From: Joan Beck <jbeck@newdestinyhousing.org>
Sent: Thursday, March 05, 2020 5:06 PM
To: Comments
Subject: [EXTERNAL MESSAGE] Comments on Reforming CRA Reg Framework RIN 1557-AE34

March 5, 2020

Comments regarding "Reforming the Community Reinvestment Act Regulatory Framework"

RE: RIN 1557-AE34, Federal Register Number 2019-27940, Docket ID OCC-2018-0008

To Whom It May Concern:

I am writing regarding the OCC and FDIC's Notice of Proposed Rulemaking (NPR) seeking input on proposed changes to the Community Reinvestment Act (CRA). I am Joan Beck, Director of Housing Development for New Destiny Housing Corporation. New Destiny is a 25-year-old not-for-profit that develops housing and provides services for homeless domestic violence survivors and low-income families and individuals.

New Destiny is concerned that the ideas presented in the NPR that would significantly weaken the CRA, leading to less investment, fewer loans and branches, and less meaningful investment. I'm also very concerned that the OCC and FDIC ("the agencies") are moving forward without the cooperation of the Federal Reserve Board, which has correctly stepped away from this flawed proposal. Banks should not be operating under different rules around community reinvestment.

The CRA has led to trillions of dollars reinvested nationwide, and billions each year here in New York City.
As affordable housing developers, New Destiny relies on the equity raised from our sale of Low-Income Housing Tax Credits awarded to us by New York City and/or New York State. That equity provides capital funding for construction that does not have to be repaid with loans and therefore, keeps our projects affordable to low income and formerly homeless tenants.

The incentive for banks to buy our tax credits comes from the need to fulfill their CRA requirements. If the requirements are loosened, there will be less incentive for the bank's equity investment, making it more difficult and more expensive to build affordable housing. The value of the tax credits will certainly go down as banks compete less for investment opportunities, thus reducing the amount of equity available to develop affordable housing.

This underscores the need to preserve and strengthen the CRA, making sure that the right priorities are reflected. Since the proposal greatly expands what counts for CRA credit with activities that benefit larger businesses and higher-income families, as well as activities that are not directed primarily at lower-income people or communities, a bank could exclusively finance middle-income rental housing developments in high-cost markets like New York City, despite the need for affordable housing for very low, low, and moderate-income families; over 40% of New Yorkers are low-income alone, with incomes below 50% AMI[1]. And because housing investments get double-credit, banks would have less incentive to do the extra work to finance low-income housing when they can more easily get double credit for larger middle-income developments or loans on rent-stabilized buildings as part of their normal course of business, regardless of the quality of the housing or behavior of the landlord.
Meaningful CRA reform could boost affordable housing development in low income communities. Transparent and consistent exams would support these goals. This proposal creates a more complicated, less transparent system that will lead to less banking, lending, investments in our communities.

The OCC and FDIC should abandon this proposal and go back to the table with the Federal Reserve to come up with a plan that preserves the core of the CRA, truly addresses its shortcomings, and modernizes it to incorporate today's banking world.

Thank you for your attention to our comments.

Sincerely,

Joan Beck
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[1] Area Median Income