Habitat for Humanity® of Cleveland

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April 6, 2020

Office of the Comptroller of the Currency (OCC)

RE: Docket ID OCC-2018-0008 (Community Reinvestment Act Regulations)

To Whom It May Concern:

Habitat for Humanity of Cleveland appreciate the opportunity to share its perspective on how proposed changes to the Community Reinvestment Act (CRA) as outlined in the OCC and FDIC's Notice of Proposed Rulemaking would impact access to homeownership, credit and financial services for the lower-income families and communities we serve. We understand that there may be a need to update the CRA, the proposed changes could have a negative impact on our lower-income communities and how we serve the population with housing needs.

Habitat for Humanity of Cleveland (HFHOC) got its start when a group of men from a local church saw the need for descent affordable housing for families of low-income in Cleveland/Bradley County. In 1990, our affiliate was established and by 1992, our first home was constructed. In our newborn phase, Habitat for Humanity of Cleveland depended solely upon the kindness and generosity of our community. The affiliate was ran by volunteers, land was donated by individuals, office space was donated by Broad Street United Methodist Church, operating space for our Habitat Home Store was donated and I could go on and on and on about how blessed we were and continue to be. HFHOC operated with a volunteer staff until 2000 when a construction supervisor was hired part-time and shortly after an Executive Director was hired. As you can imagine business has changed some but our community is still generous and assists us financially through donation of money but more often with gently used and new items to sale in our ReStore. HFHOC has partnered with local banks in Cleveland, TN., to leverage funding to build homes in Cleveland and Bradley County for low-income families and in low-income census track areas of our county. Moreover, in the past 4 years the term CRA has been brought to the forefront of what we do and how we are able to accomplish our organizational goals and continue our mission.

HFHOC has benefited from CRA in one form or another through mortgage purchases, lines of credit, low-income area land purchases since 2000-2001 when we began accessing funds from local banks and other funding entities to increase our outreach and production. HFHOC has

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been able to increase our ability to serve more citizens in Bradley County due to our current partnership with CRA and local banks in Cleveland, TN. Through our CRA/banking partnerships the mortgage servicing of our loans, loan set up, escrow management and analysis is handled and our staff has been allowed to focus on other areas of affiliate needs such as homeowner education, community resources, loan mediation, housing coalition and advocacy of housing needs on local and state levels. Through CRA/banking partnerships, HFHOC has applied for supplemental grants to help with construction funding and borrowing funds until grants and other mortgage purchase allocations are received. Changes that the OCC and FDIC's Notice of Proposed Rulemaking for CRA will negatively affect the ability of HFHOC to serve and increase its services to more low income families and households in affording descent homes and obtaining access to resources to assist them in becoming successful homeowners and leaving a legacy for generations to come. The proposed changes will also add workloads to a small non-profit staff that already wear many hats within the organization, which in turn will decrease the effectiveness and efficiency in providing services to our community.

The Community Reinvestment Act was created in 1977 to ensure that banks meet the credit and banking needs of the entire communities in which they are located. While Habitat recognizes the need to modernize the CRA, any changes made to the 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

The proposed "single-ratio" metric raises significant concerns for Habitat. 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 the number of loans originated and evaluating performance based on the relationship of investment and lending activities 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 would negatively impact 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 significantly reduces the importance of placing bank branches in low- and moderate-income communities.

Passing Grade Only Needed in 51% of Assessment Areas

Proposed changes to the CRA will 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

Lastly, the Proposed Rulemaking expands the list of activities eligible for CRA credit to many activities with no direct relationship to lending or financial services for low-income homebuyers or small businesses. We have strong concerns with:

· Including stadiums and bridges as eligible activities;

· 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 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.

If these changes to CRA are, approved Habitat for Humanity of Cleveland will lose lending advantage, lines of credit and mortgage loan servicing. The incentives that banks receive for investing in low-income homebuyers and communities is a small price to pay to insure the livability of low-income families, housing opportunities to them and preservation of housing stock. We implore you to allow the original design of the CRA to remain to secure the future of low-income housing organizations such as Habitat for Humanity of Cleveland and other non-profit housing organizations to accomplish their missions. Without the Community Reinvestment Act, low-income communities will be forgotten and their residents pushed out by high-income developments.

Habitat for Humanity is deeply concerned that the Proposed Rulemaking will 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.

We believe 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 beyond those directly benefitting low-to-moderate-income communities or residents, will significantly undermine banks' incentives to meet the credit needs of every low-income community in which they take deposits, and to make capital available to the lower-income homebuyers with whom we partner.

We call on the OCC and FDIC to revise its Proposed Rulemaking—or to start over if necessary—to ensure that any modernization of the Community Reinvestment Act will increase rather than reduce the availability of lending, investments, and financial services for low- and moderate-income homebuyers and communities.

Thank you for your attention to these concerns.

Sincerely,

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Homeowner Services Manager

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