

The Community Reinvestment Act (CRA)



SIGN-ON STATEMENT IN SUPPORT OF CRA MODERNIZATION

The *Community Reinvestment Act* (CRA) has been one of the most important laws for building wealth and revitalizing neighborhoods. CRA is an antidote to the foreclosure crisis since this law requires banks to meet the credit needs of all communities consistent with safety and soundness. Therefore, the undersigned organizations believe that Congress should strengthen CRA as it is applied to banks, and expand CRA's reach to non-bank financial institutions.

CRA Is Vital for Communities

- CRA encourages banks to respond to a variety of needs in low- and moderate-income communities, which includes the financing of affordable rental housing, sustainable homeownership, small business creation, and economic development projects.
- Since 1996, banks have made community development loans totaling more than \$407 billion. They also made small business loans of more than \$581 billion in low- and moderate-income neighborhoods from 1996 through 2007.
- CRA mitigates foreclosures. CRA exams provide points to banks for foreclosure prevention efforts including counseling and loan modification. CRA exams also penalize banks for making loans that are unfair and deceptive.
- According to the Federal Reserve Board, only 6 percent of all high-cost loans in 2006 (a boom year for high-cost lending) were considered on bank CRA exams. Banks have consistently issued a smaller percentage of high-cost loans over the last several years than have independent mortgage companies not covered by CRA. Had CRA been applied more broadly throughout the financial services industry, it is arguable that the foreclosure crisis would not have occurred.

CRA Should Be Preserved and Expanded

Updating CRA would further increase loans and investments leveraged by CRA. CRA modernization legislation introduced by the 111th Congress would:

- Bolster the accountability of banks to all communities. They would require CRA exams in the great majority of geographical areas banks serve. Currently, CRA examines banks in areas where they have branches but not in other areas where they lend through brokers.
- Address racial disparities in lending by requiring CRA exams to explicitly consider lending and services to minorities in addition to low- and moderate-income communities.¹ These disparities would be narrowed if CRA scrutinized bank performance in serving minority communities.
- Require federal regulatory agencies to hold more public hearings and meetings when banks merge. A lack of public hearings over the last several years has impeded fact-finding, dialog, and collaboration among banks, community organizations, and regulators for devising post-merger bank programs and products that preserve access to credit and capital for low- and moderate-income communities.
- Small business CRA loan data would include the race and gender of the small business owner. HMDA data would be enhanced to include loan terms and conditions. A new database on loan performance and foreclosures would be linked to HMDA data.

- Apply CRA to a variety of non-bank institutions including mortgage companies, insurance companies, and investment banks. The exams for non-banks would scrutinize the level of lending, investments, and other services offered in minority and low- and moderate-income communities.

CRA Expansion Will Put America on the Road to Economic Recovery

- Had CRA been applied to independent mortgage companies and other non-bank institutions, it is likely that our nation would not be confronted with the current economic crisis. CRA has a clear and powerful mandate: serve community credit needs consistent with safety and soundness.
- Government loans, investments, guarantees, and subsidies for the financial services industry during the current crisis will total more than \$12.8 trillion. In an effort to safeguard against future economic crises of this scale and magnitude, CRA must be applied more broadly throughout the financial services industry.

¹ NCRC's study the "Broken Credit System," documents that a disproportionate number of high-cost loans are issued to borrowers in minority neighborhoods even after controlling for creditworthiness. See <http://www.ncrc.org/images/stories/pdf/research/ncrcdiscrimstudy.pdf>

We the undersigned believe that updating CRA would leverage substantial sums of additional credit and capital for America's working families and communities. Strengthening CRA would help steer the country out of the current financial crisis by requiring financial institutions to invest responsibly in our people and our neighborhoods.

Signed by: _____

ACORN
Americans for Democratic Action, Inc.
Americans for Fairness in Lending
Consumer Action
Consumer Federation of America
Consumers Union
Demos
The Greenlining Institute
Leadership Conference on Civil Rights
Low Income Investment Fund
National Alliance of Community Economic Development Associations
National Association of Neighborhoods
National Community Reinvestment Coalition

National Council of Asian American Business Associations
National Council of La Raza
National Council of Negro Women, Inc.
National Fair Housing Alliance
National Federation of Filipino American Associations
National Housing Institute
National Low Income Housing Coalition
National NeighborWorks Association
National People's Action
National Urban League
Opportunity Finance Network
Rainbow PUSH Coalition