POLICY WATCH

Issue 3, June 2013

NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

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Photo: NCRC members at NCRC's 2013 Hill Day.

Too Big to be Exempted:

Community Banks Need to Disclose Their Small Business Lending

In April, Senators Sherrod Brown (D-OH) and David Vitter (R-LA) introduced their "Terminating Bailouts for Taxpayer Fairness" bill (S. 798). The bill includes several provisions to rein in the risks posed by large banks, but the bill also includes several troubling provisions tailored for community banks. In particular, the bill exempts any financial institution with assets of $10 billion or less from the small business lending disclosure requirement in the Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 1071.

Section 1071 of Dodd-Frank requires banks to obtain, record, and publicly disclose some basic information about borrowers seeking small business loans. The purpose of the Section is to facilitate the enforcement of fair lending laws. It also enables communities, creditors, and lawmakers to understand the needs of small, women-owned, and minority-owned businesses. Before this provision, financial institutions were not required to publicly disclose their business lending practices. This made it difficult to gauge if women, small, or minority business owners were being treated unfairly since data on women and minorities' ability to access credit was limited. Recent reports suggest that despite the fact that there are more than 8.3 million women-owned firms that account for $1.3 trillion in revenue, female entrepreneurs are 15 to 20% less likely to have their loans approved by banks, and are more likely to receive lower loan amounts than their male counterparts.

Combating this pattern hinges on the ability to gather information about the behaviors and patterns associated with lending from banks of all sizes, in particular those banks with less than $10 billion in assets. Those banks comprise 6,984 of the 7,902 banks in the United States, and they originate 60% of all small business loans. An exemption for these banks would mean that

continued on page 2

In this Issue:

Mel Watt:
FHFA Nominee

New Nominee for Director of the Federal Housing Finance Agency

On May 1st, President Barack Obama nominated Representative Mel Watt to be the director of Federal Housing Finance Agency (FHFA), the entity that currently acts as conservator for Fannie Mae and Freddie Mac. This is not the first time President Obama has attempted to replace FHFA's current acting director, Edward DeMarco. In 2010, the President attempted to replace DeMarco by nominating Joseph Smith Jr., who then served as North Carolina's Commissioner of Banks. Republican members of Congress were able to block Smith's appointment and are threatening to do the same to Representative Watt. DeMarco has been criticized by NCRC and other consumer advocates for his refusal to allow mortgage principal writedowns at Fannie Mae and Freddie Mac.

Congressman Watt has served North Carolina's 12th District for 20 years as a member of Congress and is well versed in the many challenges facing the housing market and the role of the FHFA. He is a long-time member of the House Financial Services Committee and has played significant roles in helping pass the Dodd-Frank Wall Street Reform Act, preserving the Home Affordable Mortgage Program (HAMP), and banning abusive credit practices by enhancing consumer disclosure rules. Watt has previously been a supporter of mortgage loan principal reduction and is likely to allow Fannie and Freddie to reduce the mortgage loan principals of underwater borrowers. Though principal reduction would significantly reduce default rates, and save the government an estimated $2.8 billion, DeMarco has been steadfast in blocking principal reduction at the GSEs.

NCRC applauds President Obama on this nomination, and we encourage all of our members to contact your Congressional representatives and request that they support and confirm Rep. Watt as soon as possible

Too Big to be Exempted

continued from page 1

98% of banks would not be required to report small business lending data, and that the majority of small business loans would go undisclosed, undermining the function and intention of Dodd-Frank.

This "Too Big to Fail" bill is not the first time community banks have pushed for an exemption, and it will not be the last. NCRC opposes any effort to undermine Section 1071 and the specific gains the law makes in capturing inequalities in access to business capital and credit. It is critical that America's small business continue to grow because their expansion is directly linked to a healthy economy. When small businesses are positioned to grow, our economy grows with them

Banks Behaving Badly

Community Groups Comments on Mergers, from M&T to Renasant, Lead to Problems Found

By: Matthew R. Lee, Inner City Press

The subprime crisis made clear that regulators don't always get it right. But sometimes community groups' comments on a bank merger can lead regulators to find and address other problems. Take for example the application by M&T Bank to buy Hudson County Savings Bank. Back in October, several members of the National Community Reinvestment Coalition sent comments to the Federal Reserve, pointing out disparities in the lending record of Hudson County Savings Bank.

Home Mortgage Disclosure Act data from 2011 show that in the New York City Metropolitan Statistical Area, Hudson City Savings Bank, while lesser known than M&T, is a much larger home purchase lender. That data also showed that Hudson City disproportionately excludes African Americans and Latinos. For conventional home purchase loans in the NYC MSA in 2011, Hudson City made 765 such loans to whites and just five to African Americans (and only 44 to Latinos). Meanwhile, Hudson City denied the applications of African Americans 3.21 times more frequently than those of whites.

After receiving many comments from NCRC and its members, the Federal Reserve started asking questions, and the merger application was delayed. The banks responded by reaching out to some of the commenters to talk. But then a funny thing happened: the Fed found serious problems in M&T, on anti-money laundering controls and otherwise. Now the merger is further delayed.

Now NCRC members are commenting on a proposed merger in the Deep South: Renasant bank plans to buy M&F. Again looking at 2011 HMDA data for the Memphis MSA for conventional home purchase loans, Renasant made 60 such loans to whites, and only two such loans to African Americans, and only one to an Hispanic borrower. Renasant made 104 home purchase loans to whites, and only six such loans to African Americans, and only four to Hispanics. There are several other categories with sizeable disparities that are inconsistent with other lenders' demographics of lending in this MSA.

At least in the case of M&T and Hudson City, the regulators are doing their jobs -- but only after community groups drew their attention to the merger. In the case of Renasant, the comments are in to the FDIC and who knows what the FDIC will find. We will follow the case and be back with this column next month. Watch this space.

Make Your Voice Heard

Regulatory Comments

COMMENT PERIOD	AGENCY	DEADLINE
Disclosure and Reporting of CRA-Related Agreements	OCC	July 3

Get Engaged.
Stay Informed.

NCRC Members Only Monthly Legislative & Regulatory Conference Call

Dial in Wednesday, July 10th at 1:30 p.m. (EST)

Bills to Watch

NCRC tracks the House and Senate bills that could affect our communities, and that relate to the issues most important to our members and our mission. The following is a list of just some of the bills that NCRC is currently following:

SENATE BILLS

BILL NAME	SPONSOR	SUMMARY
S.249 : Responsible Homeowner Refinancing Act of 2013	Sen. Robert Menendez (D-NJ)	Requires Fannie Mae and Freddie Mac, to adopt specified criteria pertaining to: (1) borrower eligibility, (2) representations and warranties, (3) prohibition on up-front fees, (4) alternative streamlined methods to determine the value of a property, (5) the purchase or guarantee of any new mortgage resulting from the refinancing of an eligible mortgage, and (6) guarantee fees, in carrying out the Home Affordable Refinance Program.
S.471 : Fair Access to Credit Scores Act of 2013	Sen. Bernie Sanders (I-VT)	A bill to amend the Fair Credit Reporting Act to require the inclusion of credit scores with free annual credit reports provided to consumers, and for other purposes
S. 511 Expanding Access to Capital for Entrepreneurial Leaders Act (EXCEL Act)	Sen. Mary Landrieu (D-LA)	Amends the Small Business Investment Act of 1958 to authorize the Administrator of the Small Business Administration (SBA) to guarantee the payment of up to $4 billion per fiscal year for debentures or participating securities issued by small business investment companies (SBICs) to encourage the formation and growth of small businesses.

HOUSE BILLS

BILL NAME	SPONSOR	SUMMARY
H.R.656- Restore our Neighborhoods Act of 2013	Rep. David Joyce (R-OH14)	To provide $4,000,000,000 in funding through bonding to States to undertake significant residential and commercial structure demolition projects in urban and other targeted areas, and for other purposes.
H.R.1077 : Consumer Mortgage Choice Act	Rep. Bill Huizenga (R-MI2)	To amend the Truth in Lending Act to define some of the costs included in calculating the fees that comprise the 3% cap for qualified mortgages. The bill creates a double standard for affiliated and unaffiliated title companies that could drive up costs to consumers.
H.R.1283 : Main Street Stabilization Act of 2013	Rep. Bruce Braley (D-IA1)	To amend the Small Business Act to provide for grants to small business development centers, and for other purposes.

PROFILE OF THE MONTH

NAME: Senator Mary L. Landrieu (D)
STATE: Louisiana
ADDRESS: 431 Dirksen Senate Office Building
CITY/STATE/ZIP: Washington, DC 20515

LEGISLATION	SPONSORSHIP	STATUS
S. 249 Responsible Homeowner Refinancing Act of 2013	Co-Sponsor	In Committee
S. 511 Expanding Access to Capital for Entrepreneurial Leaders Act (EXCEL Act)	Sponsor	In Committee

BIOGRAPHY AT A GLANCE:

Mary Landrieu is the senior Senator from Louisiana, a member of the Democratic Party, and the chair of the Senate Committee on Small Business and Entrepreneurship.

Considered a moderate Democrat, Landrieu has focused her housing development efforts on rebuilding neighborhoods and communities. She also supports economic growth through the expansion of small businesses.

STANCES ON ACCESS TO CAPITAL AND CREDIT ISSUES:

- Voted to establish the National Affordable Housing Trust Fund.
- Voted to establish tax credits to promote homeownership in distressed areas.
- Voted to expand microloans to small businesses.
- Voted YES on modifying bankruptcy rules to avoid mortgage foreclosures.

The National Community Reinvestment Coalition is a nonprofit, nonpartisan association of more than 600 organizations dedicated to the mission of building and protecting wealth in America's underserved communities. For more than 20 years, we've advocated to ensure vibrant communities for America's working families by actively promoting access to basic banking services and products, homeownership and the development of affordable rental housing, local business growth, and workforce training. Our members include community reinvestment organizations, community development corporations, community financial development institutions, local and state government agencies, faith-based institutions, community organizing and civil rights groups, minority and women-owned business associations, and social service providers from across the nation.

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Become a Member of NCRC

NCRC supports and empowers our members to serve as effective leaders and representatives in their communities. By offering policy and advocacy support, organizing assistance, research and training, NCRC helps local organizations attract and preserve the financial resources that make communities prosper. Become a part of our powerful and growing coalition. Contact NCRC's membership and organizing team today:

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