THE WALL STREET JOURNAL.

The CRA Often Helps the Better Off, Not the Poor

January 21, 2020

In “The Plot to Politicize Banking” (op-ed, Jan. 15), Phil Gramm and Michael Solon argue that the Community Reinvestment Act encouraged risky lending by banks before the 2008 financial crisis. Some academic evidence does suggest a conflict between CRA performance and bank safety and soundness.

More striking, however, is the extent to which CRA lending doesn’t reach the people the law intends to help. My research for the District of Columbia, for example, shows that between 65% and 70% of recent CRA mortgages went to high-income borrowers moving to low-income areas, rather than to the low-income residents the law targets.

Gentrification is inevitable and often beneficial to urban communities, but it requires no help from government. I was therefore glad that the Trump administration has proposed no longer to count “gentrifier” loans under the CRA. Claiming, as opponents of reform have, that current CRA regulations mainly help the poor is disingenuous and does a disservice to financial inclusion.

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