

Federal Reserve: “Community Reinvestment Act – Not the Cause of the Housing Crisis”

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WASHINGTON, D.C. – US Rep. Keith Ellison (D-MN) welcomed the unequivocal conclusion of Federal Reserve officials that the Community Reinvestment Act (CRA) was not responsible for the on-going housing crisis.

“CRA has helped ensure that families and small businesses in lower income and minority communities are not starved of vital loans and investments,” Ellison said. “There are those who continue to make ideologically-driven claims that CRA is the cause of our current woes. The Fed’s research demonstrates without a doubt that those allegations simply don’t hold any water,” Ellison stated.

At a recent Financial Institutions Subcommittee hearing, Sandra Braunstein, Director of the Division of Consumer and Community Affairs of the Federal Reserve System, declared that bank lending requirements under the Community Reinvestment Act (CRA) did not cause the current foreclosure crisis. Braunstein’s statement came in response to questions from the Financial Institutions Subcommittee Chairman Luis Gutierrez (D-IL). Braunstein’s comments reinforce findings in a comprehensive report on CRA and echo previous statements by Federal Reserve officials.

Ellison, a member of the subcommittee, concluded that Fed Governor Elizabeth Duke’s earlier statement was correct, when she indicated that the claim was a “misperception promulgated by many who either do not know much about the law or don’t like it.”

The Federal Reserve’s analysis indicated that only 6% of all higher-priced loans were covered by CRA.