NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

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Contact: Jesse Van Tol (202) 464-2709
jvantol@ncrc.org

NCRC PRESIDENT & CEO TESTIFIES BEFORE HOUSE FINANCIAL SERVICES COMMITTEE

Taylor Says Improved Coverage and Enforcement of the Community Reinvestment Act Could Have Protected Homeowners from Forelosure Crisis

John Taylor's full written testimony is available at www.ncrc.org. His oral testimony is available upon request.

The following exerpts are taken from Mr. Taylor's remarks today:

"Mr. Chairman, America is in the grips of a foreclosure crisis. It is destroying family wealth, undermining communities and destabilizing the economy. And, the sad and unfortunate reality is that this problem was largely unnecessary and avoidable. A failure to protect consumers in the home loan market from rampant, unfair and deceptive mortgage lending practices is the core of the problem we face today. Improved coverage and enforcement of the Community Reinvestment Act could have provided much of that needed protection."

"The overwhelming share of subprime mortgages heading into foreclosure were made or funded by lending institutions that are not subject to CRA. CRA does not apply, for example, to independent mortgage companies, investment banks (that securitize loans), and many mortgage company affiliates of banks. These non-CRA covered institutions issue hundreds of thousands of loans annually without adequate oversight."

"Their misbehavior has now impacted all Americans – regardless of whether they had a subprime loan. In fact, inadequate regulation of the subprime market is negatively impacting all Americans regardless of whether they even own a home. Sadly, all signs suggest the worst of both the foreclosure crisis and slumping economy remains ahead of us."

"Curiously, federal regulators often say their principal focus is to ensure the safety and soundness of the financial system. Yet the foreclosure crisis demonstrates that the key way to ensure safety and soundness of the financial system is to ensure proper financial services protections for consumers in the credit markets. As long as short-term bank

profitability is the sole or principal measure of safety and soundness, crises like the one we face today could again occur."

"If this foreclosure crisis has taught us anything it is that America must be more effective in supporting efforts to sustain a Financially Inclusive Society. Consumer protection laws, CRA and the fair lending laws must be obeyed and they must be accompanied by adequate and effective regulatory enforcement mechanisms. The financial service needs of working-class Americans must be respected and promoted if we are to have the kind of economic mobility that creates more stakeholders. Americans willing to work hard, pay their taxes, practice their faith and who are seeking to build a more promising economic future for their families should no longer be subjected to the kind of lending malfeasance that we have experienced in these past several years."

"The need for a strong and expanded CRA with meaningful enforcement has never been greater."

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The National Community Reinvestment Coalition is an association of more than 600 community-based organizations that promote access to basic banking services, including credit and savings, to create and sustain affordable housing, job development and vibrant communities for America's working families.