Joint Public Hearings on the Community Reinvestment Act – August 6, 2010 Atlanta, GA

Written Testimony: Suggestions for Community Reinvestment Act Regulatory Changes

Thank you for the opportunity to present this testimony. The Atlanta Housing Association of Neighborhood-based Developers (AHAND) is a member-based trade association of non-profit Community Development Corporations and affordable housing developers working to revitalize disinvested communities in the Atlanta area. Our membership of 27 organizations are deeply and directly involved in community revitalization at the human level and the real estate level, and have daily experience with the challenges presented as well as the tools available to meet those challenges. While currently providing some limited benefits and resources, the true intent and potential of the Community Reinvestment Act has not been met in many of the communities served by our member organizations.

The following is a short list of suggestions gathered from our members for regulatory changes to the Act which would be instrumental in achieving more effective impact for targeted communities and households.

1. Regulatory agencies should conduct a thorough analysis of banking and lending practices in low-income and minority communities, to better understand how the CRA may be more effectively utilized. Due to the expansion of the payday lending industry which perpetuates a cycle of reduced income and poverty, it is apparent that many residents in these communities still lack access to basic banking services, and are specifically pursued for predatory lending practices. There is as great a need as ever for these communities to have access to basic banking services.
    a. CRA could encourage banks to establish marketing or working agreements with non-profit Community Development Corporations (CDCs) for the purpose of developing community account products which expand access to banking and capital. CRA credits could also be awarded for working with CDCs to reach un-banked households.
    b. Banks could also be encouraged to tailor some banking products to work specifically with qualified CDCs and the residents they serve.

2. Mortgage lenders and mortgage holders should be brought into the CRA. Statistics from the recent foreclosure epidemic show that low-income and minority households are specifically targeted for discriminatory and predatory lending practices. Mortgage lenders that continue to employ these practices must be held accountable with penalties, including possible CRA credit reductions.

3. Revise the CRA to promote more investment in legitimate community-based non-profit organizations, including operating support for community-based organizations as an eligible activity.

4. Revise CRA to support more financing of affordable housing development:
    a. Create more incentives for lenders to provide patient equity-like capital for affordable

   housing development finance (grants, low- or no-interest loans, better lending terms for affordable housing financing).
   b. Promote financing of small- and mid-scale development projects which preserve existing affordable housing. Banks are currently hesitant to finance smaller development projects, even though they play a significant role in housing affordability for some markets.

5. Revise the CRA to encourage greater investment in Individual Development Account (IDA) programs. IDAs generally have a high success rate. Types of IDAs: Home buyer; Secondary education, Entrpreneurial.

6. Statistics show that buyers who received homebuyer training from CDCs or other legitimate training providers have a high rate of successfully keeping their mortgage. CRA could be revised to encourage banks to work closely with CDCs to provide mortgages to trained and eligible potential buyers of CDC-produced homes, particularly in underserved communities.

7. Align CRA incentives with other federal policies and initiatives: create more incentives for investing in green affordable developments, transit-oriented developments, project-related investments, and particularly activities associated with the Sustainable Communities Initiative. Create CRA incentives for banks/lenders to work with local Neighborhood Stabilization Program partners to facilitate strategic transfer of REO properties.

8. Revise CRA to strongly promote the reinvestment by banks into neighborhoods that are 'credit deserts' or have been severely damaged by the foreclosure crisis, particularly those neighborhoods in which individual banks have had high rates of foreclosure. Many CRA credits are now available for practices that do not reinvest in communities that need it the most. Banks should also be evaluated on practices in all lines of business.

9. There is a significant and growing problem nationwide with REO properties that are dilapidated, poorly maintained, and are in violation of local public safety codes. Create penalties including CRA credit reductions for banks/lenders which fail to maintain their REO properties per local code requirements.

We thank you for consideration of these suggestions, and offer further clarification of any and all, if desired. I may be reached at the virtual or physical addresses listed below.

Sincerely,

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