

N A A H L

NATIONAL ASSOCIATION OF AFFORDABLE HOUSING LENDERS

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CRA REGULATIONS ‘RIPE’ FOR CHANGE MAJOR LEGISLATIVE OVERHAUL NOT NEEDED

Washington, September 15, 2009 – Community Reinvestment Act (CRA) regulations from 1995 are ripe for change, and should be updated to reflect the fact that CRA lending and investment is a very big business in emerging markets in the United States and could play an important role in our nation’s economic recovery, according to the National Association of Affordable Housing Lenders (NAAHL). What isn’t needed is a major legislative overhaul of CRA.

“Banks have invested nearly \$100 billion dollars in Low Income Housing Tax Credits 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 low and moderate income (LMI) communities, financing affordable rental housing, home purchases, charter schools, daycare facilities, and small business and microenterprise loans,” says NAAHL President and CEO Judith A. Kennedy, who is scheduled to testify tomorrow before the House Financial Services Committee at a hearing on “Proposals to Enhance the Community Reinvestment Act.”

“CRA investments by banks support critically needed affordable housing, urban revitalization, rural development, and job creation,” Ms. Kennedy says. “What we need now is an updating of CRA regulations to revitalize the high-impact, innovative, high-quality lending, services and investments that banks and their nonprofit lender partners have developed in response to CRA,” says Ms. Kennedy.

NAAHL’s mission is to increase responsible, private capital lending and investing to low (under 50 percent of area median) and moderate (under 80 percent) income persons and areas. Over the past decade we have worked to thwart attempts to gut CRA, in our belief that CRA has provided incentives for insured depository institutions to increase access to LMI persons and areas, consistent with the institutions’ safety and soundness.

“For nearly a decade, we have also worked to revitalize CRA through an updating of a very complex and prescriptive regulatory regime, most of which is now nearly 15 years old and does not reflect what we have learned and evolving best practices,” Ms. Kennedy says. “NAAHL has also fought repeatedly to restore CRA’s good name, prevent overburdening CRA by expanding it to new purposes, and preserve its focus on meeting Community Development credit needs.”

“Any legislative changes to CRA should do no harm to the ability of banks to continue providing loans and services and make investments that both benefit their communities and ensure their own profitability, safety and soundness.”

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One issue that should be addressed through legislation is the problem of the “dual mortgage market” in the U.S. Some estimate that CRA-regulated depository institutions’ share of household assets and consumer loans has fallen as much as 40 percent over the last 30 years.

“Expanding the affirmative obligation of CRA, safety and soundness supervision, and enforcement of consumer protection laws to all primary and secondary market lenders would increase the number of participants involved in community investment, lending, and philanthropy,” says Ms. Kennedy.

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NAAHL represents America’s leaders in moving private capital to those in need, 100 organizations committed to increasing lending and investing private capital in LMI 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 affordable housing.