montgomery county
coalition for the homeless

April 8, 2020

To Whom It May Concern:

Montgomery County Coalition for the Homeless (MCCH) opposes the proposed changes to the Community Reinvestment Act (CRA). The Office of the Comptroller of the Currency's (OCC) and Federal Deposit Insurance Corporation's (FDIC) Notice of Proposed Rulemaking (NPRM) would result in significantly fewer loans, investments, and services to low- and moderate-income communities and communities of color, effectively re-legalizing redlining. Additionally, it would make banks far less accountable to the communities they serve.

MCCH strives to meet the needs of Montgomery County Maryland residents struggling with homelessness. It is the only County-based organization exclusively devoted to serving those who are currently, or formerly homes. Working to meet the needs of those with no or very low incomes, we rely heavily on our partners, including banks, to consistently deliver high quality to those who need it the most. Our bank partners serve multiple roles: from lenders providing critical support during COVID-19, long-term funding contributors, and active board members providing invaluable oversight. MCCH loves its bank partners.

MCCH, and our affiliate, Coalition Homes, Inc. develop and manage permanently supportive housing to those formerly homeless. Without our housing portfolio, many would not have realistic living alternatives in a rapidly high cost County. We are especially concerned about how the NPRM redefines affordable housing. It expands affordable housing to include middle-income housing in high-cost areas; additionally, the NPRM would count rental housing as affordable if low-income households could afford the rent levels, without verifying that low-income households would be the actual occupants. This could allow banks to get credit for developments that house all high-income households paying low rent. Low-income tenants often have credit issues and evictions on their records, and this would impose yet another barrier for them to overcome, competing with high-income tenants for low-cost units. These proposed changes would leave the families we serve, literally out on the streets.

Additionally, the NPRM dramatically expands which activities would be eligible for CRA credit. The strength of CRA is in the feedback loop it creates between communities, banks, and regulators. The credit needs of communities are distinct and diverse, and current regulations emphasize the need for banks to collaborate with community organizations to develop innovative products, services, loans and investments that meet each community's credit needs.

We recommend that the OCC and FDIC develop a list of principles, which defines CRA-qualified activities along with an illustrative, but not definitive, list of activities that includes serving the needs of those climbing from the lowest rungs of the income ladder.

The NPRM also institutes a single ratio to assess how banks serve communities. This one ratio measure consists of the dollar amount of CRA activities divided by deposits. Such a ratio measure would encourage banks to find the largest and easiest deals anywhere in the country, as opposed to collaborating with communities and responding to local needs. The inclusion of public infrastructure financing as a qualifying CRA activity would further displace smaller dollar financing for small businesses or homeowners. MCCH's relatively small but critical developments of housing the poorest would be all but invisible compared with large-scale projects.

Further, the NPRM proposes that a bank must meet investment benchmarks in only a "significant portion" of its assessment areas in order to receive a satisfactory or outstanding rating. The rule suggests that a "significant portion" be defined as something more than 50 percent. This approach would effectively legalize and encourage redlining, returning the U.S. to an era where financial institutions had the option to systematically deny financial services to low-income neighborhoods and neighborhoods of color. Additionally, the proposed rule would significantly reduce the importance of bank branches in CRA performance evaluations, likely leading to closures of branches in low- and moderate-income communities.

CRA was originally enacted to end redlining, and drive investment in lower-income neighborhoods and communities of color. The first goal of CRA modernization should be to prioritize the problem CRA was intended to fix. Instead, the proposed regulations would encourage the export of capital from communities, in direct contradiction to the statutory goal of CRA. The NPRM prioritizes policy compliance over impact and outcomes, putting numerators and denominators ahead of families and communities. We urge the OCC and FDIC to discard the NPRM and instead work with the Federal Reserve Board and propose an interagency rule that will modernize CRA in a way that increases reinvestment in low- and moderate-income communities. As the families we serve seek to improve their lives and find a secure place to call home, to affordably rent and own. They deserve the same opportunities as middle and high-income earners. Please help make this a reality. Do not approve the proposed NPRM.

Finally, MCCH applauds the Montgomery County Council's unanimously passing a resolution on March 24, 2020, supporting CRA and opposing the NPRM. As Councilmember Will Jawando said, "While the CRA does need to be updated to keep up with changes in the banking industry and economy, we must make sure the recommendations do not subvert local lending and investment by the nation's banks." We concur.

[redacted]

Respectfully submitted,

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Montgomery County Coalition for the Homeless is a 501(c)(3) nonprofit organization.

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