NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

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Multi-Trillion Dollar Lifeline "Saves" Wall Street, Homeowners Left to Fail

One year after failure of Lehman, lopsided government response has failed to address systemic and underlying problems

Washington, DC – One year ago, the Lehman Brothers investment bank failed. That event resulted in the largest bailout of the financial services industry in history. To date, more than $23 trillion dollars has been provided in investments, loans and guarantees, according to the Special Inspector General overseeing the bailout. But the core problem that triggered the crisis has yet to be fully addressed. Until the home foreclosure crisis has been addressed, the banking system and the economy will remain largely crippled.

"A year ago, we said that it was irresponsible and ineffective to use $700 billion to prop up financial institutions without strong measures to prevent foreclosures," said John Taylor, president and CEO of NCRC. "Today, the bailout has ballooned to several trillions of dollars in investments, loans and guarantees, and home foreclosures continue to mount at record levels. Congress has failed to compel the banks to modify loans in a sustainable way. Until we create strong transparency and accountability for Wall Street and purge reckless and irresponsible lending from the marketplace, the door is open for future crises."

The President has put forward the most thoughtful and comprehensive plan to address the foreclosure crisis. However, Congress has not passed bankruptcy reform, the chief "stick" in the Administration's loan modification plan. This failure to compel financial institutions to modify loans is the primary reason the loan modification program has not been successful.

Until Congress takes comprehensive financial reform seriously, the door is left open for the creation of massive systemic risk – and another failure of the financial system. Congress must pass legislation barring predatory lending practices and make other systemic reforms. These rules must be enforced by an agency devoted to serving consumers' best interests: the proposed Consumer Financial Protection Agency is the best way to ensure consumers are protected.

Finally, oversight of the financial system must be balanced by efforts to ensure that safe and sound lending reaches underserved communities. The Community Reinvestment Act is a model for responsible lending to low- and moderate-income communities in a manner consistent with safety and soundness. The law should be enhanced to cover all financial institutions, as has been proposed by the Community Modernization Act of 2009 (H.R. 1479).

On Wednesday, September 16, John Taylor will testify before the House Financial Services Committee on “Proposals to Enhance the Community Reinvestment Act.”

The National Community Reinvestment Coalition is an association of more than 600 community-based organizations that promote access to basic banking services, including credit and savings, to create and sustain affordable housing, job development and vibrant communities for America's working families.

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