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Global Community Reinvestment Coalition calls on G-20 leaders to create a financial system ‘worth saving’

Washington, DC -- The National Community Reinvestment Coalition (NCRC) – in alliance with the Global Community Reinvestment Coalition (GCRC), including partner organizations and citizen leaders in the UK, Europe, Asia, Latin America and Africa, today issued a call for the G-20 to commit itself to the creation of a financial system that is worth saving, by:

- Agreeing to put in place a cross-border ‘duty to exercise responsibility in financial services’ for providers within their banking and credit licensing systems. Financial services providers and all related firms in the financial sector (insurers, investment firms, rating agencies, etc.) should be required to follow clear principles of responsibility and to have transparent mechanisms in place to enable citizen oversight, in order to ensure that these principles guide behavior in practice. This affirmative obligation should include a requirement for financial firms to consider financial inclusion and the impact of their practices on all households – including those with low incomes and in communities of color – when designing and offering financial products and services, in a manner consistent with safety and soundness.
- Ensuring that taxpayer aid to the banking system is turned into real help for people in financial difficulty by requiring lenders to review, reschedule or otherwise modify the debt liabilities of households at affordable rates over the long term.
- Agreeing to take further action to stop home repossessions and to ensure that lenders offer affordable mortgages to people in negative equity and/or mortgage arrears, wherever possible; and committing to stabilize housing costs in the longer term by increasing the supply of affordable housing, both for rental and for homeownership.

If the G-20 would put in place a regulatory and supervisory system of accountability and affirmative obligation to serve communities (consistent with safety and soundness), this global crisis might have been prevented or at least limited. NCRC and its global partners urge the G-20 to move forward on this agenda, to prevent a global financial crisis from occurring again.

NCRC's President and CEO, John Taylor, commented:

“The major lesson to be learned from this global financial crisis is that without the rule of law, malfeasant lending practices by the private sector can undermine a nation's economy. The financial services sector requires a healthy mixture of consumer protections, regulatory oversight including high-end financial instruments (derivatives, hedge funds, etc.), transparency, and clear requirements that lenders must offer fair and non-predatory products and services to all creditworthy borrowers, even low- and middle-income families (with the principle of safety and soundness ever present). These elements must always be *le rigueur du jour* in order to insure stable and effective financial markets.”

Maryellen Lewis, who chairs NCRC's Global Fair Banking Initiative (sponsor of the Global Community Reinvestment Coalition [GCRC]), added:

“We are now collaborating with citizen groups and civic leaders on every continent to try to patch the gaping regulatory holes that have caused financial disaster for so many families, small businesses and, now, nations on every continent. With strong leadership by the G-20 to discipline global financial markets and to secure their underlying assets in households around the world (homeowners, stockholders, taxpayers), this growing movement for transparency and accountability of the financial sector will have new tools for true citizen oversight of this critical public good.”

Udo Reifner (Chair of the European Coalition for Responsible Credit [ECRC] and Director of the Institute for Financial Services in Hamburg, Germany) provided this:

“The huge subsidies to the financial sector have brought into clear focus the critical role for prudent regulation of consumer lending. This unanticipated use of taxpayer funds has also amplified public demands that policymakers take bold steps to ensure that banks behave more responsibly in the future. While the implementation of the new EU-Directive on Consumer Credit in all European Union Member States still represents the *old views of deregulation and “buyer beware”*, a number of parliaments (such as in Portugal, Germany and the UK) are also discussing more aggressive measures to cope with high risk lending practices, credit card credit, secondary mortgages, access to basic bank services, and the irresponsible shift of risks away from the originators of the loans to hedge funds. The G-20 should also carefully consider these crucial measures which alone will allow money markets to stabilize and make investments safe again, while helping to cope with the modern disease of overindebtedness.”

Damon Gibbons, who co-chairs the European Coalition for Responsible Credit (ECRC) and chairs Debt on our Doorstep in the UK, commented:

“Financial services providers have engaged in irresponsible and usurious lending, causing households to become increasingly vulnerable to economic shocks and saddling them with unsustainable levels of debt. We call on the G-20 to signal a decisive break with the short termism, greed, and irresponsibility that have caused the current crisis and to take action to ensure that taxpayer investment in the banking system is now used to create a system that benefits people.”

Also supporting the work of the global coalition, Andy Case – a National Secretary for Unite, the UK’s largest trade union with 2 million members including 178,000 working in the Finance Sector – said:

“The current situation provides an opportunity to re-build a financial system that supports a long-term outlook and is consistent with democratic aims, financial stability and social justice.”

The current global financial crisis had its roots in the mortgage crisis in the United States, where consumer protections are far more limited than in most European nations. In the US, the beneficial oversight of depository banks through the Community Reinvestment Act (CRA) prevented the most irresponsible lending. According to the Federal Reserve Board, in 2006 only 6 percent of the subprime problematic loans were to low- to moderate-income borrowers and covered under CRA. Stated otherwise, almost 95 percent of the reckless and irresponsible loans that formed the epicenter of the foreclosure crisis had nothing to do with CRA lending to low- to moderate-income households. But a huge, unregulated financial sector has grown up in the US since deregulation began in the 1990s, and here the predatory practices were rampant, and then were concealed within Mortgage Backed Securities (given unwarranted high ratings from the big rating agencies), half of which were purchased by non-US investors. When these securities were leveraged through derivatives and hedge funds, a house of cards was built that linked most of the world’s economies into a disaster-waiting-to-happen.

Several countries, particularly in Europe, have stronger consumer protections that may prevent the worst of the predatory practices that have undermined family assets and community economic health in the United States. But the transnational financial market institutions, intimately intertwined and diffusely owned across the globe, are as unregulated or severely under-regulated in every national economy as in the United States.

A list of signatories to this statement follow on the next page below: (still growing)

Organizations	Country
ASB Schuldnerberatungen	Austria
Arbeiterkammer Wien	Austria
Observatoire du Cr�dit et de l'Endettement	Belgium
Asbl GREPA	Belgium
R�seau Financement Alternatif	Belgium
Cr�dal	Belgium
Instituto de Estudos do Trabalho e Sociedade/IETS	Brazil
Consumers' Defence Organisation	Czech Republic
Institut f�r Finanzdienstleistungen e.V.	Germany
Verbraucherzentrale Bundesverband e.V.	Germany
Katholischer Verband f�r Soziale Dienste in Deutschland e.V.	Germany
Verbraucherzentrale Hessen e.V.	Germany
Verbraucherzentrale Hamburg e.V.	Germany
Verbraucherzentrale Bremen e.V.	Germany
IHV Insolvenzhilfverein	Germany
European Consumer Debt Network (Dieter Korczak)	Germany
IslamicFinance.de	Germany
Prof. (em.) Dr. Hans Dieter Seibel, Cologne Society for the Advancement of Development Research (KGFE e.V.), Cologne, Germany	
National Research Institute of Legal Policy	Finland
Kuluttajavirasto Konsumentverket	Finland
Institut National de la Consommation	France
Cresus	France
TestePourVous	France
MicFin	France
Finansol	France
SOS Familles Emma�s	France
EKPIZO Consumers' Association	Greece
Personal Finance Counselling Association	Croatia
National Association of Consumer Protection in Hungary	Hungary
MicroSave	India
Sa Dhan, The Association of Community Development Finance Institutions	India
Rajasthan Shram Sarathi Association	India
Combat Poverty	Ireland
Money Advice and Budgeting Services	Ireland
Free Legal Advice Centres Ltd.	Ireland
Altroconsumo	Italy
Caritas	Italy
CODICI	Italy
Consumer Loan Task Force	Japan

Kohjimachi Citizen Law Office	Japan
Ligue Medico-Sociale	Luxembourg
Himalayan Institute of Development	Nepal
Union Luxembourgeoise des Consommateurs	Luxembourg
Nederlandse Vereniging von Volkskrediet	Netherlands
Centro de Arbitragem De Conflitos de Consumo de Lisboa	Portugal
Ass. Portuguesa para a Defesa do Consumidor	Portugal
University Dimitrie Cantemir	Romania
Romanian Association for Study of Private Comparative Law	Romania
Dr.Rodica Diana Apan, Lawyer	Romania
Slovene Consumers Association	Slovenia
Asociación para la Defensa de los Impositores de Bancos y Cajas de Ahorros de Espana	Spain
Observatoire de la Finance	Switzerland
Verein Schuldensanierung Bern	Switzerland
Fair Finance Ltd	UK
Community Development Finance Association	UK
Citizens Advice Scotland	UK
Debt on Our Doorstep	UK
New Economics Foundation	UK
Community Finance Solutions	UK
Toynbee Hall	UK
Brasilcon	Brazil
Instituto de Defesa do Consumidor	Brazil
you & your money	South Africa
NCRC [on behalf of its 600+ member organizations]	US
The interfaith Network of Spiritual Progressives	US/International
New Rules for Global Finance Coalition	US
CHF International Associated	US
Heinz Riehl, founding member of Finance, Credit andInternational Business & Professor of Finance at NYU	US
Kohjimachi Citizen Law Office	Japan

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The National Community Reinvestment Coalition is an association of more than 600 community-based organizations that promote access to basic banking services, including credit and savings, to create and sustain affordable housing, job development, and vibrant communities for America's working families.