NATIONAL ASSOCIATION OF REALTORS®

August 5, 2022

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219

James P. Sheesley
Assistant Executive Secretary
Attention: Comments RIN 3064-AF81
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

RE: Docket No. R-1769 and RIN 7100-AG29

To Whom It May Concern:

On behalf of the National Association of REALTORS®' (NAR) 1.5 million members working in all aspects of the residential and commercial real estate industries, we thank the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the "joint agencies") on their proposal to amend their regulations implementing the Community Reinvestment Act (CRA) to update how CRA activities qualify for consideration, where CRA activities are considered, and how CRA activities are evaluated

Since its inception in 1977, the CRA has played a vital role in the promoting financial inclusion throughout the country. The law was designed to provide financial services to low- and moderate-income (LMI) communities from which investment had been withheld due to redlining and other discriminatory public and private policies. Under the CRA structure, the joint banking agencies in charge of CRA examine and rate financial institutions based on their activities in serving LMI communities, including their investments and lending activities in these areas. In turn, the bank regulators can enforce CRA compliance by limiting banks' ability to merge or other moves if they fail to meet their obligations.

While the joint agencies have attempted updates in recent years, some in isolation of the other entities, this important proposal represents the first unified attempt at modernizing and updating the CRA since its inception. Many conditions have changed in that time, including developments in online and mobile banking, a contraction in the number of banking providers, and the elimination of many physical banking branches. While these trends have occurred over three decades, the CRA has not kept pace. We believe the time for reform is now.

NAR is strongly committed to the availability of credit and investment opportunity in under-served communities and supports the CRA and many proposed reforms. The CRA's mission remains critical, and we believe the updates come at an important time. More than 50 years after passage of the Fair Housing Act, homeownership rates for Black, Hispanic, and Asian Americans continue to trail the White homeownership rate. Today, the Black-White homeownership gap is similar to when housing discrimination was legal. An updated CRA can help to bring greater parity to homeownership and encourage further lending and community development in areas that need it most.

Above all, maintaining the core mission of CRA is vital. NAR is pleased to see that the original intent of CRA has been maintained and modernized. Modernization efforts should enhance the ability of finance companies of any size to serve communities by providing access to credit for all neighborhoods. The CRA's intent is more fully realized when the joint agencies work in concert. Recent attempts at reforms in a piecemeal fashion from different regulators created confusion and inconsistencies in the ways communities would be served based on which banking regulator oversaw which banking institution. The latest proposal creates a consistent and level playing field for institutions of all sizes ensuring better compliance to serve the communities in which they operate and transact.

The updates to the Assessment Areas to account for the "new normal" in banking, including online and mobile banking, are also a positive step. The updated definitions used in the evaluation process reflect helpful changes to geographic coverage, the nature of lending, and the need for banking services, by requiring banks to designate additional assessment areas where they draw a significant portion of deposits if outside their main assessment areas. This step will allow banks to receive CRA credit for activities outside their core assessment area while bringing additional support to communities that rely more heavily on digital banking.

Since this is a new proposal, we ask that the joint agencies allow flexibility, both in implementation and in compliance, as institutions work to install these changes, especially as it relates to the new Assessment Areas in the digital banking ecosystem. Sound data from the regulators will lead to better decisions overall. Studying what is and isn't working through analytical data, and a willingness to update this proposed rule after implementation, will serve the interests of both communities and banking institutions.

NAR also believes methods of examinations should be consistent, transparent and readily available. REALTORS® are encouraged by the way the updated CRA addresses qualifying credits and other future performance rating methods by clearly identifying and defining activities that will earn credit. It is important that these be clearly articulated and that they be consistent over time and between examiners. We thank the work of the joint agencies to improve transparency and timeliness with reporting by making evaluations more objective, providing clearer definitions of qualifying activities and data elements, clarifying recordkeeping requirements for banks, and establishing standardized reporting for banks.

REALTORS® support the efforts the joint agencies have taken to measure CRA performance more objectively by assessing the distribution and the impact of a bank's CRA activity. To prevent the churning of loans for CRA credit, credit for CRA lending should reflect the duration that the investment is on the books of the lender, but that credit should diminish over time. Any metric-based evaluation system should be holistic and must not diminish the analysis of the true needs of communities.

Under the revised framework, interested parties would also have access to annually submitted data to assess trends in markets and the progress from individual banking institutions, a step that will strengthen the core mission of CRA and allow for greater public input and oversight.

Lastly, the Performance Context, a research-based understanding of the credit and community development needs and opportunities, should be defined and updated in real-time in conjunction with the supervised financial institution and used in the evaluation process as well as in the forward-looking strategic investment plan of the financial institution. This should help banks truly evaluate their performance area and tailor the services they do and do not offer.

All financial institutions have an obligation to serve their communities, especially in their greatest areas of need, and to provide fair access to financial services. The way the proposal encourages more lending, investment, and services by clarifying and expanding the types of activities that qualify and objectively measuring their value will support this goal. While the proposal does not go so far as to include non-depository institutions, REALTORS® believe the rulemaking expands CRA in a way that will provide more services to underserved communities in the age of digital banking.

The National Association of REALTORS® supports the proposed rule from the joint agencies amending and updating the Community Reinvestment Act. We look forward to working with the joint agencies as this important rule is finalized and as we all work together to better invest and help the communities that banks and our members serve each and every day. If you have any questions, please contact Matt Emery (MEmery@NAR.REALTOR) or Ken Fears (KFears@NAR.REALTOR).

Sincerely,

[redacted]

Leslie Rouda Smith
2022 President, National Association of REALTORS®