Chicago Rehab Network
53 West Jackson Blvd, Suite 739
Chicago, Illinois 60604

August 31, 2010

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave NW
Washington, DC 20551
Re: Docket No. R-1386

Testimony of Kevin Jackson, Executive Director of Chicago Rehab Network
Presented: August 12, 2010

Welcome to Chicago. I am Kevin Jackson the Executive Director of the Chicago Rehab Network, the Midwest's largest coalition of nonprofit community development corporations and housing advocacy organizations. Founded in 1977 coterminous with the passage of CRA, our members, like yourselves, are well versed in the benefits and necessity of private investment. CRN members have been responsible for the development of thousands of affordable homes as well as commercial developments, LEED certified, cutting edge, transit oriented developments and recognized leaders in green development. By way of example, Bickerdike Redevelopment Corporation's opening earlier this year of Rosa Parks Apartments, Claretian Associates, Heartland Housing's Hollywood House, The Resurrection Project's Casa Morales, to Lawndale Christian Development's MLK apartments and Bethel New Life's Lake and Pulaski transit oriented development which hosted the Obama administration tour last fall of sustainable practices.

At the Chicago Rehab Network we do not have a fiduciary interest in these projects. Our interest, rather, is as a coalition dedicated to best practices for community development through affordable housing. We encourage shared learning through our technical assistance work and further advance best practices through our public policy, advocacy, research and communications about the successful field of community development.

A unique and enduring quality of community development is the recognition that housing is foundational to all of the leading public policy initiatives in America from education to health care and economic vitality. Additionally, the generative employment opportunities inherent in affordable housing include the obvious maintenance, services, development, and construction jobs that are critical to community. Households paying the affordable 30% of income for housing costs can participate in the commerce of community -a particularly salient need at this time of economic recovery.

Equally relevant to the community development field in which CRA must be directed, is the CDC's focus on place and placed based strategies. An important consideration in your deliberations about reforming CRA regulations should include a local accountability to local communities which remains fundamental in our experience of what works and should receive a special weighting in your review of regulatory reform.

That special weighting translates into our recommendation for new consideration and the highest regard be placed on innovative and sustained efforts for community development lending. Community development lending should be an independent test for CRA. In particular, we recommend increased accounting in four areas:

1. Dealing with foreclosures with particular weight given for effective disposition of REO properties (not including demolition) and programs that keep owners in their homes.
2. Lending to multifamily, rental development with particular weight given for properties with three or more bedrooms to serve families;
3. Lending to preservation of existing rental housing that leverage and safeguard our public investments with particular weighting for the investments that transfer the public assets to preservation purchasers;
4. Supporting the capacity of nonprofit, mission driven organizations that are locally or constituent based that represent the best "on the ground" link for sustainable neighborhoods.

Focusing on community development lending in those four direct ways will upgrade CRA and reinforce the success of investing in low mod communities. Such a focus recaptures the aim and purpose of CRA to extend credit and investment to build peoples' lives.

We appreciate you being here today. We trust our national partners and their recommendations about the granular recommendations about markets, services, and geography -we stand in solidarity with all community development practices that build our neighborhoods and call for strengthening and expanding CRA. Here in Chicago you should leave not only with our recommendations but the facts that back them:

Fully 50% of renter households in Cook County that were affordable at a cost of $750 or less in 2000 are not longer in the inventory by 2008. Whereas, the number of households with rents of $1,500 or higher have grown by 186% during the same time frame. As there is no parallel growth in income for this population, the 186% increase demonstrates at-risk households struggling with unaffordable rents.

The trend in ownership between 2000 and 2008 is more stark still: Mortgaged households with mortgages of $1,000 or less have decreased by 48% in the county; whereas, mortgaged households with mortgages of $2,000 or more grew by 318% -All during a period where the County of Cook median household income decreased by 8%.

This is not at all unique to Chicago, The National Low Income Housing Coalition highlights the same grim situation -nowhere in America can a minimum wage worker find housing that is affordable. In fact, the living wage for a two bedroom apartment increased this year to $18.44 hour. Of course CRA regulation cannot deal with the earnings profile of American workers, but it is in this market context in our communities that a vibrant CRA ought to operate. CRA investments should build community capacity and encourage investments that are sensitive to such market realities.

Over the last decade, the real estate market and investment practices required oversight and the lack of such have harmed families, communities, and the larger economy. The impact on our communities and to low and moderate income households of color have been akin to a football game with no referees. We need government to, if not level the playing field, to at least shine a light on what is working in community investment and what is not. The high cost of not getting this right leads to displacement and disinvestment.