

NATIONAL  
COMMUNITY  
REINVESTMENT  
COALITION



**FOR IMMEDIATE RELEASE**  
**July 19, 2010**

Contact: Jesse Van Tol, 202-464-2709  
jvantol@ncrc.org

## **Ensuring Access to Credit and Capital for Small Businesses and Responsible Homeowners**

### **NCRC advises bank regulators on Community Reinvestment Act**

Arlington, VA- Today, the National Community Reinvestment Coalition (NCRC) will tell four federal bank regulators that the Community Reinvestment Act has been a model for responsible lending, and should be enforced more effectively and expanded. Growing concern with the contraction of credit in communities around America has led policy makers, community organizations and businesses to seek ways to ensure that banks are lending responsibly for small business creation and home ownership. Small business lending alone has contracted by \$40 billion since 2008, according to the Federal Reserve. NCRC testifies on behalf of its more than 600 members, dozens of whom will attend and testify at hearings held by the bank regulators in four cities this summer.

In testimony submitted to the four banking regulators, John Taylor, president & CEO of the National Community Reinvestment Coalition said, "the Community Reinvestment Act has worked well for over thirty years. It is a model for promoting access to financial services in a responsible way. Today, Congress needs to act to strengthen and update the law to address changes in the financial industry that have left gaps and loopholes. The regulators must ensure the law is well enforced, and works to address the current needs of small businesses and responsible homeowners."

"Applying the Community Reinvestment Act broadly throughout the financial industry has the potential to leverage hundreds of billions of dollars in lending, investments and services to underserved communities; considering what happened in the financial system it's time to say that every financial institution has an obligation to serve the American people," said Taylor.

"The Community Reinvestment Act promotes accountability and transparency in the financial system. Public hearings allow citizens to invigorate the regulatory process, shining sunlight on problems that would otherwise fester in the dark. With the passage of financial reform, we've taken a step towards ensuring better consumer protections. But the bank regulatory agencies need to ensure that the creation of the Bureau of Consumer Financial Protection does not draw resources away from the Community Reinvestment Act. CRA is critical to ensuring America's small businesses and responsible home owners have access to capital and credit," said Taylor.

More than \$1 trillion has been utilized through CRA small business and community development lending for America's low- and moderate-income neighborhoods from 1996 through 2008. CRA also mitigates risky lending by requiring safe and sound lending. A study by the San Francisco Federal Reserve that shows banks in their CRA assessment areas are half as likely to end up in foreclosure as loans issued by independent mortgage companies. Federal Reserve economists

have also estimated that during 2006 (height of subprime lending) only 6% of all high cost loans were issued by banks to low- and moderate-income borrowers and communities and considered on CRA exams.

Legislation is needed to update the law, in addition to regulatory action to enhance the enforcement of CRA. The following regulatory enhancements should be implemented in order for CRA to realize its full potential:

- Assessment areas or the geographical areas on CRA exams must cover the great majority of banks' loans. Currently, 25 percent of all home purchase loans are made by banks operating in their assessment areas. Research has shown that bank loans outside assessment areas are more likely to be high-cost than loans in assessment areas and scrutinized by CRA exams.
- Currently, banks have the option of including their non-depository affiliates on CRA exams; they will opt against inclusion if the affiliates engage in risky lending or discriminatory lending. Banks should be required to include their affiliates on CRA exams.
- A large body of research concludes that minorities received more high-cost and risky lending than was justified based on their creditworthiness. If CRA considers lending and service to minorities, racial disparities in lending will be reduced.
- CRA exams must have more ratings in order to provide meaningful distinctions in performance. Over the last several years, 99 percent of banks have passed their CRA exams.
- Data has increased responsible lending by holding banks publicly accountable. In order to bolster affordable bank lending and basic services, we support enhancements to small business data to include the race and gender of the small business borrower, census tract data on community development lending and investing, and bank deposit and consumer lending on a census tract level.

**About the National Community Reinvestment Coalition (NCRC):**

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

<http://www.ncrc.org/>