been a challenge since it is hard to isolate what might have been but for the existence of CRA. Many attempts have been made, often using mortgage origination data collected under the Home Mortgage Disclosure Act (HMDA). (A particularly creative approach was used in a recent study for the Federal Reserve by Neil Bhutta, *Giving Credit where Credit is Due? The Community Reinvestment Act and Mortgage Lending in Lower-Income Neighborhoods*. By comparing mortgage lending just above and below the income cutoff for CRA eligibility, he showed that CRA had a positive but marginal effect in large metropolitan areas.) Regardless of the difficulties, it seems clear that CRA has encouraged banks to learn more about how to serve the LMI marketplace in a safe and sound way, to recruit and train specialized staff, and to support specialized consortium.

Better Understanding

By building lines of communication between banks and community groups, CRA has helped to correct misperceptions as to possible market opportunities and has provided information that led to the tailoring of products and services that have both served the community and met the test of being safe and sound. One notable example was the development in the early- to mid-1990's of new underwriting standards for home mortgages, thereby facilitating a dramatic growth in mortgage lending to lower income populations and neighborhoods. Through dialogue and testing, banks were able to identify and remove unnecessary barriers to serving this marketplace, resulting in loans that performed (and still perform) relatively well. In contrast, the subsequent proliferation of toxic loan products in the early 2000's had little, if anything, to do with CRA, despite the more recent sensational claims in the media and elsewhere to the contrary. In fact, according at a study by the Federal Reserve, of all the subprime loans made in 2005 and 2006 (the peak years of the housing bubble), only 6% were extended by CRA-covered lenders to LMI borrowers or neighborhoods in the communities for which they had a

CRA responsibility, i.e., where they took deposits. This is hardly evidence for the notion that CRA was somehow a driver of the crisis.

Specialized Staff

A second set of successes surrounded the establishment within many of the larger banks of specialized units that became proficient at structuring complex, affordable-housing or community-economic-development deals involving multiple sources of subsidies and players. As these deals proliferated, credit approval officers learned how to think "outside the box," recognizing that government subsidized rents and sale prices actually lowered the risk by lowering the exposure to the usual ups and downs of the economy. The emergence of these units, with their highly skilled staffs, was seen by many bankers and advocates to facilitate the growth of community development lending and investing and also served as important lines of communication and trust between the banks and their communities.

Consortium

Third, CRA spurred the growth of new entities and new government programs. Collaborations between banks and community-based organizations helped spawn the development of many CDFIs with their specialized skills for serving lower income communities. The banks have provided startup funding, technical assistance, loans with interest rates at or below market, and operating support to CDFIs. They collaborated in the development of the Low Income Housing Tax Credit (LIHTCs) and New Market Tax Credit (NMTCs) programs and are major investors. Banks have also worked with community groups to set up consortia to provide mortgage counseling or other forms of financial education (e.g., credit counseling).

The Challenge of Measuring CRA Performance

Measurement of a bank's CRA performance suffers from a core problem—the absence of an easy way to measure the incremental impact of a bank's CRA activities on LMI communities. As the saying goes, what gets measured gets done. And since 1995, the drift has been toward output measures of production. Some of the tests developed have given too much credit for activities that are not directly linked to revitalizing and strengthening communities while giving too little to other activities that have a significant incremental impact. Some have even been the source of unintended negative consequences.

At first glance, it may seem to make sense to measure the number or dollar amount of loans a bank has made or evaluate the bank's share of the LMI marketplace compared to its share of the middle and upper income marketplace (called parity tests). But the results can be misleading as they do nothing to gauge the impact of the loans or whether the loans would have otherwise been made. For example, a $50,000 loan to a small business or a $500,000 to a small affordable housing project may be more critical to the well-being of a community than hundreds or thousands of home mortgage loans that would be made as a matter of course by any number of different mortgage companies. Similarly, philanthropic grants given to support local organizations involved in community development receive little credit because they involve small dollar amounts and so pale in

comparison to other investments with which they are paired in the Investment Test. Yet, grants can have a critical and large impact as can small amounts of below-market financing that allow, for example, CDFIs to be able to carry out their missions.

Adding to the problem of focusing on volume measures is the danger of requiring banks collectively or individually to do more volume than the market can support based on normal pricing and underwriting standards. As a result, banks have been pushed to undertake activities that are uneconomic and, in some cases, of little or no value to low- and moderate-income communities. A regulation-imposed, production goal that is set too high can lead a bank to seek to increase its market share by reducing its pricing or worse, lower its credit standards (something a bank is reluctant to do and contrary to the statutory requirement for CRA to be consistent with safety and soundness).

One approach that had seemed to get around this problem was the adoption of parity tests where a bank's share of the marketplace is compared to its share of the middle and upper income segments of that same market. It may, at first, sound sensible to expect that a bank making a reasonable effort to serve the LMI segment for, for example, mortgages would have the same share of that market as it does of the middle and upper income segments—if it has 10% of the latter, it should have 10% of the former. Unfortunately, the world is much more complicated. In this example, a bank looking to ensure it achieves a 10% share will aim higher than 10%, especially if it seeks an "Outstanding." If all banks do the same, then they will collectively be seeking a total of more than 100%—a mathematical impossibility. This problem was made worse by the emergence in the late 1990's of independent mortgage companies that focused on the LMI marketplace. Achieving parity became even more mathematically impossible given the disproportionately large share of the LMI market grabbed by these firms. Basing parity tests on non-market, demographic data (e.g., the number of LMI homeowners) can further remove them from any relationship to a reasonable measure of market opportunity. Similar issues are raised by the parity tests used for small business lending and the location of bank branches.

Unintended Consequences Impair CRA's Effectiveness

In order to meet volume and parity measures, banks have sometimes undertaken activities that are a waste of resources, if not counterproductive altogether. Banks have been driven to buy market share by offering borrowers bigger and bigger subsides, or to open unprofitable branches in LMI neighborhoods, sometimes even damaging the economics of local banks that were already there. Banks have even resorted to selling mortgages to each other to boost their mortgage numbers, providing employment for investment bankers but doing nothing to increase the number of mortgages available in the community. By encouraging investments that do not make economic sense, CRA has had the counterproductive effect of undermining the business case for lending and investing in LMI neighborhoods.

The focus on production has also led banks to rely more on their mainstream businesses and less on specialized units to generate the large volumes consistent with the examination criteria. While mainstream units with their emphasis on scale and mass

production have been able to turn out impressive production volumes that meet the criteria for CRA eligibility, they rely on systems that often lack the flexibility to offer one-off products or modify product features to respond to variations in local needs. The managers and staff of these units rarely have the time or expertise to interact and collaborate with the community on a regular basis. Moreover, these units also manage to a bottom line which makes them reluctant to devote resources that could be deployed more profitably elsewhere and causes them to be constantly looking for the lowest cost way of meeting their CRA targets.

The shift away from specialized units has, in at least some cases, moved overall responsibility for CRA to such non-business units as regulatory compliance units and philanthropy. These units are often not well positioned to encourage innovation and engage in active collaboration with communities. They lack the specialized staff to offer one-off, high impact (but often low-dollar value) products or services or vary their products and services across localities depending upon local needs.

Unblocking the Road

To maintain its long term effectiveness, CRA needs to be able to adapt more rapidly to changes in markets, the structure of the financial services industry structure, and community development best practices. More frequent updates could also remove some of the pressure to update everything at once by allowing smaller but steadier steps and giving more time, where appropriate, for a consensus to build among the stakeholders who include not just the community, but advocates, bankers, yourselves, and others.

In theory at least, regulatory changes should be easier to make than legislative amendments. Therefore, it is important to preserve as much as possible the broad discretion given to the banking regulators in the statute. While CRA could be updated through legislative action alone, reliance on legislative fixes could backfire particularly if it produces too rigid a system. Legislation is, by design, hard to amend or update; and the current criticism of CRA (albeit without a factual base) portends an uphill battle. Also, to the degree that detailed prescriptions become embedded in the statute, regulators could be severely limited in their ability to fix even minor problems as they arise. The following outlines some steps to make it easier to update the regulations on a more regular basis.

<u>Encourage a Dialogue to Find Common Ground</u>

Everyone would agree that lack of consensus among stakeholders including community, bankers, regulators, and advocates makes it hard to change the rules. Hearings like this one provide an important opportunity for the different stakeholders in CRA to air their differing points of view. Unfortunately, though, they do not offer an opportunity for a dialogue among the stakeholders to build trust and explore possible areas of agreement on how to improve the effectiveness of CRA. There need to be forums where differences can be thrashed out and areas of overlap found. While many of those testifying know each other and may even have appeared together on panels at conferences, they have rarely if ever sit in the same room with the goal of exploring areas of common interest. History, differing perspectives, and the inherently adversarial nature of the protest aspect of CRA make it difficult for such conversations to occur spontaneously. You could help

spur such a dialogue by convening groups that represent a cross-section of the stakeholders.

Take Small, but More Regular Steps

A more regular process of updating the regulations would also allow for change to come in smaller doses, hopefully in step with any evolving consensus among the stakeholders. The longer the time between changes, the more pressure builds up for more extensive changes and the increased likelihood that the players will take sides and hold to more rigid positions.

Move Beyond Zero Sum

The current CRA exam framework makes change difficult because of its "zero sum" nature. The current weighting system serves to play one group against another since giving more weight to one activity will generally reduce the importance of another activity in determining a bank's overall rating. Thus, for example, giving more weight to community development lending within the Lending Test would necessarily require that less weight be given to mortgages or small business lending. Thus it is hardly surprising that those who want to preserve the level of attention now paid to home mortgages and small business loans are reluctant to contemplate changes that may lead to a reduction in the importance of these loan activities.

A prototype for escaping this zero-sum trap already exists in the regulations where a bank has to achieve at least a minimal "passing" grade on the Lending Test in order to be eligible for an overall "Satisfactory" rating. Other products and services or groups of products and services (e.g., a community development test, see below) could receive similar treatment, making the passing of each of them of equal importance, at least with regard to being able to achieve a passing grade overall.

Designate a Leader

The difficulty of trying to reconcile the many perspectives of all the stakeholders is only compounded by having to reach agreement among all of the bank regulators. Perhaps there could be a way to designate one of you as the lead and ensure sufficient staffing and analytic resources to carry out the role on an expedited basis. Even better would be an agreement to give one of you the ability to be the ultimate arbiter of any disagreements among the parties.

Some Ideas for Regulatory Reforms

Much can be done through regulatory changes. In particular, the exams could be restructured to be clearer, faster, and more specific about what is required or desired from the banks of different types and sizes and in different neighborhoods. Some of the existing tests need to be modified, replaced, and in some case totally replaced. The following lays out some possible ideas for reform.

Calibrate Quantity and Quality, Production and Process

Finding the right balance between quantitative and qualitative measures is essential since as noted earlier, smaller size loans can have as much, or more, impact on communities

than larger ones. The parity tests need to be eliminated or at least supplemented with other measures of the impact on LMI communities. The definition of community development might also be expanded to include the whole array of activities that are essential to creating vibrant communities including access to jobs, health, safety, education and more.

Even so-called process measures could help provide a more nuanced test of community impacts that cannot be identified with existing measures. For example, testing whether a bank has conducted valid needs assessments would encourage banks to maintain an on-going dialogue with the community. Similarly, developing a test to gauge if the community truly has access to bank officials with sufficient authority to be responsive to their ideas and concerns could satisfy this goal. In determining if a bank is doing enough extra to justify an "Outstanding," the test could require evidence of innovative products and services or of the dedication of sufficient expertise and resources to be able to structure innovative deals. This test would also encourage continued support for separate, specialized lending units. Of course, these types of tests would require examiners to be both well-trained and empowered to make the necessary judgments in the field.

Incorporate a Safety Valve to Guard against Unintended Consequences

Since the tests are likely to be, at their best, imperfect measures of the desired outcome, it is important to provide a safety value to minimize the chances that the regulations will force banks to undertake counterproductive activities. Before being made to over saturate or over subsidize a market, a bank should be allowed to defend its record by being able to show that the community is already being well served or the economics simply cannot work (e.g., banks have been known to offer subsidies of $8000 or more to try to increase their market share of lower income home mortgages). A formal "appeals" process should be established so that banks can make such a case and so overcome any initial judgment of inadequate performance based on numbers alone.

Create a Community Development Test for Large, Retail Banks

The exam protocol for large, retail banks lacks a community development test which combines community development lending, investments and services. Yet, these activities are critical for stabilizing and revitalizing neighborhoods in line with the original intention of the legislation. Community development loans and services are too important to be systematically undervalued as they are at present for large, retail banks. Presently, the Lending Test focuses on home mortgages and small business loans, with community development loans serving only as a possible way to enhance a bank's rating. As for community development grants, their total dollar value is simply added to the dollar volume of community development investments. Since the latter are generally much larger, consisting, for example, of investments in LIHTC's, NMTC's, and mortgage bonds, the grants barely move the needle with regard to the total dollar measurement used for the Investment Test. And community development services receive only minor recognition under the Service Test, which looks mainly at the distribution of bank branches and branch services. Furthermore, if it were possible to treat all of these activities under one umbrella, a bank would be free to respond to local

needs and opportunities, whether they be loans, investments, services or a melding of the three.

One way to create a community development test would be to give banks the option of adding community development loans and services to the existing Investment Test. Banks could also be allowed to increase the weight given to this expanded test (perhaps by up to 50 percent), with a concomitant reduction in the weight given to the now narrower Lending Test. The importance of mortgage and small business lending can still be maintained by setting minimum standards as discussed below.

Add More Exam Protocols

Additional exam protocols need to be established to adapt to the realities of the geographic reach of internet banks and others that serve regional or national banks. Banks serving a nationwide market should be offered full credit for CRA-eligible loans, investments, and services made in any geography across the country, thus encouraging them to serve those LMI markets. A similar approach might be applied to regional banks that would be able to serve all localities within their region regardless of the existence of a local deposit-taking facility. Such rules would help to ensure every community has access to capital at competitive prices. Such reforms would also allow for further geographic diversity in the portfolios of these banks and would reduce the pressure to over concentrate in some of their headquarter cities. Likewise, they would allow more capital to flow to regional and national loan funds which would then be free to serve all LMI communities within their service area.

Another reason to design a special exam protocol for the largest banks is to identify a way to shorten exams that can currently consume 18 months or longer. These protracted exams tie up the resources of all parties for months, and banks find thmselves they are halfway through their business plans for the next exam before they fully know what rules they should be operating under. The result is an elongated feedback loop that slows the process of continuous improvement for all parties concerned. Exams need to be completed faster, or at a minimum any changes in how different activities are being evaluated need to be communicated on a real-time basis.

Special rules could also be developed for banks that have affiliates (i.e., other subsidiaries of the holding company) that are relatively large and perform activities that would be included in a CRA exam if they were a direct subsidiary of the bank itself. Currently, the examiners do not look at non-bank affiliates unless the bank itself volunteers to include them in its exam. One approach would be to take into account the size and nature of the affiliates in determining the appropriate level of CRA activity expected from the institution.

Another alternative, particularly for the internet banks and others that serve national markets, but only take deposits in limited geographies, would be to require each of them to create their own custom-made “strategic plans.” Once the plans are approved, banks would be able to be confident of how much of its efforts can go to communities beyond its hometown. Before adopting this approach, however, it would be useful to better

understand the historic reluctance of banks to take up the option of creating a strategic plan.

Provide Special Credit for Serving Communities Otherwise Left Underserved
Advocates are concerned that the current system leaves some communities undeserved by CRA. The provision of full credit for investments in national and regional funds should help remove some of these inequities. However, the existence of banks that serve local markets without having local deposit taking facilities may in some cases leave local banks smaller and only subject to the Small Bank lending ratio test that does not even focus directly on serving the low- and moderate-income community. Even if a large national bank has a local deposit-taking presence, it may not pay much attention to a locality that is so small that it has little bearing on the institution's overall rating. In these cases, you should consider offering extra credit to any bank that lends, invests, or provides community development services in these communities, regardless of where the bank takes deposits.

Formalize a Process to Adjust Exams for Local Market Conditions
Another area worth exploring is to devise a more formal process for allowing exams to be adjusted based on variations in local needs. What may be valuable for today's Cleveland may not be so for Chicago. At the time of an exam, a bank has the ability to make the case for any local variations in its performance. Analyses of local needs can be incorporated in the "Performance Context," a document prepared by the banks as part of the examination process. This path is filled with uncertainty, though, since examiners can then reach different conclusions after reviewing the data or talking with the community.

To eliminate this uncertainty, regulators should play a more proactive role and take the lead in compiling an assessment of local needs. If they did, then banks could have the option of shaping their CRA programs in each locality around either the standard CRA framework or around the special finding for each locality.

An alternative might be to make it faster and simpler for banks to adopt "Strategic Plans" which would allow them to set out in advance the criteria by which they want to be judged on a geography by geography basis. Once the plans are approved, banks would be able to be set their local business plans accordingly.

Make "Satisfactory" an Explicit Floor and Specify Required Products or Services
To add teeth to CRA and to clarify its requirements, an overall rating of "Satisfactory" should be made an explicit pre-requisite for a bank to apply for any of the regulatory approvals covered by the CRA statute. In addition, the products or services required for a "Satisfactory" should be laid out through a series of minimum standards. Failure to achieve these minimums would result in an overall rating below "Satisfactory." This approach eliminates the zero-sum problem, at least with regard to qualifying for a "Satisfactory," and addresses some of the concerns of advocates that the regulators have not been tough enough "graders" or flunked enough banks. It also could provide greater clarity for banks as to what is required.

In particular, minimum levels of performance should be set for individual products or services or for groups of them (just as the existing Lending Test looks at the collective performance of a bank with respect to both home mortgages and small business loans). Groupings make sense particularly when better performance on one component can compensate for a lesser performance on another.

In addition to requiring a minimum performance level for home mortgage and small business loans, there could be a "minimum" test for retail services which could combine an evaluation of the geographic distribution of branches, an examination of the bank's policy with regard to closing branches, and an assessment of the effectiveness of any alternative delivery systems for the same products and services found in branches. Another approach might be to set a minimum level of performance under consumer compliance that covers discrimination, consumer safety, and unfair and deceptive marketing practices. Still another might include the components of a community development test as described above.

Calibrating the "height" of these minimums requires a comparison of the costs of meeting them versus the incentives needed to induce banks to comply. Just as the incentives built into CRA are limited, any requirements that banks supply particular products or services may also have to be limited. If the minimum standards are set too high individually or collectively, then the regulations will run the risk that some banks may choose to live with a failing grade. While those banks that anticipate needing any of the delineated powers in the statute, e.g., for permission to merge or acquire, will be highly motivated to try to comply, others may not.

Collect Enough Data

The issue of data collection can be contentious. Advocates and researchers always seem to be looking for more extensive data under CRA while banks are concerned about cost (which may be particularly burdensome for small banks), customer privacy, providing proprietary information that could be valuable to their competitors, and fueling a proliferation of law suits. Primary consideration needs to given to what data you, the regulators, need in order to exam the CRA performance of banks. That data should be collected on a regular basis.

A second major consideration is to help give the public the information it needs to be active and well-informed participants in the CRA process. The more fact-based the public discussion, the more constructive it can be. Moreover, the public can help you all identify issues to pursue more closely. However, not all the data collected from the banks need be made public. One approach might be to determine what amount of information is necessary to allow advocates and others to make the case that a problem may exist. By making public at least that minimal amount of data, the public would be able to present a prima facie case that would shift the burden of proof back to the banks to explain why the facts appear as they do or at least spur the examiners to do more in-depth analyses.

Hold Public Hearings Annually to Review the Latest CRA Data

Input from the public has played a crucial role in highlighting community needs and the role a bank plays in a community. This input is in danger of being lost as fewer mergers and acquisitions will reduce the opportunities for public involvement. As the regulators you should consider holding joint meetings ever year to review the latest CRA data. The agenda of these meetings could also be expanded to include a regular dialogue among stakeholders on ways to make CRA work better for all the parties involved.

Rethink the Incentives for an Outstanding Rating

New incentives may be necessary to spur banks to continue to seek Outstanding ratings. CRA's power to influence bank behavior has been seriously diminished by the current financial crisis. Expediting the application process for approvals of mergers and acquisitions (M&A) appears to have been a key motivator for large banks to pursue an Outstanding CRA rating. Yet, the limited prospects for M&A, at least for the very largest banks, do not bode well, thus removing a key reason to seek an "Outstanding."

Some Cautionary Thoughts

While reform can do much good, it can also have unintended consequences. There are three that I would like to identify. One is the possibility of trying to do too much in one exam. CRA cannot be seen as the panacea for other legislation and regulations that are perceived to not be working well. The inadequacy of those laws and regulations should be addressed directly. Adding new responsibilities to CRA will only increase the scope of the exams and so risk diminishing the amount of attention that can be paid to any part of the exam. As experience has shown, the proper evaluation of the impact of a banks activities on LMI communities requires time and training. Any dilution of that effort risks a return to a more mechanical exam that will fail to reward those banks that are truly making a difference in their communities. In addition, the more tasks given to the examiners, the longer the exams will take. The longer the exams take, the more attenuated the feedback loop.

Another area where change could have unintended consequences would be if pressure from advocates leads to an arbitrary reduction in the number of Outstanding ratings. Hopefully, some of the proposals laid out earlier will help to address their concern that standards are too loose and have led to grade inflation. If, however, fewer banks receive an "Outstanding," then even fewer may seek it. Part of the motivation for at least the largest banks was to match their peers. The danger is that, once their peers no longer have an "Outstanding," other banks will start to question if the credential is worth the effort.

A third area regards the proposal to expand a bank's CRA responsibility to also cover all geographies where it makes loans (e.g., home mortgages) even in localities where it does not collect deposits. Advocates are concerned that some communities are underserved by CRA. As mentioned earlier, this problem could be addressed directly by identifying such communities and giving banks credit for serving them, regardless of where they take deposits. However, creating CRA responsibilities for banks in communities where they do not have staff might have only limited benefits and could force banks to spread more thinly such valuable but limited resources as philanthropic grants and below-market

loans. Moreover, the threshold for triggering coverage could reduce the availability of loans in the very communities that the change is intended to help. In a bill now before Congress, a bank that serves as little as 0.5% of a market would incur a local CRA responsibility. Such a low threshold might lead banks to refrain totally from serving a community, thus depriving it of the additional competition and so decreasing access to credit. Lastly, any increase in the geographies covered will only serve to lengthen the exams or diminish the amount of time examiners can spend on communities now covered, thus again potentially forcing examiners to reallocate their time and further attenuating the feedback loop.

Conclusion

Much has changed since CRA was enacted and since the last major rewrite of the regulations. The CRA regulations need to be updated to rectify shortcomings and to adapt to changes in the banking industry and community development best practices. It also needs to be more easily updated on a regular basis to keep it more current in the future. Hopefully some of the ideas that I have outlined will help accomplish both goals and make CRA better able to help stabilize and revitalize LMI communities.

Biography

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Mark A. Willis recently became a Resident Research Fellow at New York University's Furman Center for Real Estate and Urban Policy following the completion of his tenure as a Visiting Scholar at the Ford Foundation where he worked on community development and the financial services sector. Previously, Mr. Willis spent 19 years in community-development banking at JPMorgan Chase overseeing its community development programs and products to help strengthen low- and moderate-income communities. He founded the Chase Community Development Corporation and became executive vice president and head of the Community Development Group with a staff of 250, outstandings in excess of $3 billion, and revenues of $30 million. Over those years, he had responsibility for the development and implementation of innovative lending and investment programs for affordable housing, community economic development, small businesses, and affordable home mortgages; community relations; and corporate oversight of Fair Lending and Community Reinvestment Act compliance. Mr. Willis also served as the President of the Chase Manhattan Foundation from 1998 to 1999.

Before joining Chase, Mr. Willis held various positions in economic development and tax policy with the City of New York, and from 1986 to 1989, he was Deputy Commissioner for Development of the Department of Housing Preservation and Development. Before joining the City, he was an urban economist at the Federal Reserve Bank of New York.

Mr. Willis co-chairs Housing First! in New York City and has previously chaired the New York Community Investment Company and the Consumer Bankers Association's Community Reinvestment Committee, and co-chaired Living Cities: The National Community Development Initiative. Mr. Willis has also served as a member of the Bankers/Community Collaborative Council of the National Community Reinvestment Coalition. He currently serves on a number of boards including the executive committees of the Center for Housing Policy and the Greater Harlem Chamber of Commerce as well as the advisory board of the Office of Financial Empowerment of the NYC Department of Consumer Affairs. Mr. Willis teaches Housing and Community Development Policy jointly at New York University's Law and Wagner schools.

Mr. Willis has a B.A. degree in economics from Yale University, a J.D. degree from Harvard Law School, and a Ph.D. degree in urban economics and industrial organization from Yale University.