



NEW YORK STATE SENATOR

James Sanders Jr.

Sanders Against Trump Changes to Community Reinvestment Act

JAMES SANDERS JR. January 12, 2018



State Senator James Sanders Jr. today condemned President Trump's proposal to revamp or rescind the Community Reinvestment Act something that would be detrimental to low-income and working class families.

The CRA is legislation, which states that banks should lend a certain amount of money to people who live in the neighborhoods where the banks are located. Prior to this legislation, redlining was a common practice. Banks literally drew a red line around neighborhoods that they did not want to lend to – minority and so-called “high risk” neighborhoods – places where people had the most need.

“I would suggest that those in need of a loan get one right away, before the protective regulations of the CRA all come crashing down,” Sanders said. “Banking systems are necessary, but we must examine how much is profit and how much is greed.”

The CRA has attempted to remove redlines and held banks accountable for who they were lending to by making them report how many loans went where and to whom. Complex grading systems analyze and rate how banks have addressed the borrowing needs of the surrounding community; all while maintaining practical lending standards, of course. A bad grade could hurt a bank’s ability to merger and restrict other activities.

“The primary question every bank should be asking is - can you pay back the loan at a reasonable rate, in a reasonable amount of time? That should be the bank’s primary question, not how to make the most profit without considering the needs of the poor and middle class.”

The CRA system is not perfect and has been updated nine times between 1989 and 2008, however, it is a great improvement over the old days when banks were basically closed to poor people and people of color, except for taking their money in the form of deposits.

“Even if you are a property owner who has gotten the cold shoulder from banks before, and even if you are skeptical how different things could be under President Trump, my advice to those looking to buy a home is to borrow the money while the CRA is still around,” Sanders said.

Proposed changes to the CRA could expand the types of loans that could qualify to include small business loans and infrastructure loans, thereby diluting community development

loans that cover affordable housing and help the everyday folks.

The CRA gets in the way of banks making more money through interest rates and through backing large investment firms like Blackstone, which can snatch up foreclosed properties and rent them at an inflated rate.

These possible changes to the CRA, or worse the repeal of the CRA, would be devastating to communities like Southeast Queens, which was the epicenter of the foreclosure crisis from 2008-2013. It would hinder new home ownership, a central part of building economic development.

“Communities where residents own homes and businesses are strengthened by that investment,” Sanders said. “It promotes deep roots and generational growth. We want to have that pride of ownership in this district and I have several initiatives that I will be rolling out to advance that goal, but we need the solid foundation of the CRA to help us achieve our mission.”