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**STATEMENT OF MR. HILARY O. SHELTON  
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BEFORE THE HOUSE FINANCIAL SERVICES COMMITTEE  
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS  
“HURRICANE KATRINA: THE FINANCIAL INSTITUTIONS’  
RESPONSE”**

*September 14, 2005*

Thank you, Mr. Chairman, ranking member Sanders, and ladies and gentlemen of the subcommittee. I appreciate the opportunity to come before you and to talk about the response of our Nation’s financial institutions to the Hurricane Katrina disaster.

I am here on behalf of the national NAACP, our Nation’s oldest, largest and most widely-recognized grassroots civil rights organization. With more than 2,200 units in every state in our Nation, including hundreds of units in the areas that have been the most devastated by Hurricane Katrina, the NAACP stands ready to provide you with our concerns and suggestions as to how best to help the multitude of victims of Hurricane Katrina.

Once the scope of the damage from Hurricane Katrina became apparent, as well as the fact that a disparate number of those most severely affected were African Americans and other racial and ethnic minorities and the poor, the NAACP activated our grassroots network to try to offer assistance.

Specifically, we created a disaster relief fund and NAACP President and CEO Bruce Gordon was in touch with the White House at senior levels to express our concerns for the equitable distribution of assistance and relief for all the hurricane victims. President Gordon then traveled to some of the worst affected areas over the Labor Day weekend to assess the damage first-hand and to try to establish how the NAACP could best help.

As a result, the NAACP established command centers, using our grassroots network, in Jackson, Mississippi; Baton Rouge, Louisiana; and Houston Texas. We also established a distribution center in Gulfport, Mississippi.

In preparing this testimony, I spoke extensively with the people in charge of the Baton Rouge and Houston Centers, and much of what I have to say today comes from them, the people in the field. I would like to thank them both, Mr. Kwame Asante in Baton Rouge and Ms. Yolanda Smith in Houston, Texas for their insight as well as their Herculean efforts to help the victims of Katrina.

At the most basic level, it is the fervent goal and aspiration of the NAACP to ensure that when all is said and done the victims of Hurricane Katrina, regardless of their race, economic level, or the extent to which their lives were disrupted by this disaster are able to come away with all that they had prior to the tragedy in terms of property, heart, mind, body and soul.

Much of this, including homes, cars, businesses and credit ratings, are a result of an interaction they had prior to the hurricane with a financial institution. Thus, we are strongly urging the financial institutions that are represented here today to work with all of the Katrina victims and show flexibility and compassion so that all the residents of the Gulf states are not further victimized and they can recover from the horrors of this disaster.

I am also here today to say that the NAACP invites the opportunity to work with you, the financial institutions, as well as with every Member of Congress, to try to develop policies to help ensure that all of the victims of Katrina recover.

Secondly, the NAACP wants us to learn from Katrina. When all is said and done, we would like to be able to say that yes, Katrina was a devastating nightmare, and much was lost. It shined a spot light on historically troubling racial and economic divides that still persist in our Nation. But we can learn from past tragedies, and we have taken the time to try to establish policies and practices to try to stop, or at the very least stem, some of the very serious problems that occurred in September of 2005. We cannot stop natural disasters, but we can do more to mitigate the damage they cause with greater conviction.

In the short term, there is much that can and should be done by our Nation's financial institutions to help address the losses suffered by tens of thousands of people who were affected by Hurricane Katrina.

According to our Command Center Director from Houston, where tens of thousands of victims have been taken, there is a dire need to consolidate services and make them readily available to large numbers of people.

Most of the victims who are housed in Houston came on busses, and thus lack transportation. To expect them to travel to other areas of town to obtain even the most basic of financial services is impractical and difficult, at best. Furthermore, the sheer numbers of people who have been evacuated to Houston and are in dire need of basic services demands innovative responses from all sectors, including the financial services sector.

I should add that the NAACP recognizes that many of these people may not be traditional customers of your banks, credit unions, etc. Quite frankly, some of them may have never used an ATM or applied for a traditional mortgage or small business loan in their lives.

But now is not the time for anyone, including the financial institutions, to turn their backs on whole communities. From a business perspective, it would also be a

terrific opportunity to pursue new clients and to prove that your institution truly cares about a diversity of people, about customers.

Looking a little further out, we would like all financial institutions to develop plans to ensure that everyone affected by the devastation, not just the wealthiest, are able to rebuild. We must make sure that the finite pool of capital is spread evenly throughout the victims, and that low- and middle-income Katrina victims are not left out of the efforts to rebuild.

To that extent, the NAACP supports the recommendation of the Independent Community Bankers of America that a special loan bailout fund be created for the federal government to purchase loans of borrowers affected by the disaster. We would like to be involved in the creation and implementation of that fund, however, to ensure that consumers and homeowners are protected as well as the financial institutions.

There are a few steps that can and should be taken by all financial institutions to ensure that the people of Louisiana, Mississippi, Alabama and the other areas affected by Katrina are not further victimized and do not suffer further losses. Many of these recommendations are especially important to low-and middle-income families, many of whom lived paycheck to paycheck and may have lost their jobs when their place of employment blew away or was last seen under 15 feet of water.

Specifically, the NAACP is joining other consumer and civil rights groups in calling for a series of debtor protections, including a moratorium on foreclosures; a prohibition of collections and deficiency judgments on real and personal properties; a prohibition on negative credit reporting or the omission of negative events from credit scores when the incidents were a result of Katrina; and a voluntary waiver of late fees or interest on loans made to people in Katrina affected areas, for a period of at least three months.

The NAACP is also very concerned about the predatory lenders, who even as we speak must be circling some of the worst hit areas, salivating at the potentials for abuse. Predatory lenders have historically targeted African Americans and low-income Americans at disproportionate rates, so we need to ensure that the few protections we have remain firmly in place. Specifically, the fraud protections regarding home improvement contractors, including the 3-day right of rescission and the APR disclosure must be retained. The NAACP remains skeptical of claims that waiving these regulations will speed up the recovery. Most financial institutions can determine an APR in about 30 seconds using a decent computer program.

And while in a few extreme circumstances we could see the 3-day right of rescission as a hindrance, and waiver of this rule should only be when work starts immediately with transparent issues of the transaction available to the owners of the property.

Lastly, financial institutions can stem the inevitable preponderance of predatory loans in low- and middle-income neighborhoods and communities of color by establishing a presence of their own in these areas. If legitimate financial institutions opened branches in low-income neighborhoods or in areas predominantly occupied by African Americans and offered low-cost loans, then predatory lenders would have a harder time re-victimizing the victims of Katrina.

Which brings me to my final point: lessons we can learn from Katrina. In my discussions with Kwame Asante, the President of the NAACP Baton Rouge branch and the Director of our hurricane command center in that city, one thing became clear: with the slow erosion of the Community Reinvestment Act over the last few years, traditional financial services have become, even prior to Hurricane Katrina, harder to come by in low-income and predominantly African American communities in his area.

As a result, when people were scrambling to find shelter or evacuate prior to the hurricane's arrival, Mr. Asante himself witnessed several mothers dragging their children from bus to bus to try to get to a part of town that did offer financial services to get money out of their accounts.

The other option, which was used by too many of our people, was high-interest lenders, including payday lenders.

The lack of basic financial services in our communities has also lead to people storing their savings in their homes, in their mattresses or teapots. So when their houses washed away or became engulfed in flood water, people lost more than their homes: they often lost their life savings as well.

In closing, if we learned anything from this disaster, and hope to avoid the devastation of these proportions in the future, it is that financial institutions must do more to serve low- and middle-income Americans, and that they cannot ignore communities of color.

Hurricane Katrina is a disaster of tremendous proportions, both in economic as well as basic human terms. Yet it also offers us opportunities to do better, and to offer more to our society. For financial institutions, Hurricane Katrina has provided you with the opportunity to offer your services to people from all walks of life and all racial and ethnic backgrounds and to show a sense of compassion that has been sorely missing from our National history.

The NAACP stands ready to work with you.

Thank you again for allowing me to testify today and to share with you the concerns, challenges and hopes of the NAACP.