

**SENATE BILL REPORT**

**SB 6165**

**AS OF JANUARY 31, 1994**

**Brief Description:** Monitoring community reinvestment.

**SPONSORS:** Senators Sheldon, Skratek, Williams and Franklin

**SENATE COMMITTEE ON TRADE, TECHNOLOGY & ECONOMIC DEVELOPMENT**

**Staff:** Jeff Baird (786-7444)

**Hearing Dates:** February 1, 1994

**BACKGROUND:**

The federal and state Community Reinvestment Acts (CRA) were enacted to promote affirmative efforts by banks to meet credit needs of minority, low, and moderate income neighborhoods. State chartered banks and thrifts are required to demonstrate compliance with CRA goals and standards, and the Director of the Department of Financial Institutions is directed to investigate such compliance, before a state chartered bank or thrift is approved for new branches, purchase of assets or mergers, among other activities. The director, as part of an investigation, is directed to consider a set of factors indicating the attentiveness and efforts of the institution to discover and meet credit needs of the appropriate underserved communities. The state accepts measures of compliance with the federal program as support for these factors.

CRA has been criticized by community groups and bankers alike. Community groups complain that the CRA evaluation process has not been focused on actual lending and that there has not been enough lending to low income and minority communities; bankers complain that compliance involves burdensome paperwork.

**SUMMARY:**

A more extensive investigative evaluation report is outlined to form a basis for the annual community reinvestment rating assigned each state chartered bank or thrift.

The term "director" is substituted for "supervisor of banking" to be consistent with changes in the department.

Public disclosure is required for any written communication relating to the assessment of a bank by the department.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** none requested

