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Remarks to the Legislative Committee,  
Mortgage Bankers Association of America  
New York City  
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A FEW HOURS ON CAPITOL HILL TEACH ONE QUICKLY WHAT THE "ME GENERATION" IS ALL ABOUT. THE PURSUIT OF ONE'S OWN ENDS OR PAROCHIAL INTERESTS WITHOUT A GRASP OF THE OVERALL PICTURE ACCOUNTS FOR MANY OF THE CRISES WE FACE TODAY.

IF WE DO NOT BEGIN TO MAKE CHANGES IN OUR LIFESTYLES TO ACCOMMODATE DWINDLING ENERGY SUPPLIES AND END RELIANCE ON FOREIGN OIL, DRAMATIC CHANGES WILL BE FORCED UPON US. A RETURN TO THE CITIES IS AN OBVIOUS MOVEMENT THAT WE SHOULD BE ENCOURAGING.

BANKERS HAVE AN IMPORTANT ROLE TO PLAY IN THE RESTORATION OF OUR OLDER COMMUNITIES, BUT I HAVE, WITH FEW EXCEPTIONS, BEEN DISAPPOINTED IN THEIR WILLINGNESS TO GET INVOLVED.

I WOULD HAVE BEEN THRILLED IF ONCE IN MY MORE THAN FOUR YEARS IN CONGRESS A BANKER HAD COME TO ME FOR HELP

IN PUTTING TOGETHER AN URBAN REVITALIZATION PACKAGE, OR FOR HELP ON LEGISLATION TO AID ECONOMIC REVITALIZATION OF THE CITIES. INSTEAD, I HAVE A STEADY STREAM OF BANKER REQUESTS TO END OR EXTEND REGULATION Q, TO PREVENT \$1000 MONEY MARKET CERTIFICATES, TO PROVIDE MORTGAGE BANKER ACCESS TO FREDDIE MAC (APPROVED LAST YEAR) AND TO PROVIDE A LEGISLATIVE REMEDY TO TIE FHA/VA INTEREST RATES TO MARKET RATES.

I AM VERY DISTRESSED WHEN I READ STUDIES THAT SHOW BANK PORTFOLIOS WHICH ARE HEAVILY INVESTED OUT OF STATE, OR, IN THE CASE OF THE NORTHEAST, OUT OF THE REGION. A 1977 STUDY OF MORTGAGE LENDING IN THE BOSTON METROPOLITAN AREA SHOWED THAT FOR EVERY DOLLAR DEPOSITED IN INNER CITY BANKS ONLY 27¢ CAME BACK TO THE AREA IN CONVENTIONAL AND FHA/VA MORTGAGES. THAT FIGURE INCREASED TO 53¢ IN NEARBY SUBURBS AND WAS NEARLY PAR AT 91¢ IN THE MORE DISTANT ROUTE 128 CORRIDOR. AROUND FAR SUBURBAN ROUTE 495, HOMEOWNERS RECEIVED \$1.73 FOR EVERY DOLLAR DEPOSITED. SOME COMMUNITIES GOT AS MUCH AS \$5.52.



HOME MORTGAGES ARE, OF COURSE, JUST ONE MEASURE OF COMMUNITY INVESTMENT. I AM CONVINCED THAT THE FIGURES CITED WOULD BE MUCH MORE BALANCED IF COMMERCIAL INVESTMENT AND COMPREHENSIVE REVITALIZATION EFFORTS WERE PURSUED IN THE OLDER CITIES.

WHEN BOSTON BANKS PLACE THEIR MONEY IN SCOTTSDALE OR SAN JOSE, THEY PLAY A PSYCHOLOGICALLY AS WELL AS ECONOMICALLY DISCOURAGING ROLE FOR LOCAL BUSINESSES. THIS PRACTICE CONTRIBUTES LITTLE TO THE LONG TERM FINANCIAL STABILITY OF MASSACHUSETTS AND TO THEIR FINANCIAL INTERESTS IN THEIR OWN COMMUNITIES. IT IS FAIR TO SAY THAT THE BANKS OWN THE INNER CITIES, AND THEY PROTECT THAT INTEREST WHEN THEY REINVEST LOCALLY AND STIMULATE THE EXPANSION OF OTHER LOCAL BUSINESSES.

I AM NOT SUGGESTING THAT EXTREMELY HIGH RISK VENTURES BE UNDERTAKEN. RATHER, BANKERS AND BUSINESSMEN SHOULD BE LOOKING AT OVERALL ECONOMIC NEEDS OF THE COMMUNITY, AT NEW OR REHAB PROJECTS THAT COULD BE THE CATALYST FOR SOLID ECONOMIC GROWTH.

IN MY HOMETOWN OF LOWELL, MASSACHUSETTS, A GREAT DEAL IS HAPPENING TO BRING THAT CITY BACK. CONGRESS LAST YEAR ENACTED THE LOWELL NATIONAL HISTORICAL PARK LEGISLATION, WHICH I SPONSORED. IT WILL AID THE PROTECTION AND REHABILITATION OF THE HISTORIC CANAL DISTRICT, UNDER THE JURISDICTION OF THE PARK SERVICE AND A COMMISSION MADE UP OF FEDERAL, STATE AND LOCAL OFFICIALS. THE FEDERAL GOVERNMENT HAS DONE ITS PART TO STIMULATE REVITALIZATION OF WHAT NOT LONG AGO WAS A DEPRESSED MILL TOWN. BUT WHAT HAS THE PRIVATE SECTOR DONE? VERY LITTLE. IN WHAT I CONSIDER A TRAGIC MISCALCULATION, THE MOST HISTORIC HOME IN THE CITY WAS ~~ALLOWED~~ <sup>ALLOWED</sup> TO LIE VACANT. ARSONISTS FINALLY ENDED ANY HOPE FOR SALVAGING WHAT COULD HAVE BEEN THE CROWNING JEWEL OF LOWELL'S REHABILITATION. I WORKED FOR MONTHS TO ENCOURAGE THE PRIVATE SECTOR TO FINANCE THIS PROJECT, BUT NO ONE SHARED MY VISION OF WHAT THIS COULD MEAN TO THE CITY.

I BECOME PARTICULARLY ANGRY WHEN PRIVATE INVESTMENT WILL NOT FOLLOW PUBLIC FUNDING. THE ADMINISTRATION



JUST MADE A BIG CUTBACK IN ASSISTED HOUSING PROGRAMS. THOUGH WE WERE ABLE TO INCREASE THE NUMBERS SLIGHTLY IN THE BANKING COMMITTEE'S RECOMMENDATIONS TO THE BUDGET COMMITTEE, THIS IS OBVIOUSLY NOT THE ADMINISTRATION NOR THE CONGRESS TO INCREASE PUBLIC SPENDING. I WILL CONTINUE TO WORK TO ASSURE A PUBLIC COMMITMENT TO PROGRAMS TO COMBAT SOCIAL ILLS. I WILL NOT TAKE THE THE HEAT OF BEING AN URBAN, LIBERAL, SPENDING, DEMOCRAT, AND WATCH THE PROPHECIES OF CONSERVATIVES BECOME SELF-FULFILLING BECAUSE THE PRIVATE SECTOR WOULD NOT BECOME INVOLVED.

IN 1977, CONGRESS PASSED THE COMMUNITY REINVESTMENT ACT, WHICH WAS AN ATTEMPT TO PUSH FINANCIAL INSTITUTIONS TOWARD RECOGNIZING THE NEEDS OF THEIR COMMUNITIES. THE FIRST REPORTING PERIOD FOR PUBLIC DISCLOSURE OF WHAT LOANS AND SERVICES BANKS OFFER AND THEIR DEFINITION OF THE COMMUNITY THEY SERVE WAS THIS PAST FEBRUARY. IT IS

STILL TOO EARLY TO ASSESS THE RESULTS, BUT THE STATEMENTS MAY PROVIDE NEIGHBORHOOD GROUPS WITH THE INFORMATION (OR AMMUNITION) NEEDED TO PRESS FOR GREATER COMMUNITY INVOLVEMENT BY LOCAL LENDING INSTITUTIONS. HUD HAS MADE A GRANT TO SHOW LOCAL GOVERNMENT OFFICIALS AND NEIGHBORHOOD GROUPS HOW TO USE THE REPORTS TO PERSUADE LENDERS TO MEET COMMUNITY NEEDS.

IF THIS VERY MILD LAW IS NOT PROPERLY ADHERED TO, IT MAY NOT BE LONG BEFORE A CONGRESSIONAL COMMITTEE HOLDS HEARINGS ON CREDIT ALLOCATION REQUIREMENTS, OR CALLS IN BANK EXAMINERS' RECORDS AS WELL AS STATEMENTS FROM UNREGULATED INSTITUTIONS TO FIND OUT EXACTLY WHERE LOANS AND INVESTMENTS ARE BEING MADE.

I HAVE BEEN ACCUSED OF SHOOTING FROM THE HIP IN MY ATTEMPT TO CALL ATTENTION TO THE SERIOUS PROBLEM OF DISINVESTMENT IN URBAN COMMUNITIES. THE FACT REMAINS THAT FEW BANKS HAVE BEEN IN THE FOREFRONT OF REINVESTMENT



ACTIVITIES. THE BEST EXAMPLE I HAVE SEEN IN MASSACHUSETTS IS IN SPRINGFIELD, WHERE THE VALLEY BANK AND TRUST COMPANY IS SPEARHEADING A CONSORTIUM OF BANKERS, BUSINESSMEN AND PUBLIC OFFICIALS IN A \$28 MILLION MORTGAGE POOL. THEIR INVOLVEMENT IS COMPREHENSIVE--IN PROMOTION, MARKETING AND DEVELOPMENT. BANKS CONTRIBUTE VARYING LEVELS OF FUNDS DEPENDING ON THEIR ASSETS. FINANCING TERMS ARE FLEXIBLE--THEY ARE WILLING TO LEND AT WHATEVER INTEREST RATE IS NEEDED TO MAKE A DEAL WORK. THE CONSORTIUM'S AGGRESSIVE LEADERSHIP IS GETTING THINGS DONE IN NEIGHBORHOODS AND IN THE COMMERCIAL SECTOR. IT PROVIDES DIRECTION FOR OTHER ECONOMIC DEVELOPMENT CORPORATIONS IN THE CITY, MEETS WEEKLY WITH THE MAYOR FOR ACTION-ORIENTED WORK ASSIGNMENTS AND PROVIDES QUICK RESPONSE TO GET PROJECTS UNDERWAY. THE BANKING GROUP IS CURRENTLY WORKING ON A PROJECT INVOLVING \$10 MILLION FROM THE MORTGAGE POOL IN COMBINATION WITH FEDERAL AND LOCAL FUNDS. THE PROJECT WILL CONVERT <sup>THE</sup> FORBES AND WALLACE DEPARTMENT STORE--A

COMMERCIAL LANDMARK NOW VACANT AND RUN-DOWN--INTO RETAIL,  
COMMERCIAL AND OFFICE SPACE.

BEFORE I CAME HERE, I LOOKED AT THE URBAN REVITALIZATION  
HANDBOOK PUT OUT BY THE MORTGAGE BANKERS. I WAS PLEASED  
TO NOTE THAT URBAN REVITALIZATION HAS BEEN A THEME FOR  
CONFERENCES, AND THE SUBJECT OF STUDY BY YOUR URBAN  
INVESTMENT COMMITTEE, CHAIRED BY BOB SPILLER OF THE  
BOSTON 5¢ SAVINGS BANK. THE HANDBOOK IS NOT A COMPLETE  
RECORD OF ACTIVITY BY MORTGAGE BANKERS IN THIS AREA, BUT  
I COULD NOT HELP BUT NOTICE THE DISPROPORTIONATE SHARE  
OF ACTIVITY IN THE SOUTH AND WEST. WHILE THOSE PROJECTS  
WERE DIRECTED TO "POCKETS OF POVERTY" WITHIN GROWTH AREAS,  
I WOULD HAVE BEEN MORE IMPRESSED TO SEE ACTIVITY IN THE  
DECLINING INDUSTRIAL CITIES OF THE NORTHEAST.

BANKS ARE THE BACKBONE OF URBAN REVITALIZATION. FOR  
TOO LONG, THEY HAVE HAD A LAID BACK POSTURE. IF NECESSARY,  
THE FEDERAL GOVERNMENT COULD FORGE THE LEGISLATIVE AND  
REGULATORY TOOLS TO REQUIRE THE INVESTMENT PRIORITIES WE  
PREFER. BUT SUCCESS IN REVITALIZING COMMUNITIES IS MORE



THAN THE SUM OF DOLLARS. WE SEEK YOUR INITIATIVES,  
YOUR CREATIVE TALENT, YOUR TIME INVESTED IN YOUR  
COMMUNITIES.

BANKERS HAVE A FINELY TUNED KNOWLEDGE OF WHAT IS  
HAPPENING IN THE COMMUNITY, AND THEREFORE COMMAND THE  
RESPECT OF BUSINESSMEN AND INDUSTRIALISTS. THEY HAVE  
ACCESS TO THE FUNDS MARKET. THEY ARE KNOWLEDGEABLE  
ABOUT GOVERNMENT PROGRAMS AND LEVERAGING PRIVATE  
SECTOR MONEY WITH PUBLIC. THEY CAN BRING THE PUBLIC  
AND PRIVATE SECTORS TOGETHER AND MOTIVATE OTHER  
BUSINESSMEN TO BECOME INVOLVED IN THE COMMUNITY PROCESS.  
BANKERS CAN BE THE CATALYST FOR REVITALIZATION.

OUR OLD, INDUSTRIAL CITIES CANNOT BE ALLOWED TO DIE.  
FAILURE TO INVEST STRONGLY IN URBAN REVITALIZATION WOULD  
BE A COSTLY ERROR. THE HUMAN TRAGEDIES OF A COMMUNITY'S  
DECAY CANNOT BE QUARANTINED. EVENTUALLY, NEWER CITIES  
AND SUBURBS WILL ALSO SUFFER FROM A FAILURE TO INVEST  
ENOUGH TIME, EXPERTISE--AND MONEY--IN OLDER COMMUNITIES  
STRUGGLING TO SURVIVE.