

N A A H L

NATIONAL ASSOCIATION OF AFFORDABLE HOUSING LENDERS

Contact: Paul Haaland, Director of Communications, 202.293.9856

STATEMENT BY NAAHL PRESIDENT AND CEO JUDY KENNEDY

Washington, November 18, 2009 – The National Association of Affordable Housing Lenders (NAAHL) strongly supports House Financial Services Committee Chairman Barney Frank's (D-Mass.) decision not to transfer statutory responsibility for the Community Reinvestment Act (CRA) away from the prudential bank regulators, rather than Senate Banking Committee Chairman Chris Dodd's (D-Conn.) proposal to shift CRA to a new Consumer Financial Protection Agency (CFPA).

NAAHL represents America's leaders in moving private capital to those in need, 100 organizations committed to increasing lending and investing private capital in low and moderate income communities. This "who's who" of private sector lenders and investors includes major banks; blue-chip, non-profit lender CDFIs; and others in the vanguard of community investment. NAAHL's members rely on both the strong principles and robust enforcement of CRA and also work to reduce needless and burdensome regulations that impair efforts to bring private investment to low and moderate income communities.

We are primarily concerned that the emerging market business of lending and investing in underserved areas will fare poorly in an agency whose mission is consumer compliance. Innovative and high-impact community development lending and commercial real estate investment involved in CRA activity seem incompatible with a consumer-product-focused compliance culture such as the CFPA. We are also concerned about the unintended consequences of dueling regulators as a result of the proposed split of CFPA examination and enforcement of CRA apart from bank regulators' consideration of safety and soundness considerations, as well as application decisions. Policymakers should instead use the CFPA to address the problem of the "dual mortgage market" that contributed to the mortgage meltdown in the first place.

Nonetheless, we strongly recommend that the prudential regulators should address the weaknesses in the current CRA regulatory structure that are both unsustainable and actually discourage bank participation in important community development work that benefits low and moderate income communities. For example, an increasing emphasis on the quantitative versus the qualitative impacts of CRA activities has discouraged risk-taking and innovation, and undercuts support for CDFIs. Regulators should instead provide more flexibility to encourage banks and others with affirmative obligations to reach deeply into underserved areas.

Any statutory changes to CRA should be carefully considered, practical to implement, and incentivize high-impact community development activities that may fall outside of banks' normal course of business.



NAAHL OFFICE

1667 K Street, NW, Suite 210, Washington, D.C. 20006 / Tel (202) 293-9850 Fax (202) 293-9852

<http://www.naahl.org>