



Sunset Caucus

## Waste Action Alert

A publication of the RSC Sunset Caucus from co-chairs Kevin Brady (R-TX) and Jason Chaffetz (R-UT)  
Rep. Tom Price (R-GA), RSC Chairman

### Eliminate the Community Reinvestment Act

April 21, 2010

**Program or Item Targeted:** The Community Reinvestment Act of 1977 (CRA)

**Cost of Program or Item:** Community banks can spend up to \$90,000 a year, just to prove compliance.

**Background on Program or Item to Be Sunseted:** The CRA was first enacted in 1977. The law was intended to require banks to demonstrate they were meeting the credit needs of the local communities in which they are chartered, including low-and moderate-income neighborhoods. The CRA is used to assign grades to banks based on their low-and moderate-income lending, which is taken into account when considering applications for deposit facilities, including mergers and acquisitions.

**Why This Program or Item Is Wasteful:** The CRA is a redundant relic that has contributed to our economic crisis and still serves as a vehicle for certain activist groups to shake down financial institutions, harming credit and job opportunities for all Americans. It also comes with a costly compliance to community banks. Data from the Federal Reserve shows that over 99% of all banks are already in full compliance of CRA, yet some banks spend up to \$90,000 a year just to prove compliance. Banks will make profitable, credit worthy loans without being mandated to do so and it is an unnecessary use of power to force them to pay these sums just to prove they are playing by the rules. It is important to remember that there are already laws that prohibit discrimination in lending practices. Also, by forcing banks to make loans which their traditional underwriting standards might not have allowed, the CRA helped to lay some of the foundation for the current financial crisis. Instead of enhancing the credit opportunities of the borrower, the CRA forced banks to lessen their credit standards. At a time when countless credit opportunities are available to consumers over the phone or through the internet at the public library, the CRA is an unnecessary and costly mandate on community banks. If these banks had the money that they are spending on compliance cost, they would be able to capitalize several businesses in their community, and create hundreds of jobs.

**MEMBER ACTION ITEM:** Members are encouraged to cosponsor H.R. 5038, the Fair Access to Credit and Job Creation Act. This legislation was been introduced by Rep. Jeb Hensarling on April 15, 2010. Contact Ed Skala at [Edward.Skala@mail.house.gov](mailto:Edward.Skala@mail.house.gov), or at (202) 225-3484, to cosponsor or for more information.

If you would like to participate in eliminating wasteful programs with the RSC Sunset Caucus, please e-mail [Brad.Watson@mail.house.gov](mailto:Brad.Watson@mail.house.gov).

If you have a bill or amendment to highlight in the next Waste Action Alert please contact [Kimberly.Ellis@mail.house.gov](mailto:Kimberly.Ellis@mail.house.gov).

Note: Not every item featured in the Waste Action Alerts is necessarily endorsed by the RSC. These Alerts highlight the individual initiatives of members of the RSC Sunset Caucus.

*"The RSC Sunset Caucus uncovers government waste and seeks to eliminate it,  
working to sunset programs that taxpayers shouldn't be paying for."*

**RSC**   
Republican Study Committee