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Expansion of Community Reinvestment Act Would Promote Economic Security and Financial Inclusion for America's Communities

Government oversight to ensure responsible lending and access to capital and credit is critical in wake of financial crisis

Washington, DC – The Community Reinvestment Act is one of the most important tools for building wealth and revitalizing neighborhoods—that's the message of leading experts testifying before the House Financial Services Committee (HFSC) today at the hearing on "Proposals to Enhance the Community Reinvestment Act." Expansion of CRA is on HFSC Chairman Barney Frank's agenda this year, and is supported by a broad coalition of municipal leaders, civil rights advocates, and housing organizations, led by the National Community Reinvestment Coalition. Nearly 130 mayors and the U.S. Conference of Mayors have also signed a resolution supporting expansion of CRA.

"CRA expansion would promote sustainable housing and small business development. It would create jobs and revitalize communities across America," said John Taylor, president and CEO of NCRC, who will be testifying today. "Mortgage companies and other lenders should be held responsible for the loans they make to communities, especially in light of the predatory and irresponsible behavior that deepened the pockets of Wall Street and damaged the lives of millions of Americans. As Congress debates financial reform, oversight of the financial system must include measures to ensure that safe and sound lending reaches underserved communities. The Community Reinvestment Act is a model for responsible lending that should be strengthened and expanded."

CRA has leveraged trillions of dollars for low- and moderate-income communities since its enactment in 1977, and has had a broader impact on the overall economy by creating jobs, expanding affordable housing opportunities, and promoting small business development. The law encourages lenders to meet the capital and credit needs of underserved communities, while explicitly prohibiting lending that is not consistent with safety and soundness concerns. This aspect of the law and its discouragement of predatory lending ensure that CRA motivates responsible and profitable lending.

NCRC is supporting the Community Reinvestment Modernization Act of 2009 (H.R. 1479), which has more than 50 sponsors in the House of Representatives.

CRA must be expanded in three critical ways. First, all financial institutions must be covered. Currently, mortgages companies and non-bank lenders are not covered. The

Federal Reserve has shown that 95% of high-cost lending was not covered by CRA. Bringing more lenders under CRA's regulatory umbrella would discourage high-cost lending in the future.

Second, loopholes in the law must be fixed. Currently, banks are measured where they take deposits, not necessarily where they do the most lending. The lending landscape has changed since 1977 and the law ought to reflect that.

Third, enforcement of CRA must be strengthened. NCRC supports moving enforcement of CRA to the Consumer Financial Protection Agency, as President Obama has proposed. H.R. 1479 increases transparency in the bank exam process and requires opportunities for the public and Congress to invigorate the regulatory process.

NCRC's testimony can be found at www.ncrc.org.

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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