Community Reinvestment Act Joint Public Hearing, August 12, 2010
Individual Presentation: Tony Pierce

[Applause]

Tony Pierce:
I am the Reverend Tony E. Pierce, I am appearing on behalf of the PRA Ministries Economic Developing Organization and Illinois People's Action formerly known as the Central Organizing Project. Thank you for the opportunity to testify in this public hearing.

Urban sprawl and suburban and exurban flight have resulted in significant capacity loss in many of our urban and rural communities. This capacity loss is evidenced in the form of shrinking tax bases, shuttered businesses, reduced employment, foreclosed upon housing, under performing schools, loss intellectual capacity of capital and reduced services. All of which have been severely exacerbated by the recent near collapse of our national economy. CRA as it is presently designed is ill-equipped to combat these problems from a community development perspective. This is because it fails to connect the challenging community development opportunities existent within our low income impoverished urban and rural communities with the robust community development opportunities existent within our middle and upper income sprawling communities and our middle and upper income suburban and exurban communities. Most of our financial institutions are reluctant to finance community devolvement in our low income impoverished communities because of the severe challenges associated with such development. Therefore, when they finance CRA-eligible devolvement in these communities institutions typically lend the least amount of money possible for the projects to receive CRA credit for the loans then they typically retain the loans on their books because they are unable to sell them on the secondary market to raise new lending capital and finally they generally write the loans off as losses because the loans as presently designed often prove to be unsuccessful.

Consequently CRA as it is presently configured often fails to generate enough community or regional community development, critical mass to successfully transform low income communities into prosperous mixed middle and upper income communities. Conversely most of our financial institutions are eager to finance community development in our middle and upper income communities because the loans in these communities often prove to be very successful. Many development projects in these communities are financed at below market rates because they often attract the best credit-worthy developers and offer the best market potential. Consequently the loans of these projects financed by lending institutions are often easily sold on the secondary market to raise additional lending capital.

Therefore CRA needs to be reconfigured to connect the challenging community development opportunities existent within our low income communities with a robust community development opportunities existing within our middle and upper income communities. This can be achieved if middle and upper income community development projects become CRA eligible provided that there is a demonstrated transfer of benefits from them to CRA eligible low income communities. Such demonstrated transfer of benefits should minimally include the following four conditions. One, the middle and upper income development projects must include a minimum threshold of minority business development associated with them. Two, the middle and upper income key development projects must include a minimum threshold of pathway out of poverty jobs associated with them. Three, the minimum and upper income development projects must transfer a minimum threshold of financing to the low income communities through CDC's, perhaps at the rate of 1 percent of their total financing of their expense. Thank you very much.