

Johnson-Crapo Housing Finance Reform Legislation

NATIONAL
COMMUNITY
REINVESTMENT
COALITION



www.ncrc.org

Access: Areas of Concern and Solutions

The Johnson-Crapo Housing Finance Reform legislation has several problems when it comes to the issue of access to lending and affordable rental housing. This document identifies the changes needed to ensure fair access for all communities.

Eliminate the Ability to “Opt Out” of Serving Communities

Johnson-Crapo does not contain any language explicitly requiring institutions that benefit from the government guarantee or securitization platform to provide fair access for all creditworthy borrowers. The bill also includes language allowing those institutions to “opt-out” of the incentive structure, which is the mechanism given to the regulator to ensure access to credit.

The Solution: Johnson-Crapo should be amended to include an explicit access mandate for all institutions using the government guarantee or securitization platform and to eliminate the opt-out provision.

Enable the Incentive Access Mechanism to Work by Requiring Benchmarks

Johnson-Crapo rewards institutions that provide access to conventional mortgage credit in underserved communities by instituting an incentive-based, sliding-fee scale, as was proposed by NCRC. However, in order to be effective, the sliding-fee scale must be tied to specific, measurable, numeric performance benchmarks. Currently, Johnson-Crapo contains no language directing the regulator to create those benchmarks.

The Solution: Johnson-Crapo should be amended to explicitly require the regulator to establish performance benchmarks for underserved markets.

Prioritize the Needs of Underserved Communities

Under Johnson-Crapo, the regulator is required to look at three factors in administering the incentive structure: the needs of underserved communities, peer performance, and the amount of primary market loan originations. Currently, the bill gives the regulator the authority to assign varying weights to each of these factors, meaning that the needs of underserved communities could be given less weight.

The Solution: Johnson-Crapo should be amended to prioritize the needs of underserved communities by requiring those needs to have the greatest weight under the incentive structure.

Give the Regulator Robust Enforcement Tools

Incentives alone are not enough. The regulator must have the ability to fully monitor and, when necessary, penalize any institution that uses the government guarantee or securitization platform for failing to provide broad access to credit. Johnson-Crapo fails to give the regulator this authority.

The Solution: Johnson-Crapo should be amended to give the regulator a broader range of enforcement options when an entity fails to meet the credit needs of underserved markets. After an entity has failed, but before the entity’s ability to use the guarantee is suspended, the regulator should be allowed to assess a graduated penalty to encourage access. The regulator should also have the authority to suspend the entity from using the government guarantee or securitization platform if that entity fails to meet the credit needs of underserved markets.

About 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. Our members include community reinvestment organizations, community development corporations, local and state government agencies, faith-based institutions, community organizing and civil rights groups, minority and women-owned business associations, local and social service providers from across the nation.

727 15th Street, N.W.,
Suite 900
Washington, D.C. 20005
www.ncrc.org
Phone: 202-628-8866
Fax: 202-628-9800

Johnson-Crapo Housing Finance Reform Legislation

Access: Areas of Concern and Solutions *continued*

Ensure Existing Anti-Discrimination Laws are Not Harmed

When it comes to serving traditionally underserved communities, Johnson-Crapo prohibits the regulator from interfering with an institution's business decisions on a loan level. This is problematic not only because it may deprive the regulator of the ability to enforce existing anti-discrimination laws with the entities it is required to regulate, but also because it may weaken the ability of discrimination victims to protect themselves.

The Solution: Johnson-Crapo should be amended to eliminate these limitations on the regulator.

Identify Communities of Color as a Traditionally Underserved Market Segment

Johnson-Crapo fails to identify communities of color as a traditionally underserved market segment despite the long-standing history of difficulty that minority neighborhoods have experienced in obtaining access to conventional mortgage credit.

The Solution: Johnson-Crapo should be amended to include minority census tracts as a traditionally underserved market segment.

Improve the Quality and Transparency of Mortgage Data

Johnson-Crapo does not require the National Mortgage Database to be linked to the Home Mortgage Disclosure Act Database, which would enhance the value of both databases. Johnson-Crapo also does not make the National Mortgage Database accessible to the public early enough.

The Solution: Johnson-Crapo should be amended to make it clear that the National Mortgage Database and the Home Mortgage Disclosure Act database should be linked. Johnson-Crapo should also be amended to minimize any unnecessary delays in making the National Mortgage Database publicly available by turning over responsibility to the Federal Mortgage Insurance Corporation as of the agency transfer date.

Maintain and Protect Support for Affordable Housing

Johnson-Crapo allows the regulator to suspend the funding of the Housing Trust Fund, the Capital Magnet Fund, and the Market Access Fund if it is contributing to, or would contribute to, the financial instability of the Mortgage Insurance Fund. These funds support communities in need and should not be cut off in times of economic distress.

The Solution: Johnson-Crapo should be amended to eliminate the provision allowing the suspension of contributions to these funds.

Remove the Unnecessary and Harmful Down Payment Requirements

Johnson-Crapo includes a down payment requirement of 3.5% for first-time buyers and a phased-in 5% requirement for all other borrowers. This would have an enormous negative impact and needlessly shut out many qualified borrowers, especially in communities of color.

The Solution: Johnson-Crapo should be amended to remove down payment requirements.