

The Lonely Conservative

Obama Still Pushing Banks To Make Risky CRA Loans

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People say the definition of crazy is to do the same dumb thing over and over again and expect different results. In that case, President Obama is certifiably insane. As Paul Sperry put it, "Clinton added teeth to CRA, Obama turned them into fangs." In other words, Obama is doubling down on the very problems that led to the 2008 financial meltdown.

The CRA overhaul "has been a disaster," said ex-BB&T CEO John Allison in his recent book on the financial crisis. He argued it's forced "banks to participate in making high-risk housing loans to low-income buyers who would not meet traditional bank lending standards."

Added Allison, who now heads the Cato Institute: "The default rates on these low-income loans are extraordinarily high."

Still, the Obama administration wants banks to step up approval of such low-income mortgages. And it's using the CRA to spur more lending, including:

- *Forcing banks through threat of prosecution to expand their CRA assessment areas to include inner-city areas blighted by subprime foreclosures, where they are compelled to invest in new brick and mortar.*

Many banks, in fact, are under direct federal orders to open new branches or ATMs in high-risk and unprofitable areas of Detroit, St. Louis and other cities hit hardest by the recession.

"If your assessment area looks like something you can eat — a bagel or is crescent shaped — that should be a red flag for your bank," senior Department of Justice official Tom Perez warned bankers serving areas mainly outside the inner city.

Read the whole thing.

Gee, what could possibly go wrong here?