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Organization Trends

Demonizing Subprime Lenders: Liberal Groups Oppose Consumer Choice

By Melanie Sans and Matthew Vadum

***Summary**: When a major subprime mortgage lender collapsed earlier this year liberal advocacy groups went on the attack. Claiming that the subprime industry is "predatory" when it lends money to people who have low incomes or bad credit, the critics demand a federal crackdown. Lenders reply that subprime loans help less creditworthy borrowers buy homes and cars and even necessities like groceries when a borrower can't wait for the next paycheck. They say they must charge higher interest rates because they assume a greater financial risk. But these arguments fall on deaf ears. Left-wing advocacy groups see an opportunity to bash the industry—and they are taking it.*

Attacking lenders who take a chance on the poor: Democratic Senator Barack Obama of Illinois (left) is demanding that subprime lenders be fined, while Barbara Mikulski of Maryland (right) labels them "scum."

This summer the economy stressed out as the number of delinquent borrowers swelled and increasing numbers of home mortgages went into default. Loan losses weakened the real estate market and increased the stock market's volatility. In April the subprime lending industry was thrust into the spotlight when New Century Financial Corp., the nation's second-largest subprime mortgage lender, filed for bankruptcy, a victim to the sudden cooling of the real estate market. With a market capitalization that fell from an estimated $1.75 billion to well under $100 million, New Century's common stock was de-listed by the New York Stock Exchange as it fell from $42.58 to less than a dollar per share. All eyes then turned to Countrywide Financial, America's largest mortgage lender, whose market capitalization dropped from $24 billion to $12 billion. Its stock now trades at below $20 a share, down from the $45 range a year ago. When the Federal Reserve cut its benchmark interest rate by one-half percentage point on September 19 (from 5.25% to 4.75%), it acted to avert what was threatening to become a global freeze on the market for loans.

The economic pressures mortgage lenders face are compounded by increasing political pressures. Of course, left-wing advocacy groups have always been eager to attack lenders as Scrooge-like exploiters. Groups like the Center for Responsible Lending accuse subprime lenders in particular of manipulating poor and easily duped borrowers who are unsophisticated, impulsive or desperate, seducing them with easy-to-obtain loans that charge excessive rates of interest.

However, the recent implosion in the subprime industry has let lawmakers in on the blame game, and they are unleashing an avalanche of abusive rhetoric. Senator Barbara Mikulski (D-Maryland) has referred to subprime lenders as "scum." Washington politicians of all stripes see a chance to rescue themselves from the public's low esteem. The public's approval ratings for Congress hovered at just 18% in August, well below President George W. Bush's 33% approval rating. Washington claims it will save the day.

Senator Chris Dodd (D-Connecticut), chairman of the Senate Banking Committee and a

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candidate for the presidency, says "The system is out of balance…there is a chain of responsibility that makes these abusive loans possible…the brokers, the bankers, Wall Street, the regulators, the Congress, and the [Bush] administration." Dodd, who supports rewriting lending rules to protect subprime borrowers, has two objectives: "First, to save as many people as possible from foreclosure. Second, to make sure that consumers receive the protections that they need and deserve. Our leaders should help Americans achieve the dream of homeownership – not take that dream away."

Such economic populism oversimplifies the subprime industry's problems.

The U.S. housing market, which until recently has been very strong, owes its success to the easy availability of credit. With interest rates at historic lows, more and more people have had access to mortgage funding and they have witnessed the median price of a new home increase 5.8% annually from $140,000 to $246,100 from 1996 to 2006. The rate of homeownership reached a record high of 68.9% at the end of 2006.

All that cheap money has fed speculation, which created the "housing bubble": as the price of homes skyrocketed, sales plunged, and mortgage defaults dramatically increased in early 2007. Homebuyers at all income levels benefited when their home values increased every year, but many recent buyers now are unable to pay their existing loans, cannot refinance, and cannot sell their properties at prices above what they originally paid. Borrowers with adjustable-rate mortgages (ARMs) have been hit especially hard.

But subprime lenders like New Century that took on more and more risky mortgage loans are also hard hit. Inside Mortgage Finance, an industry newsletter, reported that new subprime loans originated in 2006 totaled about $605 billion, or 20% of the total mortgage market. That was up from $120 billion, or just 5%, in 2001.

Janet Murguia, president of La Raza (right) with Senator Hillary Clinton (left) at a La Raza conference in July

However, the upsurge in foreclosures is a way for the subprime market to correct itself. Earlier this year, Doug Duncan, chief economist and senior vice president of the Mortgage Bankers Association, implored lawmakers to exercise restraint. "We would continue to caution policymakers to avoid any regulatory or legislative actions that would impede the ability of the market to respond to changes in underlying economic conditions," he said.

Subprime lenders say they're not the bad guys.

"We're a prime lender...but we also have been on a mission...to try to increase home ownership opportunities for minorities and low-income borrowers," says Angelo Mozilo, CEO of Countrywide Financial. "So it's distressful to me personally to see the piling on that's taking place by the media and regulators. This was a system that was working very well, providing an opportunity for people to get over that barrier of entry to owning a home."

"Predatory" is Liberalspeak for "Subprime"

The media is saturated with stories about subprime lending, or as liberals usually call it, "predatory lending." Press stories typically start with a profile of a poor person down on his luck who takes out a loan at a high interest rate. Or perhaps the story is about a homebuyer stretched to the limit who takes out a loan at what seems to be an initial low interest rate. The story then describes how after a time the unfortunate borrower isstuck with exorbitant fees and crippling monthly payments, having failed to understand the terms of the loan or anticipate changing economic conditions.

But understanding doesn't come easily to advocacy groups that reject the discipline of economics. Their view of subprime lenders is very different. Groups like the Center for Responsible Lending accuse so-called predatory lenders of abusing their customers. They say subprime lenders unfairly target people who never should have received mortgages.

Activists also allege that subprime lenders deliberately victimize racial minorities, women, and the elderly, tricking them into accepting grossly unfavorable loan terms. For example, the National Council of La Raza ("The Race," in Spanish), argues that subprime loans to racial minorities violate their civil rights. Earlier this year a coalition of racial preference groups demanded that subprime mortgage lenders slap a six-month moratorium on foreclosures, arguing that lenders should have known better than to lend money to people with bad credit, many of whom are minorities. The coalition said

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Subprime Lending Laws

Subprime loans are already regulated under federal law. Here are some of the federal laws related to subprime lending that have been enacted in the last 50 years:

HOEPA, the Home Ownership and Equity Protection Act, which took effect in 1994, is enforced by the Federal Trade Commission and by state attorneys general. The Act establishes disclosure requirements and prohibits abuses such as equity stripping in connection with high-cost mortgages. Equity stripping can take many forms, but often a homeowner overstates his income on a home equity loan application to receive a loan he can't afford to pay. When he defaults, the lender cannot foreclose because the owner has borrowed against his assets, stripping equity from the home.

HMDA, the Home Mortgage Disclosure Act, which took effect in 1975, is enforced by the Federal Reserve System. The law helps "to provide the public with information to judge whether lenders are serving their communities, enhance enforcement of laws prohibiting discrimination in lending; and provide private investors and public agencies with information to guide investments in housing," according to the Office of Thrift Supervision (OTS).

RESPA (Real Estate Settlement Procedures Act) and TILA (Truth in Lending Act): they explain most of the complex documents in the basic mortgage package. Anyone who recently bought or refinanced a home may have been introduced to them.

Congress continues to debate legislation to regulate the subprime industry.

subprime mortgages are "reckless and unaffordable," and they warned that lenders, realtors and investors who bought up subprime loans could be sued under a federal law that forbids housing discrimination.

It was the lenders' responsibility to "match families to the sustainable loans that they should have gotten in the first place," said Janet Murguia, president of La Raza. Pointing to 2005 data that show subprime loans with high interest rates comprised more than 50% of all mortgages taken by African-Americans and 40% of Latino borrowers, compared to 19% of white borrowers, she raised the specter of racism. Murguia failed to mention that without a subprime market many members of racial minority groups would have remained renters, unable to buy a home.

Of course, no off-beat demagoguery would be newsworthy without comments by Rev. Jesse Jackson. "It is unreasonable for consumers to be taken advantage of due to lack of sophistication, language barriers or their socioeconomic class," said the Rainbow/ PUSH Coalition founder. "The unfortunate reality is that most people of color tend to fit into these categories."

Loan agreements, subprime industry critics say, contain too many pages of difficult-to-read small-print provisions that give lenders the upper hand, imposing excess fees or unconscionable terms on the borrower. Without new consumer protection laws the deck is stacked against the little guy.

For instance, the National Low Income Housing Coalition, says it is "dedicated solely to ending America's affordable housing crisis." NLIHC doesn't blast all subprime lending, but claims predatory lending is "a subset of the subprime market." The group supports a bill (HR 1427) by Representative Barney Frank, (D-Massachusetts), chairman of the House Financial Services Committee, to restructure the nation's housing finance system. Frank says his legislation would help moderate-income working families living in high-cost areas qualify for more conventional loans and avoid the subprime market.

But Frank's bill also includes a self-serving provision giving taxpayer dollars to low-income housing groups like ACORN (Association of Community Organizations for Reform Now) that also engage in political advocacy and voter turn-out. Under the legislation, Fannie Mae and Freddie Mac would be required to contribute a total of about $600 million a year to a National Housing Trust Fund that could give grants to groups like ACORN. The bill passed the House on a vote of 313 to 104 on May 22 and is now before the Senate. A similar proposal failed in the previous Congress. The House Republican Study Committee has criticized the plan, arguing it would create a political "slush fund" funneling taxpayer dollars to left-wing nonprofit groups.

NLIHC is excited by the prospect of a housing trust fund. "Finally, a solution to the housing crisis is in sight for many elderly and disabled people on fixed incomes and low wage workers," NLIHC President Sheila Crowley said after the House approved HR 1427 in May. A separate bill, HR 1852, introduced by Representative Maxine Waters (D-California), would create a related fund taking in about $300 million annually from the Federal Housing Administration. On September 18, the House passed the Waters bill on a vote of 348 to 72.

An Election Issue

Subprime lending has become an issue in the 2008 presidential election. Republican contenders generally favor leaving the subprime market alone but would implement some consumer protections. Democrats think the promise of government guarantees and protections will help propel their party into the White House.

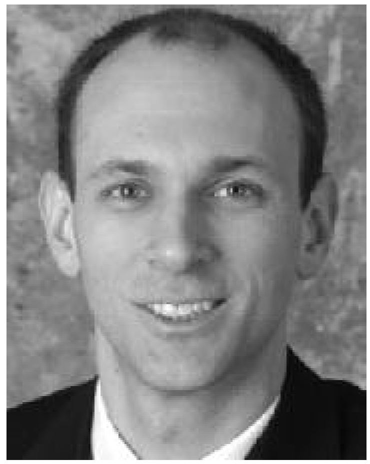
- Former North Carolina Senator John Edwards promises to bailout borrowers by establishing a national Home Rescue Fund.
- Illinois Senator Barack Obama also favors a bailout fund that, according to an Obama spokesman, should be "partially paid for by penalties on lenders who acted irresponsibly and committed fraud."
- Hillary Clinton says she "would address abuses across the mortgage industry with a plan to curb unfair lending practices and hold brokers and lenders accountable, give families the support they need

to avoid foreclosure, and increase the supply of affordable housing."

· New Mexico Governor Bill Richardson has yet to unveil a specific proposal but blames the Bush administration for the wave of delinquencies. Richardson says "some lenders [have] practically turned into loan sharks."

The industry's defenders are obliged to make the obvious point that subprime lending is by its nature risky. "The higher interest rates charged to borrowers reflect the higher risk of these loans. The 'crisis' identified in the press, and cited as the motivation for various pieces of legislation, is business as usual in the subprime market," notes Duke University economist Jacob Vigdor.

No rational person in business would lend money to a borrower with a higher risk of default without being able to charge a higher rate of interest. "The only sure way to eliminate the high rate of foreclosures in the subprime market would be to eliminate the market entirely, punishing 95% of subprime borrowers for the misfortunes of the other 5%," writes Vigdor. ("What Should Government Do About the Subprime Mortgage Market?: A Taxpayer's Guide," by Jacob Vigdor, July 2007, published by the National Taxpayers Union, available at http://www.ntu.org/pdf/P070907_Subprime_lending.pdf)



Economist Austan Goolsbee

Austan Goolsbee, a professor of economics at the University of Chicago Graduate School of Business, says innovative financing has helped make homeownership possible for people who previously couldn't afford to buy a home. "Almost every new form of mortgage lending — from adjustable-rate mortgages to home equity lines of credit to no-money-down mortgages — has tended to expand the pool of people who qualify," he says. The subprime market was created to help people with low income or poor credit histories gain access to credit.

The industry notes that the overwhelming majority of subprime borrowers *do not* default on their loans and do not need new protections from government. As the Mortgage Bankers Association (MBA) reported on September 6, 14.82% of all subprime mortgages were delinquent in the second quarter of 2007. This means 85.18% of all subprime mortgages were current.

"The very existence of this market is an achievement, since it offers funding to people who once were shut out of homebuying," writes Chicago Tribune columnist Steve Chapman. "In the old days, financial institutions that refused to lend to people with low incomes or imperfect credit were accused of victimizing the needy. Today, financial institutions that make many loans to those same people are found guilty of the same crime."

Unfortunately, some decisions made by lenders in good faith and during good times for the housing economy proved costly to themselves and to some borrowers. That miscalculation has imposed a price on both, and the recognition of that miscalculation has created new uncertainties in the market for credit.

That's what markets are supposed to do.

When Is Lending "Predatory"?

According to the Federal Deposit Insurance Corporation (FDIC): "There is no simple checklist for determining whether a particular loan or loan program is predatory. Loan terms that are helpful to one borrower may be harmful to others. For example, it is important to distinguish subprime lending from predatory lending."

In truth, lending is considered "predatory" when a political advocacy group doesn't approve of it. The Center for American Progress (CAP), a group aiming to be the Heritage Foundation of the left, admits that subprime lending "helps build homeownership in the United States" and gives the less well off "the potential for wealth accumulation and economic mobility

Funding the Push for More Regulation

To liberal advocacy groups, market fluctuations are an excuse for government intervention in the marketplace. Not surprisingly, the groups pushing for a subprime crackdown are funded by reliably liberal foundation funders.

The National Council of La Raza has received grants from the Charles Stewart Mott Foundation ($3.07 million from 1999 to 2005), the John D. and Catherine T. MacArthur Foundation ($2.475 million from 1999 to 2005), the Ford Foundation ($10.615 million from 1999 to 2005), George Soros's Open Society Institute ($1.06 million from 1999 to 2005), and the Carnegie Corporation of New York ($925,000 from 2002 to 2005). The Wal-Mart Foundation gave it $539,000 in 2002 and 2003.

The Center for American Progress received major grants from the Tides Foundation ($555,000 in 2004 and 2005), Stephen M. Silberstein Foundation ($700,000 from 2003 to 2005), the Popplestone Foundation ($850,000 from 2003 to 2005), the Irving Harris Foundation ($425,000 from 2003 to 2005), the Rockefeller Brothers Fund Inc. ($205,000 in 2004 and 2005), the Nathan Cummings Foundation ($450,000 in 2005), the Open Society Institute ($260,000 in 2005), the Peninsula Foundation ($1 million in 2003 and 2004), and the New York Community Trust ($1.075 million in 2003 and 2004).

The Center for Responsible Lending has grants from the Open Society Institute ($100,000 from 2003 to 2005), the Ford Foundation ($100,000 in 2003), the Rockefeller Foundation ($150,000 in 2002), and the John D. and Catherine T. MacArthur Foundation ($500,000 in 2002).

ACORN and its affiliates receive funding from many corporations and foundations. One of its largest is the JPMorgan Chase Foundation, which has given the group more than $3 million since 1998. **The National Fair Housing Alliance** accepted a $100,000 grant in 2003 from the Ford Foundation.

The National Urban League has grants from John D. and Catherine T. MacArthur Foundation ($1.289 million from 1999 to 2004), the William and Flora Hewlett Foundation ($517,000 in 2005), the Wachovia Foundation ($1.5 million pledged to be paid from 2006 to 2009), the Robert Wood Johnson Foundation ($350,000 in 2005), the Carnegie Corporation of New York ($900,000 from 2000 to 2003), the Ford Foundation ($3.44 million from 1999 to 2005), the Charles Stewart Mott Foundation ($450,000 from 2002 to 2004), and the Open Society Institute ($100,000 in 1999).

The National Low Income Housing Coalition has grants from the John D. and Catherine T. MacArthur Foundation ($475,000 from 2003 to 2005), the Tides Foundation ($43,000 from 1999 to 2004), the Surdna Foundation ($330,000 from 2001 to 2006), the Ford Foundation ($350,000 in 1999), and the Charles and Helen Schwab Foundation ($175,000 from 2002 to 2005).

Ironically, Countrywide Financial, which is fending off demands for tougher regulation of mortgage lending, has given money both to NLIHC and La Raza, according to the philanthropy database foundationsearch.com, but exact sums are not available.

others have long enjoyed," but it says some "overeager" brokers and lenders have abused borrowers by lending on "predatory terms." CAP's critique patronizes borrowers who "were enticed to borrow money when it was clear they had no capacity to repay."

On its website, the left-wing Chicago-based group National People's Action claims predatory lending "occurs when a mortgage company or broker pushes unjustifiably expensive refinance or home equity loans on homeowners." That begs the question: what is "unjustifiably expensive"?

Then there's the Center for Responsible Lending (CRL). It says predatory lending includes "excessive" fees, "abusive" prepayment penalties, "kickbacks" to brokers (also known as yield spread premiums), loan "flipping" which generates fees for the borrower without net tangible benefits, and "unnecessary" products such as loan insurance. The Center opposes mandatory arbitration provisions similar to those typically found in credit card agreements, which rule out litigation of disputes—and deprive trial lawyers of business.

CRL does not condemn credit cards, but it labels as abusive those whose member agreements include "hidden transfer charges, exorbitant late fees and exploding interest rates." Delete the descriptive adjectives and it is apparent that what is predatory is in the eye of the beholder. Rent-to-own contracts are also examples of consumer exploitation, according to CRL. Such contracts are bad because the "store does not have to report how much it is charging in interest" to the customer. CRL claims, "Under a typical rent-to-own contract, a consumer may pay as much as $2,200 over two years to purchase a $500 TV."

CRL condemns tax refund anticipation loans and car title loans, which it says exploit vulnerable consumers who need short-term loans. Manufactured housing financing is also abusive. CRL says such loans typically "carry higher interest rates and shorter terms than real estate loans." In addition, the loans "often contain predatory terms in the form of single-premium credit insurance, high points and fees, kickbacks, and fraudulent applications." CRL even considers overdraft protection and bounced check fees as lender abuses.

Until it was overshadowed by the mortgage crisis, the payday lending industry was a favored CRL target. The group campaigns to have states and localities put a cap on the interest rate payday lenders can charge for short term cash advances. The industry replies that it can accept regulations putting a cap on the loan amount based on income. But it argues that payday lenders will have to close down the offices they staff if they are required to cap the interest rate they charge for a typical $500 cash advance that a borrower prefers to rollover rather than repay. (For more information on the Center for Responsible Lending, see "Self-Help Helps Itself: A leftist crusader wants to dictate financial options to consumers," by David Hogberg, *Organization Trends*, October 2005.)

A Role for Congress?

It's no surprise that when advocacy groups label a free market for credit as unfair, abusive and excessive, then they will appeal to politicians for fairness, justice and equality. Groups like the Center for Responsible Lending, the Center for American Progress and ACORN are ramping up their calls for regulation of the financial markets.

CRL urges Congress to "strengthen protections against destructive home lending,"

Economist Jacob Vigdor

and argues that "federal law has clearly not kept up with the abuses in the changing mortgage market." It favors lowering the thresholds and increasing the penalties in the 1994 Home Ownership and Equity Protection Act, a borrower protection law that "needs to be extended and updated to address the issues that are driving foreclosures today." Additionally, CRL wants Congress to give financial regulators greater supervisory authority over subprime lenders.

CRL also wants more regulation of mortgage brokers, who should be required to "have a fiduciary duty to their clients" because they "manage the most important transaction most families ever make" Mortgage brokers are "at least as important as that of stockbrokers, lawyers and Realtors—professions that already have fiduciary standards in place."

CRL urges Congress to force Fannie Mae and Freddie Mac "to stop investing in abusive subprime loan securities." Their purchases of "high-risk subprime loans" effectively support the efforts of supposedly unscrupulous lenders who market "abusive, high-risk loans that are not truly affordable."

The Center for American Progress urges Congress to act quickly to help homeowners keep up their subprime mortgage payments. "While we cannot avoid the personal and broader economic consequences of unsustainable loans already on the books, we can help prevent some foreclosures, help communities to deal with the impact of concentrated defaults, and ensure credit continues to flow to impacted communities."

ACORN favors legislation placing restrictions on the subprime industry, such as limiting the maximum interest rate that may be charged. It also favors proposals strengthening "the protections in the Home Ownership Equity Protection Act (HOEPA), extend those protections to more borrowers in high-cost home loans, and establish penalties for violating the law that are more in line with the damage caused to borrowers."

The National Urban League is pushing for a "Homebuyer's Bill of Rights," including a "right to be free from predatory lending." Marc Morial, the group's president and CEO, acknowledged that the subprime mortgage market "has helped make homeowners of countless Americans who previously couldn't qualify for traditional mortgage loans." But he then lays into the industry, claiming that variable-rate loans with "'jack in the box' interest terms…that start out at a low level only to rise substantially later…are wreaking havoc upon subprime loan holders." The "patchwork of 50 state laws" helps neither borrowers nor lenders, and the time has come for Congress "to pass a comprehensive national law regulating the subprime market," Morial wrote in an op-ed earlier this year.

The National Fair Housing Alliance claims subprime lending practices "disproportionately impact the disabled, seniors and female headed households." It claims credit for persuading the Leadership Conference on Civil Rights to add ending predatory lending to its list of policy priorities.

Conclusion

Preferring research to anecdotes, economist Austan Goolsbee defends subprime loans by citing an academic study, "Do Households Benefit from Financial Deregulation and Innovation? The Case of the

Mortgage Market," (National Bureau of Economic Research Working Paper 12967 by Kristopher Gerardi, Paul Willen Harvey Rosen).

The study shows that from 1970 to 2000 there was "an incredible flowering of new types of home loans…[which] mainly served to give people power to make their own decisions about housing, and they ended up being quite sensible with their newfound access to capital," Goolsbee writes. Over the years "the mortgage market has become more perfect, not more irresponsible."

"People tend to make good decisions about their own economic prospects," he writes.

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*You transfer no more than $100,000.
*Your transfer is an outright gift.
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The law does not apply to gifts from 401(k), 403(b), defined benefit, profit-sharing, Keogh, and employer-sponsored SEP accounts.

This option is only available for gifts made on or before December 31, 2007. Capital Research Center does not offer legal or tax-planning advice. Contact your investment professional for additional information.

BrieflyNoted

Focus on the Family should not lose its tax-exempt status even though its chairman, **James Dobson**, publicly endorsed GOP candidates for office in 2004, the Denver Post reports. The **Internal Revenue Service** determined that Dobson acted as an individual and not on behalf of the group he founded. The ruling came after the IRS investigated complaints lodged in 2005 by two liberal groups, the Washington, D.C.-based **Citizens for Responsibility and Ethics in Washington** (CREW) and the Colorado Springs-based **Citizens Project**.

Earlier this year **Cindy Sheehan**, the most visible member of the radical anti-American group **Code Pink**, blasted America but renounced further anti-war activism. Regrettably, she's broken her vow. On September 15 Sheehan headlined an anti-war rally in the nation's capital. "It's time to lay our bodies on the line and say we've had enough," she said. "It's time to shut this city down." The protest, organized by **Workers World Party** offshoot **ANSWER** (Act Now to Stop War and End Racism) and other groups, failed to achieve its goal. Code Pink was profiled by **John J. Tierney** of the **Institute of World Politics** in the December 2006 edition of *Organization Trends*.

Donald Rumsfeld, who resigned as defense secretary last November, will be a visiting fellow at the **Hoover Institution**. Rumsfeld will serve on a task force studying "ideology and terror."

A federal judge temporarily blocked the U.S. government from implementing a new Department of Homeland Security program that would penalize employers for failing to respond to a notice that an employee lacks a valid Social Security number. The **AFL-CIO**, the **American Civil Liberties Union**, and the **National Immigration Law Center** filed a lawsuit aimed at blocking the rule. "Employers have historically used [Social Security Administration] 'no-match' letters to exploit workers and this rule would only give them a stronger pretext for doing more of the same," said AFL-CIO President **John Sweeney**.

The **Goldwater Institute**'s **Scharf-Norton Center for Constitutional Litigation** has filed suit to prevent Arizona's education department from forcing five charter schools to change the curricula that has helped them rank among the top public schools in the country. In 2003, the state's education department began requiring charter schools to align their curricula to state-prescribed curriculum. A trial is scheduled for November 20. "These rules would have the perverse effect of dumbing-down some of the most successful schools in the entire United States," said **Clint Bolick**, the litigation center's director.

The leftist **Center for Food and Justice** at **Occidental College** in Los Angeles says a new local proposal to ban new fast-food restaurants in South L.A. in order to fight obesity doesn't go far enough. "While limiting fast-food restaurants isn't a solution in itself, it's an important piece of the puzzle," said **Mark Vallianatos**, director of the Center, which is part of the **Urban and Environmental Policy Institute**. This is "bringing health policy and environmental policy together with land-use planning," he said. "I think that's smart, and it's the wave of the future."

Meanwhile, U.S. District Judge **Richard J. Holwell** struck down a New York City rule that compelled fast-food restaurants to post calorie counts on their menus. The **New York State Restaurant Association** had challenged the rule, which Holwell found conflicted with federal regulations. The **National League of Cities**, the **National Association of County & City Health Officials**, and the **International Municipal Lawyers Association** supported the rule, arguing it was needed to combat obesity.

Muslim-American charity **KinderUSA** has dropped its lawsuit against **Yale University Press** for defamation because it published **Matthew Levitt**'s book, *Hamas: Politics, Charity, and Terrorism in the Service of Jihad*. **Todd E. Gallinger**, the charity's attorney, said its board "saw the resources that it would take to clear their name...and decided that it would be better to use those resources on their core mission of helping children in need." Levitt, a scholar at the **Washington Institute for Near East Policy**, claims in the book that the charity supports the terrorist group **Hamas** and is linked to **al-Qaeda**.