

NATIONAL
COMMUNITY
REINVESTMENT
COALITION



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Statement from National Civil Rights, Consumer, Community Development and Housing
Groups Regarding Attacks on the Community Reinvestment Act (CRA)

Washington, DC – The following group of civil rights, consumer, community development, and housing groups today made the following statement:

Recent conversations pointing to the Community Reinvestment Act as the cause of the foreclosure crisis and credit market crisis are an attempt to deflect attention away from the real problem affecting our financial system. That problem is failed regulatory policy and oversight.

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, in some cases they 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 (many from the groups signed onto this statement) have 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.

One example of regulatory failure is that many vital financial institutions – and the products they created and sold -- were not covered by meaningful regulation. Some market players clearly knew their actions were creating a potential market crisis. A Securities and Exchange Commission (SEC) Report recently found that in December of 2006 one analytical manager at a prominent credit rating agency wrote to another senior analytical manager to say “let’s hope we are all wealthy and retired by the time this house of cards falters.”

Improved regulation of the financial system – including brokers, lenders, appraisers, rating agencies and securitizers – was essential. If the Community Reinvestment Act – and other appropriate regulation -- had been applied to independent mortgage companies and other non-bank financial institutions, it is likely that our nation would not be confronted with a foreclosure crisis. Critics of the law conveniently ignore that about 75 percent of sub-prime loans were not covered by CRA. They also ignore the fact that most reckless and damaging subprime lending occurred between 2003 and 2007, long after CRA’s passage in 1977.

CRA exams provide clear and strong incentives for banks to make safe and sound loans and penalize them for making loans that are unfair and abusive. CRA is an antidote, not a cause of the current crisis.

Signed by:

Accion USA / Chicago / New Jersey / New York

Center for American Progress

Center for Responsible Lending

CDFI Coalition

Consumer Action

Consumer Federation of America

Dēmos: A Network for Ideas & Action

Enterprise Community Partners

Housing Assistance Council

Lawyers' Committee for Civil Rights Under Law

Leadership Conference on Civil Rights

Local Initiatives Support Corporation

NAACP

National Association of Consumer Advocates

National Alliance of Community Economic Development Associations

National Community Reinvestment Coalition (NCRC)

National Consumer Law Center (on behalf of its low income clients)

National Council of La Raza

National Council of Negro Women

National Housing Conference

National Housing Institute

National Low Income Housing Coalition

National NeighborWorks Association

National Policy and Advocacy Council on Homelessness (NPACH)

National Rural Housing Coalition

National Urban League

Opportunity Finance Network

Rainbow PUSH Coalition