August 5th, 2022

**Re:** **CRA NPR Comments**
OCC Docket ID OCC–2022–0002;
FDIC RIN 3064-AF81;
Federal Reserve Docket No. R-1769 and RIN 7100-AG29

To Whom it May Concern —

On behalf of University Neighborhood Housing Program (UNHP), we are writing to submit comments on the interagency Notice of Proposed Rulemaking (NPR) to modernize the Community Reinvestment Act (CRA). We are grateful for the position that the CRA is in now compared to just a few years ago, when we were part of the effort to fight against a proposal that would have seriously diluted the power of this important legislation. We are also appreciative of the effort made across all three federal banking regulators to update the CRA to contemporary circumstances, which is sorely needed. However, in reading the NPR, we believe that the reform effort is a missed opportunity, and should be improved in order to maximize the long-overdue impact that an update to CRA should have.

The mission of UNHP is to create, preserve, and improve affordable housing and bring needed resources to the Northwest Bronx. UNHP achieves its mission by providing technical assistance to community leaders, neighborhood groups and affordable housing managers, by organizing around and researching the issues that impact housing affordability and attracting resources to the community through the Northwest Bronx Resource Center (NWBRC).

Since its passage in 1977, CRA has played a major role in the community organizing work that stopped the abandonment of apartment buildings in the Bronx and started the rebuilding of many communities with substantial renovation of vacant buildings and new construction on vacant land. CRA has been and continues to be a factor in the success of our organization. Our work in the Bronx over the past almost four decades makes us keenly aware of just how important financial institutions are to the well-being of the communities we serve: from small-dollar products for low-income Bronx households all the way to large loans to highly-valued rental housing. This is what makes the current CRA reform effort — the first in more than 25 years — so important, and we hope that these comments, along with others from community partners across NYC, can help serve as the basis of improvements to the rulemaking in the short- and long-terms.

This letter begins with our general priorities in CRA reform, and is then divided into three sections, organized by the three work areas that we at UNHP focus on: (i) Affordable Housing Preservation and Development, (ii) Retail Financial Products and Bank Branches, and (iii) Rental Housing Lending. Each section includes a list of priorities in CRA reform, then responds specifically to the NPR. Taken together, our focus areas represent a wide but interconnected range of ways that banking matters to Bronx residents, and make the argument that the NPR requires improvements before it can be considered by community groups like ours as a meaningful step forward in bringing CRA up to date.

## General

Together with community partners in New York City and across the country, we believe that there are a number of general priorities that must be better addressed for CRA reform. Many of the priorities below and in the following sections were developed in collaboration with the Association for Neighborhood & Housing Development (ANHD), in the context of the Equitable Reinvestment Coalition (ERC). ERC is a coalition of community-based organizations across NYC with significant expertise in the helpful and harmful ways that financial institutions impact economic development, wealth building, and safe & stable housing, particularly for Black and brown people, immigrants, low-income and low-wealth populations, and other historically redlined communities in our City and nationwide. CRA reform is an opportunity to put those many years of accrued expertise into practice; as such, we would like to emphasize:

- *Promote Race-Conscious CRA* — The NPR does not address the color-blind nature of the current CRA, and therefore does not encourage meaningful investment activities that respond to the needs of communities of color in NYC or the rest of the country. CRA reform should have an affirmative obligation to serve communities of color.

- *Include Downgrades for Harm* — Both the current regulations and the NPR do not provide room for regulators to downgrade financial institutions in the course of a CRA exam for harmful behavior, such as multifamily lending that leads to displacement or poor conditions, consumer loans at predatory rates, and more. Instead, the CRA only allows for downgrades when financial institutions don't do *enough* community reinvestment activity. CRA reform should allow downgrades for harmful behavior uncovered through a CRA exam or elsewhere.

- *Prioritize Community Input to Identify Real Reinvestment* — In order to look comprehensively at a given financial institution's activities within an assessment area, CRA exams must proactively engage community groups and actual neighborhood residents to identify how activities put up for CRA credit are viewed and interacted with. This requires a long-term commitment to building accessible channels of communication, as well as a commitment to treating comments that are produced in the context of CRA exams seriously. Too often, it feels as if community input within a CRA exam as to what constitutes real investment is either not adequately gathered or ignored.

- *Strengthen the Retail Test, Particularly in Rental Housing Lending* — The basic orientation of the Retail tests, which only look at distribution of loans, is sorely lacking and is a core deficiency of the NPR as it currently stands. Retail tests must be based on comprehensive analysis of whether given activities or loan products are actually advancing community reinvestment in a meaningful way. We at UNHP are particularly attuned to the deficiency of the retail tests when it comes to bank lending to rental housing, which we expand upon in the final section of this letter.

**Affordable Housing Preservation & Development**

UNHP works as a developer, community-based lender, and technical assistance provider to create and preserve affordable housing. We oversee 27 affordable housing buildings in our community and work to ensure the properties provide decent affordable housing for the 1,216 households who call these multifamily buildings home. We work towards this goal through financial restructuring, ongoing maintenance and renovations, as well as energy savings upgrades and improvements. Because of this work, we have a deep understanding of what it takes to run affordable housing that is safe, stable, and affordable to low- and moderate-income (LMI) households, both older-stock, "naturally occurring" affordable housing and new affordable developments.

Given that expertise, our priorities for CRA reform related to this work area are as follows:

1. Mission-Driven Preservation and Development — The CRA must be reformed to do more to incentivize investments in projects that benefit low to moderate income families, with an emphasis on apartments that are affordable to *local* income tiers. Too often we see people in the community which we serve, unable to afford "affordable" housing in the neighborhood in which they have worked and lived their whole lives. Many projects developed in the Bronx, that are marketed as affordable housing, have income restrictions that are actually way out of reach for the majority of the community. These projects which are typically funded with a combination of public and/or private funds are frequently marketed to a much higher income range than the area median incomes (AMIs). To do this, CRA must emphasize the need to finance mission-driven non-profits and mission-aligned private entities in particular, who are committed to development or rehabilitation of older rental properties in ways that create permanently and deeply affordable units. In NYC and around the country, many of these entities exist, and must be prioritized to help alleviate the crises of affordability and housing instability at the lowest income tiers.

2. Climate Resiliency in Rental Housing — Energy efficiency upgrades are a luxury that most LMI and BIPOC homeowners and renters do not have. While energy efficiency upgrades have an immediate payback and lead to an immediate reduction in energy consumption, we do not see nearly enough banks pushing to finance these projects for both renter and owner-occupied housing. Financing for climate resiliency and energy savings should be incentivized, particularly for smaller rental housing landlords who are dealing with rising utility costs, as these programs offer a savings alternative to raising rents. Larger rental housing landlords, who are often on the hook for public area lighting and heating a building, should have even more of an incentive to implement efficiency measures because any savings translates into reduced operating expenses, but they too lack adequate financing. Given the current climate crisis, and the variety of financial and carbon reduction benefits, banks should be investing in green infrastructure for housing much more aggressively, which the CRA can help promote.

3. Small Business Lending and the Impact on Housing — CRA reform must pay special attention to business owners in residential neighborhoods with incomes between $250,000 to less than $1 million. This is not only because these businesses themselves have pressing needs, but because they form the backbone of so many low-income communities, and are key tenants in properties across NYC that house LMI households. CRA reform that promotes focus on loans to business owners that operate in neighborhoods like the Northwest Bronx therefore not only impact the businesses themselves, but also the building stock and the community as a whole. These businesses employ people in the community, often multiple generations of family members. The success of these businesses can often ripple throughout a neighborhood bringing new foot traffic and attracting new services that might not otherwise consider the area. We would like to see more of an emphasis on lending to these types of businesses, specifically MWBE's, in the final CRA proposal.

For those priorities to be properly addressed in the context of CRA reform, there needs to be significant improvements to the NPR as currently conceived, including:

- Within the Community Development tests, while the NPR does make some improvements by paying special attention to non-profit owners and developers, affordable rent levels, and the connections between rents and mortgage underwriting or rents post-renovation, the guidance outlined does not go nearly far enough. In particular, the condition that the property owner only agree to maintain affordable rents for "five years or the length of the financing, whichever is shorter", is far too weak. Explicit affordability protections must be maintained for much longer if a given loan is to be considered for Community Development credit.

- We believe that the simplest way to ensure that Community Development activities actually go to support affordable development and preservation of housing is to focus on incentivizing ownership and partnership with non-profit CDCs, mission-driven entities, community land trusts, or similar models. In New York City, these housing entities have a long history, and have proven that they develop housing at deeper levels of affordability, preserve old buildings at affordable rent levels while also ensuring safe & decent conditions, and are significantly less likely to remove affordability restrictions or disinvest in a property if the financials change. However, while the NPR does include non-profit ownership as a category of credit, it does little to *incentivize* financial institutions to specifically seek out financing partnerships with these entities. In the context of a CRA exam, banks should be compelled to find ways to provide acquisition capital to these types of entities so that they can rehabilitate old properties or develop new ones, and find new and helpful ways to provide capital to projects where it is most needed.

- One way to better incentivize bank lending that actually targets affordable housing is to include higher standards for what qualifies in the Retail tests and not only in the Community Development tests. Banks should simply not get CRA credit for financing housing that is identified as too expensive for the local community. We will expand on this in the final section of our letter; for now, however, we note that without stronger analysis in the Retail test, the financing needs of the deeply affordable and mission-driven housing gets short shrift, as it is conceived of as only "extra credit".

- The NPR should pay special attention to the climate resiliency and energy efficiency needs of affordable rental housing, particularly the old-stock of rental housing that is so important to low-income renters in New York City and nationwide. We appreciate that the impact review incentives for things like climate resilience were included in the NPR, but more can and should be done to ensure that these types of activities are incentivized, and to make the connection specifically between housing and climate resiliency / energy efficiency

- For small businesses that are so crucial to our housing stock and to our neighborhoods, we still believe that more needs to be done to address unmet credit needs of businesses with between $250,000 and $1 million in annual revenue. CRA credit for small business lending should specifically promote loans to businesses owned by people of color, immigrants, or other marginalized statuses, who so often do the challenging work of creating relevant businesses but also tend to have the most unmet credit needs. There should also be more attention within CRA to an analysis of pricing and terms of small business loans, to ensure that they are meeting real needs and are not extractive or predatory in nature.

**Retail Financial Products and Bank Branches**

Through our Northwest Bronx Resource Center (NWBRC), UNHP is also keenly aware of the retail banking needs of low-income residents of the Bronx. In 2012, UNHP created NWBRC to address the lack of neighborhood services and the high use of predatory financial products. With an active base of over 3,000 households, NWBRC works to build financial stability and housing security among Bronx residents through a wide range of bilingual interconnected free financial inclusions and affordable housing services. Building off that direct service work, the advocacy of NWBRC focuses on the importance of accessible financial services that truly meet the needs of unbanked and under-banked populations in the Bronx.

Given that experience, our priorities for CRA reform related to this work area are as follows:

1. Consequences for Bank Branch Closures — CRA reform must disincentivize bank branch closures, especially in banking deserts like those that exist in much of the Bronx. Even temporary branch closures can have a negative impact on the community, as we saw with the experience of a Chase Bank branch on Burnside Avenue in 2020. Too many banks were allowed to close during the pandemic with minimal impact to their CRA ratings. While bankers and regulators feel that a movement away from branches and towards online banking is an inevitability, the experience of Bronx residents, including the elderly, immigrants, those with technical challenges or without access to broadband, shows that bank branches are hugely important community institutions, and any CRA reform that does not work to maintain and even expand branch in low- and moderate-income neighborhoods is incomplete. At minimum there must be increased community engagement around potential branch closures, so that banks do not close branches without community input and adequate notice. CRA exams and ratings should find ways to penalize banks for branch closures in high-impact areas, and then use those ratings as incentives to keep branches open. This has never been more important than over the last few years, where we have seen a spate of branch closures in the Bronx; in 2020 and 2021, 19 branches closed in our borough, compared to just 4 openings. Despite constant pressure and organizing campaigns from community groups, neither banks nor regulators seem to appreciate just how important physical locations and local relationships are to building an equitable retail banking system.

2. Higher Standards for Equity and Accessibility in Retail Products — Retail financial services often fail to meet the actual needs of marginalized communities. This is specifically true around issues like tech literacy and language access, as more and more banks focus on online banking as opposed to in-person services. Banks are also not compelled to be innovative to meet those needs, for example by accepting alternate forms of identification for those without proper identification and legal status, or by providing loans at levels that fit the incomes of small business storefronts and residents of the Bronx. Additionally, financial institutions either do not even have the correct products for low-income individuals or truly small businesses (i.e. self-employed food vendors or childcare workers). When these products are available, banks are too often not engaged in outreach and proactive communication with potential customers for whom these products are relevant. The latter situation is particularly frustrating, because often these institutions will use the fact that these products are underused as proof that they are not needed, when in fact they are simply not known about. Financial institutions have a responsibility to address historic disinvestment and redlining not only by having products on offer, but also by ensuring that communities who have been long-excluded from the formal credit system understand how those offerings are beneficial. This is time and labor intensive, and requires building community ties, which is too often left to smaller, mission-driven financial institutions and non-profits. Banks have the capacity to do proactive outreach and build ties with these potential customers, but often the work necessary is understood to be not worth it, especially because the effect of high-impact, low-dollar volume activities on potential CRA ratings are low.

For those priorities to be properly addressed in the context of CRA reform, there needs to be significant improvements to the NPR as currently conceived, including:

- Branch closures, particularly those in low-income and under-banked areas, must have a greater impact on CRA exams. While there is greater attention paid to branches in LMI areas in the NPR, the method by which branch closures in those areas affects a CRA exam score remains unclear. An oft-quoted statistic from our community partners, like ANHD, is that today 98% of banks pass CRA exams, despite countless cases of bank closures during exam periods. CRA reform cannot credibly further the goal of maintaining physical branches in underserved areas unless CRA exams more readily include downgrades for closures, yet it is unclear if and how the NPR proposes doing that.

- The NPR includes improvements in the use of assessment areas for CRA exams, but should go further to create deposit-based assessment areas for banks where they take deposits and open new accounts. This is particularly urgent for online banks, who currently have no obligation to address the needs of unbanked communities by offering products of community development resources in areas where thye take deposits. Regulation of the work being done in assessment areas must also be improved. As a Bronx-based organization, it is frustrating to see persistent unbanked and underbanked populations in our community despite being in an assessment area that should ensure that there are significant resources in our communities. Regulators must compel banks to do the hard work of identifying unmet needs in places like the Bronx where they have commitments via the CRA, as banks are the only with the resources needed to build up infrastructure that meets these needs.

- Bank products and services must be analyzed using a local lens in the context of CRA exams, which currently does not seem to be a part of the exam process. The financial services needs of residents and small businesses of the Bronx may very well look quite different from other areas around the country with concentrations of LMI populations, and exams must take into account the specific needs within assessment areas, against which bank performance can be judged for its true impact. This is also where community input can figure in, because local community groups and residents are experts in the needs of their specific locales.

- While equity and access in retail financial services are emphasized in the NPR, we believe that this can be strengthened. In particular, we are interested in services that work for the particular needs of immigrant households, who generally do not speak English as a first language, can have technical barriers to banking access like lack of appropriate identification, and often require more support to navigate our complex banking system. Compelling banks to think carefully about access and equity also includes considering the needs of populations without banking or credit histories, and those with adverse experiences that require specialized approaches and services. As such, CRA exams must be structured to incentivize:
    - Language accessibility not only at branches but also in facilities like ATMs, websites and phone applications, and customer support.
    - Staff that not only speak the languages within a given community, but also have the cultural competency needed to help guide clients through the process of accessing products and services while understanding the particular obstacles that might come up.
    - Acceptance of non-traditional forms of identification, including passport without a Visa; consular and cedula cards; municipal IDs like NYC's IDNYC.

- In addition to better services, we believe that the NPR should be incentivizing the following bank products, or any others identified through community input as being necessary for the ever-changing needs of LMI communities in the Bronx, NYC, and countrywide. Again, responsiveness to changing needs should be a key pillar of CRA exams for retail products, and that can only be adequately ascertained by constant and proactive interaction with local organizations and residents. The list of products that we think call for specific mention include:
  - Free or low-cost money orders
  - Credit builder / repair loans and small dollar loans that are appropriate for both the unbanked and under-banked as well as those with previous banking issues.
  - Accounts with no overdraft fees, without no minimum opening balances, and free checking, bill payment, debit-card transactions and other similar transactions.

**Rental Housing Lending**

Through our Multifamily Research and Action Center (MFRAC), UNHP both produces research and provides technical assistance on rental housing distress and the way the real estate market affects tenants and building conditions. This work is aimed at preserving the affordability and improving the conditions of multifamily buildings in the Northwest Bronx and throughout NYC. Data from the Building Indicator Project (BIP) joined with city, state, and national datasets are used to drive an informed discussion with major rental housing lenders, foundations, public agencies, owners, and managers of the Bronx housing market such as trends in building sales prices, operating expenses, evictions, rent burden, and underwriting and servicing criteria. BIP has been the cornerstone of the Multifamily Research and Action Center for over a decade. It tracks data on the physical and financial condition of over 70,000 multifamily buildings across NYC, and is used by banks, bank regulators, community and tenant groups, and city and state housing agencies.

Given that expertise, our priorities for CRA reform related to this work area are as follows:

1. Rental Housing as a Racial and Economic Justice Issue — In New York City, low-income households of color overwhelmingly live in rental housing, most prominently the rent-stabilized rental stock that constitutes by far the most important piece of affordable housing in our City. The approximately 1 million rent-stabilized apartments in NYC house households with a median income of around $45,000, and 75% of all rent-stabilized tenants are households of color. These same demographic trends apply nationally as well. According to the Joint Center for Housing Studies (JCHS), of the 44 million renter households nationally, almost 50% are headed by a household of color, which is almost twice that of homeowner households. Moreover, the median income for all renter households was just $42,000 in 2019, just over half the median income for homeowner households, which stood at $81,000 in this year.

   This is all to say that if CRA is to be an effective tool to improve the outcomes of those households and communities marginalized by race or class status, special attention must be paid to lending to the rental housing stock as part of CRA reform. In particular, the aim of any reform should be to structure CRA examinations such that loans on rental housing receive credit *only* if they are structured to tangibly improve the lives of tenants. Unfortunately, neither current CRA regulations or the idea put forth in the NPR approach that standard.

2. Rental Housing Lending in the Era of High Leverage and High Valuation — Current CRA regulations fundamentally misunderstand the mechanics of contemporary rental housing lending. While the CRA was originally codified in an era of housing disinvestment where loan capital was sorely needed, today mortgages on existing rental properties are mostly used to maintain leverage or to realize profit from rising asset values and often have little or nothing to do with reinvestment to ensure that such housing is safe, stable, and affordable for tenants. In the Bronx, for instance, our own long-term analysis of property records show that the median per unit sales price of multifamily rental housing grew from $10,500 in 1996 to $175,000 in 2018, an enormous increase that is realized as profit when landlords continually refinance their mortgages at ever higher amounts, tracking those ever higher valuations. More recently, this upward spiral of asset values has spread nationwide; according to the JCHS , average rental housing property prices more than doubled between 2010 and 2019. In this setting, there is simply *no evidence* that mortgage lending to rental housing leads to better outcomes for tenants. In fact, as we have explored in recent research and policy work, the trend seems to work the other way: the additional mortgage debt is associated with worse outcomes for tenants. Far from being about reinvestment, then, mortgages to rental housing can often be *extractive*, pulling money away from operations to pay for ever great debt service amounts to cover mortgages through which landlords have cashed out.

   This dynamic makes rental housing lending distinct in a CRA context. With other products, like a home repair loan or a line of credit to a small business, that capital provides a direct benefit to those in need of reinvestment. With rental housing lending, the benefit to tenants is indirect and based upon a theory that new debt capital will trickle down to tenants, which, as we describe above, is far from a given. Despite this challenge, however, the proposed reforms do almost nothing to update the CRA to our vastly different housing market, offering no way to ensure that the funds from acquisition loans or mortgage refinances put up for CRA credit are actually used to affect the living conditions of tenants for the better. Under both the current and proposed structure, the major part of a CRA exam — known as the *Retail Test* — only considers whether a rental loan was provided to a building in a low- or moderate-income census tract or one with LMI households, a standard that is woefully insufficient given everything we know about how this rental housing functions. While the NPR does include marginal improvements to rental lending standards in the *Community Development Test* of CRA exams, this test is essentially extra credit and it is unclear if it will impact the way that lending to low-income rental housing currently operates.

3. Accountability for Borrowers Who Harm Tenants — CRA should not only do more to incentivize that new rental housing lending is actually felt by tenants in the form of rehabilitation, safer conditions, or more affordable units. It should also compel banks to monitor and intervene in lending that has occurred in rental housing where the landlord causes harm. The proposed CRA reforms as described in the NPR, however, do not include any such mechanisms to hold financial institutions accountable if they lend to landlords who displace tenants or subject them to substandard living conditions. The CRA should compel banks to have clear processes when the rental housing assets against which their loans are secured are not being stewarded properly. This should include vetting of landlords at loan origination, monitoring of conditions through data and community input over the life of the loan, and commitments to intervention if a borrower has proven to be negligent or predatory. Not having these processes in place should ultimately put financial institutions at risk of downgrade. However, the ability to downgrade for harm caused through rental housing lending (or in other arenas) has been left unaddressed by the NPR. By having no way for CRA examiners to downgrade banks for harm that

might occur through mortgage loans, the NPR acquiesces to a situation in which a rental housing mortgage can receive CRA credit for a property where tenants are suffering.

For those priorities to be properly addressed in the context of CRA reform, there needs to be significant improvements to the NPR as currently conceived, including:

- The retail lending test should be overhauled to include a comprehensive analysis of loan statistics, underwriting, and adherence to responsible lending best practices that should be adopted. As explained above, to only look at the geographic distribution of loan volume to rental housing as part of the retail test is seriously inadequate. In its place, CRA exams should pursue a comprehensive form of analysis for rental housing loans by requiring data and reporting on: units affordable to LMI tenants (broken out by subsidized and unsubsidized properties), physical conditions, evictions, and more. Further, the retail lending test should also set underwriting benchmarks to ensure that loans are underwritten at in-place rents and operating expenses that ensure adequate reinvestment and safe conditions. The latter underwriting standard is particularly relevant in our opinion. As a non-profit operator of housing that understands the level at reinvestment required to keep particularly old-stock, "naturally occurring" affordable housing well-maintained, we are often shocked at the expense levels which banks underwrite to, which can sometimes be half or less of what we believe is necessary.

- Connected to the above, CRA regulators should rely on local tenant organizing groups, community-based organizations, and non-profit CDCs to understand local trends in rental housing, and to capture experiences not quantifiable by banks. In NYC, we frequently collaborate to provide detailed explanations of the behavior of landlord borrowers in the context of CRA exams, but these accounts do not seem to affect the exams and therefore banks continue to lend to the same bad actors. In holding banks comprehensively accountable for the loans they provide to properties that house LMI households in this way, CRA regulation should rely on the expertise of local groups and tenants.

- Another important aspect of a comprehensive analysis of rental housing lending in the context of retail exams is ensuring a written commitment to responsible lending practices. Financial institutions in NYC have voluntarily adopted these sorts of practices due to the pressure of community groups and coalitions like ANHD, and they have also served as the basis for the NYS Department of Financial Services guidelines. However, without attention to the implementation of these commitments in the context of CRA exams, they tend to exist mostly on paper. Requiring and monitoring rental housing best practices is a crucial part of holding banks accountable for their entire rental housing lending book, particularly if issues arise in properties they have financed. The following types of commitments should be the baseline expectation of a responsible rental housing lending best practices:
    - Committing to responsible underwriting (as described above)
    - Instituting strong language (either within mortgages or in memorandums of understanding) for borrowers to agree to at closing, laying out the bank's expectations on maintenance, treatment of tenants, and preservation of affordable units.
    - Clarifying how mortgage clauses pertaining to safe conditions (like the "good repair" clause) and other areas that affect tenants can be enforced.
    - Monitoring data and tenant experience over the life of the loan.
    - Vetting of landlords at origination or refinance

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- Proposing clear steps for how the lender plans to intervene in buildings when issues due arise, and committing to communication with tenants and community partners.
- Prioritizing preservation minded groups in the transfer of any distressed debt or foreclosed properties.

- CRA reform must allow for downgrades for harm and displacement if financial institutions are found to be originating loans to borrowers who mistreat tenants or do not properly maintain their properties. This can be done by extending the "place-based" community development anti-displacement criteria to affordable housing, and expanding that definition to any detrimental effect on LMI households that may result in properties financed by a given institution.

- The NPR does include improvements on the standards for community development credit in rental housing lending, including affordability levels and financing for renovations that puts upward pressure on rents. However, we still believe that community development credit for rental housing lending needs to be much more narrow, in line with our extensive research (outlined above) about how this type lending interacts adversely with tenant outcomes. Given the all-too-common experience of tenants who live in well-financed properties but have to deal with landlords who are neglectful or predatory, we believe that the burden of proof should be on financial institutions to show *why* their mortgages should receive community development credit, and CRA exams should be forced to provide detail on how they analyzed those arguments and came to final decisions. Currently, however, the Community Development tests seem to function in the reverse — *assuming*, as long as they are in LMI tracts or house LMI households, these loans are integral to reinvestment and therefore should receive Community Development credit, unless they are knocked out by a red-flag like troubling data or a detailed tenant account. Financial institutions have the resources to describe how their financing leads to better outcomes for tenants, and they should only be receiving credit for those loans if they convincingly do so.

- In Community Development tests, there should also be transparency about the types of loans that get included or rejected for credit within the CRA exams. Currently, the only regulator that shares this information is the NYS Department of Financial Services, and even they only show numbers in aggregate. Tenant advocates frequently examine the CRA exams for banks with large rental loan portfolios known to contain many loans to unscrupulous actors, yet only a tiny fraction of the mortgages put forward for credit in their CRA exams ever get rejected.

Thank you once again for the opportunity to comment on the interagency Notice of Proposed Rulemaking (NPR) to modernize the Community Reinvestment Act (CRA).

Sincerely,

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*University Neighborhood Housing Program*