



Dedicated solely to ending America's affordable housing crisis.

CRA May Deter Risky Mortgage Lending

Resources

[Memo to Members: Vol 13, No. 4, January 25, 2008](#)

On January 7, 2008, Traiger and Hinckley, LLP, a law firm that specializes in fair lending counsel and Community Reinvestment Act (CRA) compliance, released a report titled *The Community Reinvestment Act: A Welcome Anomaly in the Foreclosure Crisis*. The study concludes that CRA regulations have meant that banks that must comply with the regulations and originate loans in their local communities, or more formally their CRA assessment areas, are substantially less likely than other lenders to make the types of loans that have contributed to the foreclosure crisis.

The results of this study show that CRA banks are 66% less likely than other lenders to make a high cost loan and 58% less likely than other lenders to originate high cost loans to low and moderate income borrowers. Furthermore, the average high cost loan made by CRA banks is priced 68 basis points lower than the average high cost loan made by other lenders. This difference is even more pronounced in high cost loans to low and moderate income borrowers, with CRA banks pricing their loans 74 basis points lower than other lenders.

This study also finds that CRA banks are twice as likely as other lenders to retain originated loans in their portfolio. This report notes that the originate-to-distribute model, i.e., the process of loan originators selling off mortgages and servicing rights, is a major contributor to the weakening of underwriting standards.

The information for this study was taken from the 2006 Home Mortgage Disclosure Act (HMDA) data. An addendum to this report was released on January 14, 2008, which includes the subsidiaries and holding company affiliates of the CRA Banks. The conclusions of this report hold, even with these recalculations.

The full report can be found here:

www.traigerlaw.com/publications/traiger_hinckley_llp_cra_foreclosure_study_1-7-08.pdf.

The addendum can be found here:

www.traigerlaw.com/publications/addendum_to_traiger_hinckley_llp_cra_foreclosure_study_1-14-08.pdf



National Low Income Housing Coalition (NLIHC)

727 15th Street NW, 6th Floor

Washington, D.C. 20005

202/662-1530 | Fax 202/393-1973

©2006 National Low Income Housing Coalition.