



**Testimony of Mathew Thall
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Boston Local Initiatives Support Corporation**

**Committee on Financial Services
U.S. House of Representatives**

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My name is Mathew Thall. I am the Senior Program Director of the Boston office of the Local Initiatives Support Corporation, or LISC. I have held that position for the last 13 years. Previously I was the Executive Director of the Fenway Community Development Corp. in Boston for ten years. I have also worked for the Cambridge Housing Authority, the Boston Housing Court and HUD during my 30-year career in housing and community development

LISC is the largest nonprofit community development support organization in the United States. Since 1980 we have invested nearly \$5 billion in 2,400 nonprofit low-income community development corporations (CDCs) through 34 offices nationwide and a rural development program reaching 37 states. This investment has financed 147,000 affordable homes and some 22 million square feet of neighborhood retail, community facilities and educational space in low income communities. Here in Greater Boston, LISC has invested over \$87 million, which has leveraged about \$715 million in other private and public financing of over 6,000 homes and 1 million square feet of neighborhood commercial and community facility space. LISC has been able to do this by raising low-interest loans, equity investments, and grants, predominately from private sector institutions.

LISC does a good deal more than finance community development projects. We build the organizational capacity of community-based non-profits by providing operating support and technical assistance. We fund neighborhood revitalization programs that cannot be financed with loans. We serve as a catalyst for attracting new investors in community development finance and for enlarging the role of community development in urban problem solving. A few examples:

- In Boston, LISC brought together local and national funders along with the United Way to create the first CDC operating support funder collaborative in the country. The phenomenal growth in affordable housing production by the CDCs supported by that collaborative in its first five years persuaded United Way to affiliate nine Greater Boston CDCs, and served as a national model for bringing operating support and technical assistance to CDCs. Over a ten-year period

Boston LISC's 1-4 Family Housing Program helped CDCs acquire some 200 abandoned houses and rehabilitate them for sale to first-time homebuyers. This work stimulated an enormous amount of private investment in the neighborhoods where this blight had existed.

- Our office in Los Angeles has forged an innovative Bridges to Wellness Program, which is developing neighborhood health care facilities, training lower-income residents for jobs in health care, and supporting a health care sector business incubator. LA LISC's Neighborhood Turnaround Initiative successfully completed its first phase in 2002, supporting eight CDCs in seven neighborhoods across the city to bring about comprehensive physical and social changes, in terms of affordable housing production, new community facilities, commercial development, and jobs.
- In Chicago, LISC is leading one of the most ambitious efforts ever to document the impact of community development on neighborhood social and economic health and stability. LISC is now working to extend this methodology at sites around the country.
- Our Winston-Salem office has provided the seed funding and financing to the Goler AME Zion Church to develop a master plan for a \$44 million New Town in Town in the Goler Depot neighborhood of the City, with the first projects in that plan now underway with LISC's help.

I can say unequivocally that LISC's work would not have been possible without the Community Reinvestment Act. CRA made it possible for LISC to develop a strong relationship with many banks, in Boston and nationwide. As the banking industry evolves, a strong CRA remains essential to keep those relationships—and capital – in place for community development.

CRA has been the centerpiece of a remarkably successful system of partnerships among government, the private sector, and low-income communities. Over the past 25 years, this system has grown to include a web of interlocking federal policies, such as Low Income Housing Tax Credits, CDBG and HOME block grants, HOPE VI, McKinney-Vento homeless housing, and New Markets Tax Credits. CRA stands behind the financing of housing where tenants use many Section 8 Housing Choice Vouchers, and it is fostering the reinvention of public housing. And states and localities have added their own resources to such efforts. This system of partnerships has succeeded because it is flexible, market-oriented, and responsive to local communities. I hope members of the Committee can find an hour or two to tour Boston's neighborhoods and see first-hand how these partnerships are transforming slums into vibrant communities where families of all income levels grow strong and businesses prosper. It is challenging but exciting work in the best tradition of American idealism and pragmatism.

But now these partnerships are in jeopardy. LISC is deeply concerned that a series of proposals from the Office of Thrift Supervision and FDIC would begin to dismantle CRA, and the public-private partnerships that CRA has forged.

- OTS has already reduced its oversight of mid-sized thrifts with assets between \$250 million and \$1 billion.
- The FDIC has proposed to do the same for the banks it supervises, as well as to grant CRA credit for rural community development activities that do not serve low-income people or places.
- Now the OTS is considering letting institutions ignore investments and services under CRA.

It is especially disturbing that the OTS and FDIC have acted on their own, without coordination with the Federal Reserve Board and the Comptroller of the Currency, discarding over 25 years of joint policy making on CRA. Fragmented regulatory policies are not just confusing; they also invite a race to the bottom as banks switch charters to seek the most lenient regulation, and regulators compete to offer it. We fear that other destructive proposals may follow, until CRA loses all significance. Struggling communities would suffer in many ways.

I have attached a copy of an op-ed article by LISC's Chairman, Robert Rubin, the former Secretary of the Treasury, and our President, Michael Rubinger, which was published by the *New York Times* on December 4, 2004. The article lays out a compelling case for keeping CRA strong. I request that it be included in today's hearing record.

The Committee has invited me to comment on Bank of America's performance to date on commitments that it made in connection with the merger with Fleet/Boston. First, I should say that Boston LISC's experience with Bank of America *per se* is still young. Bank of America has been a very strong supporter of LISC prior to this merger. I refer the Committee to the testimony that Michael Rubinger gave to the Federal Reserve earlier this year on the nature of LISC's relationship with Bank of America. Bank of America has been a generous donor to local LISC programs, and often the leading donor. Bank of America representatives have served on the Local Advisory Committees that function as LISC's local boards. Finally, Bank of America has directly financed and invested in CDC projects that have been "seasoned" by LISC investments.

While Boston LISC is still building its direct experience with Bank of America, we have had many years experience with its "legacy" institutions: Fleet/Boston, BankBoston, Shawmut Bank, and Bay Bank, to name a few. Fleet/Boston has been Boston LISC's leading corporate supporter in the past five years. Several of Fleet's staff served on the Boston LISC Advisory Board and its committees. LISC has done a tremendous amount of lending side-by-side with Fleet in recent years. We have not only provided the pre-development loans to CDCs needed to get their projects ready to utilize construction financing from Fleet/Boston, but have remained in a number of signature projects where

Fleet has been the senior or lead lender. The Spire Graphics plant in Dorchester, the former Woolworths Building in Dudley Square, and the Lithgow Building in Codman Square are a few notable examples. LISC would not remain a permanent lender in a subordinate position to a lender that we did not trust and hold in high regard.

Bank of America has honored and in some ways strengthened the relationship we had with Fleet since the merger was approved. We are partnering with the Bank and the City of Boston on an initiative to address comprehensively the community development needs of the Bowdoin Geneva section of Boston's Dorchester neighborhood, a community that has sometimes been overwhelmed by the consequences of poverty and crime. This is an initiative that was proposed by the Bank, not LISC or the City. Boston LISC is about to enter the final year of its four-year Campaign for Communities, which seeks to raise and invest \$33 million in Greater Boston's neighborhoods, towns and cities. Fleet/Boston was not only the major corporate donor to the Campaign but also agreed to have a senior person serve as our Campaign co-chair. Since the merger occurred, Bank of America has not only re-affirmed the Fleet pledge to the Boston Campaign but also reaffirmed its commitment to chairing the LISC Campaign. We are delighted that Anne Finuciane has agreed to take the leadership reins of this Campaign in its final critical year.

LISC Vice President for Development has provided me with information about grant commitments that Bank of America has made to LISC since the merger with FleetBoston was finalized. We are quite certain that LISC sites that are in the former Fleet footprint will receive at least as much grant support from Bank of America if not slightly more, in the next three years.

In terms of concrete, measurable commitments I believe that the merger of Bank of America and Fleet/Boston has definitely made substantially more resources available for community development. As part of the merger discussions, Bank of America agreed to convert a portion of a statutorily mandated *loan* to the Massachusetts Housing Partnership into an \$18 million *grant*. There is no statutory or regulatory basis for securing this type of grant from an acquiring bank under Massachusetts law. Certainly our very talented and sophisticated housing advocates deserve credit for bringing about this grant, which I understand has now been converted to a legally binding obligation. However, Bank of America was under no legal requirement to make this grant. As far as I know an \$18 million grant by a bank to a state agency for housing and community development projects and programs is unprecedented in this country. \$18 million for project financing, program and organizational support and technical assistance to non-profits will make a tremendous difference for a long time to come in supporting our collective efforts to develop more affordable housing and stronger communities. I congratulate Bank of America for this financial pledge. I hope that the Bank will be properly recognized for this commitment and will be consulted on how these funds can be most effectively deployed in communities across the Commonwealth of Massachusetts.

Thank you for the opportunity to testify today.

Don't Let Banks Turn Their Backs on the Poor

By Robert E. Rubin
and Michael Rubinger

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

Robert E. Rubin, a director of Citigroup who was Treasury secretary from 1995 to 1999, is the chairman and Michael Rubinger is the president of the Local Initiatives Support Corporation, a community development support group.

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

Rules on lending in low-income areas shouldn't be eased.

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. □