Chicago Rehab Network

May 16, 2013

TO: Robert E. Feldman
Executive Secretary
Attention: Comments, Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429
comments@fdic.gov

RE: Proposed Changes to Interagency Q&A
OCC: Docket ID OCC02013-0003
Federal Reserve: Docket No. OP-1456
FDIC: Attention: Comments on CRA Interagency Q&A

Dear Robert E. Feldman,

The Chicago Rehab Network is the leading coalition of community development corporations in the region. CRN, a coalition of non-profit community development corporations and advocates, provides a unique point-of-view impacting people, communities, and systems which lead to stronger neighborhoods through housing affordability. For thirty-five years we have provided strong policy analysis, technical assistance and training from which troubleshooting and best practices often emanate, and have delivered research and analysis of private and public sectors' practices impacting our local communities. Our members have been responsible for the preservation and creation of tens of thousands of affordable housing units in Chicago and the region.

Over the past ten years, the Chicago Metropolitan housing market has been impacted by several major developments. The massive demolition of public housing sites completed as part of the Chicago Housing Authority's Plan for Transformation has resulted in large tracts of undeveloped vacant land and the displacement and relocation of very low income residents into community areas that have large inventories of multifamily and/or rental in the 2-4 housing stock, but lack the infrastructure to provide adequate community and supportive services to residents. Moreover, the collapse of the subprime mortgage market and onset of the subsequent foreclosure crisis increased the numbers of abandoned and vacant properties and reduced homeownership rates. Capital for rehabilitating and refinancing developments is severely restricted and the demand for rental housing has increased.

All of these factors have caused widespread instability in community areas where many community developers successfully own and manage affordable multifamily rental properties. In order to leverage these existing developments, many of these experienced non-profit housing developers realize there is a need to implement complimentary strategies, such as single family acquisition and rehabilitation, but currently lack the resources and infrastructure to do so. Additionally, these same economic challenges have negatively impacted numerous community areas which were once considered to be extremely stable. Although these neighborhoods have established community associations, block clubs, and churches, many lack the presence of an experienced for-profit or non-profit housing developer and financial resources to address the changing housing market. The only existing, albeit winding down, program in the city of Chicago has been NSP, and the lessons learned and potential improvements have not been distilled to a better, stronger infrastructure.

So too the county and state NSP programs are coming to completion with little certainty of what programs and systems will be in place and be able to effectively impact the fastest growing housing asset class: single family rental. The need to act, to innovate and to build has never been clearer:

> A shortage of 180,000 affordable housing units existed in Cook County in 2009 (DePaul U.), an increase of 9.1 percent since 2005 and the study further predicts affordability will likely increase to 233,000 units by 2020.

This corroborates CRN's findings in the **Building Our Future Chicago Toolkit** that household instability has increased dramatically in the last decade. In Chicago, renter cost-burden rates have historically tracked at above the national average: in 2000, 50 percent of Chicago renters were cost-burdened and 20 percent were severely cost-burdened. By 2009, these numbers rose to 55 percent and 28 percent, respectively.

I am contacting you on behalf of the Chicago Rehab Network to provide comment on the proposed Interagency Questions and Answers (Q&A) Regarding Community Investment issued March 18, 2013. The revisions to the Q&A make some minor improvements to the implementation of the Community Reinvestment Act (CRA), such as additional ways to determine low and moderate-income status of community development recipients, recognition of non-profit board service, and clarifications on qualified investments and community development lending. However, we believe that these proposals miss the opportunity to make necessary reforms to modernize CRA. Specifically:

- The proposed Q&As attempt to clarify the acceptability of community development activities outside of current assessment areas would more effectively promote community investment if the assessment areas were redefined as where an institution has significant market share.
- While it is important to uphold the importance of community development lending, it should not be done at the expense of retail lending--the largest portion of the lending test.

A more effective way of reaffirming community development lending is to create a community development test.

- The proposed Q&As should make the services test more rigorous and meaningful and improve methods of assessing community needs.

CRA regulations have remained nearly unchanged since 1994; but over the last 16 years, the financial landscape has changed greatly, with substantial consolidation of the financial sector, entry of non-bank financial institutions into provision of products and services traditionally offered by banks, and radically different business models for financial services providers. Recognizing the need for CRA modernization, the Federal Deposit Insurance Corporation (FDIC), Federal Reserve Board, Office of the Comptroller of the Currency (OCC), and Office of Thrift Supervision (OTS) held hearings across the country in the summer of 2010 to collect public comments to inform updated CRA regulations. Dozens of community organizations and interested individuals testified at the hearings with practical recommendations that would bring CRA in line with modern banking practices and improve the ability of the regulators to use CRA to generate meaningful community investment. Disappointingly, little progress has been made in the years following the hearings, and the proposed changes to the Q&As do not address many of the concerns raised by the public.

Many of the reforms in the proposed Q&A would modestly improve the implementation of CRA, but more comprehensive changes are necessary to assessment areas, community development lending, the services test, and transparent ways of measuring community needs. We urge prompt and comprehensive reform to the CRA regulations.

Sincerely,

Kevin F. Jackson
Executive Director
Chicago Rehab Network