April 8, 2020

Chief Counsel's Office
Attn: Comment Processing, Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219

Robert E. Feldman, Executive Secretary
Attn: Comments, Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Re: Community Reinvestment Act Regulations
Docket ID OCC-2018-0008
Docket ID FDIC-RIN 3064-AF22

To Whom It May Concern:

The Housing Association of Nonprofit Developers (HAND) thanks you for the opportunity to comment on the Community Reinvestment Act (CRA) rule proposed by the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC). As a "*change*" association working across the private, public and nonprofit sectors, HAND is committed to leveraging the power of our diverse collective comprised of nonprofit and for-profit developers, financial institutions, property managers, service providers, government agencies, architects, syndicators, law firms, foundations, universities, and others, to address our region's affordable housing challenge and ensure that all have an opportunity to thrive.

According to the National Low Income Housing Coalition, over the past 40 years, median household incomes in the Greater Washington region have increased by only 46%, while rents rose by 69% and home values increased by 144%. Our region is facing a serious and growing affordable housing crisis, forcing individuals to make decisions between paying rent and other necessities like food and healthcare. With the onset of the COVID-19 pandemic and its impact on jobs, critical services and other items, these challenges are magnified even more. The time is now to reinforce the tools at our disposal to address the region's housing affordability challenge. HAND believes that the OCC- and FDIC-proposed changes are counter to the intent of the law originally enacted in 1977, and will make banks far less accountable to the communities they are responsible for serving – which are often neighborhoods that desperately need access to opportunity.

HAND appreciates the OCC and FDIC's goal of ensuring that the CRA reflects modern banking practices and technology, and the need to update outdated regulations. The comments below not only back the continued provision of affordable housing to low- and moderate-income (LMI) individuals, but also the communities that the CRA was established to serve.

Low Income Housing Tax Credit

Having financed over three million homes, the Low-Income Housing Tax Credit (Housing Credit) is central to our members' ability to develop and preserve affordable housing - not just throughout the region, but on a national scale. In addition, most Housing Credit investment comes from banks that are motivated by CRA requirements. Given the strong ties between CRA and affordable housing, any changes that would lower the incentive for Housing Credit investment would cause a detrimental blow to affordable housing preservation and production. Even more concerning are the economic impacts of COVID-19, which will likely result in significant disruptions to affordable housing investment. We encourage the OCC and FDIC to avoid any changes through CRA reform that could exacerbate these uncertain circumstances.

Housing Association of Nonprofit Developers (HAND)
PO Box 48386, Washington, DC 20002
www.HANDHousing.org

Evaluation Methodology
HAND does support the proposal to identify qualifying activities for CRA and for banks to receive more information about their exam and the status of their compliance. However, we are concerned that the expanded definitions of "qualifying activities" and "community development" dilutes the requirement to lend and invest in the community. In particular, the proposed expansion of eligible activities to include such things as public infrastructure, sports facilities, and hospitals that only partially serve LMI individuals is an unnecessary incentive that will only weaken CRA. Although these activities are generally considered positive, they provide significantly less direct benefits to low-income households than an affordable home. These changes could make Housing Credit investments a much less appealing way to meet CRA obligations, since tax credit investments tend to be longer term and more complex. If enacted, these reforms could cause banks to develop a preference for these other less-impactful CRA activities, ultimately reducing Housing Credit investments.

As it relates to the proposed "double credit" for LIHTC investment and CDFI loans, HAND appreciates the recognition of the importance of these items, however we are concerned that double counting would be ineffective if the proposed 2% threshold is too easy for banks to meet. Additionally, it is possible that double counting these investments and loans could actually result in less activity in these areas, not more, since a bank could get the same credit for half of the activity.

Community Development Threshold
In order to maximize the CRA's positive impact for the communities our members serve, any reforms must at least maintain the current level of investment in community development. It is yet to be seen if the proposed baseline metrics will be enough to move the needle on housing affordability. At minimum, we urge the OCC and FDIC to ensure that the proposed thresholds will provide at least as much community benefit, affordable housing, and Housing Credit investment as the CRA currently provides. With solid terms in place, our neighbors and communities can have a fighting chance. Our organization appreciates the OCC and FDIC's willingness to solicit supporting data for these thresholds and to make the appropriate adjustments if needed.

Redefining Assessment Areas
HAND supports the updating of CRA assessment areas to address the concentrations of CRA investments around banks' outdated geographic footprints. However, the approach in the proposed rule is problematic. The proposed single metric will likely encourage banks to find the largest and easiest deals anywhere in the country as opposed to focusing on local needs. Furthermore, it appears that the single metric thresholds would be very easy to attain, resulting in less CRA activities overall compared to current CRA lending and investment volume. It is likely that the target ratios are very easily obtained by most banks, providing insufficient incentive for them to expand their CRA lending and investing activities. Permitting such behavior would bring us back to an era where financial institutions had the option to draw red lines around—and deny financial services to—vulnerable neighborhoods, and in particular communities of color.

HAND recognizes how critical the CRA has been to the provision of affordable housing since its passing, and we urge you to preserve the original intent of the legislation. In the midst of these uncertain times, the stability of housing affordability is needed now more than ever. As your agencies approach these reforms, please remember the families and communities who stand to benefit the most.

If you have any questions, please feel free to contact me at hraspberry@handhousing.org or 202.754.1311.

Sincerely,

Heather Raspberry
Executive Director
Housing Association of Nonprofit Developers (HAND)