The Community Reinvestment Act (CRA) was enacted in 1977 and states that “regulated financial institutions have continuing and affirmative obligations to help meet the credit needs of the local communities in which they are chartered.” CRA establishes a regulatory system for monitoring banks’ CRA performance and requires that bank lending is consistent with safety and soundness.

Examiners from four federal agencies assess and rate banks’ activities in low- and moderate-income neighborhoods. The federal agencies that conduct CRA examinations are: the Office of the Comptroller of the Currency (http://www.occ.gov), which examines nationally chartered banks; the Office of Thrift Supervision (http://www.ots.treas.gov), which examines savings and loan institutions; the Federal Deposit Insurance Corporation (http://www.fdic.gov), which examines state-chartered banks; and the Federal Reserve Board (http://www.federalreserve.gov), which examines state-chartered banks. If an agency finds that a lending institution is not serving these neighborhoods, it can delay or deny that institution’s request to merge with another lender or to open a branch or expand any of its other services. The agency can also approve the merger application subject to specific improvements in a bank’s lending or investment record in low- and moderate-income neighborhoods.

CRA regulation establishes various tests for lending institutions of different sizes and provides a strategic plan option. In the spring of 1995, the federal agencies released new CRA regulations. The regulations outline how federal agencies are to assess the activities of lending institutions in low- and moderate-income neighborhoods. Banks receive a rating based on their evaluations of “Outstanding,” “Satisfactory,” “Needs-to-improve,” or “Substantial Noncompliance.” The last two scores can result in delays or denials of mergers, acquisitions, or expansions of services.

**Large Bank Exam**

Lending institutions with assets greater than $1 billion, commonly known as large banks, are subjected to the most rigorous exams. They are evaluated under a lending test that considers the number and percentages of loans made to low- and moderate-income individuals and communities. They are also evaluated under an investment test and a service test that consider respectively the number and types of investments and services [branches and bank accounts] in low- and moderate-income communities. When conducting the evaluations, examiners are to consider the “performance context” of the lending institutions. In other words, examiners are advised to consider factors such as the business opportunities available to a lending institution and the size and financial condition of the lending institution.

**Mid-Size Bank Exam**

In 2005, the federal agencies established a streamlined exam for “intermediate small banks” (institutions with assets of $250 million to $1 billion, with an asset range adjusted annually for inflation). These intermediate small banks or mid-size banks undergo a lending test and a community development test. The community development test incorporates elements of the large bank’s investment and service tests. The community development test scrutinizes the amount and responsiveness of a mid-size bank’s community development lending, investing, and services. Unfortunately, the mid-size banks are no longer required to report small business or community development lending data.

**Small Bank Exam**

Small banks [institutions with less than $250 million in assets] are evaluated under a test less encompassing than the evaluations of their larger counterparts. Small banks are not subjected to investment and service tests. Their lending test consists of the following five criteria: a loan-to-deposit ratio analysis; the percentage of loans in a bank’s assessment area; a bank’s distribution of loans to individuals of different income levels and
businesses and farms of different sizes; the geographic distribution of loans; and a bank’s record of responding to written complaints about its lending performance in its assessment area.

The Gramm-Leach-Bliley Act of 1999 established a less frequent exam cycle for small banks with less than $250 million in assets with passing CRA ratings. Small banks with “Outstanding” ratings will be examined once every five years and those with “Satisfactory” ratings will be examined once every four years. Banks with passing ratings can be examined more frequently if regulatory agencies believe a compelling reason, such as deteriorating CRA performance, makes it necessary to do so. Community groups should contact the regulatory agencies if they believe that a particular small bank should be examined more frequently during its time cycle.

**Wholesale and Limited Purpose Bank Exam**

Wholesale and limited purpose banks are also assessed under a test tailored to their capabilities. These banks provide services such as offering credit cards, or specialize in large commercial deposits. Lending tests cannot adequately assess wholesale and limited purpose banks because many of these banks do not accept consumer deposits or make home loans. Instead, examiners focus their evaluation of these banks on their number of community development loans and investments, such as construction loans for housing developments, Low Income Housing Tax Credits, or investments in organizations that finance small businesses. The tests for mid-size and large banks also consider community development loans and investments.

**Strategic Plan Option**

Any lending institution can opt for developing a strategic plan in lieu of a regular evaluation. Developed in consultation with neighborhood organizations, a strategic plan seeks to satisfy the credit needs of a bank’s assessment area and must address the lending, investment, and service criteria that would have been part of the usual evaluation. Federal regulators must approve the strategic plan and rate it at least “Satisfactory.” If a bank receives a lower rating on its plan, it has the option of submitting to the applicable tests for large, small, or limited purpose banks.

**Evidence of Illegal and Discriminatory Lending**

A CRA rating can be downgraded if a federal agency uncovers evidence of illegal, abusive, or discriminatory lending on fair lending exams that occur approximately at the same time as CRA exams. It is critical that community groups bring fair lending concerns to the attention of CRA examiners if they know of abuses and improprieties.

**Community Group Involvement**

Community groups can be involved in the CRA evaluation process. Federal agencies publish in advance a list of banks that will be evaluated each quarter. Once every three months, NCRC notifies its members about the banks scheduled for upcoming CRA exams. NCRC encourages its members and other community organizations to offer their comments on the CRA performance of banks in advance of their examinations. Timely comments can influence a bank’s CRA rating by directing examiners to particular areas of strength or weakness in a bank’s lending, investments, or services in low- and moderate-income neighborhoods. A community group’s comment can have an influence on the overall CRA rating for an institution, or the CRA rating for a state or one of the tests on the CRA exam. Even changing a rating from “Outstanding” to “Satisfactory” in one state or one part of the exam can motivate a bank to increase the number of loans, investments, and services to low- and moderate-income communities.

Also, community organizations can offer written comments on a bank’s CRA and fair lending performance when a bank has submitted an application to merge or acquire another bank or thrift. NCRC can assist community organizations in preparing comments on merger applications. The vast majority of merger applications are approved, but comments can still direct regulatory agencies’ attention to areas of weakness. The federal agency can approve the merger application, but still indicate in the approval order that the bank should improve upon its area of weakness. In addition, the bank can pledge in writing to address its shortfall by implementing a fair lending reform and/or increasing its lending, investing, and services to traditionally underserved communities.
CRA is one of the most important laws for building wealth and revitalizing neighborhoods. CRA has leveraged trillions of dollars for low- and moderate-income communities since its enactment in 1977, and has had a broader impact on the overall economy by creating jobs, expanding affordable housing opportunities, and promoting small business development.

CRA requires banks to meet the credit needs of all communities, including in low- and moderate-income areas, consistent with safety and soundness. Congress enacted CRA in response to “redlining” (denial of loans and services) by lending institutions in low- and moderate-income communities. The practice of redlining had been documented with the passage of the Home Mortgage Disclosure Act (HMDA) in 1975, which is commonly referred to as a “companion law” to CRA.

The National Community Reinvestment Coalition (NCRC)

The National Community Reinvestment Coalition (NCRC) 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. Our members include community reinvestment organizations, community development corporations, local and state government agencies, faith-based institutions, community organizing groups, civil rights organizations, minority- and women-owned business associations, and local and social service providers from across the nation.

NCRC and CRA

NCRC was founded in 1990 to mobilize widespread support from community groups across the nation in response to pending legislation that threatened to significantly undercut the effectiveness of CRA. Since then, NCRC has worked with its national membership to preserve, strengthen, and modernize CRA.

At the invitation of President Clinton, NCRC played the lead role in rewriting CRA regulations to make CRA exams more rigorous and performance-based. NCRC was successful in ensuring that HMDA data were reported in a way that was easily accessible to community groups, the media, and the public. NCRC also organized a successful call-to-action campaign with community groups, in which they contacted federal banking agencies to encourage them to alter how banks were evaluated under CRA. This campaign resulted in greater transparency among banks, and also secured federal mandates that banks would be evaluated for their performance in lending, services, and investments under CRA. From these efforts, CRA lending and investments in low- and moderate-income communities grew significantly.

From 2004 through 2007, NCRC defended CRA against a series of attempts to weaken it. Three federal agencies (the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation) parted ways with the Office of Thrift Supervision (OTS) over OTS’ weakening of CRA exams, citing NCRC’s findings that the changes in exams would decrease access to credit. The OTS reversed this decision in 2007, however, and adopted the approach of the three banking regulatory agencies that supported CRA requirements.

CRA is Essential to the Sustainability of Working Families and Communities

Federal agencies rate banks’ performance in serving low- and moderate-income communities and must consider banks’ community reinvestment records when banks apply for permission to merge with other banks. The public has the right to comment on banks’ CRA exams and merger applications, and as a result, CRA has increased bank lending, investing, and services in low- and moderate-income neighborhoods by holding banks publicly accountable.
Since the passage of CRA in 1977, lenders and community organizations have signed CRA agreements totaling more than $6 trillion in reinvestment dollars.\(^1\)

These agreements include loans and investments for affordable housing, small businesses, economic development, and community service facilities in minority and low- and moderate-income neighborhoods.

NCRC’s members have been responsible for generating this level of community investment through CRA challenges and the resulting CRA agreements.

Since 1996, banks and thrifts (depository institutions) have made 373,404 community development loans totaling more than $407 billion.

The annual dollar amount of community development loans more than tripled—from $17.7 billion in 1996 to $63.8 billion in 2007.

Depository institutions made 14.8 million small business loans totaling more than $581 billion in low- and moderate-income neighborhoods from 1996 through 2007.

An NCRC report “Access to Capital and Credit for Small Businesses in Appalachia,” shows that every two years banks issued $5.4 billion in community development lending and investing in Appalachia.\(^2\) Small business lending was higher in Appalachian counties with higher numbers of bank branches, and this demonstrates that bank branches had a positive impact on community lending (rather than only receiving deposits).

CRA is Good Business

CRA lending has proven to be safe, sound, and profitable. A Congressionally-mandated Federal Reserve survey from July 2000 found that the great majority of banks (more than 80 percent) reported that CRA-related home purchase and refinance lending is profitable.\(^3\)

CRA does not mandate that a certain amount of loans be made to low- and moderate-income borrowers. This means that the increase in lending to such borrowers would not have been as great during the 1990s if such lending did not create opportunities for banks to profit and keep their obligations to communities.

- Mr. Michael Middleton, President and CEO of Community Bank of Tri-County, Maryland, testifying on behalf of the American Bankers Association cited CRA’s positive impact during before the Financial Institutions and Consumer Credit Subcommittee of the House Committee on Financial Services on March 11, 2009. He stated, “We really find the CRA as a tool, not an obstacle, and I mention also that all of our affordable housing loans are current, none of them are in default.”

- The US Department of the Treasury, the Brookings Institution, and Harvard University’s Joint Center for Housing Studies have all studied and affirmed the benefits of CRA.

- The Harvard study “The 25th Anniversary of the Community Reinvestment Act: Access to Capital in an Evolving Financial Services System” demonstrates that without CRA, home-purchase lending to low- and moderate-income borrowers and communities would have decreased by 336,000 loans from 1993 through 2000. The study also reveals that bank lending to such borrowers is higher in geographical areas where federal agencies grade banks on CRA exams than in localities where banks lend but are not subject to CRA exams. (Banks generally are not subject to CRA in locations in which they do not have branches but still engage in lending through brokers).\(^4\)

- CRA-covered banks and thrifts make a greater percentage of their loans to low- and moderate-income borrowers than mortgage companies and mainstream credit unions.

- NCRC’s Credit Unions: True to Their Mission finds that banks outperformed credit unions in reaching low- and moderate-income, minority, and women borrowers with home purchase loans in 40 states or 80 percent of the states from 2001 through 2003.

- In 2005, CRA-covered banks and thrifts (depository institutions) and non-covered CRA lenders made 25.1 percent and 23.8 percent of their home purchase loans respectively to low- and moderate-income borrowers.

- CRA-covered institutions issued 566,620 prime home purchase loans to low- and moderate-income borrowers, while non-CRA covered independent mortgage companies and credit unions made 281,622 loans to these borrowers in 2006.

CRA Builds Healthy, Diverse Communities

- Using NCRC’s records of CRA agreements, Federal Reserve economist Raphael Bostic and his colleague Breck Robinson found that CRA agreements increased bank lending to minorities and low- and moderate-income borrowers by up to 20 percent.\(^5\)
• CRA has leveraged a significant increase in home mortgage lending to minority and low- and moderate-income borrowers.

• From 1993 through 2002, home mortgage lending increased 79.5 percent to African Americans, 185.8 percent to Hispanics, and 90.6 percent to low- and moderate-income borrowers. In contrast, lending increased just 51.4 percent to middle-income borrowers. The surge in lending to underserved borrowers (minorities and low- and moderate-income) occurred in a time period preceding the substantial increase in high-cost and exotic lending.

• CRA has contributed to a much greater increase in lending to minority and low- and moderate-income borrowers than to whites and middle-income borrowers.

• Low- and moderate-income borrowers received 1.27 million home loans in 2002, which was an increase of 604,000 loans over the number of loans they received in 1993. Part of this increase is attributable to CRA, as documented by the research cited above.

• A Treasury Department study finds that CRA-covered lenders increased their home mortgage loans to low- and moderate-income areas and borrowers by 39 percent from 1993 to 1998, which is more than twice the increase [of 17 percent] to middle- and upper-income borrowers and areas.5

Sound Lending Practices Are Essential to Sustainable Economies and Communities

CRA contributes to safe and sound lending that is affordable for borrowers. CRA-covered depository institutions made substantially fewer high-cost loans and piggyback loans than lenders not covered by CRA. High-cost and/or piggyback loans have been found to be riskier and have higher default rates than the traditional prime loans of CRA-covered depository institutions.

• The Federal Reserve Board in their study “Higher Priced Home Lending and the 2005 HMDA Data” found that 34.3 percent of the home purchase loans issued by non-CRA covered lenders were high cost loans in 2005. By contrast, only 5.1 percent of the home purchase loans issued by depository institutions and closely scrutinized on CRA exams were high cost.8

• These findings were also supported by Traiger & Hinckley LLP, a fair lending compliance law firm, which observed that 84.3 percent of the high-cost home purchase loans in the 15 most populous metropolitan areas were issued by non-CRA covered lenders while the remaining 15.7 percent were issued by banks and their affiliates.9

• Independent mortgage companies were a significant source of piggyback credit according to the Federal Reserve. From 2004 to 2006, independent mortgage companies extended between 55 percent and 63 percent of the high-cost piggyback loans. During the same time, depository institutions accounted for about one-fifth to more than one-fourth of the high-cost piggyback loans.10

• New research by Elizabeth Laderman and Carolina Reid of the San Francisco Federal Reserve Bank documents that loans made by banks in their CRA assessment areas are about half as likely to end up in foreclosure as loans issued by independent mortgage companies. The researchers conclude that “we believe that this research should help to quell if not fully lay to rest arguments that the CRA helped caused the current subprime lending boom...” They continue, “Proposals to ‘modernize’ the CRA, either by expanding the scope of the CRA assessment area and/or by extending regulatory oversight to IMCs [independent mortgage companies] and other nonbank lenders, certainly deserve further consideration.”11

• Testifying on March 11, 2009, before the Financial Institutions and Consumer Credit Subcommittee of the House Committee on Financial Services, Sandra Braunstein, Director of the Division of Consumer and Community Affairs of the Federal Reserve System affirmed, “I can state very definitively from the research we have done, that the Community Reinvestment Act is not one of the causes of the current crisis.” Braunstein continued, “We have run data on CRA lending and where loans are located, and we found that only six percent of all higher cost loans were made by CRA covered institutions in neighborhoods targeted, which would be low to moderate income neighborhoods targeted by CRA. So I can tell you if that’s where you’re going, that CRA was not the cause of this loan crisis.”12

• NCRC’s study “Broken Credit System,” documents that there is currently an imbalance in high-cost lending with a disproportionate amount of these loans reaching borrowers in minority neighborhoods even after controlling for creditworthiness. CRA counteracts this by bolstering product choice, increasing prime lending, and discouraging banks from making unfair loans.13
• CRA encourages foreclosure prevention by awarding points on CRA exams for counseling and modifying high-cost loans into affordable loans. 14 CRA penalizes banks and thrifts for making illegal and abusive loans.

CRA’s Further Expansion

CRA continues to be the primary mechanism for investment in community development in low- and moderate-income areas. Underserved communities would benefit from the expansion of CRA throughout the financial services industry.

• NCRC recommends enhancements in data disclosure. The HMDA data should have pricing information on all loans, not just high-cost loans. The HMDA data should have additional information on loan terms and conditions and should have underwriting variables such as creditworthiness, loan-to-value ratios, and debt-to-income ratios. CRA small business loan data needs information on the race and gender of the small business borrower.

• NCRC recommends that CRA should cover the great majority of bank lending, including the lending made through brokers in addition to the loans issued through bank branches. Currently, CRA does not cover all loans made by depository institutions since CRA generally applies to lending through bank branches but does not usually cover bank lending through brokers. As a result, a significant amount of bank lending does not receive as much scrutiny as it should.

• NCRC recommends that CRA apply to independent mortgage companies and mainstream credit unions in order to encourage them to increase product choice and prime lending to low- and moderate-income borrowers and communities.

• NCRC recommends that CRA consider lending to minority borrowers and communities to increase its effectiveness in reducing lending disparities for minorities (as it has for low- and moderate-income) borrowers. NCRC’s report “Are Banks on the Map,” concluded that minority neighborhoods in 25 large metropolitan areas experienced fewer branches per capita than low- and moderate-income neighborhoods. 15 These disparities would be narrowed if CRA explicitly considered bank performance in serving minority communities.

• NCRC recommends that CRA be expanded to other non-bank institutions including insurance companies, securities firms, and investment banks in order to increase access to credit and capital for working communities.

Currently, NCRC is working with Congress to modernize CRA. Rep. Eddie Bernice Johnson introduced H.R. 1479, the CRA Modernization Act of 2009, during a press event at NCRC’s national conference on March 12, 2009. This proposed legislation would strengthen CRA as applied to banks and would expand CRA coverage to independent mortgage companies, insurance firms, mainstream credit unions, and other non-bank institutions. NCRC will engage its member organizations and colleagues in a campaign to promote CRA modernization and seek Congressional passage of laws updating and expanding CRA.

1 NCRC’s “CRA Commitments,” which includes $4.6 trillion in commitments. See http://www.ncrcr.org/images/stories/whatWeDo_promote/cra_commitments_07.pdf. More recently, Bank of America pledged $1.5 trillion when it was acquiring Countrywide, see http:// newsroom.bankofamerica.com/index.php?ps=press_releases&item=8152
3 See http://www.federalreserve.gov/boarddocs/surveys/craloansurvey/ crafex/pdf
5 Raphael Bostic and Brack Robinson “Do CRA Agreements Influence Lending Patterns?” July 2002, available via bostic@usc.edu
7 Piggyback loans are those with a simultaneous first and second mortgage.
15 See http://www.ncrcr.org/images/stories/mediaCenter_reports/ nrcr%20bank%20branch%20study.pdf
The Community Reinvestment Act (CRA) is one of the most effective tools for leveraging loans and investments for low- and moderate-income neighborhoods. It also mitigates foreclosures by requiring banks to lend consistent with safety and soundness.

NCRC supports Congressional efforts to pass the Community Reinvestment Modernization Act of 2009, which has been introduced in the 111th Congress by Representative Eddie Bernice Johnson. This act would strengthen CRA as applied to banks.

The Community Reinvestment Modernization Act of 2009 would also apply CRA to non-bank financial institutions including insurance companies, securities firms, mainstream credit unions, and independent mortgage companies.

If passed, the Community Reinvestment Modernization Act of 2009 would leverage billions of additional dollars in safe and sound loans and investments for America’s neighborhoods.

Background

The Community Reinvestment Act (CRA) has been one of the most important laws for building wealth and revitalizing neighborhoods. Therefore, NCRC recommends that Congress strengthen CRA as it is applied to banks and expand CRA’s reach to non-bank financial institutions.

CRA encourages banks to respond to a variety of needs in low- and moderate-income (LMI) communities, ranging from financing affordable rental housing, homeownership, and small business creation to economic development. Federal agencies conduct CRA exams and rate banks based on the banks’ lending, investing, and provision of services and branches in LMI neighborhoods.

Since 1996, banks have made community development loans totaling more than $407 billion. They also made small business loans of more than $581 billion in LMI neighborhoods from 1996 through 2007.

CRA mitigates foreclosures. CRA exams provide points to banks for foreclosure prevention efforts including counseling and modifying loans. CRA exams penalize banks for making loans that are unfair and deceptive.

According to the Federal Reserve Board, only 6 percent of all high-cost loans in 2006 (a boom year for high-cost lending) were considered on bank CRA exams. Banks consistently have issued a smaller percentage of high-cost loans over the last several years than independent mortgage companies not covered by CRA.

Community Reinvestment Modernization Act of 2009 (H.R.1479)

NCRC has worked with Rep. Eddie Bernice Johnson to introduce the Community Reinvestment Modernization Act of 2009 that would further increase loans and investments leveraged by CRA.

- The Community Reinvestment Modernization Act of 2009 bolsters the accountability of banks to all communities. It would require CRA exams in the great majority of geographical areas banks serve. Currently CRA examines banks in areas where they have branches but not in other areas where they lend through brokers.

- This bill would address racial disparities in lending by requiring CRA exams to explicitly consider lending and services to minorities in addition to LMI communities. These disparities would be narrowed if CRA scrutinized bank performance in serving minority communities.
• This bill would bolster the accountability of banks by introducing more publicly available ratings for banks so that the general public can more clearly discern differences in bank performance.

• This bill would further enhance accountability through improved data disclosure. Small business loan data would include the race and gender of the small business owner. Data on deposit accounts by neighborhood would be made publicly available. The Home Mortgage Disclosure Act (HMDA) would be linked to a new loan performance database tracking foreclosures and loan modifications. Insurance companies would be required to submit data similar to HMDA data.

• This bill would require federal regulatory agencies to hold more public hearings and meetings when banks merge. A lack of public hearings over the last several years has impeded fact-finding, dialog, and collaboration among banks, community organizations, and regulators for devising post-merger bank programs and products that preserve access to credit and capital for LMI communities.

• Had CRA been applied to independent mortgage companies and other non-bank institutions, it is likely that our nation would not be confronted with a foreclosure crisis. CRA has a clear and powerful mandate: serve community needs consistent with safety and soundness. It is an antidote to the current crisis.

• Government loans, investments, guarantees, and subsidies for the financial industry during the current crisis will be more than $12.8 trillion. As a quid pro quo, CRA must be applied broadly throughout the financial industry. If CRA is applied in this broad-based manner, future financial meltdowns will not occur.

If passed, the Community Reinvestment Modernization Act of 2009 (H.R.1479) would leverage substantial sums of additional credit and capital for America’s neighborhoods. It would help steer the country out of the current financial crisis by requiring financial institutions to invest responsibly in our people and our communities.
The Community Reinvestment Act (CRA) has been one of the most important laws for building wealth and revitalizing neighborhoods. CRA is an antidote to the foreclosure crisis since this law requires banks to meet the credit needs of all communities consistent with safety and soundness. Therefore, the undersigned organizations believe that Congress should strengthen CRA as it is applied to banks, and expand CRA’s reach to non-bank financial institutions.

CRA Is Vital for Communities

- CRA encourages banks to respond to a variety of needs in low- and moderate-income communities, which includes the financing of affordable rental housing, sustainable homeownership, small business creation, and economic development projects.

- Since 1996, banks have made community development loans totaling more than $407 billion. They also made small business loans of more than $581 billion in low- and moderate-income neighborhoods from 1996 through 2007.

- CRA mitigates foreclosures. CRA exams provide points to banks for foreclosure prevention efforts including counseling and loan modification. CRA exams also penalize banks for making loans that are unfair and deceptive.

- According to the Federal Reserve Board, only 6 percent of all high-cost loans in 2006 (a boom year for high-cost lending) were considered on bank CRA exams. Banks have consistently issued a smaller percentage of high-cost loans over the last several years than have independent mortgage companies not covered by CRA. Had CRA been applied more broadly throughout the financial services industry, it is arguable that the foreclosure crisis would not have occurred.

CRA Should Be Preserved and Expanded

Updating CRA would further increase loans and investments leveraged by CRA. CRA modernization legislation introduced by the 111th Congress would:

- Bolster the accountability of banks to all communities. They would require CRA exams in the great majority of geographical areas banks serve. Currently, CRA examines banks in areas where they have branches but not in other areas where they lend through brokers.

- Address racial disparities in lending by requiring CRA exams to explicitly consider lending and services to minorities in addition to low- and moderate-income communities. These disparities would be narrowed if CRA scrutinized bank performance in serving minority communities.

- Require federal regulatory agencies to hold more public hearings and meetings when banks merge. A lack of public hearings over the last several years has impeded fact-finding, dialog, and collaboration among banks, community organizations, and regulators for devising post-merger bank programs and products that preserve access to credit and capital for low- and moderate-income communities.

- Small business CRA loan data would include the race and gender of the small business owner. HMDA data would be enhanced to include loan terms and conditions. A new database on loan performance and foreclosures would be linked to HMDA data.
• Apply CRA to a variety of non-bank institutions including mortgage companies, insurance companies, and investment banks. The exams for non-banks would scrutinize the level of lending, investments, and other services offered in minority and low- and moderate-income communities.

CRA Expansion Will Put America on the Road to Economic Recovery

• Had CRA been applied to independent mortgage companies and other non-bank institutions, it is likely that our nation would not be confronted with the current economic crisis. CRA has a clear and powerful mandate: serve community credit needs consistent with safety and soundness.

• Government loans, investments, guarantees, and subsidies for the financial services industry during the current crisis will total more than $12.8 trillion. In an effort to safeguard against future economic crises of this scale and magnitude, CRA must be applied more broadly throughout the financial services industry.

We the undersigned believe that updating CRA would leverage substantial sums of additional credit and capital for America’s working families and communities. Strengthening CRA would help steer the country out of the current financial crisis by requiring financial institutions to invest responsibly in our people and our neighborhoods.

Signed by:

ACORN
Americans for Democratic Action, Inc.
Americans for Fairness in Lending
Consumer Action
Consumer Federation of America
Consumers Union
Demos
The Greenlining Institute
Leadership Conference on Civil Rights
Low Income Investment Fund
National Alliance of Community Economic Development Associations
National Association of Neighborhoods
National Community Reinvestment Coalition
National Council of Asian American Business Associations
National Council of La Raza
National Council of Negro Women, Inc.
National Fair Housing Alliance
National Federation of Filipino American Associations
National Housing Institute
National Low Income Housing Coalition
National NeighborWorks Association
National People’s Action
National Urban League
Opportunity Finance Network
Rainbow PUSH Coalition

1 NCRC’s study the “Broken Credit System,” documents that a disproportionate number of high-cost loans are issued to borrowers in minority neighborhoods even after controlling for creditworthiness. See http://www.ncrc.org/images/stories/pdf/research/ncrcdiscrimstudy.pdf