

Community Reinvestment Act Joint Public Hearing, August 12, 2010
Panel Three: Lou Tisler

Lou Tisler:

I also would like to thank the panel for convening this meeting, but especially Governor Duke who personally toured the good, the bad, and the ugly of the housing crisis in Cleveland. Today I'm representing two organizations: The national NeighborWorks association, which is a national trade association of NeighborWorks organizations, nonprofits chartered by NeighborWorks America that create affordable housing in America's urban, rural, and suburban communities. Our membership includes over 170 nonprofit organizations in 50 states, Washington, D.C., and Puerto Rico. I am the voluntary board president for that organization. My day job, I am the executive director of Neighborhood Housing Services of Greater Cleveland, providing programs and services for achieving, preserving, and sustaining the American dream of home ownership. And HS of Greater Cleveland has been instrumental in developing, implementing, and evaluating comprehensive housing programs that work to achieve our mission.

We appreciate the Federal Reserve and all the federal banking agencies proactively addressing this issue. Furthermore, we hope the U.S. Congress will find the importance and relevancy to address CRA reform. Specifically, I would like to offer the following recommendations and concerns for a 33-year-old act. Corporations are able to change, adapt, and find opportunity rather quickly. Regulation at times is slightly different. First, assessment areas or geographical areas on the CRA exam must cover the great majority of banks' loans. Currently, only 25 percent of all home purchase loans are made by banks operating in their assessment areas. Research has shown that bank loans outside of assessment areas are more likely to be high cost loans and scrutinized -- and not scrutinized by CRA exams.

Second, currently, banks have the options of including their nondepository affiliates on CRA exams, opting against inclusion of affiliates that are engaged in risky or discriminatory lending. Banks must be required to include all affiliates on CRA exams. Safe and sound should not only be in the institutions' best interests but also in the homeowners' best interests.

Third, a large body of research concludes that minorities received proportionally higher and riskier lending products based on credit worthiness. So far, CRA has not effectively helped in bringing borrowing opportunities to minority individuals, families, and small businesses. Requiring more robust data as a guidepost, CRA needs to demonstrate the reduction of racial disparities. We also recommend that an additional rating be implemented to evaluate what a CRA institution is doing to reduce these racial disparities. In Cleveland, these numbers have definitely shown that the racial disparities in not only loans but in the foreclosure crisis has followed in terms of minority candidates or minority homeowners and is following the path of urban sprawl.

Fourth, 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 the banks have passed their CRA exams. CRA passing exams must be more descriptive. We recommend having a score of outstanding be more stringent and more difficult to achieve, as well as incorporating two additional levels of scoring: high satisfactory and low

satisfactory. These changes will create a product that is more relevant to the community served as well as to the institution itself. Businesses would not settle to be outstanding compared to 30, 20, or 10 years ago; and neither should we, in terms of CRA ratings. CRA ratings should also not be a rubber stamp in compliance but a meaningful and effective way of meeting the needs of the community.

Fifth, acknowledge the difference between institutions using more qualitative analysis to determine whether or not institutions are making a difference in their communities with greater transparency in all regards. This is never -- this has never made more sense. A post-foreclosure crisis in Cleveland looks very different from a post-foreclosure crisis in South Florida versus a national model. As a result, CRA investment, irrelevant of institutional size, should be doing different things based on the needs of the communities. Current CRA regulations are too siloed to an institution's asset size that needs -- that the needs of the community are neglected and innovative practices are not incentivized. A one-size-fits-all approach, which is easier and requires less work, is not entirely or optimal relevant; but this should also include looking at loss mitigation in terms of foreclosure prevention and how that implements into the CRA meeting of their standards.

Incentives for superior CRA performance such as eligibility to address additional tax credits under new markets or low income tax credits should be considered. We are strongly opposed to providing exceptions from merger review or less frequency CRA exams for banks with outstanding ratings. Exemptions, when tied to current thresholds of accomplishments, exemptions become the rule rather than the exception and are detrimental to CRA's effectiveness.

Seventh, data has increased responsible lending by holding banks publicly accountable. In order to bolster affordable banking lending services, we support enhancements to small business data.

Finally, CRA should not be myopically focused on urban areas versus the suburban, exurbs, or rural areas. I'd like to thank you for the opportunity for my presentation today. On behalf of all low income communities the NeighborWorks network serves, including Ohio and Greater Cleveland.