VICE CHAIRMAN GRUENBERG: In the interest of trying to stay on schedule, we'll begin with the second panel. I'd like to welcome you all.

This panel is a number of representatives from the banking industry. If I may, let me introduce them.

Marie Bibbs, who is the Executive Vice President, City First Bank of D.C. representing the American Bankers Association.

Jeff Dick, Chairman and Chief Executive Officer and President of MainStreet Bank in Herndon, Virginia, representing the Independent Community Bankers of America

Michael Grant, the President of the National Bankers Association.

Jeannine Jacokes, Chair of the CDFI Coalition representing the Community Development Bankers Association and Community Development Financial Institution Coalition

Robert Annibale is the Global Director of Citi Finance and Community

Development for Citibank.

And Michael Van Buskirk, President and CEO of the Ohio Bankers League

Before you begin, I've been asked to let someone know there is a silver Honda with Virginia tags parked in the fire lane. And if you don't get it, it may get towed.

Ms. Bibbs, if you please, proceed.

MS. BIBBS: Thank you.

Good morning. I'm Marie Bibbs, Executive Vice President for Community Development and Community Reinvestment Act Officer with City First Bank of D.C.

City First is a dedicated community development bank serving low and moderate income communities here in Washington and the nearby suburbs. City First is a local leader in community development lending with assets in excess of $100 million, and we also manage a very robust New Markets Tax Credit Program with assets of over $174 million.

We specialize in financing

community facilities, the development of affordable housing and small business loans.

I am pleased to be here today to present views of the American Bankers Association, the ABA, on the Community Reinvestment Act. The ABA represents banks of all sizes and charters and is the voice for the nation's 13 trillion banking industry and its 2 million employees.

ABA believes that the banking industry has established a strong record of compliance with the letter and the spirit of the Community Reinvestment Act. Ninety-nine percent of banks and savings associations receive composite CRA ratings of satisfactory or better. This succinct evidence that CRA today better reflects banks' success in serving the credit needs of their local communities. Banks, particularly smaller institutions, are tested in the marketplace everyday to demonstrate their responsiveness to the needs of their local communities.

Those that do not serve the credit needs of their entire community do not prosper. In fact, Governor Duke has recently noted that "The fate of banks is deeply intertwined with that of the cities and regions they serve." It is therefore not surprising when the bank succeeds at satisfying community needs.

CRA examination transparency provides appropriate encouragement for banks to respond to local community needs safely and soundly. The CRA evaluation process is transparent with significant opportunity for community groups and other interested parties to comment during the regular review of an institution's CRA performance. The public evaluation enables the members of the community themselves to understand and compare the institutions that serve them, and to respond with their voice and their patronage.

While CRA provides appropriate encouragement to banks working to help meet credit community needs, its mission is properly conditioned on assuring that bank performance is conducted safely and soundly.

As we emerge from the recent financial crises and attack the lingering challenges that face communities across the country, you must remember the recent lesson that lasting community development depends on safe and sound banking activity. Going forward, banks will be constrained by the economic realities of their markets and CRA performance must be measured within this context.

CRA can be approved by taking a more flexible approach to the definition of community development. We believe the current rules perpetuate too narrow a view of community development. Both have an affirmative obligation to meet the credit needs of their entire community including low and moderate income neighbors but not excluding other neighborhoods from consideration.

Projects responsive to the very needs within a local community and touching on vital services and industry should not be parsed to determine their specific LMI impact in order to limit CRA credit for these portions. Among the suggestions ABA members offer as an expansion of community revitalization and stabilization credit for activities beyond those directly effecting just LMI geographies:

A broader inclusion of financial education services to all members of our communities. No doubt that are similar improvements to the flexibility of measuring worthy community development that other stakeholders can suggest and that will rise in the record during the course of these hearings.

CRA is not an anti-discrimination or credit practice enforcement statute and should not be used as one. CRA is not like the Fair Housing Act or the Equal Credit

Opportunity Act which are better tailored to stop illegal discrimination. CRA passed over those laws, it's intended to have a different mission.

CRA is restricted to ensure depositories while statutes like the ECOA, FHA and the Federal Trade Commission Act protect against illegal practices of all creditors and persons. ABA believe it is appropriate to combat discrimination with the right tools and contort CRA and distract it from the purpose for which it was adopted.

Today the banking industry and America's financial regulatory system are facing the most comprehensive and far-reaching reform that any of those present at this hearing have witnessed in their lifetimes. The reforms that are taking place and will take place in the coming months and years will generate significant regulatory uncertainty and are likely to affect credit markets and credit availability. Rewriting CRA during this period of upheaval and transition will generate additional uncertainty and burdens that can discourage banks, and particularly community banks, from undertaking new initiatives. Accordingly, ABA asks the agencies to proceed cautiously when considering changes to the CRA regulatory regime at this time.

The ABA and I thank you for this opportunity to present our views and pledge our efforts to contribute to your continued consideration of CRA modernization.

VICE CHAIRMAN GRUENBERG: Thank you.

Mr. Dick?

MR. DICK: Good morning. I'm Jeff Dick, President, CEO and Chairman of MainStreet Bank. We're located in Herndon, Virginia.

As a frame of reference, Herndon is the town that you pass as you leave Washington, D.C. on the way out to Dulles

Airport.

And I'm here to primarily focus on the smaller community banks.

We're a state chartered Fed member bank with $240 million assets and four branches.

I'm also a member of the ICBA's Payments and Technology --

VICE CHAIRMAN GRUENBERG: Mr. Dick, is your microphone on? IS there a green light?

MR. DICK: Yes, it's on.

VICE CHAIRMAN GRUENBERG: Just draw it closer to you.

MR. DICK: Okay. Is that better. All right.

We're a state chartered Fed member bank with $240 million in assets and four branches.

I'm also a member of the ICBA's Payments and Technology Committee. And I appreciate the opportunity to participate in today's forum, and I'm pleased to represent the ICBA and its 5,000 community bank members at this important hearing.

So, MainStreet Bank is a small bank under CRA guidelines, and we received a satisfactory rating from the Federal Reserve last fall.

As a 240 million community bank I have about $187 million loans encompassing consumer, commercial and industrial, SBA, Acquisition Development and Finance and commercial real estate. All tolled, I have about 570 loans on my books right now.

Although my delineated community encompasses a fairly broad area of Northern Virginia, I actually reach out to do business with customers in the wider Washington, D.C. metropolitan area. Through technology we're able to put our bank into our business customer's office so they don't have to come to one of our branches.

ICBA and I strongly support a

tiered CRA system with streamlined examination for community banks.

I indicated that I have about 570 total loans on my books. I've been in operation about six years. Each year I lend as much as possibly can to customers who fit within my risk tolerance. Assuming I made the same number of loans each year, that's about 95 loans per year.

We're all familiar with the law of large numbers, but thus far I live in the world of small numbers. If I made 48 loans outside of my delineated community and 47 loans inside, I've failed the in-out test for CRA. For large banks, the law of large numbers generally prevails and they don't have to deal with that. For me, every time I make a loan one of the additional criteria I have to look at, aside from credit quality and everything else, is how does this meet my ability to comply with CRA.

Additionally, I use my capital to

make loans. I have an investment portfolio, but it's a source of secondary liquidity and income. I don't generally have access to the types of CRA qualifying investments within my marketplace to meet large bank tests.

Next, CRA requires that regulators evaluate how each bank meets the credit needs of its entire community. Community banks are locally owned and operated and are an integral part of the communities we serve. We live community reinvestment and community development on a daily basis. Our footprint is local to our community. We generally offer the products and services that our constituents need, or we just don't survive.

At MainStreet I and my staff serve on the boards of three separate Chambers of Commerce. We are active members in an additional two. I sit on the Board of the Fairfax Law Foundation, which is a nonprofit aimed at providing legal services to low income citizens. My CFO has been feeding breakfast to the homeless once a month for at least the last ten years. We serve on boards aimed to house unwed teen mothers who have been kicked out of their homes. We are Girl Scout leaders, we build houses with Habitat, we reached out to area schools this year and taught over 750 children about banking and savings. We are extremely active in the communities we represent. None of this generally counts towards our CRA report card.

Often giving money is an easy solution. Giving time, especially a combination of personal and corporate time, is a way to make a change.

Now, like most community banks, MainStreet is facing challenges brought about by additional regulation. While it's not overwhelming to comply with an individual regulation, the cumulative effects are overwhelming, especially for small banks who already have staff wearing multiple hats.

The records necessary to document

compliance with CRA are inconsistent. For example, when providing financial literacy to a school, one community banker was able to verify that the financial literacy program was for low and moderate income families by showing how many students participated in the subsidized Free Lunch Program. Another community banker was not allowed to use the same participation in that subsidized program in order to meet that metric.

In addition to the inconsistency between examiners, there are also inconsistencies between examinations. After an examination, one rural community banker was asked to shrink its CRA assessment area. After the next exam, he was asked to expand it.

Ironically, this ought to be the evidence we need to demonstrate the regulatory burden bankers feel, as even specialized and focused bank examiners struggle to interpret these vast and still expanding requirements.

For the record, we were fortunate to be examined by a staff of highly examiners who worked hand-in-hand with us to provide a fair assessment, and for that I really am grateful.

ICBA and I appreciate that the current definition of community development gives credit for activities that benefit rural residents and communities, even if not targeted solely to low and moderate income individuals in all areas. However, it is difficult for community banks to finance community projects that revitalize or stabilize a neighborhood as they generally require that cooperative efforts in financing of several sources. Absent outside cash support or significant cash flow from various sources, loans provided by the community bank will understandably receive critical review by most examiners. This weakness is a fatal flaw in community development lending within the requirements of CRA.

So, in conclusion I would like to

thank you for the opportunity to participate on this panel. Community bankers appreciate the tiered CRA regulatory system, and we are strongly committed to the goals of CRA. Community investment and development are at the core of each of our community bank's mission.

Thank you.

VICE CHAIRMAN GRUENBERG: Thank you very much.

Mr. Grant?

MR. GRANT: Thank you, Mr. Vice Chairman. Good morning. Thank you.

I would like to express my sincere gratitude to the interagency for allowing me to address this very important issue on behalf of the National Bankers Association.

With the passage of this landmark bill in Congress Dodd-Frank, it seems most appropriate that those agencies charged with oversight of financial institutions would be holding public hearings on modernizing the regulations that implement community reinvestment.

Please let me begin by saying that the rest upheaval in recent U.S. financial markets coupled with the reshifting of government focus to protecting consumers could be the propitious moment to improve our nation's financial infrastructure in ways that create new opportunities for those communities hardest hit by the recession.

From the topics and questions presented for responses, I would like to focus my remarks on four pertinent issues: Geographic coverage, small business and consumer lending evaluations and data, access to banking services and community development.

First, geographic coverage. Since the Community Reinvestment Act was passed in Congress over 30 years ago, there has been a tidal wave of movement causing major demographic shifts in the U.S. population. To correctly frame the issue, it is of critical importance that all policy makers take judicial notice that urban or inner city neighborhoods could just as easily be defined by regentrification as by urban blight or the concentration of population centers dominated by low to moderate income minority communities. This has serious policy ramifications because when mega or regional financial institutions report that they are investing in urban communities, the compelling questions that regulators should pose to those institutions would be: But who are you lending to and for what purpose do you make the loans? Ultimately, who is benefitting by your investing; an upscale non-minority clientele or the poor to moderate income population who were the focus of congressional intent when CRA was enacted into law?

The next one is small business and consumer lending.

While a new approach to small business lending and consumer lending may require statutory authority, I believe that the interagency should reevaluate how CRA credit to distress communities should be awarded. If mega and regional financial institutions are willing to partner with small community and minority banks to increase lending where it mostly needed, regulators should use CRA ratings to encourage loans where underwriting standards may not be prime A, but certainly would not be low or no doc loans.

Access to banking services.

In order to more effectively create access to banking services for the nation's unbanked and under banked, larger financial institutions should know that cherry-picking will not be rewarded while genuine efforts to partner with small community minority banks to provide access to financial services could result in bona fide "outstanding CRA ratings."

And finally, community economic development.

Let's be clear as to what community economic development is not. It is undeniably not regentrification. Moving poor people out of their neighbors, especially when affordable housing remains one of the greatest challenges and when so many were victims of the nation's continuing nightmare home foreclosures.

Small community and minority banks continue to be the real engines of economic development and job creation in America's most distressed communities. Mega and regional financial institutions, many of whom grew richer during this recession, absolutely should not receive outstanding or satisfactory CRA ratings if they are not willing to meaningfully invest in America's historically underserved communities.

When the Community Reinvestment Act is finally given teeth by Congress and when the legislative intent for which it came into existence is reflected in the score cards of the nation's regulators of banks and thrifts, those communities most in need of economic revitalization will finally see it.

Thank you.

VICE CHAIRMAN GRUENBERG: Thank you.

Ms. Jacokes?

MS. JACOKES: I'd like to start off by thanking the Federal Financial Institutions Examination Council for inviting me to discuss the CRA regulations.

My name is Jeannine Jacokes, and I'm representing Community Development Financial Institutions, or CDFI industry.

I'm also the CEO of the Community Development Bankers Association and Partners For the Common Good, and serve as Board Chairperson for the CDFI Coalition.

Now CDBA is the national trade association for the CDFI bank industry, and the Coalition is the united voice for the CDFI industry across all sectors: Banks, credit unions, loan funds, venture capital funds and microfunds.

All CDFIs have a primary mission of promoting community development, which means that at least 60 percent of their total activities have to be dedicated to low income markets. And there are more than 850 CDFIs working across the country in low income communities that are providing products and services largely unavailable from mainstream banks.

Now all sectors of the CDFI industry support a strong CRA. CRA has been the backbone of our efforts to engage mainstream banks in the work we do as investors and as financing partners. And a strong CRA is needed because individually and as an industry CDFIs are not big enough to even come close to meeting the credit needs of low income communities.

As the financial services industry rapidly changes, CRA must be updated and vigorously and consistently enforced. Despite efforts to improve coordination, consistency gaps both across and within agencies remains. And also better examiner training is needed to understand loan and credit markets and how they engage CDFIs as partners. To that end, I have six recommendations I'm going to talk about. The written testimony covers others. But most of all, CRA must be amended to better promote bank investments in and partnerships with CDFIs and provide greater flexibility to CDFI banks to serve their markets.

First, we recommend that all financial support by banks to CDFIs be explicitly CRA eligible. Currently, only minority and women-owned banks and low income credit unions receive this explicit consideration. We strongly support these institutions, yet believe CDFIs need to be on an equal footing.

Further, bank support to CDFIs should be eligible regardless of whether the CDFI is located in and/or serves the same service area as its mainstream bank investors. Today banks get minimal or no credit for supporting CDFIs outside their assessment areas. And this undermines bank support for CDFIs that are not principally serving the same exact geography as the bank.

Third, CRA is too strongly focused on measuring number and dollar amount of transactions at the expense of innovative and complex activities. Banks that provide pricing, long term financing and other favorable terms on financial support to CDFIs should be rewarded. And greater balance will also help CDFI banks tailor their activities to underserved niches.

Fourth, CRA should cover all broad geographies in which a bank does significant business: Industrial loan companies, wholesale, investment, credit card and internet-based bank should have a national, not local, assessment area to reflect their actual markets. And CDFIs can be effective partners in helping them in places that they don't have retail operations.

Now, there are 65 CDFI banks that are subject to CRA, and CRA needs to do a better job in helping those CDFI banks enhance their activities.

Specifically, CRA credit should be given to CDFI banks for all loans made in low income Census tracks regardless of whether they're directly in the bank's current assessment area. Now, all CDFI banks work to maximize their areas within their designated markets, but they see demand from borrowers in other underserved communities. And while these communities may later become part of their formal assessment area, today these communities and borrowers need access to responsible credit products.

We also think that the community development loan definition needs to be expanded, and the documentation needed to prove each loan has a primary purpose of community development should be streamlined. And we have specific recommendations in the written testimony for doing that.

We also have some specific recommendations around enhancing the service test. But I think the bottom line that I'd like to end with is to saying that CRA is the bedrock to ensuring that low income communities are not shutout of the economic mainstream. And that we need updated and vigorously and consistently enforced CRA, which will be fundamental to the long-term health of our national economy.

So I thank you.

VICE CHAIRMAN GRUENBERG: Thank you very much.

Mr. Annibale.

MR. ANNIBALE: Good morning, Vice Chairman and panelists.

My name is Bob Annibale from Citigroup. I appreciate your invitation and the opportunity to discuss an important topic of expanding CRA to include a greater focus on the importance of basic banking services that enable low and moderate income families to save and build assets. And this will be the focus of my testimony today.

As Global Director of City Community Development I lead Citi's efforts to serve underserved communities, families in achieving access to financial services, economic empowerment and asset growth. We support these, in part, by lending and investing to LMI individuals and communities, but also by developing flexible and innovative products, expanding access to banking services and building constructive partnerships with community organizations and increasingly CDFIs. Citi is a form support of CRA and it's reflected in our record of compliance. We have five banks, all of which are rated outstanding at the moment.

But we strongly believe in the founding premises of CRA, but the issues its designed to address are very different than in 1977, and even during the periods of revisions which were discussed earlier. And we should recall how the current context is still largely focused on two items: One meeting the credit needs of low and moderate income and investment criteria, the other being servicing of which a very large component has to do with branch distribution. And in a period where distribution and access is going beyond traditional branches we feel it's somewhat constraining. And this group knows well that in 33 years since CRA was issued those guidelines have been adopted and adapted further, but still require a lot of interpretation that we think can access to financial services a lot further with innovation.

In June 2010, for example, CFED and the Urban Institute released an important study of LMI home buyers which purchased homes using individual development accounts between

1999 and 2007. When compared to other LMI home buyers in the same communities, IDA home buyers significantly -- first of all, at a significantly more preferably home mortgage terms, and they were also two to three times less likely to lose their homes to foreclosure.

Savings in many cases is an essential precursor to accessing credit. For most of us, our experience with a bank is through savings or transaction account first. And according to the HDIC National Survey of Unbanked and Under Banked Households released in 2009, 7.7 percent of households are still unbanked. And I think this morning we had some other numbers on that showing by Professor Henderson again 25 percent of U.S. households being underserved. And of course, this is even higher when we get to black and Hispanic communities in terms of being unbanked.

So when we look at this issue and

we talk about the communities that are fully and appropriately being served by the intents of CRA, we think there's scope for expanding this by looking into the service area of the test. And that came out this morning as well.

Federal recent evidence we see is that savings has increased in the U.S., and the rate is again positive nationally. But this isn't the case for all communities, and certainly not for LMI communities in particular.

We believe that having a basic transaction or savings account is the first step in creating a sustainable and sound financial foundation for all families. And it should be a policy objective, especially for those significantly unbanked LMI communities.

Savings is a tool to entertaining, education, or home, retirement, or starting a business as well as providing security in times of major events. But we also realize that savings, especially for LMI households is crucial for stabilizing cash flow for even small emergencies. In other words, a savings account can act as a personal safety net that enables families to achieve a level of financial security as well as an essential tool for achieving other credit related activities. Without a transaction or savings account where salaries, benefits or tax credits can be deposited or transferred, people may have to resort to more informal financial service providers, such as check cashiers.

We believe that CRA has a critical role to play in continuing and expanding the incentives for savings, especially among LMI communities. We've worked for over a decade with a number of community partners to do just that, and again the IDA movement in the U.S. is probably one of those areas where there is a provision for CRA for some recognition. And we've been a leader in that with many community partners. However, we feel we should be more ambitious.

Just in the last two years on the project with Grameen America in New York we reached over 2500 first time women micro-entrepreneur savers who never had a bank account before. And we believe partnerships with community organizations may be another way of getting deeper outreach into areas where we're not today.

So what's the benefit of the programs? We believe that matched savings programs can lead to a sustained pattern of savings for young people and lead in the future to appropriate credit products.

Citi worked over a year to develop and launch another new ambitious college savings product for three nonprofits: The United Negro College Fund, KIPP Charter Schools and CFED. And these will offer thousands of students from LMI families the opportunity for educational savings and academic and financial counseling and scholarship assistance at a very young age.

We strongly believe that partnerships with community-based intermediaries including many of our partners that are here today, is not only critical to expanding outreach about savings opportunity, but also to designing appropriate products for their valuable understanding of consumer needs and experience.

I've mentioned a number of our partners which have already provide servicing to the unbanked and LMI communities. We believe others, such as EARN in San Francisco including the New York Financial Empowerment Centers and others provide that outreach.

As my testimony will outline, Citi considers savings account and other asset building products to be an essential tool for all customers, and for all those who then wish to access credit. While IDA's are contemplated by the regulations, we're proposing that you consider an expansion of the current regulation to recognize not just IDAs, but also savings and transaction accounts more broadly, as well as savings led credit products as a way to provide incentive for banks to meet the needs of LMI communities.

We welcome this opportunity, and thank you very much for this time.

VICE CHAIRMAN GRUENBERG: All right. Thank you.

Mr. Van Buskirk?

MR. VAN BUSKIRK: Good morning. My name is Mike Van Buskirk. I am the President of the Ohio Bankers League. We represent the largest institutions operating in Ohio, but the majority of my members are small community banks, and like Mr. Dick, representing institutions that are dealing largely in smaller communities.

I'm old enough that I had a minor staff role on the 1977 Housing Conference Committee that produced the Community

Reinvestment Act. While we never had hearings on the House side, in preparation for the Conference Committee I did review the transcripts and other bills in that. And it's been interesting to me in the passage of time the evolution of the focus and the intent of the Community Reinvestment Act from what was originally discussed and debated.

My recollection is that every federal banking agency testified in the Senate hearings against CRA, not because they opposed its purpose but because they felt they had no objective way to determine what credit needs in the community actually were. That was a dilemma then, it's the dilemma that you continue to wrestle with today.

While necessity is the catalyst to invention and adoption and the resulting rules originally required banks to seek and retain customer and public comment, the original rules really focused on dialogue and outreach. There's been an evolution to try to be more objectively measured, but objective measurement is still difficult.

Those rules provided public access to comments, but in practice the rule has not generated much dialogue. Few banks in my membership receive comments from their customer. It's rare that a customer comes in and asks to discuss the Community Reinvestment Act or to look at the Community Reinvestment Act file.

More subsequently significant to CRA compliance, bank regulators adapted to CRA. The public comment period, which had already existed for applications, This adaption for CRA has become known as the protest. This protest process is essentially an objection by an individual or more commonly an advocacy group against approval of a merger or branch application.

In theory, the protest provides an opportunity to community members to provide evidence of inadequate performance of a bank.

In practice, it has fallen short of promoting the intended constructive dialogue in most banks and in most communities.

There's little practical incentive for customer input unless or until a bank has made an application for an approval of a depository facility. Most banks rarely file such applications. And in my experience, bank CRA file are largely devoid of input from residents in their service areas.

The protest process as evolved so that a bank with a good record can suffer reputational damage and economic loss even when an application is ultimately unconditionally approved.

While on-site examiners regularly review every bank's CRA record, and they give it a grade. That grade seems to me to have little relative importance. Banks, particularly community banks, cannot be successful if the market or markets they serve are not economically or socially healthy.

However, very few of my members see reason to take on the expensive qualifying for the top grade of CRA because it carries no apparent benefit for them.

Regardless of a bank's regulatory rating on community reinvestment, a protest in an application often results in delay and approval of applications. Delays can have significant financial costs, potentially more serious to the goals of CRA. The protest can result in a serious reputational damage to the bank, even if an application is ultimately approved.

Instead of engendering an image of open doors, publicity surrounding a protest can erect substantial psychological barriers to folks unfamiliar with banks coming into that bank and seeking help.

My focus today is very narrow. There is a simple change to current rules that I believe would incent customers and communities to give real time input to a bank's performance supporting better exams. Incent a bank to endeavor to excel in that service, and then provide some protection against unjust damage to banks whose records weren't in fact outstanding.

The idea is not new. I proposed some time ago when it resulted in FFIEC interagency discussion, but ultimately did not gain support from a majority of the participants. I'm not even sure I came up with the idea first. But I raise it again now because I still believe it offers real potential to advance the goals I heard William Proxmire espouse. And then I believe it.

I would ask you to consider giving a bank with a CRA examination rating of outstanding immunity from delay resulting from protest of an application unless that protest raises an issue or issues that the examiners did not thoroughly consider in the most recent exam. This safe harbor would motivate banks to strive for excellence by rewarding those that achieve it. It would incent continual input from the community, not just when an application is pending into a bank's performance. Providing useful information for banks that seek excellent and providing examiners focal points resulting in more timely thorough reviews during examinations.

As I've thought about this idea, the only logical objection I can identify is that current examinations are not adequate. I don't believe that to be the case. Interviews with OBL and member banks about their experience suggests well trained, committed examiners and thoughtful painstaking reviews. However, if there's any merit at all to that objection, I would respectfully suggest the remedy is to improve the examination, not to continue to treat the examination as if it is largely irrelevant.

Banks have longed been identified in public policy as central to the economic health of our nation. Consequently, we have created law and regulation to protect bank soundness and to see justice and treatment of customers; important national goals. We must, however, recognize that that process can create counterproductive consequence. Bank regulations ranging from deposit insurance to the alphabet soup of consumer regulations impose significant costs.

Once banks, true in Ohio in 1977 as a matter of fact, had virtually no non-bank competitors. In those areas branching was limited. In Ohio most counties, consumers had choice of only one FDIC insured institutions. Today banks have many competitors. Few of the business costs imposed on banks by government apply to their non-bank competitors.

CRA's costs are only a few of the hundreds of government imposed costs of doing business for a bank. But today we've made the cost of doing business the highest for the financial service provider where we believe the consumer is best protected. That cost is having an effect damaging to the interests of the communities bank serve.

Thank you for the opportunity to testify.

VICE CHAIRMAN GRUENBERG: Thank you very much.

We'll do this round of questioning in the reverse order that we began the other. So, John, if you'd proceed.

ACTING DIRECTOR BOWMAN: Thank you.

This is actually a question for the panel, although I would ask that in responding you keep your remarks quite brief if you can. And the question basically is: How can we strengthen the current CRA regs to better reflect current thinking about best practices of strengthening communities?

The earlier panel talked about a number of things, including affordable and sustainable loans to communities. Mr. Grant mentioned a situation that he is seeing in terms of communities or areas that are in transition and some of the issues there.

So with that as, perhaps, being two examples of the kinds of things that might be helpful to us, are there other things that you can think of that might best reflect current practices and strengthen the regulations?

MS. BIBBS: Thank you.

A couple of thoughts. For instance, I think the idea that was espoused by the first panel of looking where the banks are actually doing business without respect to where they have branches is one that has merit.

The second think I would add is that CRA clearly needs to be expanded to serve the entire financial services industry, not just regulated banks. I think it's a very distinct disadvantage, or competitive disadvantage for us. And the reality is that the intent of CRA is not fully supported unless these other lenders which tend to be bigger players in many of these markets unless they're covered by the CRA as well.

ACTING DIRECTOR BOWMAN: I think if I could, the premise of these four hearings we're holding is to talk about ways that we can impact regulations. Your suggestion I would suspect would require statutory changes. So if we could focus on what we have with current authority to do that, that would be great.

And thank you for your comments?

MR. DICK: Thank you.

I think the biggest issue would be from a community banker's perspective with the ICBA is to try and simplify what it takes to comply with a lot of the different areas. What do we get credit for and what don't we get credit for? What's part of just being a good corporate citizen, and what's really truly going to give us credit for CRA? And I think that that goes hand-in-hand with training with examiners who are responsible for examining for the compliance with the CRA as well as bankers who are responsible for living and breathing it everyday.

ACTING DIRECTOR BOWMAN: Thank you. Mr. Grant.

MR. GRANT: Yes, sir, Mr. Bowman.

I think that, and I just want to underscore and reinforce this idea that when we talk about Community Reinvestment Act as it was written and signed into law in 1977, my understanding, is the idea that was that these financial institutions would invest in these communities. What is happening now, and it seems like public policy has not caught up with the reality in the marketplace. What constitutes these communities has changed, significantly changed. So if we talk about reinvesting in these communities, if you use the demographics that were in place 30/40 years ago, you know with the contours, then it wouldn't make much sense sometimes to have banks looking for a CRA credit to go in and help people who are basically middle and upper class moving into these areas building upscale operations for folks with money.

To me, you know we have to redefine what it all means. Because what was going on in 1977 is not happening necessarily in 2010. So I just think if we could get a redefinition of what this community is that we're talking about in terms of investing in the community, to me if all CRA is going to do is to allow people with money to give to people with money to build things with that money, then to me it makes laughable the legislative intent when they were trying to do something to help these communities who needed help.

ACTING DIRECTOR BOWMAN: Do you have suggestions how you would make those kinds of distinctions within a certain geographic area?

MR. GRANT: Well, yes. I think that you start to look at the numbers and the projects. And you start to say okay, you're making this kind of loan to whom for what; they're building what and why and who the customer base going to be, and who is going to be hired to work there.

How does this investment in this community really impact the people? I hate to use words like indigenous population. That doesn't work too much in this country, but you know what I mean. The folks who have been living there forever, you're coming in now with your plans to develop, to invest money to develop. But who really is being served? And I'm looking at Washington, D.C. over on -- I went to law school here in -- I finished in '83, I was at Howard. And 14th Street is just a whole different place.

And I'm not saying that regentrification is a bad thing. What I'm saying is we should use public policy to help those who need the help and not give credit to folks with money for helping people with money.

ACTING DIRECTOR BOWMAN: All right. Thank you.

MS. JACOKES: John, I think it's a great question. When you asked it, I was inclined to jump exactly to where Marie went to focus on some things that we think Congress should take up.

ACTING DIRECTOR BOWMAN: Which is a great idea, but for purposes of the hearings I think we have to narrow it a little bit more.

MS. JACOKES: Exactly. Exactly.

I have three recommendations. The first is trying to improve the consistency among and within the agencies in terms of how CRA is implemented, and improve training among some of the examiners to better understand credit markets. And in the case of the views I'm representing, to better understand how CDFIs can be good partners in achieving some of the goals.

I would also agree with the

recommendation to look where the banks are doing their business and, you know, that is how assessment areas ought to be drawn versus where someone decides and can make it easy for them to meet what the CRA obligations are.

And then third, I would say getting greater balance, again between the quantitative and then the qualitative. You get what you incent. And with the last set of revisions that were made to CRA it was about looking more at quantitative and are you actually serving the communities, which is great and in many respects there have been successes in that area. But I think that it has come at the expense of looking at the qualitative and what kinds of impacts are being created, whereas there are some activities that create great impact that are largely being overlooked because they don't generate as high a dollar volume as some things that may generate higher volumes.

ACTING DIRECTOR BOWMAN: All right.

Thank you.

MR. ANNIBALE: Some of the comments we have, would have been said.

I would say that we, again, look at the service segment of the test. I think that's an area where there is a lot more discretion and it has been used I think increasingly by examiners to look for innovation and the ability to introduce products and services that sometimes go beyond even the geography that is required for an assessment area.

As my second, would be credit for work done beyond the assessment geography. Sometimes need is greatest and opportunity for serving that in even neighboring areas, could be contiguous areas, that are not given credit. An example, we did a communities work fund, a $200 million financing for Community Development Loan Funds around the United States with Calvert Foundation, and Opportunity Finance Network just recently.

That's a national fund, so it'll go to small businesses and a few CDFIs.

We did it nationally, that is the right way to run a fund such as that, but it'll only qualify in certain segments, even not contiguous segments. And I think you should be incentivizing people and institutions to be innovative and to reach where the need is greatest.

MR. VAN BUSKIRK: I think sometimes we try to stretch CRA beyond its original intention. And it's really the totality of tools that the regulations might have in dealing with fairness of lending to low and moderate income individuals sort of regardless of where they live.

I think the subject of assessment areas continues to be a problem as the banks try to define those fairly narrowly, for obvious reasons. But in a lot of rural communities in Ohio today the key to the well being of an individual community is employment, which may be outside the bank's individual assessment area. So some flexibility in how those people living in those areas are served. As for examiners, I would associate myself with the remarks talking about better cross training between agencies and regions to make sure you get consistency between exam teams.

And I also think it's a bit ironic because if you look at the beginnings of CRA, it was really an attempt by Chairman Proxmire to establish that credit was part of convenience and needs because at that time the regulators were only looking at whether adequate deposits existed to make a branch economically feasible. Now we've sort of discounted the issue of consumer education and deposit taking accounts. I think more emphasis should be given to those areas.

MS. BIBBS: Can I add something? Sorry. A couple of specific things.

One is, I think, within the

agencies we talked about that a little bit. But we have a lot of tension between our safety and soundness examiners and then our compliance examiners.

We made four loans to CDFIs to support their lending, and we got dinged by safety and soundness regulators because they said that we'd had concessionary rates, so obviously the CDFIs could live off the spread, and that it constituted a concentration. We also got BEA credit for it, which was I think something of a credit enhancement, but it wasn't viewed that way.

So more consistency among the examiners within the agency I think would help.

I think going back to something that was talked about a little bit earlier, and that is small business loans. We make loans. Small businesses have very cyclical revenues and sometimes they do well, some years they don't do so well. Certainly small businesses in our market here in D.C. have not done as well in the last couple of years. But when we make loans to them if their revenue happens to be over a million dollars, then we don't get credit for that loan. And so I think that's one of the difficulties because it not what they make, it's what they keep. So they are employing a lot of people and have tremendous expenses; these guys aren't actually going home with a million bucks in their pockets. So a little bit more flexibility I think in what constitutes what we can get credit for in the small business lending arena would be helpful.

ACTING DIRECTOR BOWMAN: Thank you.

COMPTROLLER DUGAN: First question is, there was a good question raised by the last panel about the treatment of affiliates and it has been an issue more with larger institutions than smaller institutions that don't have affiliates. But I would like to get for the record the views about whether today we have an asymmetric treatment under the CRA where you can choose to benefit from the activities of affiliates, but you don't have to, which raises questions and concerns about whether that's fair or appropriate.

So my question to each of you is should activities of affiliates, particularly credit and deposit activities, should they be counted in a CRA assessment of an institution?

And we'll go right down.

MS. BIBBS: I think the ABA staff would probably give you a little bit more insight and guidance. But certainly from my professional experience, my answer to that would be yes.

MS. JACOKES: Yes, I think it's fairly straightforward as well. I mean, if I have an affiliate that's doing business in my marketplace trying to promote the compliance with CRA, I should have credit for it. Because I'd kind of look at the other side and say I'd probably prefer to have it.

MR. GRANT: If by affiliate, you being a major financial institution partnering with a small community bank or a minority bank, maybe investing in that bank would mean--

COMPTROLLER DUGAN: Common ownership.

MR. GRANT: Well, okay. I can see why it would make sense for them to get credit, yes.

MS. JACOKES: Yes.

MR. ANNIBALE: Yes.

MR. VAN BUSKIRK: Arguably, Ohio may have been the birthplace of this worldwide recession, while very few of our institutions, the ones that I represented, engaged in subprime lending, one bank in northern Ohio, no longer with us, did. And I remember having a conversation with our Governor saying he had heard anecdotally that there was not adequate thoughtful underwriting. That they were not really giving loans on the basis of ability to pay-- I discounted that because I thought the primary regulator was looking at the mortgage lending subsidiary. It was not and, yes, it should have.

COMPTROLLER DUGAN: Okay. Second question. Several of you or a couple of you have raised the issue of giving more emphasis to deposit products. I do think there is more of a history of when CRA was adopted it was focused on credit, as you pointed out. But it does raise a very important and interesting question on a go-forward basis about deposit products, particular to low- and moderate-income people in the community. Should that get more focus in the CRA examination? And if so, how would you do that?

I know, Mr. Annibale, you've already spoken to this but I'd be curious about what others think about that as well.

MS. BIBBS: For our institution we have one branch. Most of our depositors are retail deposits. We have very few commercial deposits. And our biggest depositors are outside of the market. They're socially responsible investors who are interested in community development and supporting our work.

So I think, to be honest, for our institution the deposit thing is something of a red herring. We have two different customer bases. So, I guess that's --

COMPTROLLER DUGAN: That's fine.

MS. BIBBS: Yes.

MR. DICK: I think, which is probably representative of all community banks, most of us have, you know we offer free checking which is free, within the legal guidelines, it really is free. We offer savings, some of us prompt savings for children.

So absolutely we have the products out there. We don't have millions and millions of dollars to advertise like some of our large bank brethren have to try and promote that. But I think if you went out to about every community bank in the nation, you would see that we are trying to offer products and services that exactly hit the markets that we serve.

MR. GRANT: Ditto Marie and Jeff.

MS. JACOKES: With respect to deposit products, for the community development bank I think they would like to, those that are providing retail products and services, to target the under and unbanked. I think they would like to see more flexibility with respect to getting credit under the service test for those activities.

The other thing, and this related to lending but it is along the line of deposits, most community development banks do the opposite of redlining, they're really greenliners. And because of the limited deposit base within in the markets that they serve, most of them go externally to CRA motivated banks as well as socially motivated investors to raise money that they import back into the local communities. So while they do get some consideration under the loan to deposit ratio, I think there's a thought that those that bring in a multitude of deposits perhaps should get additional consideration for that.

MR. VAN BUSKIRK: I think one of the dilemmas of our American economy is there's been pressure on business for short term and immediate return on investments. I think it's a truism for the average bank the most profitable relationships are ones over a lifetime.

Any way we can create an incentive to build the ability of the consumer to protect themselves over a lifetime and optimize their choices we ought to be doing. So yes.

DIRECTOR BRAUNSTEIN: I'd like to go back to the assessment area question, because that is a big issue that we hear over and over again and certainly was a big point of discussion in the previous panel.

So if you assumethat a lot of banking now is done by means other than just having branches, I wonder if you could comment more about what you think about how we should be looking at assessment areas in the future. Should we be tiering that as opposed to having the same rule for banks of all sizes? As was said in the previous panel, for small banks sometimes the drawing of circles around branches sill works well, it may not make as much sense for a large bank like Citi, you know or others.

So, could you comment on those issues?

MS. BIBBS: I think there's a lot of merit, as I said earlier and was mentioned earlier, to making the assessment area where they're actually making loans. I think tying it to deposits might be a little trickier, particularly if their loans are electronic. When we look at our CRA self-assessment, we looked at small business lenders, the major lenders in the D.C. market and almost none of them had actual retail branches.

So, I think if you tied it somehow or another to deposits, it might be a difficult way for you to look at what is actually their market.

So, I don't know if I have anything really more scientific than that with respect to electronic banking and other ways that non-retail branch operations are getting into different marketplaces. But I think that's important. And also, I think there's a huge difference between small banks and the larger institutions.

So, yes, I do think absolutely you do need some sort of a tiered system.

MR. DICK: I agree with that. I think that you ought to be able to, I'm not sure what the right term is, bifurcate. But if I'm a community bank and I'm primarily servicing through my branches but I also start to engage social media, I think I ought to be able to sort of look at the products and services that I offer through my branch and I ought to have one delineated community for that. And then I ought to be able to look at the products and services I offer, let's say through the Internet or through social media and ought to sort of look at deposits and the loans, or whatever products I offer there, and have a second delineated community, and perhaps even a third in some cases. But I really think that that becomes much more strategic and important. You can't look at any financial institution, large or small, right now sort of with that tunnel vision and think that we can do it the same way we've always done because we all have a different strategic plan now.

MR. GRANT: I believe we ought to focus on the net effect of who is being served. You know, I know I sound like a broken record, but this is my one chance to get you all, so here it is.

You know, what's the net effect of what's happening? Regardless of what the assessment area, what geographical area, whatever the bottom line has to be who is being served. And if the people in a particular community are served, whether you have a branch outside that community or someway you can get electronically into that community to do business, is not the issue. We can do it all kinds of ways. The thing that I would hope looking at CRA now, the regulators going in now, is who is benefitting by CRA. Why should a person, a company and a financial institution get an outstanding rating if in reality they truly aren't investing in this community? They're investing in certain entities who happen to be within geographical boundaries of this community,. but so many of the people who make up the community are not being impacted in a positive way at all.

I don't know if that makes any sense for your question.

MS. JACOKES: Yes. My response is actually very similar to Marie, in that I think you have to look at where the loans are being made, where the services are being provided, where the customers are in order to make the assessment. But I'm not sure it's going to end up being a tiered system. I think it'd probably be more of a spectrum or a matrix.

I think over time, you know we're responding right now to technology and where the evolution of the financial services industry is today, but I think we all know it's changing and it's changing very rapidly and technology is going to be a humongous component of that.

And so I think we need to consider that in the future maybe small banks will be using more technology-based infrastructure to reach customers that they wouldn't have reached previously.

So, we need to look at where the customers are--that is really kind of the ultimate test.

MR. ANNIBALE: I think, as you said before, I think we have to include where the customers are and their need, regardless of the assessment area. And clearly we do that for the assessment areas as per CRA. But when I use examples of the type of work we do, we do United Negro College Fund and the KIPP Charter Schools, getting every kid a savings account when they register for school; those children will often be the first account in that family that have a bank account. And we can open up in that kind of a model where you have strong community intermediaries with you, I think it helps addressthe need and if they are appropriate for CRA's intention in terms of LMI clients or families. And the other things is the ability to do volume and to help reach scale -- and when we talk about the number of unbanked families in communities, this is a very large volume that's going to happen, hopefully, other than only through branches. And we've learned people have access to telephones other than only waiting for a land line in their homes anymore. Everybody pretty much in a family has a mobile phone.

And I think we just have to be creative, but insure that we reach the right communities. So whether we're doing the YWCA in Dallas or the KIPP Schools in Chicago, it is about partnering with organizations that would give access to large numbers of underserved communities, and assess that as much as we have traditionally done assessments by geography.

MR. VAN BUSKIRK: Years ago I was involved in the first home banking system in this country. And I remember multiple meetings with regulatory agencies as we were trying to figure out to have the existing consumer compliance laws apply to this new electronic delivery system. And I made the prediction that by the year 2000 there would be no branches left, so I condition my answer on the fact that my crystal ball has never been very clear.

I think the assessment area today is almost a cop-out to regulators. It really needs to be institution specific. There are a number of institutions that are still serving a very well defined area, and for them it makes great sense.

And it's not a big/little. There's a community bank in Ohio whose community essentially died. It's still there. I suspect they have a loan to everybody in town, but there are not very many people in that town anymore.

One of their new business models is they're setting up banking services to college alumnus, liberal arts colleges, where if you get on their website with the right thing you see the college, you get things. You know, they give money to that college. This bank has been very innovative. But it's a few hundred million dollar asset bank that's lending to very defined communities around the nation. I don't know how you'd design an assessment area that really goes to that bank.

So, my suggestion in general is that the impetuous for the examination team should be making a determination whether that bank is meeting the spirit of CRA and then sort of backing out of that an examination of the assessment area that's reasonable. -- Now one of the things that troubles me a little bit today is that we have multiple agencies and multiple laws being applied to things that look CRA-like.

You know, we see HUD now under fair lending laws going in and sort of suggesting that if you build branches, we don't do an investigation of whether you do fair lending.

My family's involved in microlending projects in less developed countries. Lending to people who don't have permanent addresses, but they almost all have cell phones. And, you know, the way to delivery then really has nothing to do with an assessment area and nothing to do with branches.

And, you know the younger generation today with the social media and stuff will not do banking the way I did it. My kids all went in to a bank to open up an account, and I will bet you they have never been back in it since. It is irrelevant to them where those branches. It is relevant to them what those services are.

VICE CHAIRMAN GRUENBERG: Ms. Bibbs, I wanted to come back to the point you made in your opening statement. The first panel this afternoon is going to look at community development and CRA. And I think in your prepared remarks you made a specific point about the community development test and greater flexibility in applying the test. And I wonder if you might expand on that for us?

MS. BIBBS: Sure. In most instances a community development test sort of has a geographic basis so it has to happen in a low- and moderate-income Census tract in order to count. And what we're suggesting is that economic development and community development activities may have a broader geographic reach, but have an impact and have possibly a broader impact in terms of the income spectrum.

So, for example if you're involved in financing some type of activities in the Gulf Coast and with this oil disaster, would that not be a community development activity even if the activity happened in a moderate or higher income Census tract and if the potential beneficiaries were other than low-income? And I think that speaks something to the public policy and something to the industry's trend, which is for some level of income diversification.

What we fear is that if you are involved in financing activities in a low income community, even using Mike's example. If a higher income family or a business goes into those communities, I think it certainly is important to find a nexus to how that low-income community benefits, but it should not automatically be discounted. We don't want low-income activities to be segregated in low-income communities. So that there's mixed income housing, or mixed use development that can potentially bring jobs even if it is a $6 cup of coffee if there are some low- income or moderate-income kids who get a job there or mothers who are able to get jobs, we want to see a little bit more flexibility in terms of how those community development activities are counted.

VICE CHAIRMAN GRUENBERG: I wanted to come back with this specific question to all of you on the services test issue. We have an advisory group to the FDIC Board that's spent a good deal of time looking at the question of offering low-cost transaction in savings accounts. And I remember, we had a panel of bankers talking about this issue, and one of the bankers, a community banker, made the point that what would be really valuable in terms of producing an outcome here would be for CRA to provide what he called a game changer benefit, meaning if you had a specific service or set of services that institution offered that was specified and in return for meeting whatever that standard might be, the institution was assured of receiving an explicit CRA benefit. So in effect, there would be clarity as to the benefit received. He argued that that would really be the most effective way to try to utilize CRA in this area.

I was wondering what your reaction might be? Because that suggestion made an impression on me when I heard it.

If we could start and just go across.

MS. BIBBS: Let me make sure I understand your question. If there were some specific CRA benefit for having low-cost deposit accounts, would banks be more likely to offer them?

VICE CHAIRMAN GRUENBERG: I think the suggestion was if there were a specific service or set of services. For example, if an institution offered a low-cost transaction account with a low minimum balance and low fees and a savings account that was particularly adaptable for low- and moderate-income people. For example, offered some third service of particular relevance.

But I guess the point was to offer a specific set of services in return for which there would be a clear CRA benefit. As an approach to this issue, I was wondering if you thought that had appeal and potential effectiveness?

MS. BIBBS: I don't think so. Most banks do offer no cost or free savings accounts, checking accounts, very low minimum balance or very small minimum balance to get those. I don't think that's -- I would say no.

MR. DICK: And I would agree with that. At the end of the day my commodity is a dollar bill and I can't put salt and pepper on it, I can't make it a different color; I can't do a lot of things. What I can do is I can change the quality of the service that I provide to somebody who either wants to deposit that dollar bill with me or who wants to borrow that dollar bill from me.

Now, I have all those types of accounts that you talk about. I think most community banks do probably across the nation. And it's our responsibility to convey that to our customer base that we have that. But, you know give me the right and the ability as a retailer on that level to try to distinguish and differentiate myself from the rest of the banking community.

If a large bank doesn't see fit to offer a checking account that is totally free, you know if they're trying with the overdraft set that was of recent news, that's their choice. And they're going to make profit on it or not make profit on it based upon what the market will bear.

This is still a free market economy and at the end of the day I would still like to have the right to design and implement the types of products and services that I see fit for my constituency.

MR. GRANT: Well, with Durbin's amendment, interchange, it was clear that some banks are going to have to charge for some services like checking and some things maybe today they've gotten away from. But I think that's too small of a fish to fry right now.

I think we got bigger fish to fry. I think we need to be focusing on getting mega financial institutions to invest in these community and minority banks because they're where the action is to actually serve the distressed populations. And to me massive reward incentives should go to those institutions who inject capital or investment where it can do the most good for economic development.

MS. JACOKES: I would say that the community development banks I think largely, in line with what Marie has said, do offer some of the low cost basic types of financial services. But to the extent they might be doing something over and above that; developing specialized targeted financial services to the unbanked, the under banked.

While it's a slightly different context, I actually think there might be some lessons that the regulatory agencies could learn from the Treasury Department's Bank Enterprise Program. Because, through a system of -- they have a weighted set of values and priority factors that they use. This is a grant program, but they give greater grant dollars and greater consideration in the funding by using a point system that rewards banks that are doing things, let's say, that are lower cost or that have more flexible types of terms.

So, you know to the extent that people are going over and above sort of those basic types of services, that might be a way to try to incent, you know sort of translating it from a grant program to, let's say, maybe a CRA rating system there may be some places you could explore there. But I also think, and this is along the lines of some of the comments that were made earlier, that there are some things from some of the other CDFI programs that you might want to look at when you look at innovative and complex activities because BEA they have a system for rewarding you if you're doing different kinds of small loans. Some are smaller, some are larger; you get more credit for doing the smaller ones under the point system that they do.

So, it's a way of allowing a broader set of activities but yet rewarding the banks that do the more difficult and the more innovative types of things. So that's something you might want to look at.

While slightly off topic is the issue with the community development loan definition and the amount of documentation that you have to go through to prove that its primary purpose is community development. There I think you might want to look at the New Market Tax Credit program. Because, rather than an institution having to prove that a loan actually is community development, there's assumption that if it's within a low income geography, that unless it has some negative consequence, that it's generally counted. So the way that they do it is they develop a list of prohibited purposes for the New Market Tax Credit program. And that's something that might be a way of creating a little less paperwork associated if there are certain types of activities that are deemed to be appropriate for communities, and then basically flushing out those that are not appropriate.

MR. ANNIBALE: I think that it's very important to have clarity for the examiners as well however you come up what the game changer..

So far, innovation has been understood and received well in reviews. But if you look at the services component, which is 25 percent of the exam, and of that there is the sense that up to 90 percent of it may really qualify based on branch distribution, it leaves very little room to make much of impact.

I don't think that most institutions are just operating on the basis of that when we talk about the kind of impact or game changer that you're speaking about. But I think the weighting of that, it just needs to be significantly changed within that 25 percent. Because you're really talking about if there was 10 percent of services that was discretionary for a lot of grants that you make and other activities you might do at CDFIs and others out of your area, that's a very small percent; it's 22 percent of the whole exam.

So the clarity to examiners as to what that scope is would be very important. Because I think we've all just come to the conclusion that financial education and financial access is just a major component, even precursor to much of what the exam is about, which is credit. And it is that people have, an assumption that they've had a bank account opened already.

MR. VAN BUSKIRK: I have family members who are bank regulators, so I say this with great respect. But my experience is they don't like innovation, that they prefer to see something that's been done before and where the rules in terms of how it should be done should be clear.

It also gets back I think maybe to the basic premise of my testimony that banks today are competing with a vast array of different financial service providers who are targeting areas that they historically serve which are relatively more profitable. I hope there will always be bankers that do things just because it's the right thing to do. But today you're being penalized for that because often these things are more expensive.

So I think the key, and some of this will go beyond the ability of you to deal with, we're back to Congress, is you have to create incentives and rewards for doing the right thing.

VICE CHAIRMAN GRUENBERG: Do my colleagues have any further questions for this panel? If not, I'd like to thank you all for your very helpful testimony. And I'll conclude this panel and we'll take a break.

We'll take a break for lunch. Let's say 1:15 since it's 10 after 12:00 already. Let's resume at 1:15.

Thank you all very much.

(Whereupon, at 12:11 p.m. the hearing was adjourned, to resume this same day at 1:18 p.m.)