



Testimony of
Lisa Glover
on behalf of the
Consumer Bankers Association

Community Reinvestment Act Public Hearing

Los Angeles, California

August 17, 2010

**TESTIMONY OF LISA GLOVER
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U.S. BANK
ON BEHALF OF THE CONSUMER BANKERS ASSOCIATION**

**CRA PUBLIC HEARING – AUGUST 17, 2010
LOS ANGELES, CALIFORNIA**

Ladies and Gentlemen:

My name is Lisa Glover and I am the Director of Community Affairs at U.S. Bank, the fifth largest commercial bank in the United States with assets of \$282 billion.

I am testifying today on behalf of the Consumer Bankers Association (CBA). CBA is the only national financial trade group focused exclusively on retail banking and personal financial services. As the recognized voice on retail banking issues, CBA provides leadership, education, research and federal representation on retail banking issues. CBA members include most of the nation's largest bank holding companies as well as regional and super-community banks that collectively hold two-thirds of the industry's total assets.

I appreciate this opportunity to present the views of CBA on the CRA and the prospects for improving it.

CRA was established to encourage banks to help meet the credit needs of their entire communities, including low- and moderate- income households and neighborhoods. While the Fair Housing and the Equal Credit Opportunity Acts, among others, were designed to provide comprehensive safeguards for consumers in minority groups, CRA remains the only federal law focused on the needs of the population that are not considered "protected classes", but may be historically under-banked or underserved. We believe the focus needs to remain solely on those households and neighborhoods. We hope the agencies will avoid trying to make CRA all things to all people which would stretch resources too broadly and dilute its effectiveness.

The agencies have asked if the evaluation or data requirements for small business, small farm, and consumer lending activities should be changed and we offer the following thoughts.

In the evaluation of small business data, it is the experience of CBA members that while some examiners consider demographics, market conditions, and product mix, the amount of consideration examiners give these seems to vary, with demographics often getting the most weight and attention.

We feel the demographic measure does not comprehensively reflect whether banks are helping to meet community credit needs, since it does not take into consideration important factors such as credit risk or demand.

We recommend the agencies take a broader view and place greater weight on parity with industry and a bank's product mix rather than emphasizing demographics. We feel these measures provide reasonable proxies for demand and credit risk that are missing in the current analysis.

The mandate that small business lending be tied solely to low- and moderate-income (LMI) geographies needs to be reconsidered. Small businesses are not like individual consumers or families who are demonstrably low- or moderate-income. A small business may be located outside an LMI community and provide products or services that help stabilize a neighboring LMI community or employ individuals who are LMI. In today's world, it needs to be recognized consistently that loans to small businesses outside of LMI areas can equally benefit LMI individuals.

Under the Dodd-Frank Act, the Equal Credit Opportunity Act (ECOA) will now require small business data to be collected by all those covered entities providing credit. Many of those entities also report CRA small business data. The Consumer Financial Protection Bureau will be writing the regulation to implement the new ECOA requirements. However, the Bureau does not have responsibility for regulation or oversight under CRA. We are concerned the new reporting requirements may conflict with CRA, creating an unnecessary burden for the industry, raising costs for consumers and small businesses, and creating confusion for the public. We encourage you to coordinate the new requirements with CRA so there are consistent reporting requirements.

Finally, we feel it is important that consumer lending remain optional. If it were mandatory, it would shift the focus away from the products where needs are greatest - namely mortgage, small business, and community development - to products where there is no evidence of a shortage of needs—particularly for low- and moderate-income communities.

The agencies also asked if they should consider changes to CRA disclosures or performance evaluations. We offer the following comments.

Currently, the emphasis in the examination process is on "full scope areas." These are areas within the bank's market where the examiners focus the most attention and tend to be a bank's largest deposit market within a state. These full scope markets are the same for many banks and with multiple banks competing for the same opportunities, these

markets can overheat. Conversely, rural areas and smaller markets are short-changed, while resources are driven toward full scope markets. To bring resources to more markets, we recommend banks be able to select markets with demonstrated needs in which to have full scope examinations. We feel this will bring resources to smaller, more underserved markets.

In recent years, Performance Evaluations have reduced the level of detail. As a result, they have declined in value, and it is harder for the public to determine why an institution received the ratings they did. We feel less generic narrative, and more detail about specific activities undertaken by the bank in a given market would be more beneficial to the public.

Currently, exams are timed so the next exam assesses performance for a period that begins before the last performance evaluation has been finalized. Often, the performance evaluation will be issued for the prior period when a bank is more than half way through its current evaluation period. This makes it impossible for banks to change their performance based on the results of one exam before being subject to the next. We would urge the agencies to establish a minimum period of time between publication of the performance evaluation and the subsequent examination.

The CRA has been a catalyst for improving the lives of LMI people, however, CRA can be improved. As the regulations are reformed, it is important to ensure CRA remains a sustainable, strong and effective means of benefiting banks' communities by keeping it focused on its core purpose; including flexibility to emphasize local community need; ensuring a strong link with safe and sound practices; and minimizing unnecessary costs associated with compliance.

Thank you for the opportunity to present our testimony. I will be happy to answer any questions.

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Our more detailed comments on the specific questions raised by the agencies follow:

Geographic Coverage

What are the best approaches to evaluating the geographic scope of depository institution lending, investment and/or deposit taking activities under CRA? Should geographic scope differ for institutions that are traditional branch-based retail institutions compared to institutions with limited or no physical deposit-taking facilities? Should it differ for small local institutions compared to institutions with a nationwide customer base? If so, how? As the financial services industry continues to evolve and use new technologies to serve customers, how should the agencies adapt their CRA evaluations of urban and rural communities?

Banks without Traditional Branches

Since CRA was enacted, new forms of retail banks have developed that have no retail branches or are entirely or largely internet-based. These entities do not necessarily have a relationship with a community that surrounds their place of business. Often, their relationships are diverse and not-geographically based at all, and it makes little sense to consider how they are meeting “local” community needs. We therefore recommend these banks be evaluated on a broader geographic base which would encourage these banks to engage in community development activities anywhere in the country where needs are currently not met.

Traditional branch-based retail banks

For traditional branch-based banks, the expansion of assessment areas to include geographies without branches or physical deposit taking entities would undermine much of the value of CRA to local communities. Retaining current assessment areas based on branch location is in keeping with the underlying principles and spirit of CRA, which are tied to the physical gathering of deposits. A traditional bank becomes a part of its local community through the physical presence of a branch or other deposit-taking facility and employees. As active members of those small, neighborhood communities, a bank’s employees gain the ability to determine the needs of the local community, and thus provide a variety of products and services to meet those specific needs, including targeted outreach to underserved sectors and sound structuring of customized lending and investing products. This cannot be done from a distance.

Loans made through alternative channels or deposits taken at a distance from the bank’s geography should not trigger a responsibility to serve all of the needs of a market in which the bank has no branch presence. A CRA program should be judged on those markets where the bank has a physical presence and a thorough understanding of the

community. Without staff interaction in the local community to assess needs, a “cookie cutter” approach to community development may be used to meet obligations, contrary to the intent of CRA. Further, it must be recognized that resources are limited and efforts to serve additional areas where there is no physical presence would diminish the resources banks have for their primary markets, causing those markets where banks can have the greatest impact to suffer.

Affiliate Activities

Currently, the agencies consider affiliate activities only at the request of the related depository institution. Should the agencies revise the regulation and instead require that examiners routinely consider activities by affiliates? If so, what affiliates or activities should be reviewed? How should consideration of affiliates affect the geographic coverage of CRA assessments?

CBA opposes the mandatory inclusion of affiliate data for CRA examination. It is important that CRA remain tied to the retail bank, which is the deposit taking entity, and to the geographies around the deposit-taking facility. Banks have numerous affiliates, some of which make mortgage loans, but others which engage in other forms of lending or other activities further removed from core retail banking. If all affiliates were to be included, the result would be to totally transform CRA to the detriment of consumers and small businesses.

The call for mandatory coverage of mortgage lending affiliates under CRA is understandable, but not a good solution. We believe the emphasis on mortgage lending has become so dominant in the ratings that it has squeezed out important community development activities that should get more consideration. Mortgage lending by affiliates is already public information. Further, those affiliates are subject to consumer regulations and related examinations such as UDAP, ECOA, FHA, etc. These regulations adequately cover the concerns expressed related to fair practices. Thus, CRA inclusion is unnecessary. Also, a requirement that affiliate mortgage lending activity be considered only reinforces that emphasis, to the detriment of other activities that should contribute in a more significant way to CRA performance. Banks who want or need to include affiliate mortgage lending in order to provide a clear picture of how well they respond to the credit needs of the communities should be allowed to voluntarily include those affiliates.

CRA Performance Tests, Asset Thresholds and Designations

Should the agencies revise the criteria used to assess performance under the current CRA tests: Small institution; intermediate small institution; large institution; wholesale and limited purpose institution or strategic plan? Are the current asset thresholds that apply to institutions and tests appropriate?

See our comments in the Community Development section related to ways the agencies might revise the criteria used to assess performance.

Small Business and Consumer Lending Evaluations and Data

Should the agencies revise the evaluation of and/or data requirements for small business and small farm lending activities or for consumer lending activities, including activities or products designed to meet the needs of low-and moderate-income consumers? If so, what changes are needed?

Evaluation of Small Business Lending

It is the experience of CBA members that while some examiners consider demographics, market conditions, and product mix, these factors are considered to varying degrees. The amount of consideration examiners give to these seems to vary from bank to bank, and from exam to exam, though demographic comparison often gets the most weight.

Although the demographic measure provides a very rough idea of geographic distribution of lending, and may highlight areas in need of greater scrutiny, we feel it does not reflect whether banks are helping to meet community credit needs, since it does not take into consideration factors such as credit risk or demand.

We recommend the agencies take a broader view and place greater weight on parity with industry and product mix rather than emphasizing demographics. This provides a reasonable proxy for demand and credit risk that is missing from a demographic consideration.

Evaluation of Small Business Data

The mandate that small business lending be tied to low- and moderate-income (LMI) geographies needs to be reconsidered. Although examiners do review overall lending activity, the focal point of CRA lending is in LMI census tracts. There are a number of problems with considering only small business loans within LMI communities, and giving little consideration to those outside those communities.

The focus on CRA, as stated in the statute, should be on helping to meet the needs of the bank's *entire* community, including low- and moderate-income, not on meeting the needs of LMI exclusively. While it is understandable that the emphasis has been on LMI geographies, it should not be exclusive of other efforts of the bank to promote small business.

Small businesses are not like individual consumers or families, who are demonstrably low- or moderate-income, or live in LMI communities. A small business may be located

outside an LMI community, but provide products or services that help a neighboring LMI community or employ individuals who are LMI. Locating a business in an LMI geography may or may not benefit that community and may or may not employ LMI individuals. Thus, it needs to be recognized consistently that loans to businesses outside of LMI areas can equally benefit LMI individuals.

Technical Assistance

In the current economic environment, technical assistance is critical to the success of small business. Banks are actively involved in providing this assistance to small business, either directly or through third parties. However, technical assistance to businesses does not get sufficient credit under CRA. We believe this is because it gets consideration under the community development portion of the Service Test, where activities such as these have a much smaller impact on the outcome of the test. If technical assistance is to be encouraged, it should be considered under the Lending Test as a positive factor or given more weight within the Service Test.

Uniform Data Collection Requirements

Under the Dodd-Frank Act, ECOA will now require small business data to be collected by all those covered entities providing credit. Many of those entities also report CRA small business data. The Consumer Financial Protection Bureau will be writing the regulation to implement the new ECOA requirements, defining the terms, and establishing the reporting methodology. However, the Bureau does not have responsibility for regulation or oversight under CRA. We are concerned the new reporting requirements may conflict with CRA, creating an unnecessary burden for the industry, raising costs for consumers and small businesses, and creating confusion for the public. We encourage you to coordinate the new requirements with CRA so there are consistent reporting requirements.

Optional Consumer Lending

It is important that consumer lending remain optional. If it were mandatory, it would shift the focus away from the products where needs are greatest (mortgage, small business, community development, etc.) to products where there is no evidence of a shortage of needs—particularly for LMI communities. Issues that arise with these consumer lending products are more properly (and more effectively) addressed by the Consumer Financial Protection Bureau under consumer protection laws like ECOA, TILA, UDAP, etc.

Access to Banking Services

How should access to financial services be considered under CRA? What changes would encourage financial institutions to expand access to un-banked and under-

banked consumers in a safe and sound manner and to promote affordable, safe transaction and savings accounts? Should the agencies revise CRA to include additional regulatory incentives to provide access to services for historically underserved and distressed areas?

Modify the Service Test

Although services other than branch distribution are considered under CRA primarily through the Service Test, they cannot become significant unless they are provided more weight. The Service Test carries just 25 percent of the final CRA rating. Although there is no official measure, it is widely believed and communicated that a considerable majority of the 25 percent in the Service Test is a consideration of full service branch location. Everything else that gets considered under the Service Test may amount to no more than 5 percent of the total weight for CRA activities.

There are several examples of solid community development activities which are important in today's economy and should be given significant consideration in a CRA examination. Mortgage loan modification and loss mitigation activities need to receive enhanced emphasis in CRA in order to provide more incentives. Efforts at foreclosure prevention, streamlined loss mitigation, and neighborhood stabilization should all be given greater recognition throughout the banks' assessment areas, and not just in LMI communities.

Counseling and financial education also should be given more consideration. The vast efforts banks make in the area of financial education often do not get enough recognition in CRA performance evaluations. If we have learned anything from the most recent economic debacle, it is that financial services can be challenging and require a strong fundamental understanding to prevent consumers from becoming victims. These activities should be factored in regardless of where the bank engages in them, since LMI communities and individuals are not the only ones in need of financial education.

There are a number of possible approaches that could be taken to correct this problem:

--The agencies could expand the weight given to community development activities under the Service Test and correspondingly reduce the weight accorded to branch distribution.

--Loan modification might be included in the Lending Test, as an option for those banks who wish to do so.

--Community Development Services could be included within an optional Community Development Test, rather than as part of the Service Test. This would allow them to receive more recognition in a more appropriate context. We discuss this option further in our comments on Community Development.

Alternatives to Full-Service Branches

It is not always cost effective to provide full-service branches in the bank's assessment areas, and not every community needs a full-service branch. CRA should provide incentives for meeting community needs in creative ways, to serve our communities' needs more effectively and efficiently. CRA could be more effective in encouraging banks to reach under-banked LMI communities by fully recognizing alternatives to full service branches.

Community Development

What are the opportunities to better encourage community development loans, investments and services to support projects that have a significant impact on a neighborhood? Should the agencies consider revisions to the Community Development Test or to the definition of community development? How could the rules most effectively balance support for community development organizations of different sizes, varying geographic scope, and in diverse rural and urban communities? How might they balance incentives for meeting local needs as well as the needs of very distressed areas or those with emergency conditions?

Enhance Consideration of Community Development

Community development (CD) activities do not consistently get the amount of consideration they should. CD efforts in support of affordable housing, job creation and retention, other community needs such as affordable health and child care, and revitalization or stabilization of LMI communities or distressed or under-served rural middle income communities, should always have a strong positive impact on the evaluation regardless of the test in which it is considered. Yet currently, CD lending gets inconsistent treatment. For some banks, CD lending appears to have a neutral impact on lending performance.

The weighting methodology, which places 50 percent on Lending, and 25 percent each on Investment and Services, with CD activities included in each, undervalues the CD work. This is particularly true in the Lending Test which seems to place a greater emphasis on elements that have publicly available benchmarks (principally, mortgages) and less on the elements that are qualitative and/or more difficult to benchmark (such as CD lending). The Service Test gives little value to anything other than branch

distribution, which receives a disproportionate share (80 percent by one measure) of the weight, as I have already mentioned.

We recommend the number of CD loans be considered in addition to dollar volume. The current emphasis on dollar volume discourages banks from making small loans some of which are very important to communities and small businesses.

We recommend the regulation be amended to rectify this problem. Two alternative approaches would help in this regard:

1. Explicitly enhance the weighting given to CD loans and services within the current Lending and Services Tests for those banks who engage in such activities; or
2. Create a new optional CD Test in place of the Investment Test. This approach would require a re-weighting of the three tests, not only because CD would be removed from the Lending and Services test, but also to encourage banks to participate in much needed CD activities.

We recommend the agencies, rather than choosing one of these approaches, consider giving financial institutions the choice of which approach they wish to adopt, since some institutions (including many community banks) are not significantly engaged in CD activity and do not have the resources and/or expertise to do so. They would then have the option to stay focused on their core activities, and not be driven into products that are not part of their business model.

Multi-Investor Funds

We recommend that full consideration be given for investments in Multi-Investor Funds when they are investing in a larger geographic region that includes the assessment area.

The rule for applying credit has worked to the detriment of the purpose of CRA. It has created a disincentive to participate in regional and national funds that have been enormously beneficial in community development work. One of the success stories of CRA has been the development of these very effective funds. However, the current examination methodology is deterring bank participation. The need for some banks to get a “side letter” to demonstrate that the funds are being earmarked for the bank’s assessment area makes it less likely for banks to want to participate. The problem is exacerbated because the need for side letters is inconsistent from bank to bank, as not all examiners require them and not all examiners accept them. The funds have suffered as have the communities they serve.

Consideration of other activities

What qualifies as community development is narrow and based on the world as it existed in 1995, when CRA was last revised. As a result, valuable community activities that meet the spirit of CRA are not considered in an exam. Because the banks have engaged in much needed CD activities that have been disqualified during the examination process, there has been an unfortunate narrowing of the kinds of activities undertaken. We need to adopt a broader view of community development, to encourage vibrant and sustainable communities.

Following are some examples of the exclusions:

- Letters of credit, which are effectively debt-like transactions with a community development purpose, should receive equal consideration with community development loans. Housing transactions financed by bonds in conjunction with Low-Income Housing Tax Credits would not occur without letters of credit to enhance the bonds.
- Long term activities that remain on the institution's books (prior-period investments and term loans) should receive consideration, as they continue to provide value. Some of these activities do receive consideration from time to time, but inconsistently. Uniform treatment is needed.
- Technical assistance to a business, such as a company that provides micro-finance, may receive consideration as community development services, but loans to that same business do not necessarily qualify as community development loans. There is no good reason for this anomaly, and it should be rectified.
- Many banks have found that their staff participation on the boards of nonprofits whose activities/missions make them community development organization will not qualify as community development services, unless they demonstrate that either the nonprofit has housing or financial education as its purpose or the board member is on the Finance or Fund-raising Committees. This discourages banks from providing much needed expertise to nonprofit organizations serving LMI populations and neighborhoods.
- Free school lunches are no longer a proxy for income to determine if the community development activity benefits LMI. While it is true that the national standard to qualify for free lunches is not always exactly the same as the local measure of LMI, the benefits of using it should override any technical objection. Further, this policy has a perverse unintended consequence in that it is the poorer areas that will not qualify for community development services, thereby discouraging the banks from working in those more needy communities.
- Some examiners have required that cities have a "plan" to revitalize and stabilize a community before financial institutions can receive community development

consideration outside an LMI area. If the need can be demonstrated, the absence of a formal plan should not become an obstacle. Otherwise, banks will not invest in many areas of need.

Ratings and Incentives

Is there an opportunity to improve the rules governing CRA ratings to differentiate strong, mediocre, and inadequate CRA performance more consistently and effectively? Are there more effective measures to assess the qualitative elements of an institution's performance? Are there regulatory incentives that could be considered to encourage and recognize those institutions with superior CRA performance?

We believe there need to be more incentives to encourage banks to achieve "outstanding" ratings. Since the activities necessary to achieve an outstanding are not clear from exam to exam, banks that wish to achieve an outstanding have to take extraordinary steps to be innovative and creative. This is not a requirement, and it can be hard for many institutions to justify. If getting an outstanding rating is too far out-of-reach, banks might reduce their investment in CRA.

We recommend providing incentives for outstanding-rated banks such as streamlined exams, reduced frequency of exams, and a safe harbor (or expedited process) for regulatory applications.

We also suggest the agencies consider ways of rewarding those banks which achieve an outstanding by public recognition and acclaim. For example, a seal of approval that banks are authorized to use in marketing materials demonstrating the bank is an outstanding CRA bank would also have some appeal.

Effect of Evidence of Discriminatory or Other Illegal Credit Practices on CRA Performance Evaluations

Currently, the agencies' evaluations of CRA performance are adversely affected by evidence of lending discrimination or other illegal credit practices as outlined in the CRA rules. Are the existing standards adequate? Should the regulations require the agencies to consider violations of additional consumer laws, such as TISA, EFTA, and FCRA? Should the regulations be revised to more specifically address how evidence of unsound lending practices adversely affects CRA ratings?

There are laws protecting against discrimination by race and ethnicity (e.g., ECOA and Fair Housing Act). Banks are thoroughly examined for compliance with these laws, and they are subject to significant liability for violations. In addition, the current CRA exam regimen already factors in the Fair Lending issues, and a bank with substantive Fair

Lending issues will not pass its CRA exam, even if the fair lending findings are outside a bank's CRA assessment area.

Similarly, there are scores of other consumer compliance laws to which banks and their affiliates are subject. These include, but are not limited to, Truth in Lending Act, RESPA, Truth in Savings Act, Electronic Fund Transfer Act, and Fair Credit Reporting Act. As of the passage of the Consumer Financial Protection Act, these laws are under the purview of the new Consumer Financial Protection Bureau, which will write regulations to enforce them. The Bureau will also have authority to write regulations on unfair, deceptive or abusive acts or practices. For institutions over \$10 billion in asset size, the Bureau will also examine the banks for compliance. Smaller institutions will be examined by their prudential regulator, the OCC, FDIC, FRB or CUNA.

Violations of each of these laws trigger significant liability, and the regulatory agency examining for compliance has administrative enforcement tools as well. CRA examiners are not trained to examine for each of these compliance laws, and it would stretch them beyond their capabilities to add this to their responsibilities. Also, since each of these has its own significant enforcement mechanisms, there would be nothing to gain by adding a CRA consequence to violations. CRA would become a redundant enforcement tool for compliance laws. It would confuse its purpose, undermine its effectiveness and cause it to lose its unique character among bank regulations.

CRA Disclosures and Performance Evaluations

Should the agencies consider changes to data collection, reporting, and disclosure requirements, for example, on community development loans and investments? What changes to public Performance Evaluations would streamline the reports, simplify compliance, improve consistency and enhance clarity? Should the agencies consider changes to how Performance Evaluations incorporate information from community contacts or public comments?

Full scope areas

Community development activity should be allowed to focus wherever the need is greatest within the bank's assessment area. Currently, the emphasis is on "full scope areas." These are areas within the bank's market where the examiners undertake full scope exams and tend to be a bank's largest deposit market within a state. As a result, the bank community development lending and investment outside these full scope areas does not receive the same consideration, and banks do not have the same incentive to creatively lend or invest there. Rural areas are short-changed, as are smaller markets. Full scope areas tend to "overheat," with multiple banks competing in the same market over limited opportunities. Banks do make loans and investments outside full scope areas; but CRA is an incentive in certain markets, and if the market is not going to be the focus of an examination, the bank will have less reason to consider it. We therefore recommend

banks be able to focus where there is a demonstrated need, not necessarily the largest metropolitan market, and full scope examinations be undertaken in those markets that the bank has chosen to focus on. We feel this will bring resources to smaller, more underserved markets.

Performance Evaluations

In recent years, Performance Evaluations (PE) have reduced the level of detail. As a result, they have declined in value, and it is harder for the public (or peer banks) to determine why an institution received the ratings they did. Greater market-level data are needed. For example, we recommend that disclosures aggregate community development activity at a Metropolitan Statistical Area (MSA) level. It would also be helpful if the narrative were more descriptive. Currently, it is provided using extremely generic language, which differs little from bank to bank except in the choice of adjectives. This is not a criticism of prose style, but a genuine desire to see more useful information which better describes what the bank is doing.

Examination and Evaluation Periods

Currently, exams are irregularly spaced, ranging from 2 to more than 4 years apart. Although we recognize the difficulty faced by the agencies in staffing and managing exams for thousands of banks, we would encourage a consistently spaced exam cycle, perhaps based on past CRA ratings, as it would improve the management of compliance for the banks.

The exams are also timed so that the next exam assesses performance for a period that begins before the last PE has been finalized. This makes it impossible for banks to change their performance based on the results of one exam before being subject to the next. That makes little sense, and we would urge the agencies to establish a minimum period of time between publication of the PE and the subsequent examination.

Additional Comments

Reduce excessive attention to minutiae and detail

CRA is intended to be a measure of a bank's efforts to help meet the credit needs of its community, consistent with safe and sound lending. Need varies by geography and throughout time; thus a narrow gauge measuring tool is ineffective and has the unintended consequence of discouraging banks from engaging in important activities for LMI households and neighborhoods. CRA is very different from various compliance regulations such as ECOA, for example, where it is necessary to determine whether illegal discrimination is occurring.

CRA should not be treated as a “compliance” law with bright line performance measures. Banks do not need that kind of compliance minutiae when dealing with CRA, and the public does not know or care whether extremely technical requirements have been met.

By treating CRA as if it were subject to scientific scrutiny and exacting detail, the exam process has become complex and burdensome and has unnecessarily driven up costs without significant benefits to communities. Greater margins and tolerances and less focus on the details of every program would enhance flexibility and improve overall performance, while reducing compliance costs for banks and regulators.

There are numerous instances where banks must jump through hoops to obtain CRA consideration for an activity that should get credit simply because it meets the *spirit* of the regulations. We have provided numerous such examples in our testimony.

There are also technical requirements, some statutory and some regulatory, that are unnecessary and do not advance the purposes or objectives of CRA. The requirement to maintain a public file in the branch, for example, is simply a compliance burden and serves no purpose. The public usually does not ask for it in the branch, and if someone does, it should be clear that it can be made available electronically.

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