From: Scott Millard <scott@patersonhabitat.org>
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To: Comments
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Attachments: Letter 3.18.2020.pdf

To Whom It May Concern:

The recently proposed changes to the Community Reinvestment Act (CRA) raise serious concerns with the entire Paterson (NJ) Habitat for Humanity community including our board of directors, advisers, advocates, volunteers and homeowners. We appreciate the opportunity to share those concerns here.

We understand and support the need to modernize the CRA. We are alarmed, however, that the changes outlined in the OCC and FDIC Notice of Proposed Rulemaking would seriously undermine the fundamental purpose of the Act by reducing access to homeownership, credit and financial services for the lower-income families and communities we serve. Any rule changes should reinforce the spirit and intent of the act: ensuring that low and moderate-income communities and minority communities have equal access to capital and credit.

Paterson Habitat for Humanity is an affiliate of Habitat for Humanity International, a global nonprofit housing organization working in local communities across all 50 states in the U.S. and in approximately 70 countries worldwide. Habitat's vision is of a world where everyone has a decent place to live. For 35 years now, our affiliate has been working to make that vision a reality in Paterson, the third largest city in New Jersey, a state with some of the highest housing costs in America. With the support of the 3,000 volunteers who help us annually, we have partnered with over 300 families to move them into affordable home ownership.

Any changes made to the Community Reinvestment Act must ensure that there remains a consistent and transparent system that meets the credit needs of low- and moderate-income people. Several proposed changes threaten this core objective:

Proposed Single-Ratio Metric

Under this proposal, a bank's lending, investment, and financial service performance would be assessed primarily by the overall dollar volume of CRA activities as a percentage of total bank deposits. This represents a significant shift away from the current practice of assessing bank

CRA compliance performance on the basis of both the number of loans originated and the relevance of those loans to local credit needs. Emphasizing dollar volume, without regard to type of investments, will favor larger and easier loans at the expense of lower-value loans, such as mortgages used by lower-income homebuyers to purchase a home. This new assessment metric could also lead to large national banks focusing their activities in neighborhoods with higher property values given that mortgages in these areas would more quickly generate the volume needed to reach an adequate ratio of CRA activities to deposits. The proposed single-ratio metric, then, could have a significantly negative impact on Habitat's ability to extend affordable homeownership opportunities to partner families, especially in under-served communities.

We are also concerned that the proposed single-ratio metric reduces the importance of placing bank branches in low- and moderate-income (LMI) communities. Currently, bank branch locations and local volunteering make up one-quarter of a bank's overall assessment score. The new, proposed single ratio metric applies a factor of .01 to local financial service performance, reducing bank presence and activities in LMI neighborhoods to an insignificant factor in achieving a passing grade. By our calculations, a bank with a quarter of its branches currently in LMI communities could close all of those branches and would only reduce its CRA assessment grade by 4%. We believe this will likely lead to significant branch loss in LMI communities, a decrease in lending to small businesses if not also to local homebuyers, and more unbanked residents in LMI communities.

Passing Grade Only Needed in 51% of Assessment Areas

Proposed changes to the CRA would allow banks to receive a strong overall rating with a passing grade in only 51% of their assessment areas. This is deeply concerning, as it could mean that a bank could choose to ignore the credit needs of half of its assessment areas, and still receive an outstanding rating.

Giving Banks Credit for CRA Activity Located Outside of their Assessment Areas

Habitat for Humanity is concerned that the Proposed Rulemaking would allow credit for CRA activity outside of banks' assessment areas regardless of performance in their assessment areas. We believe this will further enable and encourage banks to shop nationally for the largest possible deals in which to focus their CRA activities, at the expense of smaller loans and investments that are more responsive to local needs, including those of lower-income homebuyers.

Changes to Eligible Activities

Habitat for Humanity is troubled that the Proposed Rulemaking significantly expands the list of activities that would be eligible for CRA credit, including such uses as athletic stadiums and bridges that are not directly related to lending to low-income homebuyers or small businesses or to ensuring the availability of financial services in low- and moderate-income communities. Of further concern are eligibility changes that involve:

· Relaxing the definition of affordable housing to include middle-income housing in high-cost areas;

· Granting CRA credit to financial education services for middle- or high-income individuals;

· Eliminating neighborhood stabilization as part of the definition of community development;

· No longer requiring eligible activities to primarily benefit low- and moderate-income communities; and

· Assuming housing to be affordable if lower-income people can afford to pay the rent, even if it is not actually available to or occupied by lower-income people.

These eligibility changes stray far from the CRA's original purpose and will likely draw lending capital away from the lower-income homebuyers with whom we partner—especially if coupled with a shift to a dollar-volume-based metric that favors large single loans over smaller-value loans.

Over the years the banking community in New Jersey has been a crucial asset to Paterson Habitat, both as a financial partner and philanthropic supporter. Without the incentives offered banks through CRA, however, most banks could not justify investing in low-income homebuyers and communities. Reducing those CRA incentives as proposed would be a serious setback to Paterson Habitat and other organizations committed to helping lower-income families achieve the stability of homeownership.

Habitat for Humanity is deeply concerned that the Proposed Rulemaking would significantly reduce access to credit for qualified, low- and moderate-income homebuyers in the communities we serve, while reversing progress made to revitalize historically under-served and distressed communities.

The combined effect of: 1) measuring CRA activity primarily by total dollar volume; 2) allowing banks to ignore virtually half of their assessment areas and still receive outstanding performance ratings; and 3) expanding eligible activities to include stadiums, bridges, middle-income housing, and other activities that do not primarily benefits LMI communities or residents, will significantly undermine banks' incentives to meet the credit needs of every low-income community in which they take deposits. This will inescapably reduce the amount of capital available to the lower-income homebuyers with whom we partner.

We urge the OCC and FDIC to revise this Proposed Rulemaking—or to start over if necessary—to ensure that that banks increase activity in underserved neighborhoods, not reduce incentives for banks to invest in distressed markets. Any changes to the CRA need to ensure continued availability of credit to all areas and all members of LMI communities, including lower-income homebuyers with smaller-dollar mortgages.

Currently 1 in 5 households in NJ spend half or more of their income on housing which leaves them mired in debt with little access to upward mobility. Lawmakers across the nation have identified affordable housing as one of the most significant challenges of our time. A weakened CRA would only exacerbate an already serious affordable housing shortage.

Thank you for your attention to our concerns.

Sincerely,

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