

## **Welcome and Introductory Remarks**

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Emerging Issues of the 1990s  
**1994 Annual Community Reinvestment Forum**  
Sponsored by the Federal Reserve Bank of Cleveland

8:30 a.m.  
**October 6, 1994**  
Hyatt Regency at Lexington Center  
Lexington, Kentucky

## **I. Welcome**

Good morning!

My name is Jerry Jordan and I am president of the Federal Reserve Bank of Cleveland. *[Delete if Donna introduces Jerry.]*

I am pleased to welcome you to our Annual Community Reinvestment Forum.

This Forum is part of the ongoing effort of the Federal Reserve System to assure fair and equal access to credit for all of our citizens and, more broadly, to promote community economic development. Achieving that goal is critical for our nation, so the dialogue that we will have during this conference is tremendously important. That is why I want to thank all of you for attending this Forum and to extend my particular thanks to all of the presenters for participating in this program.

## **II. The Spirit of this Forum**

This is the Cleveland Fed's sixth Annual Community Reinvestment Forum. Previously we have held forums such as this in Cleveland, Pittsburgh, Cincinnati, and Columbus. We are very pleased to hold this meeting in Lexington so that more people in Kentucky can participate.

We initiated these forums in order to exchange ideas about how to foster economic development and equal access to credit in low and moderate income areas. Over the years and in various places, there have been many successes in the pursuit of equal access to credit and community development. Yet, there is still a lot to do and a lot to learn. It is important that we learn from each other about ideas that have worked in other settings so that we can

consider whether they might be adapted and used in our own communities.

We all agree that the goal to improve economic conditions of depressed neighborhoods is appropriate, but sometimes we will disagree on the best methods for achieving that goal. Reasonable people of goodwill can, of course, disagree. But our focus here and elsewhere should not be on our disagreements, but on reasoning together to find solutions.

At the Cleveland Fed, we believe that forging strong partnerships among all interested parties is critical for solving the problem. By working together, we can bring more knowledge and experience to the table and develop synergies that will greatly increase the chances for meaningful progress toward the goals.

The partnerships that I have in mind are local partnerships. Local people know the problem best, know the particular local circumstances best, and are better-positioned to fashion solutions that make sense for the community in which they are to be implemented.

In my view, more laws and regulations are not the answer. We already have laws, and we are working right now on improving the regulations necessary to implement those laws. But laws and regulations do not guarantee solutions.

In recent past decades in this country and elsewhere in the world we have had ample opportunity to observe that large-scale, "one-size-fits-all" types of national programs do not have very good track records. No **specific** approach will be equally efficient, effective, and applicable in **all** of the many different communities across the nation. And, if cookie-cutter solutions are **mandated**, they are likely to stifle innovation because they fail to recognize unique local circumstances, needs, and opportunities.

Over the last few years, several studies of lending discrimination have been published. In addition, there have been numerous reviews and criticisms of those studies. Some people say we need more studies to clarify questions that have not yet been resolved. I don't object to studies, and indeed I have spent much of my professional career doing economic research. But I believe that it is critical that we do not wait for further clarification from further studies before actively seeking solutions to the problem. We know there is a problem, and we must get on with working to alleviate it. We need to discover solutions through an exploratory process at the local level, and we need to do this through partnerships among lenders, community organizations, local governments, and regulators.

As president of the Cleveland Fed, I am a member of the Conference of Presidents of the twelve Federal Reserve Banks. The twelve Banks work together to address the problems and issues of various types that we have in common. Within that structure, for the past two years I have been the Chairman of the Committee on Research, Public Affairs, and Community Affairs. In that capacity, I have initiated and encouraged an ongoing dialogue with my colleagues in the other Reserve Banks about our role in assuring equal access to credit for all Americans. We are focussing that dialogue more and more on experimenting at the local level, and then sharing solutions to the problem.

For example, I have been telling the other Reserve Bank presidents about our experience with the Cleveland Residential Housing and Mortgage Credit Project, about which you be will hearing much more this afternoon. This dialogue within the Fed's Conference of Presidents is leading some of the other Reserve Banks [San Francisco and Boston] to take an interest in the Cleveland Project and to consider how they might pursue something similar in

their own communities. With offices in 48 cities across the country, the Federal Reserve System is well-positioned to be an important information link for sharing ideas about what works, and for being a catalyst for positive actions.

The Cleveland Project is an excellent example of local people seeking local solutions to the problem now. It has the potential to be adapted to the specific local problems of other communities around the nation. The most attractive feature to other communities should **not** be the particular recommendations for actions to address problems in Cleveland or the State of Ohio. Instead, the focus should be on the **process** of involvement and discovery by a group of diverse people who are committed to being a part of the solution to all-too-obvious problems.

### **III. Recent Developments**

I'd like now to comment about some of the developments during the last year that are related to the subject of this Forum.

Naturally, reform of CRA regulations is on everyone's mind. The regulatory agencies put proposed new regulations out for comment just last week, and Griffith Garwood will be speaking in detail about that subject later this morning. What I want to emphasize now about the reform is that public comments **do matter**. They **do** make a difference. So I urge you to send your comments on the new proposal to the regulatory agencies. Feedback from the people and organizations affected by these regulations is very important to enable the rule writers to do a better job.

I believe that CRA regulations should work within the constraints of the requirements

for sound banking. All individuals and businesses should have **fair and equal** access to credit, but loans should be made only to **creditworthy** borrowers. Loans that can't be repaid are bad for the lender, bad for the borrower, and bad for the neighborhood. We want lending that keeps banks sound and that keeps neighborhoods sound and results in better living conditions for all our citizens.

Lending in low and moderate income communities can be good banking business. Underserved markets are, by definition, an untapped business opportunity. The South Shore Bank is an excellent example of a bank that is capitalizing on that opportunity. Located in Chicago, South Shore Bank specializes in inner-city redevelopment lending. Its business niche is underserved markets. It is specializing in that niche and it is making money doing so. You might say that it is doing well while doing good. I like to see that, and I'm pleased that South Shore has recently established a bank in Cleveland, its first outside of its Chicago home base.

Pittsburgh is another city with a success story. At our last Community Reinvestment Forum, held in Columbus a year ago, speakers from the Pittsburgh area told us about the Community Lender Credit Program and other redevelopment efforts in their city. Last month, the Cleveland Fed and our Pittsburgh Branch office sponsored a tour of the Pittsburgh area to view the some of the fruits of those efforts. Touring the projects were Federal Reserve Chairman Alan Greenspan and members of the Cleveland Fed's three Boards of Directors, who come from all areas of the Fourth Federal Reserve District. That tour was another of our efforts to spread the word about what has worked in one city, in the hope that it will inspire efforts elsewhere.

Another recent positive development is the Federal Reserve System's production of a new videotape titled *Closing the Gap*. The video is designed to help financial institutions combat lending discrimination. It is a training tool for the senior management and staff of financial institutions to help them understand fair lending. The video discusses ten "best practices" that financial institutions can adopt to help ensure equitable treatment of all loan applicants and borrowers.

*Closing the Gap* was developed jointly by the Federal Reserve Banks of Boston, Chicago, and San Francisco. It is based on a booklet of the same title produced last year by the Boston Fed with important input from the Cleveland Fed's staff. At the Cleveland Fed, we have distributed copies of the videotape to each bank that we supervise.

Now I'd like to tell you a bit about the Cleveland Mortgage Credit Project. Several of our speakers today will be giving you more detail about it, but what I want to do at this point in the program is to give you a brief overview of the project.

We are very pleased, proud, and optimistic about the Cleveland Project, which is quite unique. So far as we know, no other community has done anything like this. Several real-estate-related industries including lenders from throughout the Cleveland area have come together to see what can be done to eliminate potential discriminatory practices in the home-buying process.

Four organizations sponsored the effort -- The Cuyahoga County Department of Development, the Ohio Civil Rights Commission, the Federal Reserve Bank of Cleveland, and the Greater Cleveland Roundtable, which is a coalition of leaders from business, labor, educational, religious, and philanthropic organizations. These four sponsors became the

catalysts for action, and brought together 97 leaders from real-estate-related industries to begin the process of finding solutions to housing and mortgage credit disparities in the Greater Cleveland area. The participants represented local banks, savings and loans, real estate appraisal services, real estate agencies, title and mortgage companies, mortgage and property insurance companies, credit bureaus, secondary market agencies, city and county governments, academia, and regulatory agencies. Malcolm Bush, who is the next speaker on our program this morning, was the facilitator of the group's meetings.

The recommendations coming out of this ongoing effort, about which you will hear much more from some of our other speakers today, have been very gratifying. But the project is far from over. It might take another two or three years, maybe longer. We are committed to staying with it for as long as it takes.

We hope that our effort in the Cleveland Project will serve as an example and an inspiration to leaders in other communities around the nation to pursue similar projects. The Cleveland Fed is committed to initiating a similar project in Cincinnati. And, as I indicated earlier, some other Federal Reserve Banks [San Francisco and Boston] have expressed interest in initiating similar projects in their own Districts.

#### **IV. Concluding Remarks**

Let me conclude with this thought. Despite the important gains that have been made over the last year, the economic distress afflicting many neighborhoods around the nation remains severe. Important progress is being made, but the problem is a long way from being solved. Indeed, the problem won't be solved until everyone involved agrees that it is solved. That is why meetings such as this are important. One of my goals, and I'm sure one of yours, is to reach the point where all the necessary people in a local community are talking with each other on a daily basis and meetings such as this are no longer helpful.

Donna Cotton, who is Director of Community Affairs at the Cleveland Fed, has put together a fine conference for us, with many highly-qualified participants. I am sure you will find the program interesting and informative. Productive, viable solutions to the very obvious problems of our cities will come only from people such as yourselves.

Again, my thanks to all of you for participating.

And now, if Donna says we have time, I'll be glad to respond to a few questions.