Testimony of Bethany Sanchez
Field Hearing of the House Financial Services Committee's
Subcommittee on Financial Institutions
Wausau,WI October 31, 2011

My name is Bethany Sanchez, and I direct the Fair Lending Program at the Metropolitan Milwaukee Fair Housing Council. Madame chair, members of the Committee, thank you for inviting me to provide my perspective on this important set of issues.

Let me share with you the basis for my perspective. I have worked in the housing and economic development field for almost 35 years. In addition to my 10 years of staff work at the Fair Housing Council, I am on the board of the Urban Economic Development Association of Wisconsin, and am also the current chair of the board of the National Community Reinvestment Coalition (NCRC). I believe you have my bio, which provides additional details.

The Fair Housing Council works to eliminate discrimination and increase housing choice in Wisconsin. My work on this issue is important to the Fair Housing Council because increased housing choice and healthy communities depend on access to reasonably-priced home and small business loan products.

All of the organizations I am affiliated with work in partnership with small, medium-sized and large banks, credit unions and other financial institutions. We collaborate on projects and policy work that will help create and sustain healthy neighborhoods, and strong, stable communities across the state and the country.

I was asked to focus my remarks on the demand for small business lending in my community and the effect of examinations on the ability of financial institutions to lend. That's easy. Yes, there is an unmet demand for small business loans and home loans in the communities we serve.

Small businesses owners and those who work with them, have often shared their frustration with me over their lack of access to capital. And just this past Friday, the need for small business loans was again highlighted at a community development symposium at the Marquette Law School.

There is also a big demand for home mortgages and for home repair loans. Our partners in housing counseling agencies have developed a strong pipeline of qualified borrowers who are ready to put down roots and raise their families in their own home. The interest rate environment is ideal. But the financial crisis and the uncertainty it created has resulted in loans not being made – even to well-qualified borrowers.

Regulations can, and will help address this need. Federal regulations already in place, like the Community Reinvestment Act (CRA), encourage depository institutions to make home loans and small business loans to all sectors of the community, including the low and moderate income areas that we work to assist. CRA does not, as some people insist, force banks to make bad loans. On the contrary, it requires safe and sound loans.

For the first several years of the foreclosure crisis, before it had fully rippled out into the rest of the economy and forced massive job losses, the bulk of the problematic loans going belly up were loans made by institutions *not* covered by CRA. A February 2009 Federal Reserve Board study showed that nationwide, 94% of the high cost subprime loans sold in 2006 were issued by lenders who were not covered by CRA regulation.

Our experience in Milwaukee, and indeed, the experience of my colleagues across the country, has shown that CRA provides underserved communities with a mechanism that encourages institutions to work with us to do a better job of meeting community needs, and to make a profit along the way.

In addition to CRA regulations, the requirements of Dodd-Frank also will be important to our economy, providing safeguards to borrowers in the mortgage market, and ensuring that large institutions looking to acquire another bank will need to evaluate not only the banks' records in CRA assessment areas, but whether the acquisition would be a significant benefit across the country.

A month ago, in testimony at the Federal Reserve, Chris Cole, Senior Vice President of the Independent Community Bankers of America, noted the importance of Dodd-Frank's requirements to consider "the extent to which a proposed acquisition results in greater or more concentrated risks to the stability of the United States banking or financial system."

In Milwaukee, we know first-hand the impact of creating "Too-Big-To-Fail" institutions and allowing them to engage in overly risky business practices. Our neighborhoods are still struggling to recover from the devastation caused by the foreclosure crisis. In Milwaukee County, since 2008, on average, 500 homes per month have gone into foreclosure. Within Milwaukee's City limits, we still have over 2000 vacant, foreclosed homes, and another 6200 in the foreclosure process. And the foreclosure crisis has affected the entire economy, creating more job loss. The unemployment rate in Milwaukee is 9.6%, for African American males in Milwaukee it's 34%.

Had Dodd-Frank been in place, the damage could have been contained. Dodd-Frank's provisions are aimed at not only ending "too-big-to-fail" but are also designed to level the playing field between the megabanks and the rest of the industry, and to provide a way to warn of systemic risks before toxic financial products and activities threaten the economy.

And it was crafted as a response to consumer advocates like me and my colleagues at NCRC, as well as small businesses, and community bankers, who had been asking Congress to modernize and strengthen financial regulations, to ensure that mortgage brokers and independent mortgage companies would not continue the practices that started the subprime mortgage crisis.

In tacit acknowledgement that small banks did not cause the crisis, most of the provisions of Dodd-Frank apply only to a few dozen of the country's largest banks, those with more than $50 billion in assets. And Dodd-Frank allows community banks to pay lower premiums for deposit insurance and to continue to work with their existing regulators.

In some respects, no one likes regulations – even me. Complying with regulations, and doing reports is not my idea of a good time. My workdays often are spent writing reports to our various private and public funding sources, detailing the outcomes of our work, which takes away from time spent actually doing the work I am funded to do.

But regulations and reporting provide accountability – accountability that in this case is a necessary framework for our large, complicated, and interconnected economy.

The Dodd-Frank law is long and complicated. Please give it a little time. Ninety percent of it is yet to be implemented. I would support the position articulated at the Fed hearing, by Chris Cole, of the Independent Community Bankers of America. Mr. Cole said, "ICBA strongly recommends that the regulators impose a moratorium on all acquisitions and mergers involving financial institutions with over $100 billion in assets, including Cap One's acquisition of ING Direct USA. This moratorium should continue until (1) the banking agencies have finalized all their rules under Dodd-Frank Act (2) all of the SIFIs have filed their contingent resolution plans, their credit exposure reports, and their capital plans, and have undergone another full year of stress testing (3) FSOC has completed its designations of systemically important financial institutions and (4) the Office of Financial Research has completed at least its first round of data collection to determine systemic risks in our financial system."

Dodd-Frank's provisions have been characterized by some as generating "job-killing uncertainty." But as Christopher Dodd recently wrote in the Washington Post, "In fact, it was the uncertainty inherent in a non-transparent and reckless financial system that made Dodd-Frank necessary in the first place."

Dodd went on to say, "The truth is that this catastrophe was years in the making – caused by regulatory neglect and Wall Street gambling. We can't expect to rebuild our prosperity overnight, but we can't rebuild it at all if we let false political talking points undermine our efforts to restore confidence in our financial system." I agree.

Dodd-Frank was created in response to immense gaps in our modern financial system, which allowed profits and greed to supersede the prudent extension of credit and the systems that support that activity.

Wisconsin residents - and the rest of the country - need the opportunities and safeguards generated by CRA and Dodd-Frank. Rather than pushing new legislation that would weaken Dodd-Frank before it is fully implemented, concentrate your efforts on helping the CFPB staff to understand the areas of concern, and assist them as they write rules that can truly help everyone.

I look forward to working with you.

United States House of Representatives
Committee on Financial Services

"TRUTH IN TESTIMONY" DISCLOSURE FORM

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

1. Name:	**2. Organization or organizations you are representing:**
Bethany Sanchez	Metropolitan Milwaukee Fair Housing Council
3. Business Address and telephone number:	
[redacted]	
4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?	**5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?**
☐ Yes ☑ No	☑ Yes ☐ No

6. If you answered .yes. to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.

The Metropolitan Milwaukee Fair Housing Council received CDBG funds from the City of Milwaukee, in 2009, 2010, and 2011. A small portion of these funds supported work on fair lending and working with bankers and other financial institutions to better-serve the needs of low and moderate income neighborhoods.
2009 - $124,000
2010 - $124,000
2011 - $112,387

7. Signature:

Bethany P. Sanchez 10/31/11

Please attach a copy of this form to your written testimony.