

**MEMO# 5009**

July 27, 1993

## **NATIONAL JOURNAL ARTICLE ADVOCATING CRA FOR MUTUAL FUNDS**

July 27, 1993 TO: BOARD OF GOVERNORS NO. 65-93 RE: NATIONAL JOURNAL ARTICLE  
ADVOCATING CRA FOR MUTUAL FUNDS

Attached is a copy of an article from last week's National Journal, a weekly publication targeted at Washington policy makers. The article purports to report on an allegedly growing sentiment in favor of imposing Community Reinvestment Act requirements on mutual funds and other non-depository financial institutions. The article, entitled "Make 'Em Pay", cites proponents of such a move, including representatives of the American Bankers Association (quoted as saying that bank practices such as redlining -- which led to the enactment of CRA -- exist "throughout the economy") and the Independent Bankers Association of America (which reportedly has held a "brainstorming" session on how to apply CRA to mutual funds). While the editorial tone of the article is disturbing, it recognizes that mutual funds have different structures than banks, and quotes several people who point out the weaknesses of arguments in favor of applying CRA to mutual funds (including the Institute). However, the reporter tends to dismiss these arguments. For example, in response to the argument that mutual funds, unlike banks, do not benefit from FDIC insurance, the article states, incorrectly, that mutual fund accounts are "protected" by SIPC. The National Journal article follows press reports that the Treasury Department is considering whether money market funds should be subjected to the CRA. (See Memorandum to Board of Governors No. 53-93, dated June 9, 1993.) Most recently, the Institute has been informed by Undersecretary Frank Newman that Administration consideration of this issue is currently confined to a study, the scope of which has yet to be determined. We will continue to monitor the situation closely, take appropriate actions as events warrant and keep you informed as developments occur. Craig S. Tyle Vice President - Securities Attachment