



FAMILY HOUSING FUND

April 8, 2020

RE: Notice of Proposed Rulemaking, Community Reinvestment Act Regulations

To Whom it May Concern:

Thank you for the opportunity to provide comments on the Notice of Proposed Rulemaking for Community Reinvestment Act regulations.

Family Housing Fund (FHFund) opposes the proposed changes to the Community Reinvestment Act (CRA) regulations. While we support modernizing and strengthening the CRA, the proposed changes fall far short of these stated goals. Instead, the result of these changes would be significantly fewer loans, investments and services to low- and moderate-communities (LMI), and reduced investment in affordable housing in particular.

Since 1980, FHFund has helped communities throughout the Twin Cities region to meet their affordable housing needs. As a lender, we have invested more than \$235 million of private capital in the continuum of housing from shelter to rental housing to homeownership in the seven-county metro region. Our funds are typically leveraged with CRA-eligible investments from financial institutions, which are a critical component of nearly all of our region's successful strategies to address housing needs over the decade. According to one estimate, CRA investments in housing in our region totaled more than \$48 billion in the last decade.

The Twin Cities metropolitan area faces an annual production shortage of 3,500 homes, and risks at least \$4.3 billion in economic loss—even before taking into account the current economic crisis accompanying the COVID-19 pandemic—if we fail to meet housing needs for people at all income levels. We cannot risk falling further behind, especially now.

FHFund objects to the proposed framework, which would have the effect of reducing incentives for investment in affordable housing and violate the overall intent of the CRA to eliminate redlining practices.

- The proposed “single ratio” will be inadequate to meaningfully measure the impact of investments in housing and other community development activities.
- The proposed requirement that banks must serve only a “significant portion” of their assessment areas, rather than serving the entirety of these areas, invites a return to redlining practices that deny services to certain LMI neighborhoods.
- The proposed expansion of eligible activities to include those that do not primarily directly benefit LMI people does not fit the CRA's original anti-redlining intent.

Instead of this proposal, we call on the agencies to enact reforms with strong goals to increase bank investments in underserved neighborhoods, incentivize deeper affordability investments in housing, and prioritize meeting the needs of LMI people and communities.

Any revised reform proposal should incorporate clearly articulated priorities that value affordable housing investments and other innovative activities responsive to LMI communities' needs. Further, the most impactful investments and loans should be explicitly incentivized; relatively more credit should be given to:

- Long-term equity investments and loans to affordable housing projects that will serve LMI people over a long-term period of affordability
- Deeper levels of affordability (e.g. units serving people at 30% AMI and less)
- Projects with higher percentages of affordable units.

We urge the FDIC and OCC to discard this Notice of Proposed Rulemaking, and instead work with the Federal Reserve Board to propose an interagency rule that will improve upon the progress achieved under CRA, rather than putting it at risk.

Thank you for your consideration.

Ellen Sahli
President