NCRC Conference Report, March 2007
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Broken Economies: Making Markets and Governments Work for All Communities

About 600 community activists gathered at the National Community Reinvestment Coalition (NCRC) annual conference held March 14-17, 2007, in Washington, D.C. Community reinvestment advocates gathered from across the United States to discuss how to strengthen fair lending, curb predatory lending, support local economic justice campaigns, and build local economies.

The conference opened with a short address by civil rights leader Rev. Jesse Jackson Sr. who reminded attendees of the ongoing struggle of the civil rights movement. And Jackson also pointed to the continued struggle of people on the ground in New Orleans to rebuild, despite an inadequate government response. The following morning, hundreds of NCRC members went en masse to visit their representatives on Capitol Hill. As a result of a convergence of new developments – the new Democratic Congress, the rapid growth of foreclosures, and the resultant failure of subprime lenders on Wall Street – conference goers received a generally warm response to their demands for congressional action to curtail lending abuses.

Clinton Proposes National Reinvestment Fund

After the congressional visits, the conference reconvened as a number of speakers addressed NCRC members. Sen. Hilary Rodham Clinton (D-NY) addressed the gathering and called for a variety of measures, including enabling the Federal Housing Administration to expand its lending, elimination of pre-payment penalties and making more third party financial counseling available. Clinton also spoke on broader themes, including proposing a national investment fund: "It would be in America's interest to have a big national capital fund that would make bets again on smart people who are willing to work hard," Clinton said. "I want to do that in the strategic energy area. You know, I meet people all over the country who have good ideas about alternative energy, but they're not getting the funding they need to translate that into reality."

Rep. Elijah Cummings (D-MD), whose remarks followed Clinton's, focused more squarely on the issue of predatory lending: "People need advocates and people who are witnesses for them," Cummings said. "People who will say, 'Predatory lending is wrong.' It is criminal when you steal somebody's dream."

News from Federal Regulators

The following day plenary speakers focused more closely on regulatory issues. Martin Gruenberg, Vice Chair of the Federal Deposit Insurance Corporation (FDIC), outlined the severity of the problems in the subprime mortgage market. Gruenberg noted that 60% or more of all subprime loans are so-called Hybrid ARMs (Adjustable Rate Mortgages), with low “teaser” rates followed by much more elevated levels after two or three years. As Gruenberg noted, “the lenders have been underwriting these at the introductory rate. At the end of the day, these loans were being underwritten showing they were unable to pay. Stated income: no documentation basis. These were underwriting standards that were not sustainable.” Gruenberg also noted that the FDIC hopes to do a “real national survey of the unbanked” to get better data of who in the United States is being excluded from the financial mainstream.

Later that day, John Reich, Director of the Office of Thrift Supervision, also addressed the conference; at NCRC’s 2006 conference, Reich had said he was “willing to consider” bringing OTS in line with other federal regulators for Community Reinvestment Act compliance. (OTS, under Reich's predecessor, dramatically weakened CRA obligations for thrifts with between $250 million and $1 billion in assets). This year, he announced that OTS had agreed to NCRC’s demand and had “sent to the federal regulating body a rule to realign to the joint rule.”

Are there too many homeowners?

Rep. Barney Frank (D-MA), Chair of the House Financial Services Committee, also addressed the conference. After talking about legislation that he hopes to report out of his committee that would establish a national standard of lender liability, Frank suggested that part of the cause of the current foreclosure crisis also is that government policy has pushed people who cannot afford homes into homeownership. “We have in this society overvalued homeownership and undervalued rental housing. The goal of public policy is to get as many people as possible in decent homes. For many, it will be housing that they own,” Frank said, “but loans were made that should not have been made. We pushed people. …We need not to push people to own homes directly, but be an economy where people are in the position to own homes. You can’t cut out that step.”

The Union Wage Effect

Linda Chavez Thompson of the AFL-CIO followed Frank and called on NCRC members to support the Employee Free Choice Act. Chavez noted that stronger unions could help close the income inequality gap that is putting homeownership out of the reach of many. “Union members, on average, earn 30% more as workers who are not in a union. It is 36% for African Americans and 31% for Latinos and for women it’s 40% and that doesn’t count the fact that union members have better health insurance and pensions. Today, with a union, a telephone operator can own a home,” Chavez Thompson said.

Economic Roundtable

Over a dozen panelists participated in NCRC’s economic roundtable. Titled: *A New Imperative for Confronting Economic Injustice for the Poor and Middle Class*, panelists focused on how to deal with increasing inequality in the distribution of wealth and income in the United States. As John Taylor, CEO and president of NCRC pointed out, the top 1% have over a third of all wealth in the United States, while the bottom 80% have less than a sixth of all wealth. Meizhu Lui of United for a Fair Economy noted that, “Our class structure [in the United States] is more rigid than any other country in Europe except England,” while Jared Bernstein of the Economic Policy Institute pointed out that the “Degree of economic inequality is now about as high as in 1929.”

A key question in the discussion was why isn't more being done about this. James Carr of the Fannie Mae Foundation suggested that Americans have to understand the "cost of not acting" before they will be galvanized to change. "The question for the American people, said Carr, is, "What is at stake? Many households might be willing to pay twice as much in taxes if they were convinced their security was at stake," Carr suggested.

Bernstein was more skeptical, "Income has been going up. There is a 10% increase in real income since 1995. It's been flat since 2000 and college, health care, and childcare is going up, but 60% of the public still has health insurance, so we're muddling along. As long as we're muddling along, it's going to be hard to get major change, unless we raise the consciousness of the electorate."

James Fenelon, a professor at California State University San Bernardino and an American Indian activist suggested a different approach: "Looking at Indian communities, there is an effort to move the community to collective rights – maybe we can get away from being at the miner's canary end of the social justice scale."

Kilojo Kujimazi, a Program Officer at the Ford Foundation, suggested to make reducing inequality a viable political issue, it needs to be framed "in terms of children … for those children who don't go to college there is a huge loss in lost productivity – at least $500 billion. We need a universal policy framework."

Others thought that while a new policy framework was unlikely, more incremental change might be possible. Norman Ornstein of the American Enterprise Institute, for instance, noted that, "on health care, you are getting greater buy-in from the business community because they are getting tired of the burden of employer-provided health care. And we have an unprecedented presidential campaign."

Remembering New Orleans

Economist and columnist Julianne Malveaux, who addressed the conference briefly before handing out awards, focused her comments on New Orleans: "We still have half a million Americans displaced around the nation because our nation can't get it done. 18 months later and people are still living in trailers. And they say that we are the biggest and the baddest," Malvaeux said. "They fired all of the school teachers in New Orleans. That's called breaking the back of the black middle class. We have to have an American Revolution. And the revolution has to be an economic revolution – how we decide to slice the pie; and maybe we have to talk about different recipes for pie."

Awards

NCRC presented four awards at the conference. The Henry Gonzales award (for public service) went to the Appalachian Regional Commission for its work in supporting economic investment in poor Appalachian communities. The Color of Money award (best documentary or reporting) went to Pulitzer Prize nominated Jonathan Epstein for co-writing the newspaper series entitled " The High Cost of Being Poor," published in the *Buffalo News*. The James Rouse award (best urban nonprofit) went to North Carolina NAACP President Rev. William J. Barber II, who spearheaded through his church the development of the Rebuilding Broken Places CDC in

Goldsboro, North Carolina. The Proxmire Award (individual who contributes the most to the cause) was awarded to Alan Fishbein of the Consumer Federation of America.

Roundtable on Mortgage Brokers

A plenary panel involving appraisers, mortgage brokers, attorneys, community activists, and a Federal Bureau of Investigation (FBI) representative discussed mortgage fraud and how to bring it under control. Ivor Hill of I.J. Hill Appraisal Services contended that, "Ninety-five percent of problems emanate from mortgage brokers – threats not to use appraisers if 'right' numbers are not returned on the appraisal — even threats of bodily harm or death threats…. There are also instances of lifting signatures and forging appraisals." Hill suggested four reforms: 1) "suggestions" for appraisal amounts should be made illegal; 2) the lender should be responsible for the value of the appraisal for the title of the loan; a statement of professional qualifications and CV should be a required part of the appraisal report; and 4) state regulators need to increase enforcement against appraisal fraud. Bill Garber of the Appraisal Institute confirmed that, "We hear daily of occurrences such as those Ivor Hill described."

Alan Jennings of the Community Action Committee of the Lehigh Valley, expressed frustration at the lack of fraud enforcement. Bill Stern of the FBI acknowledged "the frustration of those who report blatant instances of fraud that we are unable to address simply because we are focusing on larger targets." According to Stern, the FBI had 1,048 investigations ongoing, with 52% involving losses of over $1 million.

Peter Ogilvie of the Mortgage Banker Association noted that when he started as broker "Twenty-two years ago, there was prudent lending and a conservative product, [but] over the past 10 years, especially the past five years, there has been an enormous explosion of people involved in the industry. It is now a place to go to make money. You can make a good living by doing a good job. You can make an incredibly good living by ripping people off. One day you can be selling shoes, the next day you can be selling mortgages."

Community Reinvestment and Environmental Justice

The NCRC conference closed with a plenary discussion of how to reconcile environmental justice work with community reinvestment. Deeohn Ferris of Global Environmental Resources, Inc. emphasized that to make the two work together, "You have got to be in it for the long haul" and make a commitment to dealing with environmental and health issues, liability issues re-use, and sustainability. If done right, for example, brownfields redevelopment can result in environmental and economic benefits, as well as infrastructure improvements. Vernice Miller Travis of Groundwork USA made a similar point: "You have to have everybody at the table (community-based organizations, faith-based organizations, city government, agencies)." According to Miller Travis, key principles of inclusive development include: 1) plan for inclusion of all, especially low-income; 2) implement inclusionary zoning and infill development; 3) redress public health disparities; 4) preserve green and open; and 5) involve local youth.

Scot Spencer of the Annie E. Casey Foundation explained the foundation's role in working with residents to mitigate the negative impact of relocation caused by an urban renovation project near Johns Hopkins University. Spencer suggested that a key community demand was the right to return to the community after the housing had been renovated. With the foundation's support, residents were able to obtain university commitments that the new housing would include a large number of affordable units (a third below 50% of median income; another third at less than 100%), along with community facilities development and job training programs.

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