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NAPPIER CALLS ON CONGRESS TO BLOCK EFFORTS AIMED AT SLASHING COMMUNITY REINVESTMENT ACT

Treasurer says program has provided tremendous opportunities for families, especially in cites, and helped Connecticut economy

(Hartford) -- Connecticut State Treasurer Denise L. Nappier is urging Congress to block efforts that threaten to substantially weaken the Community Reinvestment Act (CRA), which has fought discrimination in lending practices and increased access to capital for home mortgages and business start-ups for more than two decades.

In a letter to members of the Connecticut Congressional delegation, Nappier said she is "concerned that communities in urban and rural areas will suffer from a lack of access to home and business loans. It also risks silencing community voices as changes occur in the banking industry that could have a substantial impact on local communities."

Nappier's comments come as federal regulators consider the proposed Fleet/BankBoston merger, and a plan to divest branches and assets in Connecticut and other New England states in order to gain federal approval of the merger. The divestiture would be the largest in U.S. banking history.

The Senate has approved legislation *(The Finance Services Modernization Act of 1999, S.900)* that includes a provision that would substantially reduce long-standing community reinvestment requirements. Similar legislation is now being considered by the House Commerce Committee.

Under the bill approved by the Senate, banks would not be required, as a precondition to merging with insurance companies and securities firms, to have and maintain satisfactory CRA ratings. In addition, there would be a dramatic reduction in the type and amount of public comment accepted by federal regulators as part of their review if a bank's CRA record was satisfactory at the time of a merger or virtually any new financial activity (such as opening a new branch). Public comment, especially from community-based groups, is now an essential element in ensuring compliance with the CRA.

Nappier said "reducing our nation's commitment to community reinvestment would clearly be a step in the wrong direction," adding that the bill "would reverse the significant progress the CRA has helped to achieve." It is anticipated that a conference committee on the legislation will be convened and an amended version of the bill will be considered later this year in the House and Senate.

The Treasurer noted that recent years have seen an increase in home mortgage loans for African-Americans and Hispanics and an increase in small business loans in Connecticut's urban areas, in part due to the lending guidelines imposed on banks by the Community Reinvestment Act. Nappier said that:

- Federal data indicate that home loans to low-income census tracts increased by 40 percent from 1993 to 1997, and African-Americans and Hispanics increased their home mortgage loans by 62 and 58 percent, respectively. The CRA is undoubtedly responsible for this kind of progress.

- CRA also makes a difference for small businesses in predominantly low and moderate-income areas, which received 21 percent of all small business loans made in the country in 1997.

- Community organizations have also benefited from CRA. Commitments by banks to community organizations reached the $1 trillion mark nationally in 1997.

"The low and moderate income families of Connecticut continue to need precisely what the CRA offers – a solid track-record of helping to make purchase of a first home or starting a small business attainable goals for working families," Nappier said.

Treasurer Nappier also pointed out that the growing prosperity gap between the rich and poor in Connecticut, even in good economic times, underscores the need for federal requirements to ensure the availability of credit for moderate and low income families and small businesses.

In addition, Nappier noted that the State of Connecticut has also relied on the CRA through its Community Reinvestment Program, a Treasury program that links certificates of deposit with banks that meet certain criteria, including their CRA rating.

Nappier expressed her interest in working together "to assure the people of our State, as well as the nation, that the protections and opportunities offered by the Community Reinvestment Act will not be diminished."

The Community Reinvestment Act became law in 1977 to combat the banking practice of redlining, which discriminated against poor and minority neighborhoods.

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