

**CRA Hearing, Federal Reserve Bank of Chicago
August 12, 2010**

Written Testimony

Lou Tisler

Board President, National NeighborWorks Association

Executive Director, Neighborhood Housing Services of Greater Cleveland

The National NeighborWorks® Association (NNA) is the national trade association of “NeighborWorks®” organizations: non-profits chartered by NeighborWorks® America that create affordable housing in America’s urban, rural and suburban communities. Our membership includes over 170 non-profit organizations in 50 states, Washington, DC and Puerto Rico.

Local NeighborWorks® organizations (NWOs) provide a wide variety of services that reflect the needs of their neighborhoods and communities. Over the last few years, the entire NeighborWorks® Network has provided homeownership counseling to more than 500,000 families, and assisted nearly 150,000 families to becoming homeowners. NeighborWorks® organizations also own and manage more than 70,000 units of affordable rental housing. In FY 2009 alone, the NeighborWorks® network generated about \$4 billion in direct reinvestment in distressed communities across the nation.

Neighborhood Housing Services of Greater Cleveland has been serving the housing needs of northeast Ohio for over 35 years. NHS of Greater Cleveland’s mission is to provide programs and services for achieving, preserving and sustaining the American dream of homeownership. NHS of Greater Cleveland has been instrumental in developing, implementing and evaluating comprehensive housing programs that work to achieve our mission. In the time that I have spent as the Executive Director of NHS of Greater Cleveland, we have been requested to: serve on the Governor Strickland’s Ohio Foreclosure Prevention Taskforce, provide testimony at various Congressional field hearings, present at numerous state housing agency meetings, and here today to provide oral and written testimony for the important subject matter of the Community Reinvestment Act.

On behalf of the NNA membership, NHS of Greater Cleveland, and the entire NeighborWorks Network, I am pleased to have the opportunity to comment on CRA and its existing regulations. The NeighborWorks Network strongly believes that current CRA regulations can be strengthened and modified to be more relevant, efficient and effective in promoting investments in under-served communities and neighborhoods. We appreciate the Federal Reserve and all of the federal banking agencies proactively addressing this issue. Furthermore, we hope the U.S. Congress will also proactively address CRA reform.

Specifically, I would like to offer the following recommendations and concerns.

- Assessment areas or the geographical areas on CRA exams must cover the great majority of banks’ loans. Currently, 25 percent of all home purchase loans are made by banks operating in their assessment areas. Research has shown that bank loans outside assessment

areas are more likely to be high-cost than loans in assessment areas and scrutinized by CRA exams.

- Currently, banks have the option of including their non-depository affiliates on CRA exams; they will opt against inclusion if the affiliates engage in risky lending or discriminatory lending. Banks must be required to include their affiliates on CRA exams.
- A large body of research concludes the minorities received more high-cost and risky lending than was justified based on their creditworthiness. So far, CRA has not helped in bringing borrowing opportunities to minority individuals, families, and small businesses. Using improved HMDA data, CRA needs to improve racial disparities that well known and well respected research has shown. We also recommend that an *additional* rating be used that would evaluate what a CRA institution is doing to reduce racial disparities.
- CRA exam ratings must be more descriptive and distinct in their ratings in order to provide for a meaningful interpretation and enforcement of performance. Over the last several years, 99 percent of banks have passed their CRA exams. CRA passing exams must be more descriptive. We recommend having the score of “outstanding” more stringent and more difficult to achieve as well as incorporating two additional levels of scoring: high satisfactory and low satisfactory. These small technical changes will create a less complicated rating system with an end product that is more useful to the communities served as well as the institution itself.
- Acknowledge the difference between institutions, using more qualitative analyses to determine whether or not an institution is making a difference in their communities with greater transparency in all regards. This has never made more sense; a post foreclosure-crisis Cleveland looks very different from a post foreclosure-crisis South Florida, versus what could be useful on a national scale. As a result, CRA investment, irrelevant of institution size, should be doing different things based on the needs of the communities. Current CRA regulations are too rigid and silo-ed to an institution’s asset size that the needs of a particular community are neglected and innovative practices go under-utilized.
- Banks must be required to submit public improvement plans, subject to public comment, when they receive a low rating overall or in any of their assessment areas.
- Fair lending reviews on CRA exams must be more detailed and must include reviews of safety and soundness of loans.
- Incentives for superior CRA performance such as eligibility to more tax credits under the New Markets or Low Income Housing Tax Credit programs could be considered, but we are strongly opposed to providing exemptions from merger review or less frequent CRA exams for banks with Outstanding ratings. CRA performance will decline when institutions receive less frequent scrutiny.
- Data has increased responsible lending by holding banks publicly accountable. In order to bolster affording bank lending and basic services, we support enhancements to small business data to include the race and gender of the small business borrower, census tract



data on community development lending and investing, and bank deposit and consumer lending on a census tract level.

- We are supportive of favorable CRA consideration for investments in multi-regional funds for Low Income Housing Tax Credits and other CRA-related investments as a way to serving diverse areas including rural communities. Rural areas typically receive less interest by CRA institutions and we feel promoting more regional use of the LIHTC is an appropriate way to generate more investment in America's rural regions.

Thank you for your consideration of this testimony and for all your efforts on behalf of all the low income communities the NeighborWorks Network serves. CRA's contribution to America's communities has never been more important. Please feel free to contact me for any clarification of these comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Lou Tisler".

Lou Tisler
Board President, National NeighborWorks Association (NNA)
Executive Director, NHS of Greater Cleveland, a member of the NeighborWorks Network