

SUBJECT: Creating the Community Reinvestment Work Group

COMMITTEE: Economic Development — favorable, with amendment

VOTE: 7 ayes — Oliveira, Yarbrough, Greenberg, Keffer, Luna, Seaman, Siebert
0 nays
2 absent — Raymond, Van de Putte

WITNESSES: For — Robert Schneider, Consumers Union; David Mintz, Texas Apartment Association
Against — None
On — Karen Neeley, Independent Bankers Association of Texas; John Heasley, Texas Bankers Association

DIGEST: HB 1414, as amended, would create an interagency Community Reinvestment Work Group to collaborate with the state's banking community in developing statewide community reinvestment strategies for leveraging private capital for community development and encouraging financial institutions to lend money to low- and moderate-income families. The group also would consult with appropriate federal community reinvestment regulatory agencies, explore qualified investment strategies, and attract private capital through investments that meet the requirements of the federal Community Reinvestment Act of 1977. The group would be required to submit a report to the Legislature each biennium summarizing the effectiveness of the strategies. The first report would be submitted by February 1, 1999.

The work group would be headed by a representative from the Comptroller's Office; other members would represent the Departments of Housing and Community Affairs, Commerce, Banking, and Insurance. The head of each agency would appoint its representative. Agencies would be responsible for the expenses of their particular representative, and no member could receive additional compensation for serving on the work group. Work group

members would serve two-year terms but could be removed by their appointing agency for any reason.

The bill would take effect September 1, 1997.

**SUPPORTERS
SAY:**

HB 1414 would bring together state expertise and authority to facilitate private-sector involvement in community reinvestment projects. Currently Texas lacks a unified strategy for encouraging such projects. There is no formal means of bringing together the various state agencies that have responsibility for different segments of community development. Agencies are forced to rely on their own ad hoc processes for developing coordinated strategies. In its most recent report *Disturbing the Peace*, the Texas Performance Review recommended creating an state interagency work group to develop community reinvestment opportunities for Texas banks.

The Community Reinvestment Work Group proposed by HB 1414 would establish a formal process to ensure that state agencies, private-sector lenders, and federal authorities worked together to improve opportunities for Texas communities. Through the work group, entities could pool resources for reinvestment and share information on community development projects. It would help match private reinvestment resources with community development projects around the state. In addition, HB 1414 would assist Texas banks in meeting the community investment requirements mandated by the federal Community Reinvestment Act of 1977. The group would interface with federal regulators and agencies to meet mutual state and federal community reinvestment goals and would communicate with federal agencies about reinvestment projects in Texas.

The activities that would be promoted by HB 1414 could help increase the stock of low- and moderate-income housing in Texas. HB 1414 would not have a negative fiscal impact because it would use existing state resources to accomplish its goals.

**OPPONENTS
SAY:**

Although the work group envisioned by HB 1414 would a laudable effort to coordinate state reinvestment efforts, it probably would not benefit Texas banks looking to comply with the Community Reinvestment Act. Banks are unlikely to consult a state entity to meet federal requirements enforced by

federal regulators. The work group would prove more useful in helping state agencies coordinate their own reinvestment efforts than in creating an effective clearinghouse that banks could tap for information.

NOTES:

The committee amendment would require the work group to consult and coordinate its efforts with representatives from appropriate federal regulatory agencies.