

Don't blame the CRA, expand it!

Was it Colonel Mustard with the revolver in the library?

Who killed the American housing market and sent shockwaves of economic meltdown rippling throughout the world? Predatory lenders? Lax regulators? Irresponsible brokers? Ignorant rating agencies? Reckless buyers? Careless underwriters? Unsuspecting investors? Deceitful developers? An infatuation with homeownership?

There's plenty of blame to go around. As financial commentator Terry Savage put it, there were "unbelievable levels of greed and stupidity" throughout our financial marketplace.

But, please, let's not blame the Community Reinvestment Act (CRA). CRA was enacted by Congress in 1977 to combat "mortgage redlining," the practice by which financial institutions actually drew red lines on maps to delineate the areas in which they would not lend. Under CRA, financial institutions were required to serve the credit needs of the communities from which they drew their deposits.

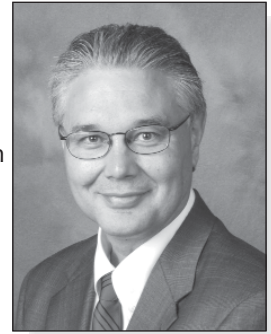
Does anyone really believe that the law had a delayed impact of 30 years before it caused havoc in the economy?

CRA has been widely credited with dramatically increasing lending and investment in low and moderate income communities and access to capital for minority populations. Under CRA, over \$1.5 trillion have been lent for community development. Comptroller of the Currency John C. Dugan recently said that he has "personally witnessed the positive impact that CRA partnerships have had in transforming communities, expanding homeownership, and promoting job creation and economic development."

While CRA-regulated institutions have provided a significantly higher share of their loans to African-American and Hispanic households than non-CRA-regulated lenders, according to Comptroller Dugan, "the lenders most prominently associated with subprime mortgage

lending abuses and high rates of foreclosure are not subject to CRA." Indeed, he cites 2006 data showing that "banks subject to CRA and their affiliates originated or purchased only **six percent** (emphasis added) of the reported high cost loans made to lower income borrowers within their CRA assessment areas."

No, CRA did not encourage reckless, predatory lending. CRA encouraged responsible lending and investment, exactly the type of activity that CIC has undertaken since its creation by a group of socially minded bankers in 1974. Since 1984, CIC has lent more than \$900 million to acquire and rehab 40,000 units of affordable rental housing. CIC lending is not a short-term activity that maximizes profit at the expense of communities. CIC loans are long-term investments that preserve housing and build communities. And the important community building work of CIC can only take place because of the \$550 million in commitments made by CIC's 47 investors, who by investing in CIC are carrying out the best intentions of CRA.



As we look ahead to rebuilding our communities and our economy, we need more, not less, of CRA. Lawrence K. Fish, Chairman of RBS America and Citizens Financial Group (and a CIC investor through Charter One), has said that "we need to broaden the number of financial service providers that CRA covers, and redefine 'community reinvestment' as 'community responsibility' — the understanding that all financial institutions have an obligation to reinvest where they operate."

So whether it was Colonel Mustard, Miss Scarlet, Mr. Green, or any other culprit that killed the housing market, it certainly was not the Community Reinvestment Act. In fact, in these troubled times, we need a responsible and expanded implementation of CRA to guide us on our path to recovery.


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