

# NCRC Reinvestment WORKS

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Senator Hillary Rodham Clinton speaks at NCRC annual conference

## NCRC Annual Conference Draws Hundreds of Advocates

Presidential candidates, civil rights leaders, housing advocates, CRA groups, bankers, lenders, community activists and organizers all converged on Washington DC this spring for NCRC's 2007 annual event. This year's conference, "Broken Economies: Making Markets and Governments Work for All Communities" was attended by over 600 people between March 14-17 at the Hyatt Regency on Capitol Hill. NCRC's annual conferences each year are the nation's largest gatherings of economic justice proponents and supporters of the Community Reinvestment Act (CRA) as a tool for economic development. Members, allies and others enjoyed opportunities to network with each other, contribute to the debate over national and international initiatives, and to hear from nationally known speakers.

### 30 Years of CRA

This year's national conference celebrated the 30 year anniversary of the passage of the Community Reinvestment Act (CRA). After 30 years, CRA is an especially effective and resilient piece of legislation, having survived significant political challenges that were designed to weaken and even eliminate it. Since the passage of CRA in 1977, lenders and community organizations have signed CRA agreements totaling more than \$4.7 trillion in reinvestment dollars.

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Over 600 advocates met in Washington DC for NCRC's annual conference.

## James Carr Joins NCRC Staff as Chief Operating Officer

NCRC is pleased to announce the appointment of James H. Carr to the position of Chief Operating Officer. As COO, Jim will serve under President and CEO John Taylor and will supervise the organization's other executive staff, assist in the implementation of NCRC's strategic plan and manage day-to-day operations. Jim will also represent NCRC at conferences, symposia, press events and other public forums, to explain the work of the organization and build support for its mission.



"We're delighted that Jim has accepted this important position with NCRC," says President and CEO John Taylor. Carr's extensive background and successful track record in promoting access to financial services, as well

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## A Call to Action from NCRC President and CEO John Taylor

### Dear NCRC members and allies:

A few moments of your time can have an important impact on our collective efforts to end predatory lending practices and **can help prevent millions of American borrowers from falling into foreclosure this year.** Today we are paying the price for reckless lending in the mortgage market. As mortgages reset and borrowers face foreclosure, millions of Americans are at risk of losing their homes.

Recently, Senators Schumer, Casey and Brown made a bold step forward in the fight against predatory lending practices in America by drafting **The Borrower's Protection Act of 2007 (S1299)**. NCRC and its allies and friends need to show community interest and urge our Senators to support this effort.

This bill will not move ahead unless Senator Dodd, the Senate Banking Committee Chair, calls it up for a hearing. NCRC members and allies need to urge Senator Dodd to take the S1299 up in committee. As Chair, Senator Dodd is the only one that can call the bill up for a hearing.

S1299 is not the comprehensive national anti-predatory lending bill we seek, but it is the first meaningful

step in the Senate and can provide a platform to leverage stronger legislation. S1299 goes a long way in addressing:

- Guaranteeing faith and fair dealing standards for all originators
- Underwriting at maximum possible rate
- Requiring originators to create escrow to pay taxes and hazard insurance on subprime loans
- Escrow of taxes and hazard insurance on subprime loans
- Prohibiting "steering" — brokers may not direct or counsel a consumer to rates, charges and principal amounts or prepayment terms that are not appropriate or suitable for the borrower
- Establishes a fiduciary duty for mortgage brokers and other non-bank mortgage originators
- Prohibiting originators from influencing the appraisal process
- Finally, S1299 calls for a \$300 million foreclosure prevention fund to assist non-profits in counseling, loan workouts and refinancing

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# Reinvestment WORKS

Woodstock Institute honors Calvin Holmes of the Chicago Community Loan Fund



NCRC CEO John Taylor and Nobel Prize winner Mohammed Yunus at AEO meeting in Kansas City



## NCRC

Reinvestment Works is published quarterly by the National Community Reinvestment Coalition (NCRC). NCRC seeks to increase fair access to credit and banking services and products because discrimination is illegal, unjust and detrimental to the economic growth and well being of our society.

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Senior Research Analyst

## Calvin L. Holmes Honored with Woodstock Institute Community Reinvestment Award

Calvin L. Holmes is among those honored with a Community Reinvestment Award from the Woodstock Institute at its 2007 Community Reinvestment Reception on Tuesday, April 24, for his commitment to revitalizing neighborhoods across the region.

"We are deeply indebted to Calvin for his energetic and creative leadership of the Chicago Community Loan Fund, for his leadership in the Chicago Community Reinvestment Coalition and his national advocacy on behalf of CDFIs and CRA," says Malcolm Bush, president of the Woodstock Institute.

Mr. Holmes is the executive director of the Chicago Community Loan Fund (CCLF), a local nonprofit lender that finances affordable housing and community development activities benefiting low- and moderate-income communities in Chicago. CCLF works throughout metropolitan Chicagoland, with a focus on



Ada Skyles, PhD, JD, Woodstock Institute board chair, and Calvin L. Holmes, CCLF Executive Director

the neighborhoods of Englewood, North Lawndale and Woodlawn and suburban corridors in southern Cook County and lower-wealth north lakefront communities.

Mr. Holmes chairs the Grants and Investments Task Force of the Chicago CRA Coalition, an umbrella organization convened by the Woodstock Institute which brings together organizations whose mission depends on critical lending and investment activity by private sector financial institutions to participate in the debate about community reinvestment.

The Woodstock Institute is a 33-year old Chicago-based policy and advocacy nonprofit that works locally, nationally, and internationally to promote community reinvestment and economic development in lower-income and minority communities.

Also honored with 2007 Community Reinvestment Awards are Kelly Mizeur, of the Women's Business Development Center; and Trinity United Church of Christ. ■

## NCRC Praises Senator Schumer's Bill to Help Borrowers & Tighten Standards, Calls for Tougher Regulatory Measures

National Community Reinvestment Coalition President and CEO John Taylor said U.S. Senator Charles E. Schumer's (NY) proposed legislation to help subprime borrowers would prevent huge numbers of foreclosures from devastating families and neighborhoods across America. Taylor praised Schumer for tightening lending standards and targeting resources to keep families in their homes by allowing them to refinance their loans.

"Senator Schumer is to be commended for being the first Member of Congress to step to the plate with a bill that gets at the heart of the problem — tightening standards for mortgage originators to help prevent a foreclosure crisis from occurring again," said Taylor, who spoke at the press conference to unveil the legislation.

Taylor urged Congress to pass tougher regulatory measures and not rely solely on lender principles. "Principles are dependent upon principled people, coupled with regulatory enforcement which has been absent. What we need is an expansion on the law that outlaws many predatory practices and creates a strong mandate to end them," said Taylor.

Commenting on Schumer's efforts to help borrowers facing defaults and foreclosures, Taylor said, "To be clear — no one is getting bailed out. Borrowers will repay their loans but at interest rates and with fees that are fair and reasonable. The preying on the elderly, the poor and blacks and Latinos must stop."

Taylor said Schumer's two-to-one match with lenders ensures that lenders "take public responsibility" for the crisis. "Greedy borrowers didn't create this problem. Greedy lenders and brokers did."

NCRC's National Anti-Predatory Consumer Rescue Fund assists borrowers who have been victims of abusive lending practices. Under Schumer's bill, CRF would receive resources to expand its work.

Since 2001, the CRF has helped over 5,000 borrowers avoid foreclosures. By renegotiating loans on borrowers' behalf with lenders and servicers, NCRC has reduced mortgage payments by an average \$276 a month or nearly \$100,000 over a 30-year period, a substantial amount of equity over the life of a loan. ■

## NCRC Awards at Annual Conference

Every year at our annual conference, NCRC presents awards to individuals and organizations who are leaders in the struggle for economic justice. Below are the awards and awardees from this year's conference:

### The National Community Reinvestment Award

Given to the individual who through their career has exemplified the ideals and values of community reinvestment.

**Winner: Terry Goddard**, The Attorney General of the State of Arizona — For his exemplary service to Arizona residents in consumer protection, fighting cyber crime, especially identity theft and Internet crimes against children; suing drug manufacturers and payday loan providers for abuse of consumers; and tackling predatory lending by taking action against companies that mislead and take advantage of homeowners.

### The Color of Money Award

Presented for the best documentary, news reporting, book or public information campaign that contributes to public understanding of the need for greater fairness and opportunity in US financial systems. This award is named for the 1989 Pulitzer-Prize winning articles by reported Bill Dedman, who blew the lid off discriminatory lending patterns in Georgia, and whose work helped to put teeth into the Community Reinvestment act.

**Winner: Jonathan Epstein**, of The Buffalo News — Jonathan D. Epstein is a financial reporter at The Buffalo News, covering banking, insurance and financial services and one of two reporters who worked on the paper's nationally award-winning four-part series, "The High Cost of Being Poor". Prior to joining the News in January 2004, Epstein spent six and a half years covering banking, credit cards and insurance for The News Journal in Wilmington, Delaware. He also covered small business lending. He began his career as a Community Banking reporter and deputy Community Banking section editor for The American Banker, a daily financial services paper.



Pictured left to right: Lee Beaulac, NCRC Board Chair; Jonathan Epstein, Buffalo News; John Taylor, NCRC President and CEO; Dr. Julianne Malveaux, Host; and Alan Jennings, NCRC Board member

### The Honorable James A. Leach Award

Presented to the most outstanding rural nonprofit organization. Congressman Leach (R-IA) as Chairman of the House Banking Committee, set a standard for bipartisan leadership and his ability to persuade and compromise with colleagues in both houses contributed enormously to progressive legislation during his chairmanship.

**Winner: Moises Loza**, NCRC Board Member and Executive Director of the Housing Assistance Council in Washington, DC. The Housing Assistance Council (HAC) has, since 1971, been helping improve housing conditions for the rural poor, with an emphasis on the poorest of the poor in the most rural places. Moises Loza has dedicated his life to bettering the housing conditions of low-income families and rural communities nationwide.

### The James Rouse Award

Presented to the urban non-profit organization that has made the most outstanding contributions to economic justice and community development. Named for the creator of New York's South Street Seaport, Boston's Quincy Market and the planned community of Columbia Maryland, this

award reflects the long devotion of its namesake to the cause of urban revitalization. Founder of the Rouse Company, co-founder of the Enterprise Foundation and the 1995 recipient of the Presidential Medal of Freedom, Mr. Rouse is an enduring model for all developers.

**Winner: Reverend Dr. William Barber II**, of the North Carolina NAACP — Reverend Barber II is the current president of the North Carolina State Conference of the NAACP and also served for the past 12 years as minister of the Greenleaf Christian Church in Goldsboro, North Carolina. He has served as campus minister at NCCU and later as the executive director of the North Carolina Human Rights Commission, appointed by then Governor Jim Hunt.

### The Honorable Henry Gonzalez Award

Presented to the non-profit organization or government entity or official that forges the most effective partnership with one or more non-profits to protect or advance the rights or economic conditions of disadvantaged consumers. The late Congressman Gonzalez (D-TX) represented his constituency long and well on Capitol Hill, where

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### NCRC Board of Directors

- Lee Beaulac**  
Chair  
Rural Opportunities, Inc.
- Dean Lovelace**  
Vice Chair  
Dayton Community Reinvestment Institute
- Marva Smith Battle-Bey**  
Vice Chairperson  
Vermont Slauson Economic Development Corporation
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- Stella J. Adams**  
North Carolina Fair Housing Center
- Malcolm Bush**  
The Woodstock Institute
- Alan Fisher**  
California Reinvestment Coalition
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- Edward J. Gorman, III**  
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- Charles Harris**  
Housing Education & Economic Development
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- Jean Ishmon**  
Northwest Indiana Reinvestment Alliance
- Alan Jennings**  
Community Action Committee of Lehigh Valley
- Elbert Jones**  
Community Enterprise Investments, Inc.
- Matthew Lee**  
Inner City Press/Fair Finance Watch
- Maryellen Lewis**  
MSU Community & Economic Development
- Eugene Lowe**  
U.S. Conference of Mayors
- Moises Loza**  
Housing Assistance Council
- Rashmi Rangan, Esq.**  
Delaware Community Action Council
- Bethany Sanchez**  
Metro Milwaukee Fair Housing Council
- Shelley Sheehy**  
River Cities Development Services
- Diane Thompson**  
Land of Lincoln Legal Assistance Foundation
- Morris Williams**  
Coalition of Neighborhoods
- Ted Wysocki**  
LEED Council

## NCRC Calls For a Shutdown of Unscrupulous “Foreclosure Mills” Operated By Law Firms

### Repeats Call For FHA Re-financing, Responsible Servicing, National Rescue Fund & Strong Anti-Predatory Lending Law

The National Community Reinvestment Coalition urged lawmakers to pass legislation immediately to shut down the “foreclosure mills” being operated by law firms, racing to kick out financially-troubled subprime borrowers from their homes. The law firms represent mortgage servicers, Wall Street investment firms and lenders.

Testifying before the House Financial Services Committee, a NCRC official recommended legislation that provides for 60-to-90 day stays in foreclosure proceedings nationwide to ensure that homeowners situations are properly assessed prior to facing needless and expensive foreclosure actions that strip equity.

One of the nation’s biggest and most respected advocates for fair housing, NCRC operates an Anti-Predatory Lending Consumer Rescue Fund that has been working directly with subprime borrowers helping them remediate troubled loans with lenders and servicers. Recently,

though, its loan workouts have turned into fast sprints against law firms involved in the foreclosures.

“We are struggling to keep up with these aggressive law firms that operate as foreclosure mills and profit from rushing borrowers to homelessness,” NCRC Executive Vice President David Berenbaum told committee members. “The greed in the legal system is one of the reasons Congress must pass a stay to give us more time to keep families in their homes. Americans who qualify for forbearance agreements or deserve a new loan or loan modification are being foreclosed upon ruthlessly.”

Berenbaum also said a congressionally-mandated stay would establish uniform and reasonable time periods across all states for loan workouts that often contain multiple lending abuses, not just one or two. He presented to the committee a list of 27 abuses often found in subprime borrowers’ loans.

Some of the abuses include faulty appraisals, yield spread premiums (fees paid by lenders to brokers for negotiating high interest rates), fee packing, forced placed insurance (more expensive insurance), mandatory arbitration and equity stripping. A sample of 69 CRF loans in NCRC’s portfolio shows considerably higher mortgage payment-to-income (front end) and debt-to-income (back end) ratios than standard loans. For example, the median back-end ratio was 50% on the CRF loans, compared to 36% for standard prime loans.

“This shows the problem isn’t about borrowers. It’s about lenders with abusive products and practices. Blaming borrowers and calling this crisis a market correction, as the lenders have done, isn’t a solution,” Berenbaum told committee members. “Stopping foreclosures should be the priority; stopping loans to families ready to own a home would be a mistake.”

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## NCRC Rallies Behind the CRA Modernization Act of 2007: Communities Stand to Receive Trillion of Dollars in New Loans and Investments

In early March, Rep. Eddie Bernice Johnson of Texas and lead cosponsor Rep. Luis Gutierrez of Illinois introduced the Community Reinvestment Act (CRA) Modernization Act of 2007 (HR 1289). If Congress enacts this bill, working class and minority communities would receive trillions of dollars in loans and investments. After the bill was introduced, hundreds of NCRC members advocated for passage of the bill during NCRC’s annual conference.

Passed in 1977, CRA currently applies to banks and requires them to meet the credit needs of low- and moderate-income communities. Federal agencies rate banks based on how many loans, investments, and services they offer to working class communities. CRA provides incentives for banks to increase the level of their services to low- and moderate-income communities because low CRA ratings can delay bank merger applications and/or result in specific improvements in CRA performance ordered by bank regulatory agencies.

Upon the introduction of the CRA Modernization Act, John Taylor, President and CEO of NCRC declared, “Thirty years ago, Congress passed a monumental law, CRA, which has provided the

American Dream of home-ownership and small business ownership to millions of working families. Now, Congress has the opportunity to dramatically expand the American Dream and revitalize communities by passing the landmark CRA Modernization Act.”

The CRA Modernization Act would apply CRA to bank lending through brokers in addition to lending through bank branches, thereby bolstering the number of loans subject to federal regulatory scrutiny. By also applying CRA to mortgage companies, insurance firms, and securities companies, the CRA Modernization Act would increase lending, investing, and wealth building opportunities in working class and minority communities.

CRA’s tremendous benefits would be multiplied many times over if the CRA Modernization Act was passed. Since its passage in 1977, CRA has leveraged more than \$4 trillion in loans and investments for low- and moderate-income communities according to NCRC’s *CRA Commitments* publication. Since CRA small business loan data became publicly available, NCRC has documented that banks made small business loans totaling more than \$449 billion in low- and mod-

erate-income neighborhoods from 1996 through 2005. Likewise, banks have made \$287 billion in community development loans since 1996. In addition to making millions of home purchase loans available to low- and moderate-income borrowers, CRA encouraged banks to offer more affordable and market-rate home purchase loans than non-CRA covered mortgage companies according to Federal Reserve Board research.

If banks, representing just one part of the financial industry, have made \$4 trillion in loans and investments to working class and minority communities, then applying CRA more broadly throughout the financial industry would leverage trillions of additional dollars for these communities. The CRA Modernization Act of 2007 represents one of the most significant economic and community development proposals of the last several decades.

In the coming months, NCRC and its 600 community member organizations will mobilize behind the CRA Modernization Act and advocate vigorously on its behalf. NCRC will seek opportunities to promote the bill and/or major provisions of the bill as Congress considers banking legislation. ■

## NCRC Awards at Annual Conference continued from p. 3



Pictured left to right: Lee Beaulac, NCRC Board Chair; John Taylor, NCRC President and CEO; Greg Bischak, Appalachian Regional Council; Dr. Julianne Malveaux, Host; and Elbert Jones, NCRC Board member

his fight for the rights of all Americans to greater fairness in our financial systems became legendary.

**Winners: Greg Bischak and Ray Daffner** of the Appalachian Regional Council — In the mid 1960s, at the urging of two U.S. presidents, Congress created legislation to address the persistent poverty and growing economic despair of the Appalachian Region where one of every three Appalachians lived in poverty, and per capita income was 23 percent lower than the U.S. average. The Appalachian Regional Commission has increase job opportunities and per capita income in Appalachia to reach parity with the nation; strengthened the capacity of the people of Appalachia to compete in the global economy; developed and improved Appalachia's infrastructure to make the Region economically competitive; and built the Appalachian Development Highway System to reduce Appalachia's isolation.

### The Senator William H. Proxmire Award

Named for the late Senator William Proxmire, who served as the Chairman of the Committee on Banking, Housing and Urban Affairs from 1975 to 1981 and again from 1987 to 1989. Senator Proxmire, was instrumental in the passage of the Community Reinvestment Act in 1977, the landmark piece of legislation whose 30th anniversary we celebrate this year. It because of his vision that more than \$4.7 trillion in community reinvestment loans has been made in communities across America. This award is

give to the individual who life's work best exemplifies the spirit of Sen. Proxmire's contributions through dedication and effective action on behalf of economic justice.

**Winner: Alan Fishbein**, Director of Housing and Credit Policy at the Consumer Federation of America — Alan's long and notable career includes leading the Center for Community Change's work on the Community Reinvestment (CRA) and Home Mortgage Disclosure Acts (HMDA) and other issues pertaining to responsible lending and banking services for low-income and minority consumers and communities; he also served at the U.S. Department of Housing and Urban Development as senior advisor for government sponsored enterprises oversight where he supervised the department's mission public mission regulation of Fannie Mae and Freddie Mac. Allen frequently provides expert testimony before Congressional panels and is interviewed by national news media on a variety of consumer credit and regulatory policy matters. He also has written numerous articles and authored publications and reports discussing these and other subjects. He is a past co-chair and current director of the National Neighborhood Coalition, a past member of the Federal Reserve Board's Consumer Advisory Council and serves on several other non-profit advisory boards. A member of the District of Columbia Bar, he was once honored as their "Consumer Lawyer of the Year." Mr. Fishbein earned his law degree from the Antioch School of Law in Washington, D.C. ■

## NCRC Testifies Before House Financial Services Committee on the Impending Foreclosure Crisis

In late March, Josh Silver, NCRC Vice President of Research and Policy, testified regarding the looming crisis in the mortgage market before the Subcommittee of the House Financial Services Committee on Financial Institutions and Consumer Credit. Subcommittee Chairman Carolyn Maloney (D-NY) and Ranking Minority Member Paul Gillmor (R-OH) called the hearing to consider the recent regulatory guidance on subprime lending and whether Congress also needs to pass legislation.

According to NCRC's testimony, "We stand on the precipice of a mortgage tsunami in the United States." Adjustable rate mortgage loans (ARMs) represent between 60 and 70 percent of subprime or high cost loans in recent years. Many of these ARM loans have been deceptively marketed, offering low "teaser" rates during the first couple of years, and then adjusting to much higher rates in subsequent years. Often, borrowers are unaware of the adjustments and lenders have only assessed borrower capacity to repay these loans at the low, teaser rates. The result is an impending foreclosure crisis. The Mortgage Bankers Association recently reported record foreclosure rates. And, according to the FDIC, more than 14% of the \$1.28 trillion in outstanding subprime loans were delinquent by the end of 2006. The FDIC also reports that interest rates will adjust on one million subprime loans in 2007 and another 800,000 next year.

NCRC testified that the guidance on subprime ARM lending proposed by the federal regulatory agencies is a necessary but not sufficient step to stem the looming crisis. The guidance requires lending institutions to assess borrower capacity to repay at the fully indexed rate, not the "teaser" rate. In addition, the guidance requires lenders to engage in a robust analysis of borrower debt-to-income ratio, incorporating payments for taxes and insurance. The sound underwriting in the proposed guidance should eliminate many of the abuses in the unsafe and deceptive ARM subprime lending.

Yet, the guidance does not come close to providing comprehensive coverage. It only applies to about half the subprime lending, which is conducted

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Community Reinvestment. Activism. Fair Housing/Fair Lending. Coalition Building. Small Business Development. Legislative/Regulatory Affairs.

# NCRC Annual Conference Draws Hundreds of Advocates Nationwide

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## Workshops

The conference offered basic and advanced workshops and trainings on topics such as bank mergers, CRA, coalition-building, predatory lending, fair lending, minority business development, fundraising, asset building and more. NCRC staff, Board members and invited experts from a diverse group of companies and nonprofits including Fannie Mae, HSBC Bank, Bank of America, the Economic Policy Institute and the Kaufman Foundation were featured on these panels and workshops and brought current and cutting-edge knowledge to the discussions.

New this year was an interactive discussion featuring leaders from the non-profit world, banking, foundations, academia and the media. The session, titled “A New Imperative for an Equitable Economy” connected the struggles of the middle class to those of the poor by focusing on how national and international policies are pushing more of the middle class into the ranks of the poor and the poor further into deprivation. This exciting and high-powered panel explored strategies aimed at building wealth and promoting economic opportunity for poor communities. “The two hour discussion could have easily gone on much longer,” said John Taylor, NCRC President and CEO. “There is clearly a need for open dialogue and a broader discussion of these issues.” The interactive format was popular and well attended and NCRC is planning on building such sessions into future conferences.

The closing plenary, “The Nexus Between Environmental and Economic Justice” was a coming together of two movements around common issues and challenges. The panelists discussed what is meant by environmental justice and how it differs from traditional environmental activism. How do we build neighborhoods that are safe from environmental and economic inhibitors? The panel looked at areas of collaboration, potential impacts and identified opportunities for working together in the future.

Community Reinvestment. Activism. Fair Housing/Fair Lending. Coalition Building. Small Business Development. Legislative/Regulatory Affairs.



**Special Guests**

NCRC's conference attracts special guests every year. With us this year:

Rainbow/PUSH Coalition leader Reverend Jesse Jackson Sr. was the kickoff speaker. His comments at the opening reception started the conference off with a call to action and energized the crowd for the days ahead. Senator Hillary Clinton addressed the conference attendees at the Congressional Luncheon on Thursday March 15. Senator Clinton, a contender in the 2008 presidential race, gave a compelling speech that highlighted the continuing need for CRA, the important role of community advocacy organizations and coalitions, as well as larger issues of subprime loans, foreclosures and their effects on the nation, including rural communities. The packed house responded with a standing ovation. Rep. Barney Frank, Rep. Elijah Cummings, OTS Director John Reich and AFL-CIO Vice President Linda Chavez-Thompson rounded out the speakers list.

## NCRC Annual Conference Draws Hundreds of Advocates Nationwide

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### Awards Dinner

Every year NCRC honors the economic justice movement's best and brightest stars at the Awards dinner on the final night of the conference. Dr. Julianne Malveaux was the host again this year and her easy humor allowed everyone to relax and have fun after three very busy days. (The full awards list appears on page 3 of this issue).

### Media Attention

This year's conference occurred during the very same week that the subprime mortgage market began to weaken and slide, setting off warnings from Wall Street to Main Street. The theme of this year's conference "Broken Economies," the focus of our workshops and discussions, and the rumblings in the real estate markets had the makings of a "perfect storm." What NCRC had been warning about for years was happening right before the nation's eyes and while our members and others were gathered in Washington to discuss those very same issues. This was a real story, and the media coverage came fast and heavy. News coverage of NCRC appeared in hundreds of papers and publications nationwide and internationally, President and CEO John Taylor was widely quoted and was also interviewed on Bloomberg TV and CNBC.

### Looking Ahead

Next March, NCRC will again host its annual conference in Washington DC. Look in *Reinvestment Works*, our Web site [www.ncrc.org](http://www.ncrc.org) and in your e-mail box for updates and news. ■



# A Call to Action from NCRC President and CEO John Taylor

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**We ask your help in doing the following:**

## 1) TO ALL OUR MEMBERS AND ALLIES:

**Contact Senator Dodd and urge him to introduce the bill in committee.** Senator Dodd has expressed hesitancy about seeking national anti-predatory lending legislation and has called more recently for a “set of principals” to guide the industry. We do not have the luxury of waiting for industry to enact “principals” while thousands of American families’ equity is stripped by the abusive lending practices that go unchecked in the marketplace today. Using the sample letter below, urge Senator Dodd to introduce the bill in committee.

Dear Senator Dodd,

A Set of Principles depends upon Principled People. We have a mortgage foreclosure crisis because unprincipled, greedy people ignore voluntary best practice documents in favor of profits at the expense of the American consumer. Only a strong national anti-predatory standard that does not preempt state anti-predatory lending laws will prevent a future occurrence of these predatory practices. Act now, in your position as head of the Senate Banking Committee and as a candidate for President of the United States, to stop predatory lending once and for all. We applaud and support Senators Schumer, Brown and Casey’s proposal, the “Borrower protection Act of 2007” and hope you will take aggressive steps to expand on this effort and offer every American the protection they need from predatory lending practices. Two million American families now are facing foreclosure. The time for hearings, niceties and voluntary agreements is over — the time for action is now.

## 2) FOR NCRC MEMBERS IN THE FOLLOWING STATES:

*Connecticut, Hawaii, Rhode Island, Montana, New Jersey, Idaho, North Carolina, Florida, Colorado, Wyoming, Nebraska, New Hampshire, Indiana, Delaware, Alabama, Utah and Kentucky*

Broader support by others on the Banking Committee is needed. Using the sample letter below, contact your US Senator and urge them to support and preferably, cosponsor Senators’ Schumer, Brown and Casey’s S1299, “Borrower’s Protection Act of 2007.”

Dear Senator \_\_\_\_\_:

I urge you to sign on as a cosponsor of the S 1299 — “Borrower’s Protection Act of 2007.” Only a strong national anti-predatory standard that does not erode any current state anti-predatory lending law will prevent a future occurrence of these predatory practices. Please sign on to the Bill now, in your position as member of the Senate Banking Committee, because the crisis in lending is real in \_\_\_\_\_ (our state) and borrowers at home and in your district risk foreclosure this year. We need a stop to

predatory lending once and for all.

I commend Senators Schumer, Brown and Casey’s efforts on S 1299, the “Borrower Protection Act of 2007,” and urge you to help further the bill in the Senate Banking Committee. We hope you will sign on in support of this effort and offer every American the protection they need from predatory lending practices. The time for action is now. Two million American families now are facing foreclosure, and non-profits who provide the counseling and workouts of loans cannot respond to the influx of consumers stuck in products that they cannot afford. Your help is needed by supporting this bill.

Thank you.

## 3) FOR NCRC MEMBERS IN NEW YORK, OHIO AND PENNSYLVANIA

What Senators Schumer, Brown and Casey did by drafting this bill shows concern for America’s future, a willingness to take on tough issues and propose real solutions. Please express your appreciation for their efforts by taking a minute send them a quick thank-you using the sample letter below.

Dear Senators Schumer, Brown and Casey:

Thank you for your leadership in proposing the “Borrower’s Protection Act of 2007” and the proposed funding to assist non-profits in preventing families from losing their homes as a result of these predatory loans. Predatory lending practices in our nation have jeopardized the lives of millions of Americans. Your efforts are an important step toward a more comprehensive national standard that should eradicate these unsavory lending practices. Promoting industry “best practices” or “good principles” are not enough. We need laws that ensure that consumers get loans that are appropriate for them and reflect their ability to pay. We hope your leadership inspires others in the Senate to recognize the mortgage crisis that has spread across America and that they will act immediately to support and expand upon your initiative to end predatory lending practices.

NCRC appreciates the help of its friends in allies in this important effort. Together we have a powerful voice and can make real lasting change for America’s future. Please take the time to send these letters. A few minutes can make a real difference. E-mail contact information for each Senator is listed below.

Please send a copy of your letter to Sylvia Lake, NCRC’s Vice-President of Legislative and Regulatory Affairs (slake@NCRC.org). Please also feel free to contact us if you need additional talking points for your efforts as well.

Thank you.

**John Taylor**

President and CEO

National Community Reinvestment Coalition ■

Senate e-mail roster:

### Indiana

<http://bayh.senate.gov/LegForm.html>

### South Dakota

[www.johnson.senate.gov/emailform.cfm](http://www.johnson.senate.gov/emailform.cfm)

### Rhode Island

[www.reed.senate.gov/contact/contact-share.cfm](http://www.reed.senate.gov/contact/contact-share.cfm)

### Delaware

[www.carper.senate.gov/aemail.cfm](http://www.carper.senate.gov/aemail.cfm)

### New Jersey

[www.menendez.senate.gov/contact/contact.cfm](http://www.menendez.senate.gov/contact/contact.cfm)

### Hawaii

[www.akaka.senate.gov/public/index.cfm](http://www.akaka.senate.gov/public/index.cfm)

### Ohio

[www.brown.senate.gov/contact.cfm](http://www.brown.senate.gov/contact.cfm)

### Montana

[www.testler.senate.gov/Contact/](http://www.testler.senate.gov/Contact/)

### Alabama

[senator@shelby.senate.gov](mailto:senator@shelby.senate.gov)

### Utah

[www.bennett.senate.gov/contact/email\\_opinion.cfm](http://www.bennett.senate.gov/contact/email_opinion.cfm)

### Colorado

[www.allard.senate.gov/public/index.cfm?FuseAction=Contact.Home](http://www.allard.senate.gov/public/index.cfm?FuseAction=Contact.Home)

### Wyoming

[www.enzi.senate.gov/public/index.cfm?FuseAction=ContactInformation.EmailSenatorEnzi](http://www.enzi.senate.gov/public/index.cfm?FuseAction=ContactInformation.EmailSenatorEnzi)

### Nebraska

[hagel.senate.gov/index.cfm?FuseAction=Contact.Home](http://hagel.senate.gov/index.cfm?FuseAction=Contact.Home)

### Kentucky

[bunning.senate.gov/index.cfm?FuseAction=Contact.Email](http://bunning.senate.gov/index.cfm?FuseAction=Contact.Email)

### Idaho

[www.crapo.senate.gov/contact/email.cfm](http://www.crapo.senate.gov/contact/email.cfm)

### New Hampshire

[www.sununu.senate.gov/webform.html](http://www.sununu.senate.gov/webform.html)

### North Carolina

[www.dole.senate.gov/index.cfm?FuseAction=ContactInformation.ContactForm](http://www.dole.senate.gov/index.cfm?FuseAction=ContactInformation.ContactForm)

### Florida

[www.martinez.senate.gov/public/index.cfm?FuseAction=ContactInformation.ContactForm&CFID=7264043&CFTOKEN=89020048](http://www.martinez.senate.gov/public/index.cfm?FuseAction=ContactInformation.ContactForm&CFID=7264043&CFTOKEN=89020048)

## Office of Thrift Supervision Reverses Itself and Revokes CRA Weakening Rule

NCRC's Annual Conference was the setting for a significant regulatory victory this year. A couple of years ago, the Office of Thrift Supervision (OTS) issued damaging changes to the regulations implementing the Community Reinvestment Act (CRA). The OTS enacted changes to the CRA regulation which made its CRA exams much weaker than those of the three other federal banking agencies. During NCRC's Annual Conference, OTS Director John Reich made the first public announcement indicating that the OTS had revoked its CRA rule changes of a couple of years ago.

The OTS under, Reich's predecessor, James Gilleran, implemented watered down CRA exams for all thrifts. The agency defined small thrifts as those with assets under \$1 billion and large thrifts as those with assets over \$1 billion. The small thrifts had a streamlined exam that consisted only of the lending test. The large thrifts had a lending test, but could choose whether they wanted an investment and service test.

In its rule reversal, the OTS now applies the small thrift test to thrifts with assets under \$250 million. Mid-size thrifts with assets between \$250 million to \$1 billion have a CRA exam that consists of a lending and community development test (which incorporate elements of the investment and service test). This thrift mid-size CRA exam is now the same as those for banks regulated by the FDIC, the Office of the Comptroller of

**Congratulations are due to all of those who have fought against CRA weakening since the CRA regulation review commenced in the summer of 2001.**

the Currency, and the Federal Reserve Board.

In addition, the large thrifts with assets above \$1 billion have a lending test (50% of the overall rating), an investment test (25% of the rating), and the service test (25% of the rating). The large thrift CRA exam is now the same as the large bank CRA exam. Moreover, thrifts can experience downgrades in their CRA ratings for illegal and abusive lending, just as banks. The OTS had also previously aligned their Questions and Answers to conform to the federal bank regulators' regarding the expanded definitions of community development to include community development financing in rural distressed areas

and areas recovering from natural disasters.

The OTS refers to NCRC's research documenting decreased levels of community development financing and grade inflation in the wake of the rulings issued during the Gilleran era. The OTS discusses NCRC's research point by point, suggesting that NCRC's research was influential.

Importantly, the comments of NCRC members and individuals allied with us left an impression with the agency. Of the 66 comments received by the OTS on the proposed changes, 61 were supportive of the OTS' proposal to align its CRA regulations with those of the other agencies. The OTS relied on the supportive comments in issuing its proposal. The agency notes that the "comments largely supported the proposal" and that the "revisions reinforce principal objectives of the CRA." Overall, the level of comments was light because word on the street was that Director Reich was going to align the agency's CRA rules with those of the bank agencies. Yet, if NCRC members and allies had not commented as much as they did, the agency may have ruled differently since it may have figured it did not have the public support.

Congratulations are due to all of those who have fought against CRA weakening since the CRA regulation review commenced in the summer of 2001. We lost some battles, including the deletion of mandatory reporting of small business loan data for mid-size banks and indexing of asset levels to determine the asset range for small institutions. However, the worst proposals to weaken CRA via regulation were defeated. Moreover, we will seek to reverse the weakened provisions of the CRA regulation that were enacted.

See [www.ots.treas.gov/docs/7/777016.html](http://www.ots.treas.gov/docs/7/777016.html) for a copy of the final OTS CRA rules, the press release, and Director Reich's comments at NCRC's conference. ■

## NCRC Testifies before House Financial Services Committee on the Impending Foreclosure Crisis

*continued from p. 5*

by banks, thrifts, and their affiliates. The guidance also cannot directly cover the non-bank institutions including brokers, appraisers, closing agents, securitizers, and servicers, all of whom contain abusive actors perpetuating or enabling dangerous lending.

NCRC offered three major policy recommendations for halting the fast approaching mortgage tsunami. First, Congress must pass a comprehensive national anti-predatory bill, building upon the strongest protections in state laws. A bill must cover all the actors in the lending industry, ranging from brokers, lenders, appraisers, and the secondary market. Second, Congress must enact the CRA Modernization Act of 2007 (see related article) since the CRA Modernization Act will stimulate additional

bank and mortgage company prime lending, serving to increase product choice in communities experiencing an influx of high cost loans. Thirdly, Congress and the Administration must work together to retool the FHA program so that FHA loans can be used to rescue victims of predatory lenders who are facing imminent foreclosure through no fault of their own.

NCRC's testimony presented a wide array of NCRC's research, mystery shopping, and experience in our Consumer Rescue Fund to document the pervasive abuses and discrimination in the nation's lending markets. A copy of NCRC's testimony is available via [www.ncrc.org/policy/NCRC%20Subcommittee%20Testimony%203.27.pdf](http://www.ncrc.org/policy/NCRC%20Subcommittee%20Testimony%203.27.pdf). ■

# Study Finds Appalachian Banks Have \$500 Billion in Assets To Fuel Economic Growth, But Rural Businesses Still Face Credit Gap Compared to Urban Counterparts

## National Community Reinvestment Coalition Conducts Study For Appalachian Regional Commission — Provides Data For Thirteen Appalachia States<sup>1</sup>

Appalachia possesses over \$500 billion in assets in 227 banks that finance \$5.4 billion every two years for community and business development — a “cautiously optimistic” amount to combat poverty and unemployment, finds a study released today by the National Community Reinvestment Coalition (NCRC).

Drawing on a study commissioned by the Appalachian Regional Commission (ARC), NCRC said the region’s banks have made important strides in making loans available to small businesses. For example, contrary to national trends, Appalachia banks have higher levels of small business lending in predominately minority counties. At the same time, significant credit gaps remain.

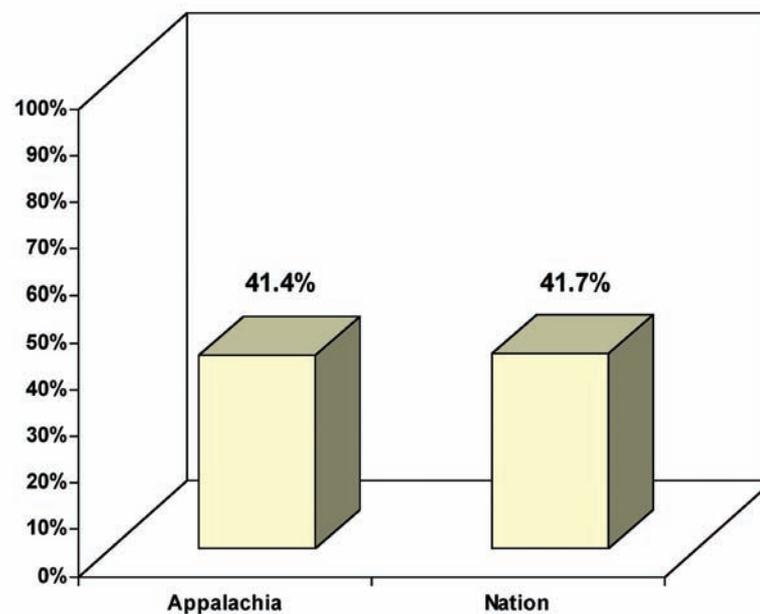
John Taylor, NCRC President and CEO, said: “When people think about poor areas, they usually talk about liabilities and deficits. But we are cautiously optimistic about the region’s ability to face tough challenges because Appalachia has a significant asset — a banking sector that has been motivated by the Community Reinvestment Act to reinvest in the region.”

Yet, significant credit gaps remained. Small businesses in rural counties are less likely to receive loans than businesses in metropolitan areas. Likewise, businesses in low- and moderate-income census tracts are less likely to receive loans (41% of all small businesses in Appalachia received loans as opposed to 35% of small businesses in low- and moderate-income tracts). The smallest businesses with revenues under \$1 million are least likely to receive loans — just 28% of these businesses received loans in 2003.

An overlooked asset for addressing credit gaps are mid-size community based banks that have local branch presence. NCRC’s report revealed that bank branch presence has a significant impact on lending levels. When the number of branches is 11 or higher in a

### Similarities in Lending Trends: Appalachia and Nation

Percent of Small Businesses Receiving Loans



county, the median number of loans is 1,287 in a county. In contrast, when the number of branches is below 11, the median number of loans in a county is 235. Mid-size, community based banks with local branches and with assets under \$1 billion also are most likely to lend in rural counties and distressed counties. Most of the banks headquartered in Appalachia are mid-size, community based banks.

Overall, banks made a higher amount of small business loans in counties where businesses had the best credit. Surprisingly, small business creditworthiness did not vary greatly in metropolitan and rural counties and distressed and non-distressed counties. This suggests that increasing branch presence is a relatively quick and efficient way for increasing small business lending since large differences in creditworthiness do not have to be overcome in rural and distressed

counties.

Another asset in Appalachia is the 100 Community Development Financial Institutions (CDFIs) and ARC sponsored revolving loan funds, making loans in hard to serve markets. CDFIs in Appalachia place more of an emphasis on small business lending than their national counterparts. In addition, ARC revolving loan funds have been financing higher levels of job creation per loan dollar over the years.

In order to close remaining credit gaps, NCRC recommends branch building and expansion in Appalachia. State and local governments in Appalachia should consider New York State’s program which offers tax breaks and below market rate deposits in exchange for banks opening branches in economically disadvantaged areas. In addition, Congress needs to strengthen CRA, a federal law that requires banks to meet credit needs of communities. Congress should enhance CRA small business loan data reporting so that all banks must report the data and require that the data include the race and gender of the small business owner. Moreover, the important role of community banks

should be supported by expanding financing such as the Federal Home Loan Bank of Pittsburgh’s advances for bank small business lending. The NCRC report includes a number of additional recommendations such as increased bank financing for the CDFIs and revolving loan funds in Appalachia.

Taylor said, “Our report shows the beginnings of a revitalization story in Appalachia. Government support and encouragement of bank financing could go a long way towards economic rebuilding and job growth in the region.”

Entitled Access to Credit and Capital in Appalachia, the report is available via [www.ncrc.org](http://www.ncrc.org). ■

<sup>1</sup>See pages 23, 26, 28, 30, 33, 44, 94, and 97 of the report for regional and state breakdowns. Also see pages 176, 178, 179, and 181 of the Appendices for additional breakdowns.

# Economic Fairness and Mobility: Promoting Opportunities for Building Wealth



**August 21-22, 2007 • Radisson Quad City Plaza, Davenport, Iowa**

12

NCRC's conference features some of the most influential social and economic policy makers. For this year's regional conference, we have invited:

- |   |   |
|---|---|
| Congressman Bruce Braley                                | Matthew Lee, Inner City Press/<br>Fair Finance Watch      |
| Senator Dick Durbin                                     | Dean Lovelace, Fitz Center for<br>Leadership in Community |
| Governor Chet Culver                                    | – University of Dayton                                    |
| Congressman Phil Hare                                   | Bethany Sanchez, Metro<br>Milwaukee Fair Housing Council  |
| Senator Tom Harkin                                      | John Taylor, NCRC President<br>& CEO                      |
| Senator Charles Grassley                                | Diane E. Thompson, Esq.,<br>Fair Lending Attorney         |
| Senator Barack Obama                                    | Shelley Sheehy, River Cities<br>Development Services      |
| Stella Adams, Fair Lending<br>Expert (NC)               | Josh Silver, NCRC   |
| Lee Beaulac, NCRC Chairperson                           | Hubert Van Tol, Rural<br>Opportunities, Inc.              |
| Gail Burks, Nevada Fair Housing<br>Center               | Ted Wysocki, LEED Council<br>Chicago, IL                  |
| Pete Garcia, Chicanos Por La<br>Causa, Inc.             |   |
| Irvin Henderson, Community<br>Reinvestment              |   |
| Association of North Carolina                           |   |
| Jean Ishmon, Northwest<br>Indiana Reinvestment Alliance |   |

### Tuesday, August 21

#### Pre-Conference Trainings

In-depth sessions offering powerful tools and strategies on topical issues.

#### 1:30 – 3:30

- Practical Applications of CRA: Building Healthy Communities
- Agricultural Business Development: Alternative Energy Opportunities
- Making the Deal Work: New Markets Tax Credits

#### Community Development Tour

#### 4:00 – 6:00

This tour through Davenport and Rock Island will highlight sustainable community development projects, including those with green designed, LEED certified buildings.

#### Welcoming Reception and Baseball Game

#### 6:00 – 7:30

Join local congressional members, community leaders and others for a welcoming reception to the regional conference, with opening remarks by NCRC President & CEO John Taylor. Afterwards relax by taking in an evening of Class A Midwest League baseball with the Swing of the Quad Cities at the John O'Donnell Stadium on the banks of the Mississippi River.

### Wednesday, August 22

#### Breakfast Plenary

#### 8:00 – 9:15

VIP Speakers and Awards Presentation

#### Conference Workshops

#### 9:30 – 10:45

- Community Engagement in the Development Process
- Remedies to Predatory Lending
- CRA Modernization

#### 11:00 – 12:15

- Capitalization Strategies for Rural Enterprise Development
- Building Coalitions With Clout: Models for Change, Tools that Work
- The Foreclosure Tsunami: Keeping Homeowners Afloat
- Small City (Re)Development: Building Clean, Vibrant Communities

#### Lunch Plenary

#### 12:30-1:30

VIP Speakers and Member Recognition

#### Rural Opportunities Interactive Session

#### 1:45 – 3:30

Hosted by NCRC President & CEO John Taylor, this session will bring together rural community advocates, national experts and congressional leaders to talk about opportunities to influence rural capital and credit. Of particular focus is the 2007 Farm Bill; this session presents an opportunity for audience and panel members to provide input on the shaping of that bill and similar legislation.

#### Closing Session

#### 3:45 – 4:45

This powerful session will allow conference participants the opportunity to reflect on the conference and brainstorm "next steps" to carry forward. Closing remarks, small group breakouts, and an opportunity to record outcomes and ideas to carry out to other communities are some of the highlights of this session. You won't want to miss it!

### SPECIAL REGISTRATION RATE FOR NEW MEMBERS ONLY!

Join now and pay only \$25 to attend the Regional Conference

#### MEMBERSHIP TYPE

- |  |         |
|--|---------|
| <input type="checkbox"/> Non-Profit (budget less than \$500,000)           | \$150   |
| <input type="checkbox"/> Non-Profit (budget over \$500,000)                | \$250   |
| <input type="checkbox"/> Non-Profit (budget over \$1,000,000)              | \$600   |
| <input type="checkbox"/> University/College Department                     | \$500   |
| <input type="checkbox"/> Local Government Agency (special criteria apply)  | \$500   |
| <input type="checkbox"/> Student (please provide copy of student ID)       | \$35    |
| <input type="checkbox"/> TA Provider - For Profit (special criteria apply) | \$250   |
| <input type="checkbox"/> Sustaining Partners                               | \$6,000 |
| <input type="checkbox"/> Public Sector/ Government Agency                  | \$1,000 |
| Government Agency (state, multi-state or federal)                          |         |

Mail or fax this form with payment to:

National Community Reinvestment Coalition  
727 15th Street NW, Suite 900, Washington, DC 20005  
Fax 202-628-9800

Call for conference information, special needs and rates:  
202-628-8866

## NCRC Regional Conference Registration

August 21-22, 2007

RADISSON QUAD CITY PLAZA, 111 EAST SECOND STREET, DAVENPORT, IOWA

Call the Radisson by July 21 to book your hotel at the NCRC Special Conference Rate of \$99. 563-322-2200 or 1-800-333-3333. Or register online at [www.radisson.com/davenportia](http://www.radisson.com/davenportia).

Name \_\_\_\_\_  
Title \_\_\_\_\_  
Organization \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_  
State/Country \_\_\_\_\_ Zip code \_\_\_\_\_  
Phone \_\_\_\_\_ Fax \_\_\_\_\_  
Email \_\_\_\_\_

Registration also available online at [www.ncrc.org](http://www.ncrc.org)

You will receive confirmation via email and conference materials on CD.

#### Dietary Restrictions:

- None  Vegetarian  Diabetic  other: \_\_\_\_\_

#### CONFERENCE REGISTRATION

Until August 15 \$50.  
After August 15 or onsite \$75.

Registration Fee \$ \_\_\_\_\_ x \_\_\_\_\_ participants

**TOTAL DUE** \_\_\_\_\_

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For fast processing, fax registration with credit card payment authorization. Registrations will not be processed until payment is received. No refunds on requests received after August 15. All refunds will be remitted after the conference.

## Small Business Update

### NCRC Receives Second 3-Year Grant to Operate DC Minority Business Enterprise Center; New Web Site Up and Running

NCRC's DC Minority Business Enterprise Center (DCMBEC) has been given a powerful vote of confidence from the U.S. Department of Commerce's Minority Business Development Agency (MBDA). Building on its stellar performance to date and continuing enhancements to the Center's services, the DCMBEC with NCRC submitted a compelling, winning proposal for federal support over the next three years.

In addition to assistance from MBDA and NCRC, the Wachovia Foundation has committed substantial backing over a three-year period that began last summer, and the District of Columbia Department of Employment Services continues its valuable in-kind contribution of office space, furnishings and equipment. The MBEC's other partners include law firms and lenders who lend financial and in-kind support to further the Center's mission of helping mid-size minority-owned companies build their capacity and grow to the next level.

In its first three years of operation, the DCMBEC has reached 431 minority-owned firms, including 60 "engaged clients" that receive one-on-one management counseling over a year or more from the Center's highly skilled staff. As a result of DCMBEC's assistance, its clients have procured nearly \$94 million in contracts, obtained over \$12 million in business loans, and created 783 new jobs.

With the MBDA funding secured, Director Owen Jackson has led a push to revise the Center's Web site. The site, [www.dcmbec.org](http://www.dcmbec.org), reflects the new name and purpose of the Center, changed by its federal funder from Minority Business Development Center.

MBDA is the only federal agency created specifically to foster the establishment and growth of minority-owned businesses in America. After extensive research and data gathering, MBDA found that although minority-owned companies with revenues of \$1 million or more constitute just 3% of the overall minority business community, these firms are responsible for 66% of the total revenues of minority-owned enterprises and 54.4% of employment. MBDA then determined that its 30+ centers across the country should help these larger minority business enterprises (MBEs) strengthen their performance, especially as measured in annual revenue and employment figures. MBDA now mandates that the DC Center and its counterparts focus on equipping clients to compete in the global marketplace by achieving size, scale, scope, education, access to technology and capital. MBEC's new web site reflects that mission.

Viewers will find the new web site more robust and

informative than the previous one, and will be able to navigate through numerous links to other sites. Among these are links to DCMBEC's strategic partners, resource partners and various clients. One of DCMBEC's larger clients, 360 Incorporated, worked with the Center to develop the new site.

### CommunityExpress Gets Extension, Clearer TA Expectations

The U.S. Small Business Administration has announced an extension of the popular CommunityExpress Pilot Program until December 31, 2007. Past extensions have been for only short periods of time, but this one, announced in March, gives a longer lease on life to the program. NCRC's Banker/Community Collaborative Council created CommunityExpress and developed it in cooperation with SBA as a vehicle to offer financing and valuable technical assistance to underserved entrepreneurs across the nation.

SBA-approved lenders started rolling out loans in 1999. Since then, over 400 community-based technical assistance providers and more than 100 lenders across the nation have partnered to supply 17,618 loans exceeding \$460 million. Consistently throughout the program's history, about 70% of the loans have gone to minority-owned firms, roughly 55% to women-held companies and about 12% to firms owned by military veterans. Close to one-third of borrowers are located in low- or moderate-income (LMI) communities.

Earlier this year, SBA augmented its guidance on the agency's expectations regarding the technical assistance provided at no cost to CommunityExpress borrowers, which makes the program unique. As the program has grown, one criticism has pointed to decreased attention by some lenders on the need for quality management assistance to entrepreneurs receiving the loans.

Since many NCRC members serve as approved CommunityExpress TA providers, SBA's procedural notice (5000-1013) is noteworthy. The agency reiterates that TA providers must assess each applicant's management and technical strengths and weaknesses and then create a technical assistance plan tailored to the needs of the applicant. A cursory self-assessment of needs by the borrower is not considered adequate. For start-up businesses, a business plan is also deemed crucial, except under certain limited circumstances.

Based on the management assessment and the business plan, the TA provider must develop a recommended TA plan, including specific assistance to address identified weaknesses and milestones for completing each element within the plan. Both the TA provider and the lender are to make serious good faith efforts to assure completion of each step of the plan and follow-up by the

borrower. Generally, SBA expects that the management assessment, business plan (as appropriate), and TA plan will be developed before the CommunityExpress loan is disbursed.

The SBA notice encourages lenders to take advantage of local SBA District Offices to identify and assess local TA providers, emphasizing that District Offices must approve participating TA providers and their agreements with lender partners. District Offices are also charged with monitoring the quality of TA provided to CommunityExpress borrowers.

The SBA guidance lays out requirements for documenting the TA under CommunityExpress, reiterates that lenders are held responsible for maintaining copies of TA-related documents in each borrower's file, and that borrowers are not to be charged for technical assistance (with certain limited exceptions) for at least a year after loan approval by SBA.

Further information about SBA's procedural notice may be obtained from NCRC's department on Entrepreneurial Development ([aallen@ncrc.org](mailto:aallen@ncrc.org) or 202-628-8866), or from SBA's Charlie Thomas (Charles.Thomas@sba.gov or 202-205-6656).

### Significant Small Business Bills in the Works

New legislation bearing potentially potent impact on SBA lending has won easy passage (480 to 45) in the House of Representatives and awaits consideration by the Senate Committee on Small Business and Entrepreneurship. H.R. 1332, the Small Business Lending Improvements Act introduced by Rep. Melissa Bean (D-IL), authorizes the SBA to contribute to borrower and lender fees associated with 7(a) program loans when funds are made available to the SBA for that purpose. It essentially reinstates a federal subsidy to the SBA that existed for five decades until Congress ended it in 2004.

The Bean bill also would make CommunityExpress a permanent SBA program and would keep its focus on serving businesses in low/moderate-income and other distressed geographies and those owned by "women, members of qualified Indian tribes, socially or economically disadvantaged individuals, veterans, or members of the reserves." As NCRC has reported in previous issues of Reinvestment Works, SBA's intention has been to change the eligibility criteria for CommunityExpress borrowers to target only businesses in distressed communities, thereby shutting out minority- and women-owned firms that are in middle-income areas. H.R. 1332 would take care of that problem.

On the Senate side, Sen. John Kerry (D-MA) has introduced S. 1256, which contains some similar provi-

*continued on p. 15*

## Are Banks on The Map? “No” Says New NCRC Study

A stroll through the working-class and minority neighborhoods in some of the largest cities in the US will show that a critical element of the community is in short supply: banks. Rather than our nation's largest and most prestigious financial institutions, the “fringe banking” industry — check cashers, payday lenders, and rent-to-own stores — are more likely to be found in low-income and minority communities. These establishments often charge much higher prices for similar services. To be sure, many banks offer the services that working class families need, but oftentimes these banks are far away from where minorities and the low- and moderate-income live that they still cannot access these products.

A new report by the National Community Reinvestment Coalition (NCRC), a national economic justice trade association of 600 community groups, illustrates how banks are not located in working class and minority communities in the same proportions that they are located in wealthy and white neighborhoods. The study *Are Banks on the Map?* includes maps of the largest 25 metro areas which show income level of neighborhood, minority level of neighborhood,

and the location of bank branches. As the old adage goes, “a picture speaks a thousand words” — the maps clearly show that the majority of bank branches are located in predominantly white and wealthy neighborhoods.

This trend is backed up by the data: across the 25 metro areas included in the study (the largest in the country), one branch exists for every 3,444 persons in middle- and upper-income (MUI) census tracts, but one branch exists for every 4,664 persons in low- and moderate-income census tracts. Racial disparities were worse than income disparities in the study: one branch exists for every 3,401 persons in predominantly white census tracts, but one branch exists for every 7,141 persons in minority census tracts. In Minneapolis, the metro area with the worst disparities in the sample, one branch existed per 13,473 persons in minority tracts.

Without access to services from a bank, such as basic checking and savings accounts, affordable loans, and asset-building products, families are more likely using the check cashers, payday loan stores, and rent-to-own stores that charge much higher costs for simi-

lar services. It is estimated that nearly 21 percent of all US households are “unbanked” — that is, they have no relationship with a bank or credit union.

While many would perceive the lack of bank branches a failure on the part of the banking industry, the report's authors view it as a market opportunity. “A new host of data shows that banks ought to consider low-income areas as ripe for expansion,” says NCRC's president, John Taylor. “Collectively, working class people living in dense inner-cities often pack more purchasing power per square mile than wealthy suburbs. Banks only need to expand and develop the types of bank services that working Americans demand, such as simple checking and savings accounts, credit building programs, and the like.”

The report also concludes that changes to the Community Reinvestment Act, a federal law that requires a bank to make loans and investments to low- and moderate-income areas in its market, be modified to measure how well banks extend branches and innovative bank services to minority and working-class neighborhoods. ■

## Forces for Economic Justice and Opportunity Meet in Kansas City



NCRC President and CEO John Taylor and Mohammed Yunus, the Nobel Peace Prize winning pioneer in microcredit at the annual meeting of U.S. microenterprise development practitioners sponsored by the Association for Enterprise Opportunity (AEO) in Kansas City May 15-18. At the meeting, John Taylor was elected to the Board of Directors of AEO.

## NCRC is Proud to Announce Two New Hires In Its Membership Department

**Marcy Meyer** joins NCRC as the new VP of Membership/Coalition Relations. Marcy has a strong leadership background in affordable housing, community development, training, organizing and advocacy. She has worked at Washington Area Community Investment Fund, Housing Counseling Services, the City of Alexandria Office of Housing, and in HIV prevention, transitional housing and was also with ACORN.

**Patrice Davenport** will join us as our new Assistant Director of Membership/Coalition Relations. Patrice is a membership and marketing professional who comes to NCRC from the National School Boards Association, where she managed their membership growth and retention strategies and strategic campaigns. She also led their recruitment, registration, and publicity efforts for an 8,000-attendee national conference. ■

## Small Business Update *continued from p. 13*

sions but differs significantly from H.R. 1332. The Kerry bill has passed the Senate Committee on Small Business and Entrepreneurship and awaits floor action.

A recent American Banker article focused on both bills' proposed federal subsidy to the SBA in order to lower loan guaranty fees that are paid by SBA lenders and borrowers. After the 9/11 terrorist attacks in 2001, the SBA lowered guaranty fees by half on loans under \$150,000, and reduced fees slightly on larger loans up to \$700,000. In Fall 2004 the SBA reinstated fees to their previous levels and the federal subsidy that had covered these costs was relinquished.

Dropping the subsidy has ended the annual uncertainty that resulted from the prolonged appropriations approval process, so a positive effect of no subsidy has been to keep SBA-guaranteed loans flowing to entrepreneurs without interruption. However, those borrowers pay the price of higher loan fees, which increased in 2004 by 1% on loans up to \$150,000 — or up to \$1,500 that is usually financed over the life of the loan.

Small business advocates must decide whether to support reinstating the subsidy, which could lower borrower fees, or if the smoother SBA operations without the subsidy, especially at year-end, are worth the financial cost to borrowers. The Administration contends that SBA's increased loan volume to record levels is due to eliminating the subsidy. Opponents are concerned that lenders are making ever-smaller loans to reduce the fee impact and that a broad mix of loan sizes is needed to meet borrowers' needs. Many believe that lowering fees would attract more borrowers and would encourage smaller banks to offer SBA loans in their communities.

The Kerry bill would reauthorize the SBA Microloan Program, which provides valuable assistance to smaller, often home-based firms, and would establish a pilot program allowing non-profit child care centers in certain states to obtain 504 loans to purchase equipment and real estate.

### New SBA Official Brings History of Outreach to Underserved

Grady Hedgespeth has been selected as Director of Financial Assistance in the Small Business Administration's Office of Capital Access. He took office on May 21st.

Hedgespeth brings the experience of long public and nonprofit careers in Massachusetts, serving most recently as Chief Financial Officer and Senior Vice President with the Structured Employment and Economic Development Company (Seedco). He also designed and established BankBoston Development Company (which became Fleet Development Ventures), the nation's first bank-owned urban investment bank. In the public sector he served as the first African-American Secretary of Economic Affairs in the administration of Massachusetts Governor Michael Dukakis.

An SBA press release commented, "Dedicated to community service, Hedgespeth has focused many of his efforts on advancing inner city economies and creating multicultural environments and market-places." Hedgespeth is expected by Administrator Steven Preston to "enable SBA to improve its lending programs and expand outreach to underserved markets." ■

## NCRC Calls For a Shutdown of Unscrupulous "Foreclosure Mills" Operated By Law Firms

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Berenbaum renewed an earlier call by NCRC President John Taylor to re-tool and allow FHA to refinance some of the subprime "exotic" loans that have forced more and more borrowers into default and foreclosure and, as a result, have wrecked havoc on property values of next door neighbors. Recent statistics issued by the Mortgage Bankers Association's nationwide survey show that 14.44 percent of subprime borrowers with ARM loans were at least 60 days delinquent in their payments in the fourth quarter of 2006. This is up from third quarter delinquency rate of 13.22 percent for such mortgages, representing a four-year high.

On March 16th, Taylor told a group of over 600 community activists that the subprime crisis will worsen and "mortgage tsunamis will ravage working-class neighborhoods across this country." Since then, foreclosure and defaults have been on the increase, and some experts have warned that borrowers with more traditional loans could become victims of the predatory lending practices associated with subprime.

In a March letter, NCRC told Administration and congressional leaders that they helped create the sub-prime crisis by ignoring warning signs and, as a result, bear some responsibility for assisting the families facing payment shock and foreclosure.

In his testimony, Berenbaum called for legislation to establish a national rescue fund to support low-income borrowers and enact a strong anti-predatory law that would strengthen consumer protections, expand regulatory guidance and eliminate abusive, nontraditional loans and

bad lending practices.

He urged the committee to support nonprofits' efforts to assist borrowers through programs, such as NCRC's Consumer Rescue Fund. The CRF has assisted borrowers on over 5,000 loans since 2001. In a sample of 112 predatory loans, the mortgage rates ranged from 5.5% to 17%. The new loans negotiated by CRF ranged between 1% to 8%.

The difference in savings for borrowers averaged \$276 or \$100,000, over a 30-year period, a substantial amount of equity saved over the life of a loan.

Berenbaum also outlined for the committee common patterns of subprime lending:

- Most loans involved brokers, who often receive fees (yield spread premiums) from lenders for placing borrowers into loans with above par interest rates. NCRC testing in six metropolitan areas also found that brokers targeted minorities for loans with higher interest rates and fees.
- A NCRC review of CRF loans shows that abusive lenders are targeting minority and low-to-moderate income borrowers. About 77% of the CRF sample was African Americans; 45% resided in low-to-moderate income neighborhoods and about 83% of the borrowers had incomes below \$45,000.
- In another NCRC review of faulty appraisals in CRF loans, about one-fifth of the homes were overvalued by more than 50% of their true value, and two thirds were overvalued by 15% or more. ■

## James Carr Joins NCRC Staff as Chief Operating Officer *continued from p. 1*

as in housing and community investment, make him an ideal fit for the job. "Jim's ability to forge and manage high impact cross functional teams, integrate research and practice and communicate public policy issues of critical importance to the nation, make him uniquely suited for the COO post," according to Taylor.

Jim joins NCRC after serving as Senior Vice President for Financial Innovation, Planning and Research at Fannie Mae Foundation and Vice

President for Housing Research at Fannie Mae. Prior to his Fannie Mae appointment, he served as Assistant Director for Tax Policy with the US Senate Budget Committee and was a Research Associate with the Center for Urban Policy Research at Rutgers University. Jim maintains his visiting lecturer positions with Columbia University in New York City and The George Washington University in Washington DC. Please join us in welcoming him to NCRC. ■

## Proposed Partnership with Consumer Action on Financial Literacy "Train the Trainer" Programs for Community-Based Organizations

**Train-the-Trainer Newark, New Jersey:** On March 28, the Director of the NCRC Training Academy was invited to participate in a 2-day "Train the Trainer" intensive training program in Newark, New Jersey to be introduced to the MoneyWi\$e curriculum developed by Consumer Action to teach community-based organizations on issues of financial literacy. Consumer Action and Capital One formed the MoneyWi\$e national financial literacy partnership to educate consumers about how to manage their finances.

Topics included: money management, banking basics, senior scams, talking to teens about money, bankruptcy, micro business finance basics, understanding credit, savings tools, and identity thief. These 10 training modules are complete with lesson plans, brochures, leader's guides, skills building exercises, worksheets, quizzes, evaluations, background guides for community-agency staff, adult learning curriculums, classroom activities and Power Point slide presentations for training the trainers and classroom use. The modules were designed to increase participation in the financial services mar-

ketplace by low income, disadvantaged, minority, immigrant and senior consumers to build innovative national personal finance education and outreach program for use by individuals and community based organizations and are available in 5 languages, English, Spanish, Chinese, Vietnamese and Korean.

**Mini-Grant Competition:** The MoneyWi\$e program is offering competitive national mini-grants program to fund community-based organizations to teach the MoneyWi\$e educational modules in their communities. Organizations can receive stipends of up to \$5,000 to help fund training workshops, financial counseling and distribution of the free MoneyWi\$e educational materials for the benefit of low income and homeless families, immigrants and students in their local communities. The stipend program demonstrates the commitment of the Money Wi\$e partners to support local communities and their financial education curriculum. Money Wi\$e is designed to provide consumers at all income levels with the building blocks they need to help better manage

their finances. The Money Wi\$e stipend program helps to support the efforts of local organizations dedicated to engaging and educating at-risk consumers.

**Partnership with Consumer Action:** NCRC is exploring the possibility of a partnership with Consumer Action to market the MoneyWi\$e curriculum to NCRC members and non-member contacts through linking to MoneyWi\$e on our NCRC website, advertising the availability of materials through Community Investment Network, offering webinars and/or instructor led delivery, highlighting the program in Reinvestment Works quarterly newsletter and presenting a train-the-trainer workshop at the NCRC annual conference.

**Houston "Train-the-Trainer" Program:** Consumer Action is providing a second "train-the-trainer" event in Houston in September, 2007. NCRC members interested in participating in this 2-day training session should contact Ada Albright, Director, NCRC Training Academy, 202-464-2727 or email her at aalbright@ncrc.org. ■

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