POLICY WATCH

Issue 4, August 2013

NATIONAL COMMUNITY REINVESTMENT COALITION NCRC
www.ncrc.org

As Americans Struggle to Climb Economic Ladder, Corker-Warner GSE Reform Effort Falls Badly Short

By John Taylor

This is a perilous time for opportunity in America. The housing crisis, which stemmed from a terrible confluence of malfeasant lending, Wall Street machinations, and regulatory negligence, has wiped out an enormous amount of community wealth. Millions have lost their homes, and millions more have been badly set back because of that crisis. And now our leaders' commitment to homeownership as an essential engine of economic mobility and opportunity for working people, and affordable housing at large, appears to be wavering. It is absolutely critical that our policymakers and leaders do not take the wrong lesson from this disastrous period in American finance. One persistent problem is that the housing crisis, which originated on Wall Street, continues to be wrongly blamed on Main Street, and poor people in particular. A series of ugly myths underlie that notion.

One of those ugly myths is that the affordable housing goals at Fannie Mae and Freddie Mac played a role in the housing crisis. The affordable housing goals require the GSEs to dedicate a certain percentage of their business to loans that support homeownership and rental housing for working class families. Some will try to tell you that those goals drove Fannie Mae and Freddie Mac to make bad purchases. This is plainly and demonstrably false. The truth is, controlling for risk characteristics, there is zero difference in performance between loans that meet the GSE affordable housing goals, and other loans in the Fannie Mae/Freddie Mac portfolios. That means that those who might try to tell you that affordable housing goals caused the crisis, or even played a role, are flat out lying. The truth is that the affordable housing goals play a valuable role in ensuring that the market serves creditworthy low-and moderate-income, rural, and minority borrowers with conventional loans.

And yet, the legislative high water mark for GSE reform thus far, the Corker-Warner GSE

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reform bill, contains no affirmative obligation to create access for creditworthy low- and moderate-income, rural or minority families to conventional home loans. The bill jettisons the notion that the secondary market system should be there to help serve those families. In doing so, it tacitly bows to these falsehoods about the GSE affordable housing goals. It would take the bad premise that the affordable housing goals caused the crisis and essentially codify it in law. And law based on myth is bad law.

The affordable housing goals generated $267 billion in affordable loans in 2012. In 2011, they generated $196 billion. In the Corker-Warner bill, the goals are eliminated right away, and nothing is put in their place to create an affirmative obligation for the market to serve a broad set of qualified borrowers.

The bill does provide some funding for affordable housing by assessing a fee on securitizations, but it contains no obligation on the part of the market to serve populations it has historically unfairly ignored. Even the funding mechanism it does include, which allocates the fees collected to the National Housing Trust Fund, the Capital Magnet Fund, and a Market Access Fund, has fatal flaws in the Corker-Warner bill. First of all, in 2011, the fees would have produced only $456 million at a minimum, and only $913 million at a maximum. Even more troubling, in the first five years after enactment of the bill, the fees do not have to be collected at all. In order to allow the funds to build up, the money generated by the fees might not be disbursed for another five years after that. That means there is a potential for ten years to go by without any public benefit at all. That alone should make the bill completely unacceptable.

There are many other deep flaws to the bill, including creating an arbitrary and unnecessary 5% downpayment requirement and 43% debt-to-income ratio limit for a mortgage to be eligible for a guarantee. These requirements would needlessly cut out a broad group of qualified borrowers.

Lawmakers and others need to understand that endorsing this bill in its current form is endorsing a deterioration of opportunity. The fact that Corker-Warner has any traction at all is deeply troubling. Congress needs to do much better in charting out the future of mortgage finance in the United States. Throwing out our societal commitment to affordable housing and homeownership opportunities for responsible borrowers would be a grave mistake.

This item originally appeared in the Huffington Post on July 30, 2013.

HUD Releases its Proposed Affirmatively Furthering Fair Housing Rule

By Elizabeth Kemp and Jaunita Flessas

The U.S. Department of Housing and Urban Development (HUD) has released its proposed Affirmatively Furthering Fair Housing Rule. The proposed rule is designed to provide guidance to over 1,200 local governments, all states, and more than 4,000 Housing Authorities and community development agencies who receive federal funds on their fair housing responsibilities under Title VIII of the Civil Rights Act of 1968, commonly known as the Fair Housing Act. Leading up to the proposed rule, NCRC, our members, and other HUD grantees voiced concerns that the current rule is not as effective as it could be, and that the process of analyzing the impediments to fair housing should be improved.

The proposed rule issued by HUD attempts to address some of these concerns. Specifically, the proposal sets out the following changes to the existing requirements:

Change to the requirement that jurisdictions and public housing agencies that administer HOME, CDBG, ESG, HOPWA, or public housing (Section 8 or 9) funds develop an Assessment of Fair Housing (AFH): The Assessment of Fair Housing would replace the Analysis of Impediments. Public housing authorities would be able to create their own AFH or could join in their local government's development of one. For housing authorities covered by state agencies, the housing authority would be bound by the state AFH and may participate in its development.

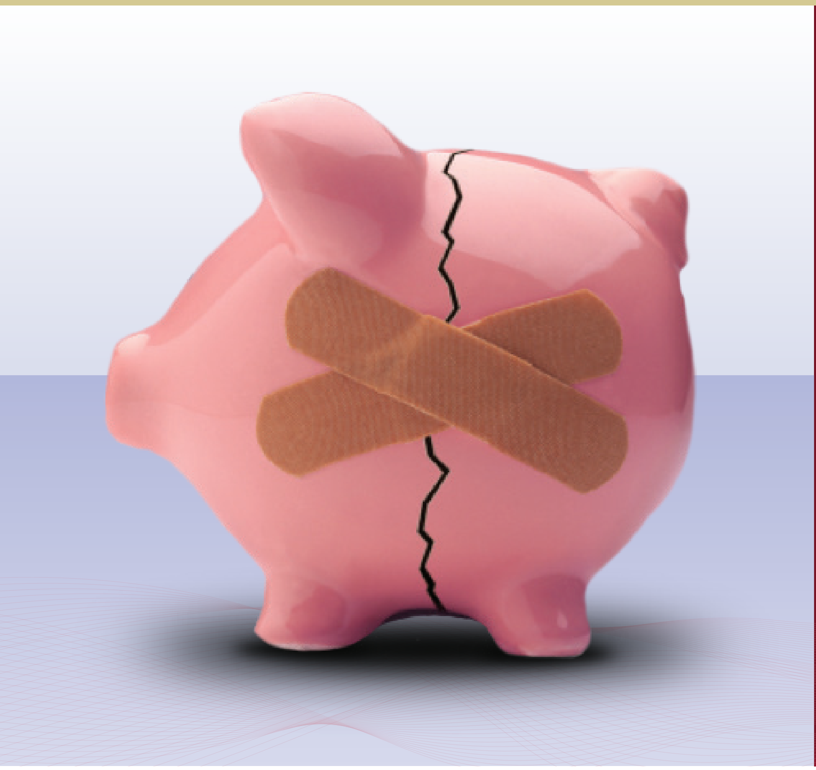
PHA Plans: The proposal would revise the annual Public Housing Authorities Plan (PHA) to require more discussion of the steps that will be taken by the housing authority to further fair housing.

Fair Housing Data: The proposal would provide HUD fair housing data to program participants to facilitate better planning. The data is intended to assist participants with the Assessment of Fair Housing and in addressing fair housing issues. It will address issues including patterns of integration and segregation, racially and ethnically concentrated areas of poverty, discrimination, persons with disabilities, and access to employment, transportation, education, and other factors that may assist with fair housing choice.

New Definitions: The proposal also includes a number of newly defined terms, Including a new definition for "affirmatively furthering fair housing."

Public Participation. The new rule includes provisions designed to ensure that states and localities engage all stakeholders in the planning process to promote neighborhood diversity and equal housing opportunity.

NCRC supports the Affirmatively Furthering Fair Housing mandate and believes that it is critical to get the rules that enforce it right. Our goal is to ensure that the final rule implements widespread measures that promote equal access to housing and provide communities with tools that can effectively eliminate discrimination. Anyone interested in commenting on the rule can find the proposal in the Federal Register (http://www.gpo.gov/fdsys/pkg/FR-2013-07-19/pdf/2013-16751.pdf). Comments are due by September 17, 2013.



Bank Mergers to Watch

By Matthew R. Lee, Inner City Press

Pacific Western Bank, Liberty and Forest Commercial

Despite a slowdown in mergers between the nation's biggest banks, there has been an uptick in smaller, regional mergers across the country. Here is a look at some of the newly announced proposed mergers:

On July 22, a $2.3 billion merger was proposed between Pacific Western Bank and CapitalSource Bank, who are proposing to develop a "national commercial lending arm."

There is also a proposed merger in Arkansas, announced on July 21, between Liberty BancShares and Home BancShares. The deal would form a $7 billion bank with 92 branches in Arkansas, making the entity the second largest bank in the state, and 59 branches outside the state.

On August 8, a proposed merger was announced in the Carolinas between Forest Commercial Bank and Carolina Alliance Bank in upstate South Carolina and western North Carolina. The new entity would also have three full-service offices located in Spartanburg, SC, Asheville, NC, and Hendersonville, NC, a loan production office in Charlotte, NC, and a proposed new branch located in Seneca, SC.

Commenting on a merger or acquisition can bring new investments and services to your community.
NCRC membership offers a range of benefits including access to resources to help you get involved in a merger or acquisition, or to comment on a bank's CRA exam.

Ways NCRC Can Help You Win Community Investments

1. Every quarter, we send out a CRA Action Alert to NCRC members with opportunities to comment on CRA exams, mergers and acquisitions.
2. Your NCRC Regional Organizer can help you strategize ways to ensure that the convenience and needs of communities are being met by banks.
3. NCRC's research and organizing teams can put together a pro bono data analysis you can use to gauge bank performance, and identify areas for improvement.

A Recent Victory: NCRC and its members' advocacy on Renasant Bank's acquisition of Merchants & Farmers resulted in a conditional approval, in which the bank's regulator required them to conduct additional marketing to small businesses and qualified home loan borrowers, partner with community organizations to advertise its products in underserved communities, expand its team of mortgage lenders, and set a goal of meeting the lending levels in home lending and small businesses lending of its peers. See the back page of this newsletter for information on how to become an NCRC member.

Make Your Voice Heard

Regulatory Notices and Comment Periods

COMMENT PERIOD	AGENCY	DEADLINE
Information Collection for Qualitative Research	FDIC	August 19
Risk-Based Capital Guidelines	Federal Reserve	September 3
Affirmatively Furthering Fair Housing	HUD	September 17

Get Engaged.
Stay Informed.

NCRC Members Only Monthly Legislative & Regulatory Conference Call

Dial in Wednesday, September 11th 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.1217: Housing Finance Reform and Taxpayer Protection Act of 2013	Sen. Bob Corker (R-TN)	This bill seeks to eliminate Fannie Mae and Freddie Mac and replace them with a single entity offering an explicit government guarantee for mortgage-backed securities. The bill eliminates the affordable housing goals, imposes certain eligibility requirements for mortgages including a 5% down payment requirement, and claims to support the entire low and moderate income homebuyer market with credit enhancements provided by the Housing Trust Fund and the Capital Magnet Fund.
S. 1376 FHA Solvency Act of 2013	Sen. Tim Johnson (D-SD)	A bill to improve the Federal Housing Administration and to ensure the solvency of the Mutual Mortgage Insurance Fund, and for other purposes.

HOUSE BILLS

BILL NAME	SPONSOR	SUMMARY
H.R. 2512: Regulation of Mortgage Servicing Act of 2013	Rep. DeLauro, Rosa (CT-3)	To amend the Truth in Lending Act to establish clear regulatory standards for mortgage servicers, and for other purposes.
H.R. 1077: Consumer Mortgage Choice Act	Rep. Bill Huiszenga (R-MI2)	To amend the Truth in Lending Act to improve upon the definitions provided for points and fees in connection with a mortgage transaction.
H.R.2767 PATH Act to Protect Taxpayers & Homeowners	Rep. Jeb Hensarling	This bill seeks to eliminate Fannie Mae and Freddie Mac over the next five years, and to eventually eliminate all government support for institutions in the mortgage market. The bill also reforms the FHA, increasing down payment requirements and encouraging risk sharing with private sector entities.

PROFILE OF THE MONTH

NAME: Representative Rosa DeLauro (D)
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CITY/STATE/ZIP: Washington, DC 20515
PHONE: (202) 255-3661

LEGISLATION	SPONSORSHIP	STATUS
H.R. 2512: Regulation of Mortgage Servicing Act of 2013	Sponsor	In Committee
H.R. 2553: National Infrastructure Development Bank Act of 2013	Sponsor	In Committee

BIOGRAPHY AT A GLANCE:

Rosa DeLauro is currently serving her eleventh term as a United States Congresswoman for Connecticut's 3rd Congressional District. Rosa serves in the Democratic leadership as co-chair of the Steering and Policy Committee, and she is the ranking member on the Labor, Health, Human Services, and Education Appropriations Subcommittee, where she oversees our country's investments in education, health, and employment. She also serves on the subcommittee responsible for FDA and agriculture, where she oversees drug and food safety.

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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