April 7~~8~~, 2020

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street, SW., Suite 3E-218,
Washington, DC 20219

Robert E. Feldman, Executive Secretary
Attention: Comments RIN 3064-AF22
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

OCC Docket ID OCC-2018-0008

FDIC Docket ID RIN 3064-AF22

To Whom It May Concern:

~~The Ohio Housing Council (OHC) is a trade association of real estate developers, property managers, lenders, investors and related professionals engaged in the creation, preservation and management of affordable housing, principally through the Low Income Housing Tax Credit Program.~~ Wallick Communities is the largest Affordable Housing owner/manager in Ohio, and one of the largest in the Midwest. We have been in business since 1966, and are based in New Albany, Ohio. Currently, we own or manage 170 affordable housing communities, totaling 11,500 apartment units, of which over 50% have been developed and financed utilizing the Low-Income Housing Tax Credit (Housing Credit).

Our Housing Credit communities serve both families and seniors in the eight Midwest states that we operate in.

~~Collectively our members have developed and manage in excess of 100,000 units of affordable housing in Ohio using housing credits. our members work in all 88 counties of the state with urban and rural developments and rental communities that serve families, seniors and individuals with special needs.~~Wallick Communities

~~OHC~~ welcomes the opportunity to comment on the Office of the Comptroller of the Currency's (OCC) and Federal Deposit Insurance Corporation's (FDIC) Notice of Proposed Rulemaking (NPRM) regarding CRA, a law which we believe is critically important to the continued success of the Housing Credit program which is by far the most important federal program for affordable housing development and preservation. Commercial banks, encouraged by CRA requirements, provide around three-quarters of the equity capital for the Housing Credit program, so any change in CRA that inadvertently reduces that demand could have a very adverse~~devastating~~ impact on affordable housing development. ~~While we may be able to maintain~~Even if there remains~~we are still able to maintain~~ a sufficient amount of equity capital for the Housing Credit program, the question is what the price of that capital will be? ~~.~~ If modifications to CRA have the effect of reducing commercial bank demand, then we anticipate~~expect~~ there to be lower Housing ~~c~~Credit pricing. ~~which~~This lower pricing then requires~~necessitates~~ higher levels of property debt ~~levels~~, which then ~~that~~ reduces overall production and increase rents[BM1]. During our current ~~During this~~ housing affordability crisis, that is a result that must be avoided.

~~Our bank investors include intermediate small banks currently evaluated under the community development ("CD") test, large banks evaluated under the lending, investment and service tests, and wholesale and limited purpose banks evaluated under the CD test.~~ We agree that the CRA regulatory framework should be modernized to reflect changes in the banking industry, and the NPRM includes some worthwhile changes. However, ~~but~~ overall we have serious concerns that the proposed regulation will undermine our ability to serve low- and moderate-income families and seniors~~communities~~. Many of Wallick's affordable housing apartment communities ~~Since we~~ rely on equity capital from~~or~~ the Housing Credit program, our focus is on the Investment and Community Development tests for CRA. ~~A, but the CDFIs operating in Ohio to support affordable housing, and the projects we fund must also have access to debt so we are also concerned about potential impact of CRA changes on the supply of debt capital for multifamily housing development.~~

~~As our members work with commercial banks to arrange equity financing for affordable housing, we are well aware of issues that arise which sometimes suggest a less than optimum application of the rules in ways that impede our business, cause a misallocation of capital among geographic areas, suggest inconsistent application of the rules, impose unnecessary burdens on banks, and create confusion about qualification for CRA credit.~~ We support modifications to clarify and simplify the ~~regulations~~regulations, but those objectives should not outweigh the fundamental purpose of CRA, which is to make sure that financial institutions serve the communities in which they are located. ~~The fundamental objective of CRA reform should not be to remove burdens from commercial banks to make their lives easier even if that is an appropriate value.~~ Any rewrite of CRA regulations must be focused on continuing to ensure banks serve the LMI communities in Ohio and the Midwest where we work.

The OCC and FDIC's Proposed Rule:

Under the proposed rule, in order to achieve a "satisfactory" or "outstanding" CRA rating, banks would be subject to a presumptive requirement to invest at least 6 percent or 11 percent of their deposits in CRA "qualifying activities," respectively, inclusive of at least 2 percent of their deposits invested in qualifying community development loans and investments (CDLIs). CDLIs would consist of a wider range of products and asset classes, including affordable housing, community facilities (e.g., hospitals, municipal buildings), essential infrastructure (e.g., roads, sewers), CDFIs, mortgage-backed securities (MBS), and municipal bonds. In order to favor certain types of CDLI activities, the regulations provide that three types of financing would receive double weighting (i.e., $2 of CRA credit for each $1 held): investments (not including MBS and municipal bonds), loans to CDFIs, and loans for affordable housing. The analysis would consider banks' balance sheets, not originations.

Wallick Communities' ~~Ohio Housing Council~~ Concerns:

- **There is no longer a separate investment test for large banks.** Under the current CRA scoring regime, 25% of the CRA score is derived from bank investments. This provided a strong incentive for banks to invest in the Housing Credit, and contributed to the role financial institutions have played in financing roughly three-fourths of all Housing Credit investments. If the new regulations diminish the incentive for financial institutions to invest in the Housing Credit, we could see a major disruption to affordable housing investment at a time when our nation is recovering from an economic crisis – while also still grappling with an existing affordable housing crisis.

- **There is not currently data that supports the presumptive ratios.** Given the lack of published data, we do not know with any level of certainty whether the proposed metrics (6% and 11% total, 2% community development) are appropriate metrics to judge whether a bank is undertaking sufficient activities to support LMI individuals and neighborhoods. To adequately determine the impact of the proposed metrics, the OCC and FDIC should develop and share the data requested after the proposed rule was released, and then re-publish a proposed rule that gives stakeholders a better understanding of the full impact of the proposed presumptive ratios.

- **The range of activities that qualify as CDLIs is overly broad.** Of most concern, investments in community facilities, municipal bonds and MBS not issued by state and local housing finance agencies, and essential infrastructure – which each may only partially benefit low- and moderate-income communities or low- and moderate-income persons – could represent a very sizeable portion, if not the entirety, of banks' CDLI activity. These types of activities may be much more attractive from a business management standpoint than affordable housing, without providing commensurate community impacts.

- **Double weighting for the Housing Credit and other activities will not likely provide sufficient motivation for banks to seek out these investments.** We appreciate that the proposed regulations single out certain types of loans and investments (including the Housing Credit) for favorable treatment given the demonstrated track record of success. However, in comparison to many of the other activities and investment types in the CDLI category, Housing Credit investments are considerably more complex and less liquid. The double weighting of these investments in and of itself will not likely cause banks to seek out these activities.

- **Reviewing only the banks' balance sheets (as opposed to originations) during the assessment period may penalize Housing Credit investments.** Housing Credit investments remain on balance sheets for a long time (generally 15 years) and are not very liquid. If at the time of review a bank meets all of its presumptive ratios based on its current book of business, there will be little incentive for banks to make additional Housing Credit investments until the current ones burn off the balance sheets – and even then the bank may decide to replace these with other more profitable and less complex asset classes eligible under the broadened CDLI category.

Wallick Communities'~~Ohio Housing Council~~ Recommendations:

1. **Limit the activities eligible for community development credit.** Circumscribe the basket of qualifying activities that fit within the CD test, in particular to remove essential infrastructure and community facilities that only "partially," rather than "primarily," benefit LMI individuals and census tracts.

2. **Create a minimum threshold for activities with greater impact.** Replace the "multiplier" for favored activities with a requirement that, in order to receive an outstanding or satisfactory rating, the bank must invest a certain portion of its CDLI activities in these favored activities, so that a minimum percentage of the deposits at the bank level must be provided as investments (excluding MBS and bonds not issued by state and local housing finance agencies), loans to CDFIs, or loans for affordable housing.

3. **Require that banks maintain a certain minimum level of new lending and investment in affordable housing.** We recommend that the OCC and FDIC factor into ratings whether banks have increased, maintained or decreased originations of affordable housing loans and investments significantly at the bank level relative to the prior assessment period.

We believe that these recommendations will help ensure the flow of capital to affordable housing production at a time that the COVID-19 crisis has severely aggravated the existing lack of safe, affordable housing throughout Ohio and many of the Midwest communities that we operate in. ~~.~~

If you have questions please do not hesitate to contact Bill Hinga ~~Hal Keller~~, Senior Consultant Business Development,~~OHC Policy Advisor~~ at: bhinga@wallick.com , 614.552.5620~~ halkeller5@outlook.com.~~. Again, thank you for the opportunity to comment on these proposed Notice of Proposed Rulemaking (NPRM) regarding CRA.~~nt.~~