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TESTIMONY FOR THE PUBLIC HEARING ON THE COMMUNITY REINVESTMENT ACT Chicago, August 12, 2010 INTRODUCTION I am John Porter of Bloomington, Illinois, appearing on behalf of Illinois People's Action (formerly Central Illinois Organizing Project) a faith-based community organization. I have been active with CIOP/IPA since I retired in 1998 as managing attorney of the Bloomington office of Prairie State Legal Services, where I represented low income and elderly clients regarding housing and consumer issues, among other matters. I am also a retired minister of the Presbyterian Church (U.S.A.). I participated in negotiating national CRA agreements between National People's Action and both CitiFinancial and J.P. Morgan Chase and local agreements between CIOP and National City, Bank One, and Union Planters Bank. I have participated in monitoring meetings concerning the implementation of all of those agreements, as well as the partnership between NPA and Fannie Mae. I served a three-year term on the Illinois Residential Mortgage Board, while the state was implementing its new requirements for examination and licensing of mortgage brokers. Thank you for the opportunity to testify. There are two points I want to make today. **COMMUNITY ORGANIZATIONS NEED TO BE MORE HEAVILY INVOLVED IN CRA IMPLEMENTATION AND PERFORMANCE EVALUATIONS** CRA was created in response to grass-roots outcry against redlining by financial institutions. It was intended to assure that banks would serve all parts of our communities, particularly historically under-served low and moderate income people and racial minorities. In some communities, banks and community organizations developed strong partnerships and made substantial progress toward accomplishing the purposes of CRA. But when predatory lending exploded in recent years and community organizations repeatedly warned our banking partners and regulators of the dangers that toxic lending represented to our neighborhoods, those warnings were largely ignored as too many powerful interests were caught up in the pursuit of great profit rather than serving the public. I cannot forget the spring, 2008

meeting with senior staff of the FDIC in Washington, when they confessed to NPA leaders that we had warned them about what predatory lending was doing to our communities and they had ignored us. That was a powerful and heartfelt admission. But it would have been far better if the warnings had been heeded and bankers and regulators had changed their behavior, to avoid the catastrophe we are all living with. I am calling for robust participation by community groups in all aspects of CRA activity. All financial institutions making loans in our neighborhoods need to operate within CRA principles. They need to engage actively with community organizations in the planning process, to identify and meet community credit needs. The community must be part of periodic review of the implementation of plans. Public hearings upon request should be a regular part of the process. Regulators conducting performance evaluations and examiners in between formal PE's must give great weight to such community participation at every stage. Transparency and community engagement are crucial to meeting the objectives of CRA. The shameful practice of CRA grade inflation must end. Performance evaluators should welcome frank critiques from community groups and take them seriously in giving grades. Community groups should have the ability to appeal evaluations which are contrary to community realities. Valid critiques should lead to remedial actions, involving the community in planning and implementation. To sum up, I'm saying put the community back into CRA!

FORECLOSURE MODIFICATION PRACTICES SHOULD HAVE GREAT WEIGHT IN CRA EVALUATIONS

Examiners and performance evaluators of financial institutions which own or service home mortgage loans should take very seriously what those institutions are doing to avoid foreclosures. It is obvious how devastating it is for a family to lose its home. Some neighborhoods have also been largely wiped out by multiple foreclosures. School districts and municipalities have suffered great hits to their tax bases. The National Consumer Law Center and others have also documented the great waste to investors and lenders of relying on foreclosure to resolve defaults. By all accounts the federal loan modification program is falling far short of its objectives. But in some communities (perhaps Philadelphia is foremost) mandatory mediation programs offer the possibility of much more economically rational and humane outcomes. Instead of rewarding foreclosure mills and unresponsive servicers for millions of dispossessions, financial institutions should be rewarded in CRA evaluations for negotiating modifications which keep families in their homes, create workable income streams, and stabilize home values and tax bases. In jurisdictions without mandatory mediation, regulated servicers and owners of home mortgage loans should be strongly encouraged to voluntarily participate in mediation and also to support the creation of community mediation services. When foreclosure courts cannot or will not enter foreclosure orders unless plaintiffs demonstrate a good faith effort to mediate a resolution, there is then a huge incentive to bring both sides to the table with full disclosure of relevant financial information and the power to make decisions. In central Illinois mandatory mediation of child custody and visitation disputes began with a trial judge who would not give time on his docket until the contesting parties first met with trained mediators in a serious attempt to reach an agreement. This requirement worked so well in resolving these often heart-wrenching disputes that it is now a statewide requirement. There should be serious CRA rewards for institutions that work for mediated resolutions of their mortgage loans in default and work for the establishment of community foreclosure mediation programs. They will also be rewarded when they avoid the financial hits they suffer when all loan payments cease and they end up with vacant property and lawyer bills. CRA should support mediated modifications of home mortgage loans as an alternative to foreclosures.