



Contacts:

Stephanie O'Keefe, Senior VP/External Affairs
202-739-9271 or sokeefe@lisc.org

Colleen Mulcahy VP/Communications
312-697-2482 or cmulcahy@nefinc.org

LISC: CRA Not to Blame for Economic Crisis

NEW YORK (October 6, 2008)—The Community Reinvestment Act (CRA) has for more than 30 years underpinned a sound approach to community lending that has benefited creditworthy borrowers, been profitable for most banks, and supported broader neighborhood revitalization goals. It has no connection to the predatory subprime activity that has helped fuel the current economic crisis, according to Local Initiatives Support Corporation (LISC), a leading national force behind comprehensive community development.

“CRA is becoming a convenient scapegoat for escalating losses in the housing and credit markets,” noted Michael Rubinger, LISC president and CEO. “But in fact, these issues have absolutely nothing to do with CRA. They instead reflect the decisions some financial institutions have made in recent years to maximize gains at the expense of sensible risk management,” he said.

Contrary to what its critics assert, CRA does not compel banks to lend to poor borrowers who have little ability to pay back those loans. CRA actually requires that lending must be safe and sound. “It’s simply not true to say that CRA drove high-risk loans to people without the ability to pay them back,” said Rubinger.

What CRA has done over the last three decades is help remedy a long-standing problem in which qualified borrowers in low- and moderate-income communities had little access to credit. It has helped tens of thousands of lower income residents find homes to buy and rent, and in the process proved that the vast majority of them are perfectly reasonable credit risks.

Consider, as example, New York City’s New Housing Marketplace Plan, designed to help low- and moderate-income residents buy their own homes. LISC has been a key partner with the City to help more than 17,000 families take advantage of it. “Guess how many of those 17,000 loans have ended up in foreclosure?” Rubinger asked. “Five. That’s right. Five. As it turns out, when you underwrite appropriately—and better still, offer first-time homebuyers adequate financial counseling so they understand the terms to which they are committing—they do quite well.”

CRA has been safe, sound and profitable for the financial institutions involved. “To assert otherwise is just patently false,” Rubinger said.

About LISC

LISC combines corporate, government and philanthropic resources to help community-based organizations revitalize underserved neighborhoods. Since 1980, LISC has raised nearly \$9 billion to build or rehabilitate more than 230,000 affordable homes and develop 32 million square feet of retail, community and educational space nationwide. For more information, visit www.lisc.org.

Sources

Michael Rubinger, LISC president and CEO, is available for interviews on the impact of the Community Reinvestment Act.