Welcome to the seventh issue of ***Hartz & Minds***, a vehicle for us to share useful ideas and expert opinions on topics related to corporate social responsibility (CSR), impact investing, diversity, family philanthropy, nonprofit strategy, and social entrepreneurship. Today's *Hartz & Minds* examines the **Community Reinvestment Act** in financial institutions.

Arguably, no industry has been more trounced in the last three years than banking. More than ever it is critical for financial institutions to ensure that their Community Reinvestment Act compliance is efficient, effective, and complementary to other CSR programs.

In 1977, Congress passed the Housing and Community Development Act. Title VIII encourages banks and savings associations to reduce "redlining," discriminatory credit practices against low-income neighborhoods. The legislation covers all FDIC insured financial institutions; each is evaluated to determine if credit is offered in all geographies under their charter. Clearly, the law discourages unsafe or unsound loans, mortgages, or credit extensions; the only "punishment" is that a failing CRA score may preclude or limit the financial institution's expansion.

Lending companies may prefer the strategic plan option, which allows them to submit up to five-year plans for approval. These documents must include annual measures for tackling the lending, service, and investment needs in CRA communities and are required to have several opportunities for public input. Companies do benefit from proactive strategic direction and program development so CRA compliance can be a boon rather than a burden to the business.

Especially since the early 1990's when several pieces of legislation - increasing transparency and oversight of banks' credit marketing and evaluation processes - were enacted, CRA is taken seriously. There are arguments about its necessity and effectiveness today, but studies show two important facts about the impact of the Community Reinvestment Act:

1. Banks engaged in CRA activities have similar profitability to those which do not,
2. CRA lending did not disproportionately contribute to the 2008 financial crisis.

Proposed revisions to the Act seek to expand the term, "community development" to "include loans, investments and services that support, enable or facilitate projects or activities." This update would expand the range of people served to include middle-income households.

CRA remains in effect and community organizations (usually affordable and supportive housing advocates) have the right to comment or protest about banks' non-compliance. The key to successful reinvestment is in partnering with charitable and advocacy associations. Financial institutions that understand how to address nonprofit groups' issues, access their information and networks, and make safe and sound investments in the community, can develop important allies for future growth.

If you or someone you know could benefit from expert consultative support to create, improve, rationalize, consolidate, or expand Community Reinvestment Act compliance strategies and programs, please let me know or refer them to **Corporate Hartz, LLC**.
As a friend of the firm, you receive this occasional communication with relevant insight and useful information on a variety of topics. Please email corporatehartz@yahoo.com if you prefer to unsubscribe.

Thank you and happy New Year, Jennifer Levine Hartz