



THE NON-PROFIT HOUSING ASSOCIATION OF NORTHERN CALIFORNIA

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August 30, 2010

Office of the Comptroller of the Currency
12 CFR Part 25 [Docket ID OCC-2010-0011]

Federal Reserve System
12 CFR Part 228 [Docket No. R-1386]

Federal Deposit Insurance Corporation
12 CFR Part 345 [RIN 3064-AD60]

Office of Thrift Supervision
12 CFR Part 563e [Docket ID OTS-2010-0019]

RE: Community Reinvestment Act Regulation Hearings

Dear Sir or Madam:

The following are the comments of the Non-Profit Housing Association of Northern California (NPH) on the agencies' hearings to review aspects of Community Reinvestment Act (CRA) regulations, and how the agencies should revise them to better serve the goals of CRA and the needs of underserved communities. NPH is the collective voice of those who support, build and finance affordable housing. NPH promotes the proven methods of the non-profit housing sector and focuses government policy on housing solutions for lower income people who suffer disproportionately from the housing crisis.

NPH would like to thank you for this opportunity to comment on how to improve and modernize the regulatory implementation of the Community Reinvestment Act. The CRA has been critical for the development of affordable housing, particularly for those communities that are hardest to serve. It has promoted fair and equitable investment for affordable housing for more than three decades.

CRA based incentives have acted as a catalyst for private investment in high impact affordable housing and community development projects. NPH members have developed thousands of units of affordable housing in partnership with CRA-motivated financial institutions that have invested in Low-Income Housing Tax Credits and acted as commercial lenders for affordable housing developments. Through these partnerships, NPH members have experienced and identified two key issues that can be improved through updates to the CRA regulations: 1) Adopting a "Community Development" test to supplement or



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replace the current “Investment” test and 2) modernizing assessment areas to reflect the changing nature of banking and finance institutions.

Community Development: We recommend an approach that increases the focus and importance of community development activities within the CRA examination and reporting framework. Building and re-building healthy communities should be an integral, separate and measurable part of the CRA Examination and Reporting structure. The regulators should expand the term “Community Development” to include loans, investments, and services by financial institutions inside and outside of their assessment areas using a new category of “National Needs.” CRA examinations should also include a new “Community Impact” category for qualitative extra-credit to financial institutions that lend to, invest in, or provide service to non-profit developers, CDFI lenders and others. Incorporating these aspects into CRA evaluations will help ensure that financial institutions have appropriate incentives to make loans and investments that can create qualitative community value and meet community needs.

Assessment Areas/Geographic Coverage: The reach and impact many financial institutions can have often extend far outside their physical deposit-based assessment areas. Increasingly, financial institutions are conducting business and receiving economic benefits from markets where they have little or no physical presence. CRA assessment areas should be rethought to ensure financial institutions provide significant community benefits at a local and national level.

Assessment areas for large, national financial institutions should be expanded to reflect the broad impact these institutions have outside of their current assessment areas. These institutions should be evaluated on their performance in large metropolitan areas where they have a physical presence, on their investment within a state, and on their efforts to meet nationwide community development challenges such as affordable or special needs housing. Large institutions should also receive CRA evaluation credit for lending and investments in entities like nonprofit mission-oriented community development organizations and conduits like tax credit funds or CDFIs that operate outside of their assessment areas. These flexible assessment criteria will create incentives for banks and financial institutions to undertake broad community development activities based on various community needs.

CRA has helped create thousands of units of desperately needed affordable housing in California, and supported community revitalization efforts throughout the state. Like many, NPH’s members believe that the opportunity to make changes to the regulations provides a way to expand the impact and



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effectiveness of the law, to respond to changes in the banking and finance industry, and to better serve low income communities throughout California.

Thank you again for the opportunity to comment. NPH's members look forward to revisions to the CRA regulations in the coming year.

Sincerely,

Dianne J. Spaulding

Executive Director

The Non-Profit Housing Association of Northern California