Sussex County Habitat for Humanity®

April 8, 2020

Office of the Comptroller of the Currency (OCC)

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

To Whom It May Concern:

Sussex County Habitat for Humanity welcomes the opportunity to comment on the proposed changes to the Community Reinvestment Act (CRA). While the CRA may need to be modernized, we have many concerns with the proposed rulemaking. It would negatively impact affordable homeownership and community development in many ways, including access to credit, affordable financial services and the availability of bank grants to non-profits.

Sussex County Habitat currently relies heavily on CRA credits in a few ways: affordable mortgages made available to qualified low-income homebuyers, secondary market sales of Habitat mortgages, bank grants, and bank representation on our Board, all of which could be dis-incentivized by the proposed CRA changes. Without appropriate reform, many non-profits like ours stand to lose a large percentage of funding and guidance from banking institutions.

The Community Reinvestment Act was created in 1977 to ensure that banks meet the credit and banking needs of the 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.

Incentivize Grants

Grant funding given directly to local non-profits is one of the best ways to get money directly into the community. The currently proposed rulemaking gives banks no incentive to continue their granting processes. Please consider grant making in any future CRA changes.

Reducing incentives for banks to invest in low-income homebuyers and low-income communities goes against the original intent of the CRA. Not only would these proposed changes hurt our ability to serve low-income families, but the State of Delaware could lose millions of dollars in CRA funding. This would impact millions of families in our state, and further the affordability crisis that the 1 in 7 families paying more than 50% of their income towards housing costs face.

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,

Katie Millard
Director of Development and Advocacy