LEVITICUS FUND
Faith Capital For Building Communities

220 White Plains Road, Suite 125
Tarrytown, NY 10591
914-909-4381

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Re: RIN 3064-AF22, Federal Register Number 2019-27940, Docket ID OCC-2018-0008-1960

To Whom It May Concern:

I am the Executive Director of the Leviticus 25:23 Alternative Fund, Inc. (Leviticus Fund), a faith-based loan fund serving New York, Connecticut and New Jersey with flexible loans filling critical gaps in the housing and community development ecosystem. On behalf of the Leviticus Fund, I am writing regarding proposed changes to the Community Reinvestment Act (CRA).

Our Fund was founded in 1983 by religious organizations, primarily communities of Catholic nuns, which shared a similar vision to what gave impetus more than 40 years ago to the original CRA legislation: the promotion of greater access to capital for economically and racially marginalized communities.

In these early days, our faith-based investors were our primary source of capital to finance the affordable housing, childcare and community-based facility projects that local communities had identified as high-priority. Our average loan size at the time was only $53,520.

Over time, we have cultivated valuable partnerships with banks who operate within our service area precisely because CRA holds these banks accountable to their local communities. This obligation has led to banks investing trillions of dollars nationwide into marginalized, low-income communities and prioritizing those projects that fundamentally address inequities in not only the credit markets, but also in standards of living related to housing, education and fair wage job opportunities.

In the specific case of Leviticus, CRA has enabled us to scale-up our lending – particularly over the last four years, as very large banks have focused on larger loans or have created underwriting boxes that drive negative credit decisions before nonprofit borrowers even knock on their door. We currently hold $21.5 million in investments from 12 banking institutions. The truth is that over this recent period it has been bank capital - not other sources - that has *really* allowed us to meet the significant new demand we have received for “unconventional” loans.

This bank capital, when combined with our net assets and individual and institutional investments, has supported our expanding lending in our tri-state market – especially in New York City – where there is a critical shortage of supportive housing for the chronically homeless and those suffering from mental illness and substance use disorders.

Bank capital is also allowing us to pursue strategic goals to increase our lending in highly distressed, under-banked areas like Newburgh, New York and Waterbury, Connecticut. These two cities, with their manufacturing legacies, exemplify how limited access to capital perpetuates high levels of poverty (29.4% and 23% respectively) and stifles critical municipal investments in aging physical infrastructures.

In our market, nonprofit developers are the primary drivers of community development projects that truly serve low- and moderate-income (LMI) residents and communities and that create housing that can be affordable in perpetuity. Yet despite our location within a major financing center, this sector faces formidable barriers to capital. On the supply and access side, respondents to a survey we conducted with New York State-based nonprofit developers revealed that predevelopment, acquisition and bridge financing – those early-stage project loans that cover essential development-related costs prior to construction – remained the most limited.

Instead of increasing the flow of capital for LMI communities, there are aspects of the proposed rule change offered by the OCC and FDIC that would actually decrease it. For example, by modifying the definition of community development, and deleting the criteria of economic development, revitalization and stabilization, in effect banks will no longer see the value of neighborhood stabilization and revitalization activities such as reclaiming abandoned housing or providing foreclosure prevention programs.

By broadening – and in the process diluting – what constitute CRA-qualified bank activities, the focus will invariable shift to larger dollar projects that do not provide direct LMI benefits. As a result, capital will not be available to support smaller dollar loans that are more impactful, such as 1-4 family home loans to LMI borrowers, loans to nonprofit developers, as well as loans that have a more direct, tangible benefit to low-income communities.

Instead of eroding hard-won advances thus far achieved by CRA, modernization efforts should prioritize ways to strengthen and expand levels of lending within historically redlined communities. Local communities can benefit from a banking sector focused on investment strategies more robust than a simple one-ratio evaluation of dollars invested, and instead incentivizes quantity, quality and impact of lending in response to identified needs. Moreover, many banks have developed impressive technical, internal capacity over many years, including development of skilled CRA professionals that allow them to reach local communities with good loans that have real, life-changing impacts. That same skill allows them to make loans to unregulated CDFIs who can make loans to similar projects but which push the risk envelope even further in order to fill in financing holes in a project.

The voices of community-based organizations and residents should also factor in more significantly in how examiners evaluate a bank's CRA performance, and any changes to the existing law must maintain the current place-based commitment that banks have to local communities.

As a mission-focused lender, we are concerned that the actual outcomes of the proposed changes will be more harmful to the LMI communities that CRA is intended to serve and will not come close to addressing the actual aspects of meaningful CRA reform that are needed.

I thank you in advance for the opportunity to offer our input on these critical proposed changes.

Sincerely yours,

Leviticus 25:23 Alternative Fund, Inc.

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Greg Maher
Executive Director
gmaher@leviticusfund.org
917-273-5546