

Statement of
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Office of the Comptroller of the Currency
before the
Committee on Financial Services
of the
U.S. House of Representatives
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Chairman Frank, Ranking Member Bachus, and members of the Committee, I am Ann Jaedicke, Deputy Comptroller for Compliance Policy, at the Office of the Comptroller of the Currency (OCC). I am pleased to appear before you today to discuss the Community Reinvestment Act (CRA) and the effectiveness of this law over the past three decades.

CRA emerged from a seemingly simple concept -- banks that take deposits from the local community where they are chartered have an obligation to help meet the credit needs of that community. And CRA had a simple but powerful goal...to stop redlining. The law has had its measure of criticism, but in my view it is working. It has proven to be a powerful tool that has brought real change and improved conditions in underserved and economically depressed communities.

This hearing offers an excellent opportunity to reflect on the CRA, and to exchange ideas about the challenges we face going forward. To further this discussion, we offer the following perspectives:

- First, the CRA has proven to be a remarkably effective and resilient piece of legislation and has provided the federal banking agencies with flexibility to respond to changing circumstances.
- Second, the CRA has acted as an incentive for insured depository institutions to provide billions of dollars in loans, investments, and services in communities across the country.
- And third, CRA lending and investments have proven to be safe, sound, and generally profitable.

Yesterday, Comptroller Dugan gave a speech before the National Association of Affordable Housing Lenders. He described three recommendations related to CRA, and I'd like to recount them here today.

The first is the need for legislation to restore national bank public welfare investment authority. The federal law that authorizes national banks to make “public welfare” investments was amended over a year ago. While the amendments increased the *amount* of investments permissible for national banks, they simultaneously decreased the *types* of investments that may be made.

Comptroller Dugan has been very appreciative of your leadership, Chairman Frank, and yours Representative Bachus, in achieving unanimous passage by the House of Representatives of H.R. 1066. H.R. 1066 would restore the broader preexisting public welfare investment standard. A comparable bill recently has been introduced in the

Senate. The OCC urges that the public welfare investment authority of national banks be restored by enacting legislation like H.R. 1066.

Second, yesterday, the Comptroller proposed an important CRA regulatory initiative to assist communities that are being hard hit by the rising tide of mortgage foreclosures.

The Comptroller urged that the federal banking agencies provide a CRA incentive for additional mortgage relief in *middle-income* communities significantly affected by the subprime mortgage turmoil. He called for the development of a targeted amendment to the interagency CRA regulations. This amendment would provide a CRA incentive for community development investments that revitalize and stabilize middle-income urban and suburban communities that are “distressed” due to unprecedented foreclosures. With this change, the banking agencies could give CRA consideration for — and thereby encourage — loans, services, and investments in more communities suffering from the consequences of foreclosures.

We believe that we should be able to make this change by revising the definition of “community development” in the CRA rules.

Finally, in the thirty years since the CRA was enacted, the financial services industry has changed. While insured depository institutions previously may have provided most financial transactions of the type that are evaluated under CRA, now many non-bank companies provide such financial products and services. In light of these developments, a legitimate question may be raised: What are the public policy reasons for continuing to restrict the application of CRA to insured depository institutions?

As the Comptroller said yesterday, the time may be ripe to evaluate whether a legislative determination, made over thirty years ago, about the scope and coverage of CRA continues to be appropriate given the significant changes in our financial markets.

Thank you, Mr. Chairman, for the opportunity to appear before you today. I would be pleased to answer any questions you might have.