



Luis V. Gutierrez

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Gutierrez Statement: Hearing Examines How Community Reinvestment Act Could Do More for Low and Moderate Income Families

(Washington, DC) – Today, Rep. Luis V. Gutierrez, Chair of the Subcommittee on Financial Institutions and Consumer Credit, made the following opening statement at a hearing entitled, “Perspectives and Proposals on the Community Reinvestment Act.”

So much of the news we see and hear concerns Wall Street and bankers. Today we will focus on the other end of the spectrum. We will look at the safeguards for the little guy. The Community Reinvestment Act is one of the programs that keeps our communities moving and keeps the economy moving. It literally ensures that the life-blood of the economy -- small businesses, home ownership, and investments in low- to moderate-income communities -- keeps flowing.

The Community Reinvestment Act is one of the most important legacies of the civil rights struggles of the 1960’s that resulted in landmark consumer rights legislation such as the *Fair Housing Act*, the *Equal Opportunity Credit Act* and the *Home Mortgage Disclosure Act*.

These laws have become indispensable for consumers and are often taken for granted in our current political environment. These laws have helped to give all of our citizens access to affordable credit. Credit that is safe, free from bias, and free from discrimination based on income, race, or even something as simple as the zip code someone lives in or the ward in which they vote.

As good of a job as the CRA has done over the past 30 plus years, there remains so much more for this committee and this Congress to do. Minority communities have been targeted by non-CRA mortgage brokers for predatory loans and many in all of our communities continue to rely on high-cost lending for paycheck to paycheck survival. Lending to underserved communities has increased by the CRA. That is a documented fact.

At the same time, however, the FDIC announced in December that even though 75% of the banks they surveyed were aware of significantly underserved populations in their market area,
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only 18% of them included expanding access to credit to these communities a priority in their business strategy. That is unacceptable.

The CRA has done amazing things for our communities: as Mr. Taylor of the NCRC says in his written testimony, \$4.6 trillion have been invested in our neighborhoods since the passage of the CRA through bank commitments, including \$60 billion in small business lending in 2008 alone. And this is at a time when lending on all other fronts was decreasing nationwide.

In order to help our constituents recover from the current recession, to help them stop paying outrageously high fees for check cashing and payday loans and to help our small business owners buy that new truck or new oven and hire those new workers, we must do what we can to expand the CRA obligations beyond its current scope. We must find ways to give Americans increased access to credit as well as find new ways to incentivize lenders to increase lending in our underserved communities.

I look forward to working with the financial services industry, stakeholders in low- to moderate-income communities, federal banking agencies and Members of Congress, to help make the CRA's goal -- of affirmatively providing affordable access to credit to all of our communities -- a reality.

And before I close, I thought I would save the other side some time and allow them to focus on more substantive remarks and questions by stating that in no way did the CRA cause, facilitate or exacerbate the mortgage crisis. I don't think I can be clearer than that. Chairman Bernanke. Chairman Bair. Comptroller Dugan. Federal Reserve empirical studies. BusinessWeek. The Financial Crisis Inquiry Commission. What do they have in common? They all agree that the CRA did not cause this crisis.

Let's bear in mind that CRA was adopted to end "red-lining", a practice by which banks would literally draw a red line on a map around neighborhoods -- usually where minorities live -- in which they did not want to offer financial services or capital to grow the economy.

Let's talk about how to more effectively combat "red-lining" today, and not about the "red herring" of CRA allegedly causing the current financial crisis. That's a non-issue. So now that you don't have to deal with that distraction, we will have much more time to talk about constructive issues like how to incentivize participation in the CRA and expand the benefits of this law to more and more Americans struggling to build a better life for themselves, their families, and the communities in which they live and work.

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