

Don't blame poor

BY SIMON ENOCH, THE STARPHOENIX OCTOBER 25, 2011

Bronwyn Eyre's Oct. 19 column laments the simplistic arguments that abound in discussions of the Occupy Wall Street protests.

Unfortunately, Eyre marshals perhaps the most discredited and simplistic argument on the financial crisis with her suggestion that Jimmy Carter "got the whole sub-prime mortgage mess rolling in the first place." It's an obvious allusion to Carter's 1977 Community Reinvestment Act (CRA), which required certain banks to lend in low-income neighbourhoods.

This is a favourite conservative talking point that attempts to blame the poor as the cause of the housing crisis. This has been proven to be a categorical falsehood. More than 80 per cent of sub-prime loans were made by banks that were not subject to the CRA.

Moreover, CRA loans have a higher degree of supervision and lower rates than other sub-prime loans, and were not subject to securitization to the same extent.

Even Federal Reserve Chair Ben Bernanke, has stated unequivocally that the CRA had no discernible impact on the housing crisis.

Blaming the poor for the reckless lending practices of the major investment banks is perhaps the most simplistic argument of all.

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