



UNITED STATES DEPARTMENT OF JUSTICE

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REMARKS OF THE HONORABLE JANET RENO,  
ATTORNEY GENERAL OF THE UNITED STATES,  
TO THE

NATIONAL COMMUNITY REINVESTMENT COALITION

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Westend Ballroom

Washington Marriott Hotel

1221 22nd Street, N.W.

Washington, D.C.

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P R O C E E D I N G S

(11:00 a.m.)

GENERAL RENO: Thank you very much for that generous introduction. But I have to say that it's people in the Housing Section, people who've been there, who've put their life into this effort, and I want to publicly acknowledge all the people that have made it possible.

I want to thank you, too, all of you, John and everyone here, for your work in economic justice. It has been so vitally important in really making sure that we have taken steps, not just to reweave the fabric of economic security around communities, but to make communities

whole again. So I thank you for that effort.

I came to your meeting in 1994, and it seems like just yesterday and it seems like a hundred years ago. It was relatively early in my tenure as Attorney General. And since then both the Coalition and the Department have done much, and I think we have learned a great deal in the area of fair lending.

I had the opportunity to meet some of you in 1994 and I have seen others along the way since. Since then I have been so impressed with your expertise, with your dedication, in working to bring communities together and to revitalize neighborhoods.

You've been a voice for the needs of inner city residents. You have been an advocate for economic justice. And day in and day out, you have been on the front lines in pressing for the kinds of banking services that potential homebuyers need. You have been on the front lines day in and day out pressing me --

(Laughter.)

And somebody has said, you know, sometimes you make yourself too accessible. I think it is very important to be accessible to people who care, who are trying to change things for the better. And I just want you to know how much I appreciate it.

(Applause.)

I think we should all stop and think for a moment, because we take it for granted too often. We should never underestimate what it means to own your own home. I've been in an apartment for five years. The thing I look forward to most are those rare times when I can get home to Miami, walk into my house, and know where everything is and know how it feels.

It gives a homeowner a sense of self-worth, a sense of stability, of economic security. And it also creates a commitment to the community. Homeownership is vital to neighborhood stability and key to promoting safer streets, better schools, and economic development. That's why it is central to the American dream.

Recently I saw an example of this first-hand in Jackson, Mississippi. I went down on Martin Luther King's Day to visit a Habitat for Humanity site and review the work of our U.S. Attorney in doing what I think is an excellent job of reaching out to the community and in community-building.

I watched the Weed and Seed Program in action. They have been able to take dilapidated properties that were often magnets for drug buys and other troubles in the neighborhood and transform them into homes that provide stability and pride for the homeowners and the

community. They concentrated their efforts in strategic ways, in one part of town, so that the new homeowners became the real anchors of a safe and a secure neighborhood.

I don't know how long the porch I built is going to hold up. I think it will probably hold up, but I think that the homeowner will always see the marks of my ineptness with a nail gun.

But I wish I could have spent more time there, because you had a sense of community that was coming from these dilapidated houses as they changed overnight, and as the neighbor who had already moved in came down the street to share and to encourage and to participate. I think I saw better there than ever before how fragile communities are, what goes into the growth and the creation of communities, and it is exciting and it is possible.

That community existed and that home will be there because it was built by Barbara Davis and other people who care. We were all tired at the end of the day. We had dirty clothes, paint in our hair. But we left with smiles on our face, and we left with hope in our hearts.

Down the street, two high schools had come there that day, two classes, to tear down a house. And they were tearing down, but they saw what was going up nearby. I went over to see them, to talk with them, and they had such a sense of contributing, such a sense that they can make a difference. All of us can, whether we seek economic justice, whether we want to participate as part of community service. Every one of us can make a difference.

But we learned long ago that building a home requires more than hope, it requires more than neighbors just participating, and more than the brick and mortar. It requires capital. Access to credit is the lifeblood of economic opportunity. With credit, homes can be bought, businesses started, neighborhoods rebuilt, and communities revitalized.

But capital alone won't work. You need the people to do it. The Community Reinvestment Act has played a critical part in ensuring that lending institutions put some of their capital into underserved areas, especially the inner cities and in minority neighborhoods.

The new Community Reinvestment Act regulations enable lenders to develop customized strategic plans for meeting their obligations under the Act, and many have been developed in partnership with your local organizations. In this way you are not only helping to rebuild your communities, but you are showing bankers how to be responsible corporate citizens. In short, you can't do it just with capital, you can't do it just with people who care; we can do it together.

(Applause.)

It has been my experience in these five years in office that most bankers want to be good and responsible corporate citizens, or they're willing to be if they're nudged in the right direction

by vocal, knowledgeable, constructive groups such as the NCRC members and by Justice Department lawyers who care and want to do the right thing.

I have found, and I think and I hope that you have found, that lenders have listened and learned. Bank commitments, as we have noted, have increased within the last four years. The figures are staggering: an 86 percent increase of all bank commitments under the Act since it went into effect more than 20 years ago.

You can take so much credit for this. I'm pleased to say that I think we've done something, too. Too often --

(Applause.)

Well, wait.

Jim Turner came to see me shortly after I became Attorney General. He introduced me to Paul Hancock and to the other people in the housing section, and one of the first things that I did was to face up to this issue. It has been one of my priorities ever since.

A critical first step, however, I determined in the enforcement process is education. There are so many people that don't know what title this is and what this act is and what this does, and they just don't understand, or they don't understand what's happening in their business, because they're trying to do so much.

I am convinced that education can go such a long way in making a difference. And I discovered it in talking to bankers, that it is better to educate first and then litigate later only if necessary. But you got to be prepared to litigate, and I am prepared to litigate when it's going to be necessary.

(Applause.)

We've built great strides -- made great strides in building good working relationships with the industry and encouraging voluntary compliance. In these efforts we continually stress that fair lending laws do not require lenders to make bad loans. They require simply that people be treated equally.

And when people start listening and you talk about how their processes work and they could improve their processes and they could not make a bad loan, but get a good loan and they could increase their business, they begin to understand. Then when they see what happens to their communities through home ownership, they begin to understand even better. Every example that we can develop of success, of good proven success, I think just helps us in the education process.

We want to see equal credit being offered by banks because it is the right thing to do, because the law requires it, because it is good business, because people accept it.

You've noted that since the inception of our fair lending initiative in 1992 the Department has filed and settled 13 major fair lending lawsuits. We are going to continue these efforts under the Acting Assistant Attorney General Bill Lann Lee in every way that we possibly can. We will continue to focus on discrimination in underwriting, the process of evaluating the qualifications of credit applicants. This was the issue in our suits against Shawmut in Boston, Northern Trust Company in Chicago, and First National Bank of Donna Anna in New Mexico.

We have also focused on the problem of redlining by lenders and insurance companies. This past August we reached an agreement with Allbank of New York. We alleged that the bank had carved out and refused to make loans in urban minority enclaves within the bank's lending areas in Connecticut and Westchester County, New York. The settlement with Allbank requires it to make \$55 million in loans at below-market rate in the areas previously redlined.

(Applause.)

You can't get a home without insurance. There have been two major settlements with insurance companies that we alleged were not adequately serving minority communities. As a result of these settlements, Nationwide Insurance Company and American Family now offer policies that fully protect the most cherished possession, their homes.

Pricing discrimination has also been a problem. Minorities have been charged higher interest rates and fees for loans. Several of the Department of Justice minorities have been charged higher interest rates and fees for loans. Several of the Department of Justices have involved this type of discrimination.

But the most recent pricing case was brought by a state financial agency. Last month the New York State Banking Department settled a fair lending case that required a Long Island bank and its mortgage subsidiary to pay \$3 million in damages to over 500 victims of discriminatory mortgage loan pricing. This is the first time a state enforcement agency has taken such an action.

We worked closely with the New York Banking Department in its handling of this case. We applaud the State of New York for the job done on this case and we hope that other states will follow their example. We want to take the successes that we have had and the lessons learned in home mortgage lending and apply them to business lending. Just as the availability of credit to purchase, refinance, and improve our homes is critical to the wellbeing of local communities, so is the availability of credit for small businesses.

(Applause.)

Access to capital is one of the most formidable barriers to the formation and development of minority businesses. For years we have heard anecdotes about the special obstacles facing minority small businesspersons in obtaining credit. Studies and reports have shown that minority applicants for business loans are more likely to be rejected and, when accepted, receive smaller loan amounts than white applicants with identical borrowing credentials. That's not right and the Justice Department is exploring ways that we can effectively confront discrimination in this area.

(Applause.)

New reporting under the Community Reinvestment Act provides aggregate data on small business loans by census tracts for some banks. This helps us get an idea of how much credit is flowing to communities with differing economic and demographic characteristics. But the data are not sufficient to determine whether there is unlawful discrimination against minorities in small business lending. The data tell very little about the recipients of the loans and nothing at all about applicants who are denied, information that is essential to determining whether illegal discrimination is preventing some potential borrowers from obtaining credit.

In fact, right now lenders are prohibited by the Federal Reserve Regulation B from inquiring about the race, color, sex, religion, or national origin of an applicant for a non-mortgage loan. The intent of this prohibition on collection in Regulation B was to prohibit the discriminatory use of such data, and that intent was laudatory. But we now know from our experience with home mortgage data that this information has been critical to ferreting out discrimination.

Requiring banks to collect this data has not led to the discriminatory or improper use of the data. Just the opposite is true. We have been able to use the information in numerous lawsuits to combat discrimination, and you have been able to use this data in monitoring lenders' fair lending performance.

We believe that changing Regulation B to permit creditors to collect such information would greatly assist the Department's efforts to investigate business lending discrimination. The Department of Justice, along with the Comptroller of the Currency, the Office of Thrift Supervision, and the Treasury Department, urge the Federal Reserve to consider making this change in its regulatory review of Regulation B.

(Applause.)

And, as I think you know, just this month the Fed issued its notice of proposed rulemaking and is soliciting comments on this proposal. I know from your reaction that you're going to join in supporting this effort to change Regulation B, and we hope the lending industry will



support it as well.

The additional data will allow institutions to monitor their own performance and give regulators the tools needed to identify problems and work to solve them. The lending institutions are not being asked to make bad loans. They will now have information that can enable them to make more good loans, and I think they will join us.

There is still much work for all of us to do in advancing fair lending enforcement. Although many of us act independently, our efforts are in reality intertwined. The NCRC has done an extraordinary job and I commend you for your splendid efforts to revitalize communities. We are committed to working with you to achieve our common objectives.

During this conference you have a wonderful opportunity to discuss these important issues and share your experiences of working in the communities to help rebuild neighborhoods, sometimes block by block.

Everyone wants a healthy start for their children, a stable and crime-free neighborhood, quality education, supportive families, and decent work opportunities. Our challenge is to remind ourselves and others of our common interests, our common goals, our common dreams. Together, we must work together for economic justice in this Nation, but not just for economic justice. We've got to look at justice in all its senses -- social justice, justice that ensures that people are treated correctly under the Constitution, justice that says that a child born into this world shall have appropriate health care, will have appropriate educare, will have an opportunity to grow in a strong and positive way.

How can we achieve economic justice for that child if that child never learns to read because she didn't have early childhood care that gave her the foundation upon which to base her learning.

(Applause.)

As you pursue economic justice, I urge you to look at the broader scope. I spoke to you in 1994 about these issues and about communities. I came to Washington concerned that I would lose my sense of community. I can now report to you that I've not lost a sense of community; I've just gained a lot of communities.

(Applause.)

There is a spirit out there that is exciting and contagious. I think if we look at history we realize that up until the Depression people looked to their communities to solve their problems. With the Depression, people began to look to Washington as the problem-solver. With World War Two they became more confirmed in the fact that Washington would handle

everything.

In the fifties and sixties they looked to Washington for civil rights. In the seventies they looked to Washington for moneys for programs.

In the eighties Washington started shifting the programs to the states without the dollars, and the states started shifting the programs to the communities, too often without the dollars. Then the communities, with their backs up against the wall, started reaching out to each other, not in competition as to who could get the biggest grant, but in a spirit of working together, with school teachers and police officers and people committed to economic justice and bankers coming together to re-weave the fabric of all community around children and families and people at risk.

About ten days ago I went to a conference on community justice that the Department of Justice sponsored. The year before there had been only 350 people there. There were now over 800 and it was standing room only. There were county commissioners and correctional officials, police officers and judges, juvenile youth counselors -- a whole range of people, and people from the private sector. The energy in that room was just so incredible.

I urge you as you return to your communities, find out what is being done in terms of community justice. Find out what is being done to put a face on neighborhood justice, with community policing, community probation officers, how community justice can come together with economic justice to help build the blocks of community.

Then I came to a meeting yesterday. It was an educational program put on for Assistant United States Attorneys who were working in the civil rights area. They talked about the ADA and about lending discrimination and what the U.S. Attorney could do being on the front line and the presidential appointee closest to the people. They were talking about community outreach in terms of giving people with disabilities a chance to participate and access to much more than they had.

They were talking about what could be done in terms of educating bankers and others in their community. It was so exciting that one long-time great activist said: I had tears in my eyes as I heard that presentation; they were really talking about community. She said: They're doing what you want them to do, but they said it much better than you could say it.

(Laughter.)

And you can say all there is to say about economic justice much better than I can say it. But let us all speak loudly and clearly for justice, not just for the rich, not just for the adults, but justice for all Americans -- economic justice, the justice that gives them the opportunity to go to school and get a good education, the justice that enables them to compete for jobs, the



justice that brings community together in one whole strong effort to serve all its people.

Thank you for all that you do.

(Applause.)

MR. TAYLOR: You really restore our faith in government, you really do.

(Applause.)

MR. TAYLOR: Have we got a portable mike somewhere, a portable mike for a question?

Okay, questions for the Attorney General. She has a little bit of time for a few questions.

Over there?

GENERAL RENO: You call them.

MR. TAYLOR: Okay, I'll call them.

MS. MARTINEZ: I'm Virginia Martinez and I'm from Denver, Colorado.

Thank you for being with us. I am so proud that you are here.

GENERAL RENO: I may not be able to answer all your questions, but I'll get them directed to the right person.

MS. MARTINEZ: I have one specific question. Yesterday a woman from Freddie Mac mentioned that your Department had done an assessment about credit scoring to determine whether or not there were discriminatory practices involved with credit scoring and that in fact your findings were that there was none. I'm seeking an opinion about that. This whole issue of credit scoring is an area that we have very little knowledge of, and if there was an assessment done I'd like to read about it or know about it.

GENERAL RENO: Let me get Joan. Why don't you.

MS. MAGAGNA: I'm Joan Magagna. I'm the Acting Chief of the Housing Section in the Civil Rights Division.

GENERAL RENO: Who has done an incredible job since Paul left.

MS. MAGAGNA: We have not done such a study. We are looking at the issue of credit scoring and trying to determine what the implications are for fair lending, but we've not reached any conclusions at this point. It's a very important issue and we do want to study it further.

GENERAL RENO: Thank you, Joan.

MR. TAYLOR: Questions?

MR. SQUIRES: My name is Greg Squires. I'm with the University of Wisconsin at Milwaukee, and for the past two days the Federal Reserve Board's Consumer Advisory Council has been discussing Reg B. Several lenders indicated that they would like to make this information available; they simply wanted to be held harmless from whatever it showed.

My question is is there any reasonable protection that we can suggest that would bring these folks on board without giving them an open-ended safe harbor?

GENERAL RENO: I have not gotten a report on those discussions yet, but Joan and I will need to look at it. Ray Fisher, the Associate Attorney General, who has general supervision over this area, has made this one of his special projects at my request. He will be back in the office Monday and will be following up on this.

So it's a point we should address. I'm not quite sure how we would structure something like that.

MR. TAYLOR: Morris.

MR. WILLIAMS: Madam Attorney General, so many people are doing some great work in the field, but in terms of Reg B it would be helpful if you would send a memo out to all the states saying that, around Reg B, if there is local legislation then that will allow banks to get around Reg B. So if there was some information from you to the local areas to work with local communities to structure that legislation, that could help us in the interim until we get something Federal.

GENERAL RENO: Let me follow up on that. I hadn't even thought of that. Thank you.

MR. TAYLOR: Over here with the mike. Who's got the mike?

Patty.

MS. ROBINSON: Patty Robinson, Americans Helping America, from Miami, Florida.

My first question is when will you come down and even out some of the chaos that's been going on in our community and give the speech that you gave today?

GENERAL RENO: I was down about -- it was a wonderful occasion. It was an after-school program for kids at risk, and it was again such a remarkable step forward. I thought, I hadn't seen programs like that five years before. So there are good things happening, too.

MS. ROBINSON: Exactly, and my second question --

GENERAL RENO: But otherwise you'd just get used to Miami sometimes.

MS. ROBINSON: No, we're the lone voice, it seems, traveling the country with the positive messages.

But I did want to ask you this. I had a two-hour meeting with the Juvenile Justice Department for the State of Florida, and it seems like they are doing so much to parallel what we all in this room are doing, especially putting the emphasis back to education and jobs and training versus prisons, et cetera. Is this something that's happening all over the country?

GENERAL RENO: I think -- and I can't quantify it yet. As I came to Washington and in the years before, the five years before, there was a push on the part of a lot of states to have youngsters treated as adults and to imprison them. There was a push to build more prisons and for longer sentences. I think that people realize that most people are coming out of prison sooner rather than later, and that what is needed are fair, firm sentences that fit the crime or the delinquent act, and that we need also to establish procedures for after-care and follow up and support mechanisms in the community. We need to make sure that these people, because they have a record, are not consigned to being jobless because they had a prior record, and people begin to understand that.

(Applause.)

There is still a "put 'em in prison and throw the key away" mentality, but people are understanding how costly that is and they're trying to get the best return on their dollars. So I think it is important for everyone to speak out.

It won't do -- you've got to have punishment that's fair and firm, because otherwise -- and I've seen them -- the kids just laugh at you. But you've got to have after-care and follow-up to give them a chance to succeed.

MR. TAYLOR: Dan, you're going to get the last question because the Attorney General's on a schedule. But before you ask, I want to give the Attorney General a copy of our latest publication, which Secretary Rubin unveiled yesterday at this conference. It's about CRA

commitments.

GENERAL RENO: Wonderful.

MR. TAYLOR: Your stamp is all over that, I guarantee you.

And this is our publication on "Models of Community Lending." There are 400 examples of lenders and communities coming together to make commitments.

And then finally --

(Laughter and applause.)

-- to help us advertise.

GENERAL RENO: That's wonderful. Thank you. Thank you very much.

MR. TAYLOR: Dan.

MR. HOFFMAN: Yes. I have a question. You talked a lot about fair housing. Dan Hoffman with the Pennsylvania Low Income Housing Coalition.

What's changing the face of banking in our community is not fair housing problems, but rather bank consolidations and mergers. It's an antitrust issue. Is the Department looking at its regulations as a way of helping to preserve a strong banking sector in the country where there's real good competition, as opposed to permitting banks to control 40 and 50 percent of market shares and more?

GENERAL RENO: Let me address that -- let me talk to Joel Klein and Joan and I will follow up. Joan, if you will get his phone number, we'll follow up for you.

MR. TAYLOR: Please join me with one more thanks.

(Applause and, at 11:35 a.m., end of remarks.)