

Center for American Progress Action Fund



Statement
of
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Center for American Progress Action Fund

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the Joint Public Hearing
on
The Community Reinvestment Act Regulation
FDIC's Seidman Center
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Introduction

Good afternoon. My name is Sarah Rosen Wartell. I am the Executive Vice President of the Center for American Progress Action Fund. My statement today reflects the thoughts of a number of my colleagues at the Action Fund, as noted above. We all thank you for the opportunity to share our thoughts today.¹

You invited comments on a number of important issues that, if addressed well, could help to make the Community Reinvestment Act a more effective tool to help meet the credit, community development, and banking service needs of our communities, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the financial institutions that provide credit to these communities. Many others will testify today, and at the other hearings to follow, with specific proposals for how to tackle these issues—many of which we would endorse. But we at the Action Fund and our affiliate, the Center for American Progress, have focused our work on related issues:

- Understanding the origins of the housing bubble and foreclosure crisis
- Assessing the still mounting devastation of our communities in the aftermath
- Reimagining in specific a new, responsible, stable, and sustainable housing finance system
- Developing policy to help our communities shift from carbon dependence to a new low-carbon economic development model.

As a result, we thought that our best contribution would be to put the CRA regulatory reform process in a larger context.

Let me be clear at the onset what we believe is at stake. If the wrong lessons are learned from the housing crisis, then communities already stripped of their limited equity and capital base by unsustainable and in some cases predatory and discriminatory lending practices, and by the foreclosure crisis and Great Recession that ensued, could face further disinvestment. Contrary to popular perception, the communities hardest hit by this rolling crisis are not all either low- and moderate-income communities or communities of color, yet these communities are among those most at risk of continued credit deprivation and economic stagnation.

CRA was first enacted in 1974 in response to limited access to credit and a legacy of redlining that left many urban and other underserved communities in severe economic distress. Unfortunately, today we face similar circumstances again, with significant constraints on access to credit, communities struggling with the legacy of the subprime lending spree, and severe economic distress in many places throughout the land.

Here's what's at stake. Will we see emerge a two-tier society in which access to credit and financial services are one of the dividing lines between haves and have-nots and between growing and declining neighborhoods? Will racial and ethnic minorities, who

¹ Citations are available upon request.

will make up a larger and larger share of our nation and were especially hard hit by subprime lending practices, be well integrated into the economic mainstream of our society? Will all families have access to affordable rental housing, sustainable homeownership, economically vibrant communities, small business and educational loans, banking services, and other factors essentials for economic security, opportunity, and mobility? And will renewed economic growth for the nation be based upon sustainable economic growth for all our communities?

While CRA is not the sole or even the primary policy tool to address some of these enormous challenges to our economy and the social fabric of our nation, it is nonetheless an important tool. So let me suggest that financial regulators should conceive of their responsibility in CRA regulatory reform as ensuring that CRA will be a robust tool for protecting against the looming danger of further disinvestment, and remain a lever to bring the creative talents, acumen, and capital of our financial institutions to bear in rebuilding strong, sustainable communities.

Some would have you shy away from embracing this vision of the role that CRA regulatory reform can contribute to these national challenges. They argue that CRA itself and lending to low- and moderate-income borrowers, per se, were the primary drivers of the crisis. We know you know better, as many current and former regulators have been clear that these claims are false. But those charges create a climate in which your task here is made more difficult. As financial institution regulators you have a unique responsibility and vantage point from which to say what works, so we urge you to continue to play an important role in setting the record straight.

Other aspects of the record you create to undergird CRA regulatory reforms could also make an important contribution to a long-term national strategy for sustainable community development and economic growth. So I urge you to let your record show that we know a great deal about how to do things right—providing affordable homeownership and rental housing, community development, investment and financial services successfully and sustainably for low- and moderate-income communities with products that serve the best interest of financial institutions, their customers, and their communities simultaneously. With investors and employees shaken by recent events, lenders will pull back beyond what is prudent or required. Nothing can be more important than for the regulators to support, showcase, and disseminate models for successful community development investment, credit, and services in underserved communities.

In the rest of this testimony, we detail three particular aspects of the current credit needs of communities: the devastating loss of home equity in low- and moderate-income and minority communities, the importance of credit to meet growing demand for rental housing, and the danger of being left behind as the broader society reduces its carbon consumption and energy costs. We understand that CRA covers low- and middle-income, or LMI, borrowers, but it is important to consider communities of color, too, because of the particularly damaging consequences of the housing crisis in these communities across

our nation. We speak to areas of our own recent work, not to suggest that other credit needs are not also important priorities.

Strategies to ensure access to credit to address these challenges will be essential to ensuring we do not see many communities left behind. In advancing affordable home ownership done right, CRA can encourage lenders to use proven strategies and draw the right lessons learned from the housing crisis to do sustainable lending consistent with their own safety and soundness. In the case of multifamily rental housing, CRA regulations provide impetus to develop models that bring expanded capital to the rental market. In the case of so called “Green CRA,” regulators must first articulate as a goal that LMI communities and minority communities benefit from projects producing lower-energy costs and recapitalization made possible by energy efficient retrofits and construction to create low-carbon communities. Furthermore, CRA regulations must be clarified so that uncertainty itself does not become a barrier to community stabilization and revitalization and a vision.

Finally, and for the record only, the testimony summarizes key parts of the argument against those who would suggest CRA drove the crisis.

LMI and minority communities were hit hard by the housing crisis and Great Recession

Sustainable housing credit for homeownership must be made available for rebuilding

When CRA was enacted, the concern was that underserved communities were being denied access to capital, contributing to an overall decline in these areas. Conceived largely to address race-based inequality, it was implemented using an income-based approach; nevertheless, the CRA has important implications for addressing market failures for borrowers and communities that are underserved on either basis.

Particular attention has been paid to the provision of home mortgages and small business loans. Unlike the selective starvation for capital that precipitated enactment of the CRA, the deterioration we see now in many communities is a direct result of selective delivery of risky and toxic loan products. But in both cases, LMI communities and communities of color were especially prone to seeing hard-earned wealth drained away when high-cost credit became the norm due to failures in our finance system (whether through tolerance of redlining or high-cost predatory loans.) Today, in the wake of the recent housing crisis and Great Recession, one of the greatest needs of LMI communities is sustainable financing tools that will allow more LMI and minority communities to rebuild home equity lost during the subprime crisis.

In 1998, subprime loans accounted for 2 percent of the originations, rising to 6 percent in 2002. By the end of 2006, more than 20 percent of all loan originations were subprime. Subprime loans are not inherently unsuitable for all borrowers. Some well designed

subprime products can be used by nontraditional borrowers to gain access to sustainable credit that they otherwise could not have gotten. But problems ensue when subprime loans are coupled with irresponsible underwriting standards, or when these types of loans are used to shift borrowers who would have qualified for prime or fixed-rate loans into nontraditional products offering teaser rates and negative amortization. And the dramatic expansion of subprime lending in the last decade ultimately created problems far beyond the homeowners now facing foreclosure or struggling to stay current—resulting in a dramatic destruction of wealth for their neighbors and communities as well.

Loss of home equity is a severe problem in neighborhoods with high rates of foreclosures. Property values decline an average of 0.9 percent for every foreclosure within an eighth of a mile of the property. In low- and moderate-income neighborhoods, where the risk of foreclosure is higher because of the greater concentration of subprime mortgages, each foreclosed property is estimated to reduce house values by 1.4 percent.

Communities and local governments also take a hit as the loss in property values shrinks the tax base while at the same time vacant properties become magnets for vandalism, arson, and violent crimes, thus imposing additional costs on already overburdened state and local governments. This is a vicious downward spiral. As property values continue to drop, more foreclosures will occur, and values will be driven down even more. The Urban Institute estimates that a single foreclosure results in an average of \$19,229 in direct costs to the local government.

According to the Center for Responsible Lending, in 2009, \$502 billion of property value is estimated to have been lost because of nearby foreclosures. Since 2007, 6.6 million foreclosures have been initiated, and up to 12 million are projected during the next five years. In 2009, alone, more than 69 million neighboring homes are estimated to have lost property value because of nearby foreclosures, with the average price decline per home estimated at \$7,200.

These problems are particularly pronounced in low- and moderate-income communities, as well as in African-American and Hispanic communities, where subprime loans were often aggressively marketed and which now see high concentrations of foreclosures.

According to a recent study by the Center for Responsible Lending, African-American and Latino borrowers were 30 percent more likely to end up with subprime loans than were white borrowers of similar risk characteristics.

Not surprisingly, nearly 8 percent of both African-American and Latino borrowers have been foreclosed upon, as compared with 4.5 percent of white borrowers. Put another way, since the beginning of 2007, African Americans are 76 percent more likely than white borrowers to have lost their homes in a foreclosure, and Latino borrowers 71 percent more likely than white to face this family tragedy. CRL estimates that the foreclosures projected to occur between 2009 and 2012 will result in \$1.86 trillion in lost wealth, for the 91.5 million households affected. These losses are on top of the loss in property value due to overall housing price declines.

This is wealth that will not be easily restored, especially in these LMI communities. Today's mortgage crisis threatens long-lasting economic implications, perhaps severely circumscribing parents' abilities to help pay for their childrens' college education, or to meet even basic needs in retirement, or destroying nest eggs set aside to start new businesses.

Irresponsible lending, which was prevalent in almost every market and especially prevalent in LMI communities and communities of color, had a devastating impact. But the solution is not to eschew homeownership for anyone. Rather, it is the availability of responsible home mortgage finance, which will be essential if these communities are to rebuild.

Traditionally and still, homeownership offers an important path to financial stability for both minority and low-income households whose home equity represents a greater share of wealth than it does among white and higher-income homeowners, respectively. Well before the recent subprime boom, minority households were already at a disadvantage in the housing market. In the 1980s, progress was evident in the national homeownership rate, when for the first time minority ownership was growing faster than white ownership. Since the 1980s, however, progress in closing this gap has been inconsistent and less than dramatic. As of the end of 2009, roughly 68 percent of American households own their own homes. But among African Americans the ownership rate is only 47 percent while the white rate is 72 percent—a difference of 25 percentage points. Among Hispanic households the rate is 48 percent, or 24 percentage points below the white rate.

Easing wealth constraints to homeownership is particularly critical to addressing the racial homeownership gap. Though median household income for minority households has come closer to approaching that of whites (from 61 percent in 1998 to 72 percent in 2007), the wealth gap remains startling, with the median minority household holding only 16 cents in wealth for every \$1 held by white households.

Fortunately, there are successful and proven strategies used by CRA-regulated lenders and others to do low-down payment lending well, although they were largely overwhelmed by the poor lending practices of the unregulated banking system. Loans originated for CRA purposes actually performed quite well, both before, during, and after the subprime bubble. All CRA activities are explicitly and statutorily required to comply with "safe and sound lending practices," a requirement that does not extend to independent mortgage companies or issuers of private label securities who packaged together these subprime loans for sale to institutional investors worldwide.

Not surprising then, the performance of CRA-regulated loans is actually better than that of subprime loans. Researchers at the UNC Center for Community Capital compared the performance of loans from a large, national portfolio of affordable and Community Reinvestment Act mortgages, to that of loans made by the subprime market players. When matching borrowers with similar profiles (for example, comparable borrower risk factors, down payment, and market conditions) the borrowers who obtained subprime

loans were three to five times as likely to default as their counterparts who instead had received the prime, affordable mortgages. In this study, adjustable rate mortgages, prepayment penalties and broker originations were features associated with increased risk of default, and layering together these features generally magnified default risk.

Similar results were obtained by researchers at the Federal Reserve Bank of San Francisco. Controlling for borrower and loan characteristics of more than 200,000 purchase money mortgages originated in California from 2004 to 2006 in low- and moderate- income census tracts, loans originated by regulated institutions subject to the CRA had significantly lower likelihood of foreclosure than those originated by non-CRA regulated independent mortgage companies. Here again, after controlling for borrower and market risk characteristics, specific loan features were found to increase default risk, including higher-price, adjustable rate, prepayment penalties and less than full documentation.

These high risk product features were much more common among subprime and unregulated mortgages, which were frequently targeted at lower income and minority borrowers. By contrast, sensibly designed, consumer-oriented home mortgage loans have worked well to overcome the wealth barriers widely preventing greater access to home ownership among minority and lower-income communities. Flexible underwriting guidelines, combined with risk mitigation strategies are a distinguishing characteristic of affordable lending efforts. Reduced down payments, higher debt-to-income ratios, a history of stable income (as opposed to stable employment with the same firm), use of rent or utility records to document creditworthiness, and reduced cash reserves can be offset with education and counseling, enhanced servicing, and default prevention.

Similarly, policies that reduce wealth barriers (down payment and cash required to close) were found to have the most potential impact on closing homeownership gaps. And studies have shown that prepurchasing counseling is associated with improved loan terms and lower delinquency rates. One analysis by Valentinia Hatarska, Claudio Gonzalez-Vega, and David Dobos in 2002 found that counseled borrowers were half as likely to default as other borrowers.

Taking all these factors together, it is not sufficient to meet the credit needs of minority and low-income communities by just going back to the pre-2001 patterns of home mortgage lending. Regulations and oversight must choke off the deceptive allure of predatory loans. A level playing field between CRA-covered and other lending channels is required, as markets change and financial services will often emerge from new sources. We cannot abide a system that allows bank holding companies to produce only small volumes of CRA loans in the same communities where their mortgage company and securitization affiliates are driving such good products out with abusive alternatives.

Lenders must focus on finding ways to offer mortgage and refinancing credit to the communities that were most devastated by concentrations of foreclosures. This is not to suggest that lenders adopt unsafe or unsound lending practice. Rather, the achievable goal of CRA is to do home ownership right—through carefully underwritten loans even with

lower down payments, and through shared equity and community land trust models. We know these lending models work, not least because they were tested under the stress of the housing crisis and proved their effectiveness.

Affordable credit to finance the preservation, recapitalization, and construction of rental housing

This is another pressing need in LMI communities and communities of color

Another important credit need is access to credit to finance the preservation, recapitalization, or construction of new rental housing to serve LMI and minority families. Directly subsidized rental housing is estimated to serve only 25 percent of those households that are cost-burdened by their housing costs (where “cost-burdened” means that they are spending over 30 percent of their income on housing). Thirty percent of lower income renters earning less than 60 percent of the area median income are paying more than *half* of their incomes for rent.

Most housing experts predict a huge “echo boom” generation of Americans entering prime household formation years alongside immigration growth as the economy recovers. Coupled with the millions of foreclosed-upon homeowners thrown back into the rental market and the sharp drop in rental housing production over the past few years, the nation as a whole is facing a decade or more of rental stock shortfalls and rising rent pressures. These forces will inevitably hit hard in LMI communities where so many families are already cost-burdened by housing. Access to financing for affordable rental housing alone will not close the gap between incomes and rents that are affordable to many LMI households. But without credit for affordable rental housing, the gap will not begin to be addressed.

Smaller rental properties (those buildings with 5 units to 50 units of rental housing) provide more than one-third of the rental units across our country, but finance to build these properties is especially difficult to obtain and costs are high. These smaller buildings, which are common in many cities and towns as the primary rental housing stock for moderate-income families, can easily become community eyesores when owners find themselves unable to pay off debt or obtain refinancing.

As the Joint Center for Housing Studies notes, housing finance system innovations and securitization in the 1990s brought stability to the financing of larger multifamily properties, but a “dual mortgage delivery system” emerged for smaller multifamily properties. Investors and owners of smaller properties had a different set of lenders and products than did owners of properties with 50 or more units. Eighty-six percent of the larger properties had a mortgage, and of these, 65 percent of the larger properties with a mortgage had a longer-term, fixed-rate mortgage. In contrast, only 58 percent of five-to-

nine unit buildings had a mortgage, and just one-third of these had level-payment, fixed-rate mortgages.

Secondary market reforms will be important to helping small community banks that know the customers well and finance many of these loans offer better terms and conditions, and price these loans more affordably. But a willingness to continue to lend in communities with significant small property rental stock is a precondition for economic revitalization of these communities. Because most such properties are not subsidized through any recognized government program, lenders are often unsure whether loans or investments to such small multifamily properties in LMI areas qualify for CRA consideration—even where a majority of residents in the property are also LMI. Clearer affirmative guidance in this regard would be beneficial. Moreover, positive consideration for innovation should be given where the lender can encourage private owners to commit for a reasonable period of time to maintaining rents at levels affordable to LMI occupants.

Finally, another rental housing challenge for which capital is needed for community revitalization is the recapitalization and tenancing for rental housing of scattered site single-family (including 2-4 unit) housing. While scattered site rental management is not a well-developed housing sector, in some communities with high concentrations of foreclosures it is the only viable model for ensuring that foreclosed and abandoned properties are not a blight on property values and security in the neighborhood. Partnerships with community financial institutions will be important to protecting community investments and the home equity of neighboring properties as well. Loans to or investments in small multifamily property management companies operating in LMI areas, blanket financing for acquisition and renovation of such properties, and leveraging of neighborhood stabilization funds aimed at putting such properties into productive affordable residential use are examples of the types of CRA-endorsed activities that could be encouraged by express CRA guidance.

Rethinking economic development to include clean energy lending opportunities

In your hearing announcement, you specifically asked “What are the opportunities to better encourage community development loans, investments, and services to support projects that have a significant impact on a neighborhood?” One clear example is the long-term opportunity presented by investments in clean energy and energy efficiency, and the benefits to LMI communities and communities of color that stem from these investments.

In terms of economic hardship, families eligible for the Low Income Home Energy Assistance Program, or LIHEAP, were spending 33 percent more of their income on home energy costs compared to 1998, according to utility company figures. LIHEAP-eligible households have income at or below 150 percent of the poverty level for their state or 60 percent of their state’s median income, or otherwise receive low-income

assistance such as food stamps. In particular, research shows households of color spend at least 30 percent more for energy than white households. In fact, a report developed by the Center for Social Inclusion reveals that African Americans spent \$1,439 annually (\$120 per month) on their electric bills, and that electricity accounted for nearly 40 percent of the total utility bill in 2008. For African Americans, spending on energy was equivalent to the highest dollar amount and share in a decade. Accordingly, loans, investments, and services that reduce energy costs for residents of LMI communities and communities of color have a significant impact on reducing living costs in tangible ways and are, in effect, valuable strategies to meet the credit needs of underserved communities.

While data clearly supports the demand for clean energy and energy efficiency in these communities, the reality is that the supply of much-needed capital for these investments is taking place far away from the highest impacted areas. In fact, the majority of clean energy investments in housing remains in high-tech areas such as Silicon Valley among homeowners and individuals with access to capital and financial institutions. This current entrepreneurial ecosystem is destined to leave LMI areas bankrupt of environmental innovation and employment opportunities (or “green jobs”) that can reduce environmental health risks, increase disposable income by bringing parity to energy costs, and support widespread clean energy development and deployment.

Currently LMI communities and communities of color lag behind in the use of clean energy and investment in energy efficiency. One of the most appropriate roles for CRA could be in encouraging investment and credit to finance energy efficiency retrofits and distributed generation—primarily solar panels on rooftops. Unfortunately, access to financing is the primary barrier to broad-scale implementation of these projects in disadvantaged areas.

There are significant credit/capital barriers at the individual, or retail, level, as well as at the larger, wholesale, level that delivers clean energy. Current CRA rules and regulations would probably recognize as community development any loans for energy efficiency retrofits directly to low- and moderate-income homeowners or renters, or to landlords owning properties in these communities, but the energy cost reduction aspects of this activity could be more expressly endorsed in CRA guidance.

Moreover, under current guidance a loan or investment arguably serves “community development” if, for example, a new clean energy plant provides lower-cost energy directly to LMI residents in an LMI census tract, even if the new generating plant is located in a high-income area. But there is minimal guidance on this under CRA, and many financial institutions are hesitant to take this approach. That’s why CRA guidance needs to be clearer in cases such as these where clean energy benefits LMI residents and communities.

But clarity on these points is not sufficient. The economic reality is that it may not be economically feasible for an entrepreneur or utility company to build a clean energy facility for wind, cogeneration, geothermal, or hydroelectric power generation if such

capital-intensive facilities must demonstrate as a “primary purpose” that it serves LMI residents and communities of color. Many such facilities need to serve a broader consumer base to provide adequate return on capital.

We recognize that not every clean energy facility should be considered as a community development activity without a meaningful benefit to LMI communities and communities of color. But CRA could recognize that providing lower-cost clean energy to a materially large number of residents in these communities sufficiently serves community development so as to enable an investment or loan to an energy facility or other green effort to merit some CRA credit. This might be achieved through a numerical test under which low- and moderate-income and minority households served are less than a majority of customers but still on their own a sufficiently large number to merit CRA consideration. Other ways to measure might work as well.

In the end, CRA regulation should embrace a goal of providing capital that creates low-carbon communities in LMI communities given the strong link between energy costs and living costs for LMI residents. In implementation, regulators should find ways to encourage financial institutions to ensure that these kinds of consumers and housing providers in their communities have access to credit to take advantage of the same clean energy innovations that high-income communities are rapidly adopting.

CRA and affordable lending didn't cause the crisis

Some claim that the Community Reinvestment Act or the affordable housing goals of the two government sponsored enterprises, Fannie Mae and Freddie Mac, were the driving cause of the mortgage crisis, broadly claiming that government intervention overcame the markets' ability to reach an efficient outcome in pricing risk. This argument does not explain how Bear Stearns or AIG became massively overexposed to subprime mortgage risk, or how Goldman Sachs and Morgan Stanley developed multitrillion dollar repo markets based on the use of AAA-rated subprime mortgage securities as collateral.

But there are some other important points to consider in assessing whether CRA and the affordable housing goals drove the crisis. First is the question of timing. CRA was enacted in 1977, and the GSE affordable housing goals were implemented in 1993. Why was it only in the mid-2000s that these initiatives would have caused major problems?

Furthermore, if these government mandates related to residential mortgage lending were the cause of the financial crisis, why did we see the exact same credit expansion and collapse pattern in commercial real estate, which did not have any parallel requirements to the affordable housing goals or CRA? Commercial real estate followed almost an identical bubble-bust cycle as that of residential real estate. In fact, similar cycles can be seen in other credit markets in which private securitization played a major role.

The quickest counter to the claim that CRA specifically was the primary factor behind the explosion in subprime lending is simply to note the limited scope of the law. CRA requires covered banks to provide broad access to credit on nondiscriminatory terms in

any communities in which it operates consistent with safety and soundness. It only applies to chartered banks and thrifts as part of a quid pro quo for federal deposit insurance.

The private securitization pipeline largely bypassed these regulated institutions, using a network of nonbank mortgage lenders to originate loans. At the height of the subprime boom in 2006, only one of the top 25 lenders was directly subject to CRA. Overall, the share of outstanding mortgage debt held by CRA-regulated commercial banks and savings institutions steadily fell from 33 percent in 1995 when revisions to CRA were made to 26 percent in 2008, the most recent year for which data is available.

What's more, CRA does not reach the bank holding company level. So the fact that Countrywide owned a bank does not mean that Countrywide Financial Corporation as a whole was subject to CRA, but only the small bank that it operated. Finally, CRA obligations only extend to communities in which a bank has a branch office. As a result, only a tiny fraction of loans could be reasonably attributed to the CRA. Indeed, CRA assessment-area lending accounted for only 9 percent of higher-priced loans to borrowers and neighborhoods potentially eligible for CRA credit. And, the small number of high-cost mortgages that were CRA-related represented only 1.3 percent of all mortgages made—hardly a likely culprit in the ensuing crisis.

As you know, these conclusions are widely shared by financial market regulators. FDIC Chair Sheila Bair said “[a] complex interplay of risky behaviors by lenders, borrowers, and investors led to the current financial storm. To be sure, there's plenty of blame to go around. However, I want to give you my verdict on CRA: NOT guilty.”

Federal Reserve Board Chairman Ben Bernanke wrote in a letter to Congress: “Our own experience with CRA over more than 30 years and recent analysis of available data, including data on subprime loan performance, runs counter to the charge that CRA was at the root of, or otherwise contributed in any substantive way to, the current mortgage difficulties.”

Comptroller of the Currency John C. Dugan similarly wrote that he “categorically disagrees” with the CRA as a cause of the housing crisis. “CRA is not the culprit behind the subprime mortgage lending abuses, or the broader credit quality issues in the marketplace,” he explained. “Indeed, the lenders most prominently associated with subprime mortgage lending abuses and high rates of foreclosure are lenders not subject to CRA.”

And San Francisco Federal Reserve Bank President Janet Yellen has stated: “There has been a tendency to conflate the current problems in the subprime market with CRA-motivated lending, or with lending to low-income families in general. I believe it is very important to make a distinction between the two. Most of the loans made by depository institutions examined under the CRA have not been higher-priced loans, and studies have shown that the CRA has increased the volume of responsible lending to low- and moderate-income households.”

We urge you to continue to make this record clear in light of widespread public confusion on this point.

Conclusion

You have a genuine opportunity and responsibility before you to look at the broader context of hard-hit communities in the aftermath of the recent housing and financial crisis. As the flow of private capital does return—albeit slowly—it will be even slower to reach these communities. Regulators and policymakers must ensure CRA becomes a more robust tool to ensure all of our communities rebuild and address the long-term economic challenges they face.

Thank you.

Sarah Rosen Wartell

Sarah Rosen Wartell is Executive Vice President of the Center for American Progress, which she helped to found in 2003. She co-authored its original business plan and managed the organization through rapid growth. In the last few years, she has also guided the Center's economic policy team, editing the Center's multipart economic strategy for the nation entitled "Progressive Growth." She also built a program in housing finance.

Sarah served as deputy assistant to the president for Economic Policy and deputy director of the National Economics Council in the Clinton administration. She also was a deputy assistant secretary at the Federal Housing Administration in the Department of Housing and Urban Development and served as a consultant to the Millennial Housing Commission.