

N A A H L

NATIONAL ASSOCIATION OF AFFORDABLE HOUSING LENDERS

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To the Editor:

In his misleading Oct. 5 commentary, "A Poisonous Cocktail," Peter Schweizer argues that the Community Reinvestment Act (CRA) forced banks to make bad mortgages, causing the housing and financial crisis. That doesn't even pass the smell test, let alone the taste test.

There's been a campaign afoot for two years now to scapegoat CRA and by association, low and moderate income (LMI) borrowers, for the mortgage meltdown. This campaign has persisted despite the overwhelming amount of facts discrediting these assertions, facts well-documented by Federal Reserve economists, as well as by the Federal bank regulators appointed by President George W. Bush.

The banking regulators have unequivocally stated that CRA lending did not trigger the mortgage meltdown. They are backed up by research by the Fed, which found that only six percent of all the higher-priced loans were extended by CRA-covered lenders to lower-income borrowers or neighborhoods in their CRA assessment areas, leading a former Fed governor to conclude that "This result undermines the assertion by critics of the potential for a substantial role for the CRA in the subprime crisis."

Mr. Schweizer writes that "CRA is not about community development; it is, essentially, affirmative action in lending." A catchy phrase for sure, but he couldn't be more wrong: CRA is very much about Community Development, and has been so for more than 30 years. CRA is a success story in emerging markets and a very big business, and has created a cadre of bankers and nonprofit lenders who recognize the good business potential of lending and investing in underserved areas, on fair terms. NAAHL's members, the nation's leading CRA lenders, form the vanguard of this business.

The numbers truly tell the story: banks have invested nearly \$100 billion dollars in Low Income Housing Tax Credits (LIHTCs) over the past twenty years, and another \$30 billion dollars in New Markets Tax Credits in just eight years. In addition, CRA annually funnels another \$400 billion dollars in loans and investments to LMI households and communities, financing affordable rental housing, home purchases, charter schools, daycare facilities, and small business and microenterprise loans.



CRA has encouraged more than \$50 billion annually in each of the past five years in Community Development loans alone. Community Development loans and investments support critically needed preservation and new construction of affordable housing, urban revitalization, rural development, job creation, and other emerging local needs.

It is important to note when banks provide these Community Development loans and investments, it is often done through multi-investor funds, funds which are designed to pool banks' funds and diversify their risks. This process is not only beneficial to the communities served, but also ensures the profitability of the loans and investments, and the safety and soundness of the banks.

This last point is important: CRA expressly mandates that banks must adhere to safety and soundness when lending and investing for CRA credit. Lamentably, CRA's critics seem to have forgotten this.

Sincerely,

Judy Kennedy
President and CEO