

Community Reinvestment Act Joint Public Hearings, August 12, 2010
Individual Presentation: Paul Bellamy

[Applause]

Paul Bellamy:

Good afternoon, my name is Paul Bellamy, and I'm the Director of the Cuyahoga County for Closure Prevention Program. That's in Cleveland, and we're part of Ground Zero and we're trying to put our community back together again. I work quite closely with Mr. Ford and Mr. Tincher. It's a really hard place to be right now.

I'm here to suggest not improvements to CRA Regulations but what I consider to be the elephant in the room, which is my contention or at least my belief that unless there's a thorough going review of the regulatory capture of your agencies by the financial services industry, improvements to the CRA however thoughtful and earnest will come to naught. I began participating in bank challenges under the CRA bank in 1997 and I was involved in about five of them through until 2007. I did the HMDA research, wrote up the challenges; and what I found is in all of my exchanges with the Federal Reserve and the Office of the Comptroller of Currency I was invariably treated as a rank outsider. We were barbarians at the gate attempting to get the attention of someone, anyone inside the regulatory fortress, who knew and-or cared about the communities afflicted by the increasingly detached fee driven, ethically suspect dual market mortgage industry. Now in my written testimony I go into CRA grade inflation; that's self-evidence. Anyone looks at the scores from 1995 through to the present day can see that there is really no fair evaluation going on and if you read Professor Stagman's research on the matter it's not just a matter of happenstance or lucent regulations.

But what I wanted to do is get back to a merger challenge that we did for National City Bank in Cleveland; they were buying an Ohio depository, this was 2004 and we thought this was an excellent time to look at what was the effect of depositories jumping into the subprime business. And so we used this as a perfect example. They bought First Franklin, we could look at First Franklin's loans, we could look at the conforming loans from National City, we could raise issues. And the one that really came up the most was race; the two loan types were extraordinarily distinct, and subprime was being pushed into the minority communities at a horrendous rate. Now we didn't stop the merger, we really didn't think we were going to, but the HMDA data that we used was similarly dismissed; and the order from the Fed assiduously avoided discussing the differences between First Franklin subprime mortgages and National City Bank's conforming loan products and their suspiciously distinct distribution channels. None of this equivocating on behalf of National City and its new and exhilarating subprime venture was a surprise; although the vigor and enthusiasm the Fed brought to the effort was remarkable. It was simply more of what we knew all too well from years of shouting, jumping up and down and waving our arms at the gate. The regulatory fortress was run by and for the banking industry; and as for the community suffering from the virulent subprime plague; they found themselves lying outside the walls as well. Thank you.