Housing Partnership Network

Social Mission. Private Enterprise.

November 10, 2014

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
Mail Stop 9W-11
400 7th Street SW
Washington, DC 20219
Docket ID OCC-2014-0021
regs.comments@occ.treas.gov

Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Docket No. OP-1497
regs.comments@federalreserve.gov

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

Re: Community Reinvestment Act: Interagency Questions and Answers Regarding Community Reinvestment
OCC: Docket ID OCC-2014-0021
Federal Reserve: Docket No. OP-1497
FDIC: Attention: Comments on Interagency Q&A Regarding Community Reinvestment

To Whom It May Concern:

Housing Partnership Network (HPN) appreciates the opportunity to comment on the proposed revisions to the Questions and Answers on the Community Reinvestment Act. HPN is a member-driven organization comprised of nearly 100 entrepreneurial, high capacity nonprofits that operate all across the country. The members are diversified social enterprises combining a mission focus with business acumen. HPN members' businesses include lending, real estate development, property management, and housing counseling. All of our members work to link their communities to services – education, workforce development, and health care. Collectively, HPN members have developed or

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rehabilitated 347,000 affordable homes, provided $11 billion in CDFI financing, and assisted 8 million people through housing, community facilities, and services.

HPN is best described as a business collaborative. The members' senior leadership comes together with their peers to exchange information, solve problems, and share best practices. Their collaborations have spawned member-owned businesses that improve member operations and advance innovations in the practice of affordable housing and community development. For example, when insurance costs spiked after 9/11, members launched a captive property and casualty insurance company that today insures approximately 60,000 homes with $7.0 billion of insurance-in-force. Other businesses that have emerged from these collaborations include a group buying service, companies that acquire and modify distressed mortgage notes to help homeowners stay in their homes and stabilize neighborhoods, a new web-based approach to homebuyer education, and a multifamily real estate investment trust.

HPN's members work with financial institutions on a broad array of community development and affordable housing activities that benefit low income neighborhoods and residents, and CRA has been a key driver for these partnerships. We commend the agencies for undertaking this effort to update the Qs and As to reflect the changes that are transforming the industry. After you complete this task of streamlining, clarifying, and updating the Qs and As, we encourage you to move on to the difficult task of updating the CRA regulations themselves. The basic structure for the CRA regulations is twenty years old and would benefit from a comprehensive re-evaluation. The 2010 hearings on CRA provide a great deal of useful commentary that would help in this undertaking. The determination of bank assessment areas for CRA purposes seems to be particularly in need of revision. Again, we commend you for taking the step of revising the Qs and As, but we encourage you to think of this as a first step in a broader process.

Our comments on the revisions to the Qs and As are as follows:

Revised Q&A § __.22(b)(5)-1:
II. Innovative or Flexible Lending Practices

We agree with the addition of more examples to clarify what is meant by "innovative or flexible" lending practices. Small dollar loans and lending programs that use alternative credit histories are certainly good examples of ways that financial institutions can be responsive to community needs.

The revised Q & A should also include bank lending to Community Development Financial Institutions (CDFIs). HPN's membership includes 38 CDFIs; these are mission-driven lenders that finance affordable housing, charter schools, health clinics and other community facilities. CDFIs offer banks a vehicle to offer new products and extend their reach in low-income communities. The Q and A should call out lending to CDFIs as a flexible and innovative practice. A product that has been especially useful for CDFIs is called an "EQ2" a highly subordinate below market debt issued for an indeterminate term by non-profit CDFIs. The subordinate nature of EQ2s enable a CDFI to leverage additional senior debt from other investors. In addition to EQ2s, there are other ways banks can further assist CDFIs in accomplishing their respective missions, such as flexible lines of credit and purchasing seasoned, whole loans. These should be cited in the Qs and As, as well.

With all of these products, the term of the loan is important. Developers of affordable housing and other community impact projects often need longer term financing commitments on complex projects. In addition to giving credit for complexity and innovation, it also would be helpful to include an example that gives greater weight to longer term commitments on lending in affordable housing or community facilities.

A particular challenge is having tools available to preserve the stock of naturally occurring affordable housing located in properties that have between 4 and 49 units. These are an important part of the affordable multifamily inventory, yet there are long-term structural barriers to accessing appropriate capital for acquisition, preservation, and rehabilitation of these properties. These properties are very sensitive to vacancy issues and because of their smaller loan sizes, transaction costs can be higher and yet their prevalence and importance in many low-moderate income areas is significant; the Q&A should clarify that banks should receive CRA credit for developing and providing innovative lending products for this asset class, nearly all of which provides housing for low-income residents.

HPN supports the suggestion made by one of our members, NHS of Chicago, to make some revisions on the examples of innovative or flexible lending practices. We agree with the several language changes they suggest to ensure that these practices are being offered through qualified third-parties. Under 22(b)(5), we recommend changing the language regarding technical assistance to "…an institution may establish a technical assistance program under which the institution, directly or through **non-profit organizations**, provide affordable housing developers and other loan recipients with financial consulting services. Such a technical assistance program **with non-profit organizations shall**, by itself, constitute a community development service…."

Revised Q&A § __.12(h)-1
B. Community Development Loans

HPN supports the inclusion of financing for energy efficient retrofits of affordable housing as a good example of community development lending that benefits low income people and low income geographies. Such lending makes properties more sustainable over the long run and it makes sense to explicitly cite this in the Qs and As.

There are other sorts of green building practices that also should be mentioned in the Qs and As as worthy of financing that receives CRA credit. For example, in addition to making properties more energy efficient, HPN members often make the buildings more water efficient as well during rehabilitation and refinancing. Lower bills for water use are a great benefit for low income tenants in addition to the environmental benefits. Sometimes affordable housing renovation includes the remediation of health hazards like mold, asbestos or radon. These activities are also worthy of CRA credit, and deserve the same prominence in the Qs and As as energy efficiency.

Other community development activities in low income neighborhoods that should be considered for inclusion in the Q & A are homebuyer education, neighborhood stabilization, and community improvements that improve health outcomes and "upstream" health efforts such as the development of public parks for active recreation and public fresh food and farmers' markets in low income areas defined as "food deserts".

Revised Q&A § __.12(g)(4)(iii)-4.

We support the inclusion of mixed-income housing developments that include affordable housing for low- and moderate- income families and new or rehabilitated communication infrastructure, such as broadband internet service, as eligible activities that revitalize or stabilize underserved rural communities.

Again, we commend you for the initiative to streamline and clarify the Qs and As. This is useful, practical work. We encourage you to finish the revisions to the Qs and As and move onto to more far reaching changes to the CRA regulations themselves.

Thank you for your consideration of our comments and for your support of and commitment to community reinvestment goals. Please do not hesitate to contact me at Siglin@housingpartnership.net with any questions or comments.

Sincerely,
Kristin Siglin
Vice President, Policy