



INTERFAITH
HOUSING
CENTER
OF THE
NORTHERN
SUBURBS

July 27, 2010

MEMBER CONGREGATIONS

Am Shalom, Glencoe
Baha'is of Wilmette
Beth Emet the Free Synagogue, Evanston
Beth Hillel Bnai Emunah, Wilmette
Christ United Methodist Church, Deerfield
Church of St. Elisabeth, Glencoe
Congregation Hakafa, Glencoe
Congregation Solel, Highland Park
Episcopal Church of St. James the Less, Northfield
First Congregational Church, U. C. C., Wilmette
First Presbyterian Church, Wilmette
Hemenway United Methodist Church, Evanston
Lakeside Congregation for Reform Judaism, Highland Park
Lutheran Church of the Ascension, Northfield
North Shore Unitarian Church, Deerfield
North Suburban Synagogue Beth El, Highland Park
Our Lady of Perpetual Help, Glenview
Sacred Heart Parish, Winnetka
Society of the Divine Word, Techny
Sts. Faith, Hope & Charity Parish, Winnetka
St. Francis Xavier Church, Wilmette
St. Mary's Parish, Evanston
St. Norbert, Northbrook
St. Peter Church, Northbrook
St. Philip the Apostle Church, Northfield
Temple Beth Israel, Skokie
Temple Jeremiah, Northfield
Temple Judea Mizpah, Skokie
Trinity United Church of Christ, Deerfield
Winnetka Congregational Church

MEMBER ORGANIZATIONS

Highland Park Illinois Community Land Trust
League of Women Voters of Deerfield
League of Women Voters of Glencoe
League of Women Voters of Winnetka-Northfield-Kenilworth
New Foundation Center, Northfield

EXECUTIVE DIRECTOR

Gail Schechter

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave NW
Washington, DC 20551

Re: Docket No. R-1386

Dear Ms. Johnson:

On behalf of the Interfaith Housing Center of the Northern Suburbs, I am writing to you in support of changes to the Community Reinvestment Act (CRA) that promote racially and economically integrated communities, in conformity with the federal mandate under the Fair Housing Act to "affirmatively further fair housing."

Interfaith, founded in 1972 with roots dating back to the Civil Rights Movement, is the Chicago area's only grassroots and faith-based fair and affordable housing advocacy organization. To achieve an open and economically diverse housing market, Interfaith provides direct service to persons with housing needs through fair housing discrimination investigation, foreclosure prevention and anti-predatory lending counseling (Interfaith is a HUD-certified Housing Counseling agency), landlord/tenant advice, and the facilitation of Homesharing matches; and acts as the primary north suburban organizer and advocate for the preservation and expansion of fair and affordable housing.

Regulators are correct to review and update current regulations, which are based on a two-pronged problem that gave birth to the CRA in the early '70s: 1) lack of access to capital in low-income, mostly non-white, or racially integrated neighborhoods ("redlining"); and 2) ensuring that individuals seeking to secure mortgage or insurance financing (and in the appraisal process as well) are treated the same regardless of protected class status ("fair lending").

But the answer to today's neighborhoods of boarded up, abandoned homes is not identical to the answer following the devastation of neighborhoods (often the same ones) following race riots in the late '60s. Although an obvious response is financial investment (a "Marshall Plan" of sorts to rebuild neighborhood economies and family wealth), in 2010 this is overlaid by a more sobering reality: an extreme divide between the rich and poor on par with the 1920s. A Brandeis University study,



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(http://uspoverty.change.org/blog/view/racial_wealth_gap_quadruples_in_one_generation), finds that between 1984 and 2007, the racial wealth gap between whites and African Americans quadrupled to over \$75,000. Note that 2007 is before the current recession. According to this study, African Americans had fewer assets as well, relying on credit cards and doubling their average debt burden since 1984. Layer on top of that the racially discriminatory nature of predatory lending, the foreclosure crisis had an especially negative effect on people of color and the neighborhoods in which they predominate.

In short, public policies that address poverty and race today where they are place-based, such as the CRA, must not only “do no harm” (in terms of not exacerbating blight and disinvestment) but must act in sync with other policy priorities designed to whittle away at the income gap, both by neighborhood and by racial group. Otherwise, turning around these neighborhoods through programs like HUD’s Neighborhood Stabilization Program (NSP) can have the unintended consequence of further entrenching racial segregation. Predatory, sub-prime lending thrived under the guise of “fair lending” and “community reinvestment”, though largely unregulated. To maintain the look of that “easy target” neighborhood, **a recipe that involves making the *de facto* low-income homes *de jure* affordable could result in a ghetto.**

Interfaith argues that the Community Reinvestment Act, coupled with strong enforcement of affirmatively furthering fair housing laws, could require a quid pro quo. If a lender participates in NSP, for example, it must finance affordable housing in low-poverty, low-minority neighborhoods close to (probably next door to) the impacted Census tract. For example, HUD and federal financial regulators could come up with a rule that instead of redeveloping and reselling 100 homes in Evanston’s two high-poverty, high-minority Census tracts for low-income families (see the map that accompanies this article about the funding award: <http://evanstonnow.com/story/news/bill-smith/2010-01-14/evanston-gets-18-million-housing-grant>), it could come up with a formula for doing fewer units to accommodate affordable housing in other tracts – say, 60 units in the low/mod tracts, and 25 in the higher income areas. In that way, CRA could be used to reduce racial and economic segregation rather than to support it.

In that sense, Interfaith also supports including in the definition of “community development” loans, investments, and services by financial institutions that support, enable, or facilitate projects or activities approved by HUD under NSP. The growing number of vacant and foreclosed properties destabilizes communities by lowering property values, straining municipal resources, and increasing violent crime. Investment in projects designed to mitigate the effects of the foreclosure crisis is a primary credit need in many hard hit communities, and the consideration of NSP-related investments, loans, and services under CRA will help evaluate how financial institutions are meeting this pressing need.

On the other side of that coin, however, the extent to which “community development” loans to these neighborhoods are directly matched in some formula to affordable housing in stable neighborhoods must be considered. We cannot emphasize strongly enough that turning around distressed areas is not a panacea. We live in a reality of regional, interconnected economies, and communities cannot be addressed in isolation without the consequence of rising and falling in isolation.

In short, the CRA today has to be about interconnection and mutuality, not about a surgical approach to community development.

Finally, new CRA regulations should closely monitor how financial institutions treat mortgage holders not only on the front end (in applying for and securing loans through HMDA data), but on the back end, when a customer might be in danger of default. Are customers served promptly without regard to neighborhood? Without regard to race? Is race a factor when properties are appraised for loan modifications? Are credit scores considered in the same way regardless of the property's neighborhood or race of the homeowner? As a fair housing agency in a largely affluent area, where cost is a big barrier as discrimination to access to housing, Interfaith keenly recognizes the ways in which poor neighborhoods stay poor and wealthy neighborhoods get even wealthier, because the wage gap is at record highs. These correlate with race.

I appreciate the opportunity to comment on the Agencies' proposals. Please feel free to contact me with further questions at (847) 501-5762, ext. 406 or gail@interfaithhousingcenter.org.

Sincerely,



Gail Schechter
Executive Director

cc: John Traviña, Assistant Secretary for Fair Housing and Equal Opportunity, U.S.
Department of Housing and Urban Development