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Preventing the Next Foreclosure Crisis

Congressional action required to purge reckless and irresponsible lending practices from the marketplace

Washington, DC – In Congressional testimony on Wednesday, the National Community Reinvestment Coalition (NCRC) will call on Congress to enact across-the-board provisions for holding a broad swath of financial institutions accountable for reckless and irresponsible lending practices. Stronger liability for creating, improperly valuing or selling problematic mortgages, including adequate regulation of brokers, lenders, appraisers, rating agencies and securitizers would have prevented much of the current financial crisis.

“Loopholes in the law and inadequate regulatory enforcement allowed abusive and problematic lending to flourish,” said David Berenbaum, NCRC executive vice president. “Comprehensive anti-predatory lending legislation will safeguard against future abuses for consumers who were steered into high-cost and unsustainable loans.”

“Rules creating more accountability in the mortgage process are critical to restoring integrity and trust in the financial system,” said John Taylor, president and CEO of NCRC. “Shockingly, we’re two years into the foreclosure crisis and there is still no law outlawing the very practices that led to the deepest recession our country has seen in decades.”

Among other recommendations, NCRC will call for a Congressional investigation and resolution of emerging abuses, including loan modification scams and improper use of FHA lending programs.

For more than a decade, community leaders, civil rights proponents and housing groups have raised concerns about unfair, deceptive and abusive lending practices that have undermined homeownership aspirations for millions of working families. Those pleas for better regulatory policy and oversight not only went ignored, but in some cases were contradicted by regulatory policy that made predatory lending more virulent and prevalent in low- income neighborhoods and communities of color.

Over that same period, thousands of pages of local, state and federal testimony, peer-reviewed policy papers and speeches forewarned of a pending crisis stemming from lax regulatory oversight and enforcement. Yet no serious federal response was made. As Harvard University law professor Elizabeth Warren has artfully stated, consumers had better protection buying a toaster or microwave oven than they had when purchasing the family home.

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

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