

**Remarks by Cathy E. Minehan
at
MCBC Press Conference
August 9, 1995**

Good morning. As President of the Federal Reserve Bank of Boston, I am pleased to welcome you here today and to note the progress of the Massachusetts Bankers Association's Community Investment Program - particularly, the achievements of the Massachusetts Community and Banking Council, the Massachusetts Minority Enterprise Investment Corporation, and the Massachusetts Housing Investment Corporation.

I want to thank Willie Jones and Dick Pollard of the Massachusetts Community and Banking Council for organizing this important event this morning. I also want to thank Dick Driscoll for his energetic leadership of the Massachusetts Bankers Association and his deep commitment to the issues we will be discussing here in some detail. I would also like to thank Tom Kennedy who has been a driving force behind the MCBC report along with Tom Callahan who has also played a pivotal role.

As many of you know, the Federal Reserve Bank of Boston has a long and deep interest in equal credit opportunity, community economic development, and lending programs for low income and minority borrowers. Our interest has been manifested in numerous ways in recent years, including various research studies and our ongoing community development finance and fair lending initiatives.

Today, we are here to take measure of progress that has been made in Boston since 1990 in expanding the availability of banking services and credit to minority and low-income residents of the city. This is particularly appropriate timing, given the recent release of the new Community Reinvestment Act regulations. These new regulations, along with public budget cuts, have placed a focus on community reinvestment not seen since 1989, when a series of events led the Mass. Bankers Association's Community Investment Program to be implemented.

The Federal Reserve's "Patterns of Mortgage Lending" study, published in August of that year, indicated issues that needed to be addressed in the area of credit availability.

In the fall of that year the Mass. Bankers Association, with the participation of the Federal Reserve, initiated a number of public forums, as well as task forces, to identify community needs. The Community Investment Program was a direct result of these efforts.

Five years later, looking back at our accomplishments, and how far we have come, I believe we all have reason to be proud.

Through these years, the Boston Fed has consistently maintained that the banking industry should not be called upon to subsidize minority borrowers. Rather, we have urged lenders to pursue profitable lending opportunities in minority and low income neighborhoods by breaking down obstacles that may have hindered their ability to identify those profitable opportunities. The banks responded, and today we examine that response.

The Mass. Bankers Association has continuously shown leadership in this area. Last year it created its Fair Lending Initiative which included a commitment to homebuyer training programs, as well as to minority education and recruitment in lending professions. The

Association has also developed a Basic Banking program in response to the growing need for low-cost banking services among low-income individuals and families across the state.

For the Federal Reserve's part, the past five years have seen further research efforts, some controversy, but also a renewed commitment. We expanded education and training programs to bank loan officers, offering a course in Community Development Finance. We developed a CRA seminar for boards of directors of banks, we published "Closing the Gap," a guide to fair lending policies; and we helped to establish the New England Council of Consumer Examiners to better address issues in Fair Lending and CRA compliance issues.

Beyond individual initiatives, however, in 1989 many of us recognized that some of our bank and community related problems required specialized institutions. The three that were founded five years ago, and that are being reported on this morning, have led the way for all our achievements. Combined with banks' special mortgage programs, they account for over half a billion dollars in local community investment.

While we acknowledge the progress made in the last five years, we also recognize it has been made against the backdrop of relatively favorable economic circumstances. The challenge for us all is to retain our commitment to the availability of credit in Boston, whatever economic cycle we may experience. Dick, I'm sure you'll agree that the bankers throughout Massachusetts are ready to accept that challenge.