



Neighborhood Housing Services of Baltimore, Inc.

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April 1, 2020

The Honorable Joseph Otting, Comptroller
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219

The Honorable Jelena McWilliams, Chair
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429-0002

RE: Docket ID OCC-2018-0008; RIN 1557-AE-34, 3064-AF22; - Reform of the Community Reinvestment Act

Dear Comptroller Otting and Chair McWilliams:

I am writing in opposition to the Notice of Proposed Rulemaking (NPR) that has been proposed by the OCC and FDIC. The NPR will result in a significant reduction in activity within low and moderate income (LMI) communities. This reduction will further exasperate the current reality of investment being redirected away LMI communities to more affluent areas. We agree with the idea that the Community Reinvestment Act (CRA) needs to be modernized, but the NPR falls far short of meeting the needs of communities.

Neighborhood Housing Services of Baltimore (NHS) was founded in 1974 and continues to serve the Baltimore community through a series of programs. Currently, NHS is a member of the NeighborWorks America network, a Community Development Financial Institution (CDFI) lender, HUD certified Housing Counseling agency, and does community engagement in West Baltimore. During 2019, NHS provided housing counseling services to over 1,000 clients, made loans to 311 households resulting in 271 homes purchased and 117 homes preserved. Collectively, this resulted in over \$53 million leveraged for communities. Partnership with financial institutions motivated in part, or whole, by CRA was critical in obtaining much of these results.

Bank partnerships have been critical to the growth and success of lending through our CDFI. Most loans originated by NHS are made in partnership with financial institutions. Currently, NHS partners with 10 financial institutions in offering down payment and closing cost assistance (DPA) to LMI borrowers. These relationships are critical to help borrowers below 80% of the area median income (AMI) access homeownership. NHS has found that savings for down payment and closing costs is the biggest barrier for many LMI families to be able to achieve their goal of homeownership. During 2019, 100% of loans originated by NHS were made in persistent poverty areas. Under the NPR much of this activity would no longer be necessary for banks to achieve a high rating on their CRA exam.

Providing high quality homebuyer education, counseling, and coaching is a core value at NHS. The focus of our work, supporting families, has been on low income communities of Baltimore City. Under the NPR, financial institutions would receive CRA credit for services provided to clients at ANY income level. While we do not oppose higher income clients receiving quality services, CRA was established to ensure LMI communities received benefits appropriate for the deposits made by those communities into banks. Providing credit for services at any income level undermines the benefits of CRA in supporting LMI communities. Additionally, under the NPR, home mortgage lending in LMI communities is eliminated as an exam criterion. This raises significant concerns. Many potential homebuyers face challenges accessing affordable loans in low cost markets. By removing home mortgage lending from CRA, the NPR will result in a reduced flow of capital into LMI communities.





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The impact of the NPR on the communities we serve will be significant. Under the NPR, the definition of affordable housing is significantly relaxed to include middle-income housing in high cost communities. While we recognize that in many parts of the country housing for middle income residents is extremely challenging, this change would potentially have a devastating impact on investment into our communities. In Baltimore significant amounts of housing accessible to middle income families exist. The need is for decent affordable housing development for both rental and homeownership in low income communities. An additional challenge presented by the NPR is that there is no method to confirm that the recipients of the units are actually LMI families. Under the proposal if the rent or mortgage payment is affordable to those population it will count for production even if the unit is purchased or rented to a higher income family. These significant changes will result in resources being redirected to higher income communities and higher income families.

Another significant impact of the NPR on our communities is the treatment of bank branches. In December 2019, NHS and our partners were able to facilitate the opening of a new bank branch in our community in a new mixed used building that our partnership developed. Located in the heart of the community, the bank is the first new financial institution opened in the community for more than 10 years. With no other branch in close proximity, the branch is providing critical services to the community that has historically been preyed upon by predatory practices and high cost financial services. Under the NPR this branch would not have opened. According to bank decision makers, the motivation to locate in our community was directly connected to CRA. The NPR changes how banks are evaluated for branches in LMI communities. The calculation for the presence of branches included in the NPR significantly reduces and, in some cases, eliminates the benefit of locating branches in LMI communities. This change will have a devastating impact on our communities.

Financial contributions of financial institutions to non-profit organizations provides critical support that allows high quality services to be offered that serve LMI communities. In 2019, NHS received over \$5 million of grant support from banks. This support, separate from investments, is critical to offer the community impactful services provided by NHS and many similar community development organizations around the country. Financial institutions motivated by the current CRA structure are the single largest source of support outside of government for the work done by NHS and our peers. Removing this support, as would be likely under the NPR, would significantly curtail our ability to provide services at our current levels.

The core issue in the NPR is the establishment of a single metric ratio or "CRA evaluation measure". Under the NPR, there would be a bank-level (entire footprint) level measure as well as an assessment area measure. All bank activities would be combined together and divided by the value of retail domestic deposits. The bank would not be required to achieve a satisfactory or outstanding level in all assessment areas but rather in a "significant portion" which is not defined by the NPR but is suggested in the preamble as "more than 50%". This presents the possibilities of banks intentionally centering activities in a smaller number of targeted areas rather than investing in communities across the entire footprint. This proposal directly undermines the intent of CRA and will result in reduced levels of investment into LMI communities. Historic policies of government regulators implemented by banks resulted in the practice of redlining. These practices had devastating impacts on LMI communities and directly contributed to conditions found in many of these communities today. As noted in the preamble, comments provided in response to the Advance Notice of Proposed Rulemaking (ANPR) "The majority support objective measurement of CRA performance, although they oppose a single metric." While this is the feedback received from multiple stakeholders with very different perspectives on CRA, the NPR maintains the single metric at its core. Without change in this fundamental element the NPR will create reduction in investment and uncertainty through the entire industry.





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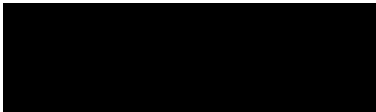
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A critical element necessary for successful evaluation and implementation on the part of banks and communities is confidence and certainty. The choice of the OCC and FDIC to disregard comments from the vast majority of letters submitted in response to the ANPR results in an NPR that serves neither communities nor financial institutions. The underlying political dynamic and timing of the NPR further raises concerns for the stability of the entire system. No one will be served by CRA if an environment emerges where each presidential administration adjusts CRA depending on their political ideology. Additionally, creating a bifurcated system where all three regulators are not utilizing the same system will prove problematic to both communities and banks. Successful reform of CRA requires meaningful engagement with multiple stakeholders and a significant non-partisan collaboration. This has not occurred through this process. Disregarding the underlying principles of CRA will result in uncertainty.

Changes are needed to modernize CRA. Technology has expanded far beyond what was under consideration at the time of the last update 25 years ago. Establishing consistency and predictability across evaluations would also be beneficial. We support efforts to work together to modernize CRA for the benefit of all participants. Unfortunately, for the reasons cited above, we oppose the NPR as presented. Thank you for your consideration of the impacts of the NPR on our work and communities.

Sincerely;



Daniel T. Ellis
Executive Director

