

October 15, 2008

Hon. Barney Frank
House Financial Services Committee
US House of Representatives
Washington, DC

Hon. Christopher Dodd
Senate Banking Committee
US Senate
Washington, DC

RE: Oversight Hearings on Financial Sector

Dear Mr. Frank and Mr. Dodd:

The California Reinvestment Coalition (CRC) and its members have been working for more than two decades to increase the access of low income people and people of color to fair credit and investments. Our country is now being over-whelmed by a financial disaster created by a culture of greed in the financial services industry and ignored until too late by the federal financial regulators. CRC members are extraordinarily concerned that these same regulatory agencies are making decisions that are reshaping our financial sector without public comment or full oversight.

- ✓ Morgan Stanley and Goldman Sachs have become bank holding companies and possible acquirers of major banking companies in a quick “emergency” regulatory process by the Federal Reserve without public comment.
- ✓ Washington Mutual was taken over by the FDIC and offered to JP Morgan Chase all in one evening also without any public comment.
- ✓ Wachovia was acquired by Wells Fargo Bank after a bidding war evidently overseen by the FDIC also without public scrutiny.
- ✓ The U.S. Treasury took over Fannie Mae and Freddie Mac, with huge potential implications for the mortgage market due to their broad investments in low income tax credits and mortgages.
- ✓ Bank of America is acquiring Merrill Lynch in an acquisition which is open to public comment but brought together by the Federal Reserve. This acquisition will create a bank whose deposit base is considerably beyond the ten percent cap intended to limit market control.

All of these actions were done under “emergency” guidelines and with little or no

regulatory scrutiny by the federal financial regulators. The same regulators that were not watching as our financial system and predatory mortgage lending created the current economic crisis. CRC members see this opaque process as the beginning of a changing financial system based on an increased lack of regulation that is likely to only decrease the already limited window of financial access for minority- and women-owned businesses and nonprofit affordable housing developers in under-served neighborhoods. It is ironic that these neighborhoods that were once redlined, then called emerging markets, are now being called declining markets and seen as too risky.

The California Reinvestment Coalition asks that your Committees hold hearings to examine these emergency decisions in the light of day. CRC members are concerned that already under-served neighborhoods will suffer and the Community Reinvestment Act (CRA) will be weakened if this process continues and expands as might be expected given the continuing economic crisis. CRA – in its most basic form – simply creates an affirmative obligation that financial institutions meet all communities’ credit needs. In the current secretive Federal Reserve and Treasury Department process, there is no assurance that this is the case and every likelihood that it is not.

CRC members’ experience in California is that there is an inverse relationship between the size of the banking institution and its responsiveness to community needs. Mega-banks tend to offer cookie cutter products that are unlikely to respond to the credit or investment needs of under-served neighborhoods. Therefore, access to credit becomes even more difficult for small businesses, potential homeowners and consumers. If the current federal regulators are left unmonitored and follow the pattern of the last few decades, it is possible that this economic crisis will grow to be the greatest loss of assets and wealth ever experienced by communities of color and lower income neighborhoods.

CRC members hope that these hearings can be held immediately after the elections and that they delve deeply into the outcomes of these decisions made behind closed doors that so strongly impact neighborhoods already in economic and financial danger. CRC members saw the public meeting on the Wachovia Bank purchase of World Savings hosted by Congress people Frank and Lee as facilitating a meaningful dialog between the Bank and the community. CRC would be glad to be of any assistance in defining critical issues and future financial dangers for your hearings. We look forward to further discussion of these critical issues.

Sincerely,

Alan Fisher
Executive Director

cc: Nancy Pelosi, US House of Representatives
Maxine Waters, US House of Representatives
Henry Waxman, US House of Representatives

Brad Sherman, US House of Representatives
Joe Baca, US House of Representatives
Jackie Speier, US House of Representatives
Barbara Lee, US House of Representatives
Gary Miller, US House of Representatives
Edward Royce, US House of Representatives
John Campbell, US House of Representatives
Kevin McCarthy, US House of Representatives
Charles Schumer, US Senate
Barbara Boxer, US Senate
Dianne Feinstein, US Senate