

N A A H L

NATIONAL ASSOCIATION OF AFFORDABLE HOUSING LENDERS

November 16, 2009

The Honorable Christopher J. Dodd
Chairman, Senate Committee on Banking, Housing and Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Richard Shelby
Ranking Member, Senate Committee on Banking, Housing and Urban Affairs
304 Russell Senate Office Building
Washington, DC 20510

Dear Chairman Dodd and Ranking Member Shelby,

NAAHL strongly supports House Financial Services Committee Chairman Barney Frank's decision not to transfer statutory responsibility for the Community Reinvestment Act (CRA) away from the prudential bank regulators, rather than the Discussion Draft proposal to shift CRA to a new Consumer Financial Protection Agency (CFPA).

The National Association of Affordable Housing Lenders (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.

If you have any questions, please do not hesitate to contact me at (202) 293-9850.

Sincerely,

Judith A. Kennedy
President and CEO



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