

NATIONAL
COMMUNITY
REINVESTMENT
COALITION



John E. Taylor
President & CEO

Rachel Maleb
Chief of Staff & Membership Matters

Board of Directors

Ted Wysocki, Chairperson
Local Economic & Employment
Development Council

Bethany Sanchez, Vice Chairperson
Metro Milwaukee Fair Housing Council

Gail Burks, Vice Chairperson
Nevada Fair Housing Center, Inc.

Ernest (Gene) E. Ortega, Treasurer
Rural Housing, Inc.

Lee Beaulac, Past Chairperson
PathStone

Stella J. Adams
North Carolina Branch of NAACP

Marva Smith Battle-Bey
Vermont Slauson Economic
Development Corporation

Nadine Cohen, Esq.
Greater Boston Legal Services

Robert Dickerson, Jr.
Birmingham Business Resources Center

Alan Fisher
California Reinvestment Coalition

Pete Garcia
The Victoria Foundation

Charles Harris, Secretary
Housing Education & Economic
Development

Charles Helms
Consumer Counseling Northwest

Irvin Henderson
National Trust for Historic Preservation

Jim Hunt
Sunnyside Up-CNRC

Jean Ishmon
Northwest Indiana Reinvestment Alliance

Elbert Jones
Escambia County Housing
Finance Authority

Matthew Lee
Inner City Press/
Fair Finance Watch

Maryellen Lewis
Michigan CRA Coalition

Dean Lovelace
Dayton Community Reinvestment Institute

Moises Loza
Housing Assistance Council

Dory Rand
Woodstock Institute

Rashmi Rangan, Esq.
Delaware Community Reinvestment
Action Council

Sbelley Sheehy
River Cities Development Services

Hubert Van Tol
PathStone

Morris Williams, Board Member Emeritus
Hamilton County Community
Reinvestment Group

727 15th Street, NW Suite 900
Washington, DC 20005-6027
Phone: 202 628-8866
Fax: 202 628-9800
Website: www.ncrc.org

December 6, 2010

The Honorable Elizabeth Warren
Special Assistant to the President and
Special Advisor to the Secretary of the Treasury
The White House
1500 Pennsylvania Avenue, NW
Washington DC 20530

Dear Ms. Warren,

The National Community Reinvestment Coalition (NCRC) requests that your office promptly investigate the origination practices of Federal Housing Administration (FHA) approved lenders for their discriminatory conduct, policy and practice of refusing to responsibly lend to qualified African American & Latino borrowers within the FHA loan program who have a FICO score below 620, 640 and even 660. NCRC believes that this practice violates our nation's commitment to fair lending, sustainable homeownership, and meeting the credit needs of all communities in violation of the Fair Housing Act, the Equal Credit Opportunity Act and the Community Reinvestment Act.

The National Community Reinvestment Coalition is an association of more than 600 community-based organizations that promotes 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. NCRC and our member community organizations provide housing counseling services to consumers that have been adversely affected by the adoption of these unwarranted underwriting policies.

As you know, the Federal Housing Administration (FHA) will guarantee loans to borrowers with FICO scores as low as 580 provided that these borrowers have down payments equaling 3.5 percent of the loan amount. NCRC, as a United States Department of Housing & Urban Development National Housing Counseling Intermediary discovered that many lenders participating in the FHA loan program do not offer loans to borrowers with FICO scores between 580 and 620, or even higher.

NCRC subsequently conducted fair lending "testing" of the nation's largest FHA lenders, including national and regional regulated banks, financial service corporations and other approved FHA mortgage originators and researched publicly available information about FHA underwriting, safety and soundness and securitization practices. The testers represented that they had FICO scores of below 615 and were denied access to credit in over 90 percent of the tests. Repeatedly NCRC's testers were informed that the lender does not make loans to qualified consumers with FICO scores below 620, 640 or even 660 depending on the lender



and/or the respective loan channel. This policy violates the spirit of the FHA loan program and the letter of our nations civil rights laws.

The FHA has determined that they can offer guarantees for responsibly underwritten loans to qualified borrowers with FICO scores of 580 and above. FHA and government guaranteed lending is a major source of lending during the current financial crisis and recession, particularly for minority and low- and moderate-income communities. Research conducted by the Federal Reserve Board shows that FHA and other government guaranteed loans constituted 54 percent of all home purchase loans originated during 2009, the latest year in which the Home Mortgage Disclosure Act (HMDA) data is available. In addition, more than 80 percent, 73 percent, and 52 percent of the home purchase loans to African-Americans, Hispanics, and whites, respectively, were government-insured in 2009. About 64 percent and 65 percent of the home purchase loans issued in low- and moderate-income tracts and to low- and moderate-income borrowers were government-insured.

NCRC alleges that these restrictive underwriting practices violate the Fair Housing Act and the Equal Credit Opportunity Act since there is no legitimate business justification for adopting policies that disproportionately impact minority communities. NCRC's data analysis of a private sector data source reveals that FHA are disproportionately offered to borrowers with credit scores between 580 and 620 and that communities of color disproportionately have borrowers with credit scores in this range.

According to NCRC's analysis of home purchase loans originated in 2008 to owner-occupants, 18.4 percent and 11.7 percent of the borrowers of FHA and VA loans, respectively, had FICO scores between 580 and 620. In contrast, only 1.5 percent of the conventional loans were offered to borrowers with FICO scores between 580 and 620. Furthermore, about 28 percent of FHA borrowers in predominantly African-American zip codes (more than 50 percent of the residents are African-American) have FICO scores between 580 and 620 compared to just 18 percent of borrowers in white zip codes (80 percent or more whites).

Given the gravity and seriousness of these violations, the National Community Reinvestment Coalition immediately requests that the Bureau of Consumer Financial Protection launch an investigation of these underwriting practices in conjunction with the United States Department of Housing & Urban Development and the prudential regulators. NCRC has sent letters to each of the institutions requesting that they immediately end their discriminatory and restrictive underwriting policies and practices and will be filing complaints this week to the United States Department of Housing & Urban Development Office of Fair Housing & Equal Opportunity. While we are heartened that a number of responsible lenders have responded to our letter and we are in discussion with them, most have not.

NATIONAL
COMMUNITY
REINVESTMENT
COALITION



Until the private financial sector fully regains its health, government-backed loans will remain a prominent feature of the lending marketplace. Discriminatory policies that are not justified on safety and soundness grounds will choke off credit from minority and low- and moderate-income communities in violation of CRA and the nation's fair lending laws. We seek to work with you to end these harmful practices. Please feel free to follow up with me through my Executive Assistant, Marquis Fair, at 202-628-8866.

Sincerely,

A handwritten signature in black ink, appearing to read "John Taylor", is written over a horizontal line.

John Taylor
President and CEO