

Community Reinvestment Act Joint Public Hearing, August 12, 2010
Individual Presentation: Otis Monroe

[Applause]

Otis Monroe:

Good afternoon. My name is Otis Monroe. I'm President of the Monroe Foundation. We are a nonprofit community development organization that promotes community partnerships in Greater Chicago. I will speak to recommendations to the investment and service test of the CRA examination.

The Monroe Foundation recommends that service test of the CRA evaluate how financial institutions participate in and offer products and services that promote alternative to payday title lending products which remain a dominant consumer lending product in low-moderate and low wealth communities, if you will, which has been utilized by families legitimately to address real life financial emergencies and gaps between paydays where these applications where payday and title lending in these very same communities where banks have a presence in LMI low wealth communities as well has increased as a result of diminishing personal and family incomes. The recent piloting of the small-dollar loan program by the FDIC was an excellent opportunity for the financial institutions with a branch presence in an LMI community to have participated in this program's consumer lending product that addresses a legitimated consumer need that can also promote financial services, access to checking and savings accounts.

Unfortunately, in Illinois only two institutions participated in the pilot program. None of them were institutions with branch locations within LMI communities in the city of Chicago. Our recommendation is as follows: When an institution that has a branch or branch locations within an LMI community and has been unable or unwilling to participate in consumer credit products, such as those offered by the FDIC recently or those proposed by community organizations and community partners with this concern to develop some of the products and services, then the financial institution should receive a grade consistent with such a decline to participation or inability to offer a product similar in scope directly to LMI communities where such a need exist. Further, we support recommendations by the National Community Reinvestment Coalition, Woodstock Institute and others to revise the CRA grading structure that will allow for grades of low satisfactory or low good that would be consistent with this kind of missed CRA quantifiable opportunities by regulator financial institutions instead of supple grades of satisfactory or good. The current grade system rewards banks for their best efforts that often were not truly their best efforts to meet the credit needs of their markets and those of their consumers.

Our recommendation in the investment test: The economic backbone in many urban and rural communities in Illinois and in America are mom-pop business owners often storefront operations hiring locally and dependent upon by many for the basic needs of life in these communities, particularly communities that here in Chicago are returned as full desert. We recommend the following: We urge the CRA to evaluate how SBA-approved lending institutions are developing, marketing and investing in the expansion of micro enterprise programs or how those institutions are working with community and economic development groups to create access to micro enterprise lending and support the expansion or creation of technical assistance

intermediaries that can help struggling "mom-pop" companies access micro enterprise small business lending opportunities. Thank you for your time.