

Community Reinvestment Coalition to Press the Banks for Responsible Lending Practices

The statistics tell the story. From late 1989 to the end of 1993, the amount of business lending that Canadian banks did in sums of less than \$200,000—small business loans, in other words—fell from \$21.7 billion to \$17.9 billion. And this despite the assurances of the banks that, unregulated, they would increase lending to small businesses in this recessionary period.

Anecdotal evidence is also plentiful. Groups representing women, visible minorities, small business, and low-income people have recorded case after case of loans and other financial services withheld or withdrawn by the chartered banks.

It takes organization to transform this evidence into an instrument for reforming financial institutions, however. The facts have to be gathered; the complaints and alternatives explored and shaped into credible recommendations; and then the case for reform made where, when, and how government will hear it.

The Community Reinvestment Coalition (CRC) is intended to serve this function, marshalling the resources of diverse, dissatisfied communities in Ontario in order to impress upon legislators a new framework for community accountability and responsibility among Canada's financial institutions.

The CRC is currently at the proposal stage. Democracy Watch, a nonprofit, non-partisan organization based in Ottawa, is sponsoring the Coalition's application to the jobsOntario Community Action program for core funding. In the interim, Democracy Watch is canvassing individuals and organizations that share an interest in more equitable access to credit and other financial services. (The Centre for Community Enterprise, for one, intends to be an active participant. Its letter of endorsement will form part of the sponsor's final submission to jobsOntario.) Having established their interest in the project, Democracy Watch will organize an initial meeting to iron out the coalition's terms of reference, structure, and procedures.

BUILDING THE MEMBERS' ORGANIZATIONAL CAPACITY

The provisional terms of reference describe much more than an umbrella organization for lobbying purposes. Working from the example set by the National Community Reinvestment Coalition, an organization that has proven very effective in the United States, the CRC's priorities and structure will be determined by its membership. It will conduct research into the lending practices and patterns of financial institutions. It will compile information about current problems in community reinvestment and potential solutions. It will offer materials and training to bolster the effectiveness of its constituents as full-fledged (rather than second-rate) consumers of financial services.

To support these activities, members will commit resources in varying degrees. Apart from fees, the donation of labour, facilities, and office material and equipment are means of expressing commitment to the organization. It is hoped that fundraising and membership fees will suffice to meet the costs of operation in its second year.

The CRC, in short, will not be an organization run for the constituents by professionals external to their interests. It will

be run by them, so that they come away from both its successes and failures with a greater organizational capacity and leadership skills.

THE REFORM AGENDA

The details of the CRC's reform program will be determined by its members. An inkling of one direction its agenda may take, however, is discernible in a recent publication of Democracy Watch, "A Capital Idea: The Case for Reinvestment Requirements and Accountability Mechanisms for Financial Institutions in Canada."

That document succinctly makes the case for learning from the Americans' experience in the regulation of the lending and investment practices of financial institutions. The chartered banks of Canada, it argues, are using their privileged position to prosper in hard times at the expense of small business, our social welfare system, and ultimately Canadian taxpayers as a whole. The privacy of their decision-making is preserved by the absence of obligatory disclosure of lending practices and patterns, and by the questionable competence of the federal government and its agencies in protecting the interests of consumers of financial services in Canada.

In address this situation, the document presses for Canadian equivalents to the American Home Mortgage Disclosure Act (1975), the Community Reinvestment Act (1977), and the Citizen Utility Boards. Such legislation would

- release information by which the public could determine whether our major sources of loan capital actively discriminate against certain genders, races, or income groups.
- require banks to target reinvestment to specific areas or businesses, if lending information shows they are discriminating against these areas or businesses.
- require financial institutions to actively encourage the formation of associations to represent the interests of Canada's financial consumers.

From this document, it is clear that the organization sponsoring the CRC favours a transformation of the consumers of financial services. With determined federal intervention in the financial industry, their present apathy, disunion, and ignorance can give way to a well-informed activism that could do wonders for local economies across Canada.

FOR FURTHER INFORMATION

Democracy Watch intends to host the initial meeting of the CRC this fall. For further information about this proposal for community action, contact Democracy Watch at 135 Rideau St., 3rd Floor, P.O. Box 821, Station B, Ottawa K1P 5P9, tel. (613) 241-5178 fax (613) 241-8068. To obtain copies of the 38-page report "A Capital Idea," by Craig Forcese and Duff Conacher, send a cheque or money order to Democracy Watch in the amount of \$10 (Democracy Watch Supporters), \$15 (individuals), or \$25 (organizations).✍