

February 1, 2007

The Honorable Christopher Dodd
Chairman, Senate Banking Committee
United States Senate
Washington, DC 20510

The Honorable Richard Shelby
Ranking Minority Member, Senate Banking Committee
United States Senate
Washington, DC 20510

Dear Chairman Dodd and Ranking Minority Member Shelby:

As the New Year commences, we wish the Financial Services Committee much success in improving the equity and efficiency of the nation's financial markets. We believe that the Fair Housing Act and other fair lending laws are vital tools intended to further this important goal. Unfortunately, we believe that these laws have not been adequately enforced and far too many incidences of discrimination go unresolved. The undersigned civil rights and consumer organizations respectfully request that the Financial Services Committee conduct oversight hearings regarding the state of fair housing and lending enforcement in America. We applaud the hearings held last year, *Fair Housing Issues in the Gulf Coast in the Aftermath of Hurricane Katrina and Rita* and *Home Mortgage Disclosure Act: Newly Found Data and What It Means*. We urge you to build on your efforts to promote equal access to housing under the law and hold federal agencies responsible for enforcing these laws accountable.

In last year's hearings, witnesses raised concerns about the priority of fair housing and lending enforcement throughout the regulatory agencies. For example, using the 2005 HMDA data, the Federal Reserve Board referred 270 lending institutions in September 2006 to their primary federal regulatory agencies to further investigate significant racial disparities demonstrated by their HMDA data, a significant increase over the previous year. However, despite the large number of lenders the Federal Reserve has referred in the last two years, not one referral has resulted in a settlement or publicly announced case involving discriminatory or abusive lending practices. The public confidence in the financial sector and in consumers' abilities to achieve fairly priced loans would be greatly enhanced if federal regulatory enforcement measures were more transparent.

Similar concerns were raised with regards to the Department of Housing and Urban Development (HUD) and the Department of Justice (DOJ). Witnesses testified that despite the best efforts of some, fair housing laws were routinely ignored, resulting in families being left without decent or safe shelter. Other research and testimony has pointed to the fact that millions of instances of discrimination go unreported every year, while HUD and DOJ handle fewer than 2,500 cases combined. Victims' belief that filing

a complaint will not help their situation allows lawbreakers to continue discriminating against families in search of a home.

We therefore recommend that the federal agencies appear before the Financial Services Committee with detailed reports of their activities that promote and enforce fair housing and lending laws and regulations. The public will benefit from knowing how many fair lending investigations the agencies have undertaken, the types of discriminatory and abusive lending practices scrutinized during the investigations, and the results of the investigations. Other stakeholders, including civil rights and consumer groups, should also be invited to testify regarding how their constituencies are impacted by the activities of the federal agencies.

Specifically, we recommend the Financial Services Committee hold three hearings that investigate the following three themes:

- **Action taken on HMDA discrepancies.** As mentioned above, the Federal Reserve identified 270 lenders whose HMDA data exhibited higher-than-average rates of racial disparities and referred them to their regulatory agency. However, little is known about what has happened with these referrals and how their regulatory agencies have enforced fair lending laws.
- **The responsibility of federal bank regulators.** The major bank regulators are required to monitor the fair housing and lending compliance of banks within their charge. In some cases this is accomplished through a fair lending test in conjunction with the Community Reinvestment Act (CRA) exam, though the details of these tests are not publicly available and not all lending institutions are covered by CRA. Another area of significant concern has been the state of regulatory agency diligence regarding bank merger applications. Recently, the federal agencies have approved large mergers without public hearings, and without any conditions regarding fair lending and CRA performance of the merged institutions. Finally, the Federal Trade Commission (FTC) needs to complement the oversight of the federal banking agencies by stepping up their enforcement of ECOA, the FTC Act (section 5) and applying these statutes more vigorously to non-bank lenders. The hearing should consider the status of enforcement of all regulators overseeing depository and non-depository institutions.
- **The responsibilities of HUD and DOJ.** HUD and DOJ have clear responsibilities to promote and enforce fair housing and fair lending laws. HUD has the primary responsibility for promoting awareness of fair housing laws among the general public and the real estate industry, through the Office of Fair Housing and Equal Opportunity (FHEO). HUD also administers Community Development Block Grant (CDBG) funding. CDBG grantees are required to use a portion of their funds to affirmatively further fair housing. DOJ is responsible for pursuing cases where there is a clear pattern and practice of discrimination. However, despite these duties, the activities of HUD and DOJ related to fair

housing lack transparency, and relatively few cases have been pursued by either agency compared to the number of incidences of discrimination occurring and complaints filed.

We strongly believe that oversight hearings are an important first step to advancing the state of fair housing and lending enforcement across the country. Fair housing and lending laws are vital to achieving sustainable housing and homeownership for all people, especially minority and disadvantaged people. We hope you join us in calling on all federal agencies to honor their duties to promote and enforce the nation's fair housing and lending laws. Thank you for your attention to this important matter. Should you have any questions, please contact Janis Bowdler, Senior Policy Analyst, National Council of La Raza on 202-785-1670 or Josh Silver, Vice President of Research and Policy, National Community Reinvestment Coalition on 202-464-2708.

Sincerely,

ACORN

Arizona Fair Housing Center (AZ)
Brighton Park Neighborhood Council (IL)
Border Fair Housing & Economic Justice Center (TX)
California Reinvestment Coalition
Center for Fair Housing, Inc. (AL)
Center for Responsible Lending
Central American Resource Center (DC)
Chicanos Por La Causa (AZ)
Cincinnati Change (OH)
Coalition on Homelessness & Housing in Ohio (OH)
Community Housing Resources of Arizona (AZ)
Community Action Committee of the Lehigh Valley, Inc (PA)
Community Enterprise Investments, Inc. (FL)
Community Reinvestment Association of North Carolina (NC)
Connecticut Fair Housing Center (CT)
Consumer Action
Cuban American National Council
Del Norte (CO)
Delaware Community Reinvestment Action Council, Inc. (DE)
Detroit Alliance for Fair Banking (MI)
ECHO Housing (CA)
El Centro, Inc. (KS)
Fair Housing Advocates Association (OH)
Fair Housing Association of Connecticut (CT)
Fair Housing Center of Greater Boston (MA)
Fair Housing Center of the Greater Palm Beaches (FL)
Fair Housing Center of West Michigan (MI)
Fair Housing Napa Valley (CA)

Fair Housing of Marin (CA)
Fair Housing of the Dakotas (ND)
Fair Housing Partnership of Greater Pittsburgh, Inc. (PA)
Gregory D. Squires, Chair, Department of Sociology, George Washington University
Heights Community Congress (OH)
Housing Committee of the NC Conference of the NAACP (NC)
Housing Opportunities Made Equal of Virginia, Inc. (VA)
Housing Opportunities Made Equal, Inc. (NY)
Housing Opportunities Project for Excellence, Inc. (HOPE) (FL)
Housing Research & Advocacy Center (OH)
Housing Rights, Inc. (CA)
Housing Our Communities (AZ)
La Fuerza Unida (NY)
Lawyers' Committee for Civil Rights Under Law of the Boston Bar Association (MA)
Legal Advocacy Center of Central Florida, Inc. (FL)
Long Island Housing Services, Inc. (NY)
Intermountain Fair Housing Council (ID)
Metro Fair Housing Services, Inc. (GA)
Metropolitan Milwaukee Fair Housing Council (WI)
Metropolitan St. Louis Equal Housing Opportunity Council (MO)
Miami Valley Fair Housing Center, Inc. (OH)
Midland Community Development Corporation (TX)
Montebello Housing Development Corporation (CA)
National Association for the Advancement of Colored People (NAACP)
National Association of Human Rights Workers (NC)
National Community Reinvestment Coalition (DC)
National Consumer Law Center (MA)
National Council of La Raza (DC)
National Fair Housing Alliance (DC)
National Lawyers' Committee for Civil Rights Under Law
National Puerto Rican Coalition
National Training and Information Center
North Carolina Fair Housing Center (NC)
Pittsburgh Community Reinvestment Group (PA)
Project Change Fair Lending Center (NM)
Rural Opportunities, Inc, Rochester, NY
San Diego Reinvestment Task Force
Savannah-Chatham County Fair Housing Council, Inc. (GA)
Self-Help Enterprises (CA)
Sentinel Fair Housing (CA)
Southern California Housing Rights Center (CA)
Spanish American Committee (OH)
Spanish Coalition for Housing (IL)
Tempe Hispanic Forum (AZ)
The National Coalition for Asian Pacific American Community Development
The Resurrection Project (IL)

Toledo Fair Housing Center (OH)
United South Broadway Corporation (NM)
Woodstock Institute (IL)