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OP-ED CONTRIBUTOR

Don't Let Banks Turn Their Backs on the Poor

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FOR more than 25 years, a little known federal law has helped low-income communities get the bank loans and services they need to rebuild their neighborhoods. But that law, the Community Reinvestment Act, is being threatened by proposals from two federal bank regulators.

Congress passed the Community Reinvestment Act in 1977 as a response to the practice of redlining - the refusal by banks to extend loans or banking services in poor, and predominantly minority, urban areas. Today, the law is equally important to distressed rural communities. In low-income areas throughout the United States, this law - which encourages banks to serve low-income communities in their markets - has increased homeownership and small-business growth, enabling the revitalization of entire communities. Under the act, regulators consider reinvestment performance when a bank seeks permission to expand or merge. Since its inception, the law has prompted banks to channel more than \$1 trillion into reinvestment projects - without requiring a single dollar of Congressional spending.

Now, the Federal Deposit Insurance Corporation, one of four agencies responsible for enforcing the act, is proposing to relax enforcement of the law at almost 1,000 banks. The Federal Office of Thrift Supervision, another overseer of the law, has already finalized a similar proposal for savings and loans institutions. These new rules may be the first step in an effort - long pursued by some in Congress - to dismantle the act, piece by piece.

Under the law now, banks with assets of more than \$250 million undergo full periodic reviews of their lending, services and investments in low-income communities. At smaller banks, examiners limit their review to lending practices only.

The F.D.I.C. proposal would raise the asset level for this limited scrutiny to \$1 billion, making many fewer banks fully accountable. The F.D.I.C. claims that the new rule is aimed at reducing the regulatory burden on banks. The Federal Reserve Board and the Comptroller of the Currency, the law's other two enforcers, have not proposed new rules.

But there is a real question as to whether changing the rule would result in any meaningful savings for banks. And communities will suffer if enforcement is curtailed, because the act has been working. A Treasury report presented in 2000 to the Congress concludes that mortgage lending to low- and moderate-income borrowers and areas rose substantially in the 1990's.

The capital made available under the act has helped to rebuild entire communities - in rural Maine as well as in the South Bronx. At the same time, banks have learned that lending, investing and providing basic services in low-income communities can be good business. A 2002 Harvard University study found that the law significantly changed the way banks do business in and relate to the communities

they serve. As a result, the report stated, "The lower-income mortgage market has become demonstrably mainstream and more competitive over the last decade." The Federal Reserve Board, too, has deemed this lending to be safe and profitable.

Low-income families can be part of the mainstream economy only if they can buy homes, start businesses and live in stable, vibrant communities. If the United States is to compete globally, we need everyone to contribute. In these uncertain economic times, keeping the Community Reinvestment Act strong is in the interest of all Americans.

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