

Community Reinvestment Act Joint Public Hearing, August 12, 2010
Individual Presentations: Alejandro Orozco

[Applause]

Alejandro Orozco:

Good afternoon. My name is Alejandro Orozco I work for Bankers Trust in Des Moines, Iowa. We wish to come in on four specific areas that our regulators asked feedback about.

First of all, the current requirements for defining an assessment area under geographical coverage of banking services requirements should not defer between institutions of different business strategy for delivering banking services. The most significant part of CRA is to ensure that the earnings from depositors are returned back and invested in the low and moderate income communities where depositors and borrowers reside. Other considerations should not deviate the regulators from applying the same lending service and investment requirements to all deposit institutions. With regards to access to banking services, our institution established a small-dollar loan program for low income individuals with good credit history as an alternative to high cost debt such as maybe lending.

After one year and a half of implementing the program the percentage of loans reported as charge ups was over 30 percent. We believe the cost of this default adds to a communication with our partner organization was a lack of a capacity and resources by our partner organization to provide financial education, budgeting and support to the borrowers, a block of appropriations under the CRA could allocate competitive grants for NGOs and communities providing financial education as a component of a small-dollar loan program or as a component in other community wide initiatives to provide meaningful financial education.

HUD Community Block Grants for first time and low income home owners do not provide sufficient funding to sustain thousands of hours educating people with no access to credit, nor banks have the resources to fund these activities in their entirety. Another alternative supported by the FDIC after analysis of its small-dollar loan pilot program is establishing pools of governmental and private funds to serve as guarantees to these loans. These will require legislative action but is well needed for making banking services more readily available in low income communities.

As for ratings and incentives, the regulatory definition of community development could be broader by defining with precision what essential community needs means and its representative evidence during examinations. With regard to these closures and performance evaluations currently, the agencies use asset and deposit size, number and location of branches, size of assessment area and other indicators that will identify similarly situated institutions for performance context and comparison in CRA exams.

However, there are instances where none of the peer institutions in an assessment area are actually comparable to the institution or the examination. An examination will proceed and assess the performance of an institution based partially in comparison to the performance of other institutions with significant differences. These and other subjective interpretation of

performance indicators should be avoided in public evaluations in order to maintain clear compliance measurements and enhance clarity for CRA requirements.