

Community Reinvestment Act Joint Public Hearing, August 12, 2010
Panel One: Mark Pinsky

Mark Pinsky:

Thank you, good morning. My name is Mark Pinsky. I am President and CEO of Opportunity Finance Network, a national network of community development financial institutions. Very briefly, the CDFI industry today is about \$30 billion dollars and assets, and has done a little more than \$30 billion dollars in lending and investing in under shared markets around the country in urban, rural and native communities. And I speak from the perspective of OFN and from what I hope is the CDFI perspective.

I think the panel did a great job this morning of emphasizing the changes and the shifts that have happened that are sort of a precursor to this conversation, and I'm grateful to the agencies for undertaking this consideration of CRA and what it might do to continue to be an effective and perhaps more effective tool in creating collaboration in the markets where we work. I want to talk today very briefly if I can on, we'll sort of make three broad recommendations which we might get into more in questions if that's appropriate and offer a couple of perspectives in conclusion. The first is that I think that as the panel raised and several of you raised in your opening comments, I think that the notion of what of an assessment area needs to change. I think it's very clear that the underlying concept of deposit-taking as the sort of determining factor in what the business of a bank is, is no longer the sole appropriate, maybe appropriate in some cases, but the sole appropriate way of thinking about that; and that I think we need to develop a way to trust, to allow--banks are doing a very good job and are very creative about thinking about where market opportunities are, a whole range of issues that are beyond the scope of this conversation; but we ought to look at that and recognize that. We ought to look at where the drivers of those businesses are and be able to determine assessment areas based on their business strategies, and allow them some discretion in determining where they think that those areas are through the form of whether it's a strategic plan or business plan model that the banks may develop.

At that point you have the ability to get community input into that plan and it allows for a more collaborative approach to what's going on rather than a sort of a cookie cutter approach to what has to happen. I think within the realm of the tests that exist with a couple of changes I'll talk about, I think that that model might allow for a more proactive and more dynamic and perhaps agile way of thinking about what an assessment area is--as banks change, as markets change and they do change quickly; and they change more quickly than government or regulation has the ability to change.

I think that may allow for a kind of flexibility, and it also involves clearly a kind of risk in not being able to determine exactly what's going to get rewarded and what's not going to get rewarded. And so I think that we need to advance the notion of an assessment area to reflect business strategy, to reflect real market conditions, and move away from the deposit-taking as the sole metric or the primary metric of what we do.

Second, to pick up a little bit on what Ellen talked about and I felt very eloquently, I think the notion of some sort of a community development test, some notion, some recognition that there's

a lot that slips through the cracks that we need to sort of be able to capture; and I think it does as several of you noted in your opening comments, I think it needs to be both qualitative and quantitative. We need to look at what the impact of that lending and investing is, and again I think that can flow out of a bank strategy with input from community that may be captured in a business plan or something like that. I think that at some point and I'm not sure it happens right away because it needs to get tested out, I think that I'd like to see some sort of a public scoring or public rating system on the community development test that allows us to look at that in addition to the other things that are being scored; so that there is a joint accountability and that the extent that a bank that's demonstrated is meeting what it said that it was going to do. They ought to get credit for that to the extent that it's not a community, ought to sort of be able to see that wherever those communities are. Those notions of communities as we've said may be very different.

I would just suggest that one way of looking at that that I would offer up is OFN operates the CARS rating system where we have a way of looking at impact that might be useful.

Third I think that support for CDFI is a critical part of this. CDFIs have become in the last 10 years but certainly in the last year, have become a more important partner to banks in the way they deliver capital and deliver credit and deliver services. So I'd like to see that; just one suggestion on that which is that we may--I'd like to suggest that the agencies look at the notion that they use for women and minority depository institutions and apply that to CDFIs, at least to certified CDFIs. It's a way of allowing banks to get consideration for their activities when it's outside of their established assessment area; because markets change, CDFIs tend to be in line with markets.

Really quickly I think to--just close up, I think that the notion of CRA needs to move to become a better tool for collaboration among banks and among the government regulatory agencies, among CDFIs and CDCs in communities, and so that we move away from a confrontational model to a model that really can better serve changing needs of the communities in dynamic times. Thank you.