

## Don't Expand CRA to Include Credit Unions: Cato Institute

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Congress should not expand the Community Reinvestment Act to include credit unions, the libertarian Cato Institute said Wednesday.

“Subjecting credit unions to CRA regulations would be counterproductive,” Diego Zuluaga, policy analyst at the Cato Institute’s Center for Monetary and Financial Alternatives, said in a policy report. “In order to meet the conditions of the Federal Credit Union Act (FCUA), credit unions are already subject to restrictions on their activity that make them fundamentally different, for the CRA’s purposes, than banks.”

In fact, Zuluaga recommends the repeal of the CRA, but also makes recommendations for changes in the law if it is retained.

Congress and the Trump Administration have been seeking ways to update the CRA and federal housing programs. Bank trade groups have been pushing for credit unions to be included, while credit union trade groups contend that the mission of credit unions already includes CRA-like requirements.

Last year, Sen. Elizabeth Warren (D-Mass.) introduced a comprehensive housing overhaul bill that would have made credit unions subject to the CRA. However, she dropped credit union provisions when she reintroduced the legislation this year.

In his paper, Zuluaga said that the common-bond provisions in the federal Credit Union Act are redundant and incompatible with the CRA.

“Both acts are similar in that they aim to ensure that lending institutions serve their constituents,” he argued.

He said that evidence showed that credit unions already serve the populations targeted in the CRA. For instance, he said that recent Home Mortgage Disclosure Act data show that credit unions originate more mortgage loans for low-and moderate-income people than banks do.

Zuluaga's preference is that the CRA simply be repealed, saying the law is "ill-defined in its policy objectives, arbitrary in its assessment practices, and is liable to harm borrowers and bank depositors."

And consistent with Cato's free-market approach, Zuluaga wrote that the CRA inhibits competition.

He said that rather than enforcing CRA rules, regulators should be making entry into local lending markets easier and reducing regulatory barriers for nondepository institutions.

He said that the Fair Housing Act and the Equal Credit Opportunity Act are better tools for fighting discrimination than the CRA is.