New Directions in Community Reinvestment
September 28, 2000
Federal Reserve Bank of Cleveland

Welcoming Remarks
Jerry L. Jordan
8:30 a.m.

[Ruth Clevenger will introduce Jerry Jordan]

I. WELCOME

Thank you, Ruth, and good morning everyone. I'm very pleased to welcome you to the Federal Reserve Bank of Cleveland, and to what I believe is going to be a very stimulating event.

Today's program – New Directions in Community Reinvestment -- is co-sponsored by the Federal Reserve Bank of Cleveland and the regional offices of the FDIC, Comptroller of the Currency, and Office of Thrift Supervision. We are very pleased to be collaborating with them, not only for this specific event, but day in and day out to foster a safe and sound banking system and thereby to help the nation capture the benefits of a robust financial system.

This conference brings together bankers, community development representatives, and government representatives to exchange ideas on a variety of CRA-related topics. Thank you for being here to participate in this important dialogue. And thank you for your interest in this important work that strengthens our communities and makes the American dream accessible to more of our citizens.

II. THE IMPORTANCE OF CHECKING ASSUMPTIONS

By way of introducing two of the topics on today's agenda, I want to tell you a story that I heard recently.

An eager young business executive was leaving work about 7:00 o'clock one evening when he noticed the CEO standing by the paper shredder, holding a document in his hand, and looking perplexed. "Do you know how to operate this thing?" the CEO asked. "It's important." Eager to demonstrate his competence, the young executive walked over, turned the shredder on, put the document in the shredder, and said "There, that's all there is to it." "Thanks," replied the CEO. "Just set it to make one copy for me."

Checking out the validity of our assumptions, before we act, can sometimes be crucial. Later this morning, George McCarthy will challenge the assumption that everyone can benefit from becoming a homeowner. And during her luncheon address, Lynn Reilly will challenge the common assumption that inner-city neighborhoods are too poor to support commercial activity. So, thank you, Dr. McCarthy and Lynn Reilly, for challenging us to check out the validity of our assumptions.

III. CRA PROVISIONS OF GRAHAM-LEACH-BLILEY

The other two topics to be addressed in today's conference stem from the Graham-Leach-Bliley Act that was passed last year. Let me say a bit about what led up to the passage of that law.

Since the Glass Steagall Act became law in 1933, investment banking has been separated from commercial banking. For many years, firms engaged in securities underwriting and dealing were prohibited from affiliating with banks. Gradually, market, legal, and regulatory developments allowed financial services entities limited entry to products and services that were previously offered by other segments of the financial services industry.

As the distinction between the types of institutions and their product menus became more difficult to distinguish, the financial services industry began pressing Congress to change Federal law. After years of debate and compromise, the Gramm-Leach-Bliley Act was enacted in November 1999. This legislation represents the most significant change in the U.S. financial services industry in 66 years. The Act permits banks, insurance companies, securities firms, and other financial institutions to affiliate under common ownership and offer their customers a complete range of financial services.

This law to modernize our financial system also contained a few provisions that amended the Community Reinvestment Act. Those provisions went largely unnoticed by most of the world, but they are quite important to many of us in this room.

One provision requires the Federal Reserve to do a study for Congress of the default rates, delinquency rates, and profitability of CRA-related lending. That study was recently completed, and Glenn Canner, who directed the study, is here to tell us about it.

Another provision requires each party to a CRA-related agreement to fully disclose the agreement and its terms to the public and the appropriate Federal banking agency. In addition, each party to the agreement must submit annually a report to the appropriate Federal banking agency concerning the use of CRA-related money and resources during the previous year. Robert Mooney is going to give an overview of these sunshine provisions and proposed regulations, and then Daniel Immergluck is going to discuss the impact of those provisions on reinvestment partnerships.

I'm delighted that we can host this conference that brings together this slate of highly-qualified speakers to discuss such important CRA issues.

IV. CONCLUSION

To conclude, I want to say that the Federal Reserve Bank of Cleveland, and, in particular, our Community Affairs Department, has numerous resources that can be used to promote the goals of the Community Reinvestment Act. We appreciate your dedication to those goals and welcome opportunities to assist you in pursuing them.

And finally, I want to reiterate how pleased we are to have you here in our Bank to participate in this conference. I'm sure that your day is going to be very productive.

Now, let me turn the program back over to Ruth Clevenger.

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[Q. and A. is not necessary]