

May 17, 2013

Re: Proposed Changes to Interagency Q&A

OCC at: regs.comments@occ.treas.gov [Docket ID OCC-2013-0003]
Federal Reserve at: regs.comments@federalreserve.gov [Docket No. OP-1456]
FDIC at: comments@fdic.gov [Docket ID FDIC-2013-0024-0001]

To Whom It May Concern:

The National NeighborWorks Association (NNA) appreciates the opportunity to comment on the changes to the CRA Interagency Q&A. The proposed changes are an important step toward modernizing the CRA to more effectively regulate the banking industry and promote community development activities. NNA strongly believes that current CRA regulations can be strengthened and modified to be more relevant, efficient and effective in promoting investments in under-served communities and neighborhoods. We appreciate the agencies proactively addressing this important issue. Furthermore, we hope the U.S. Congress will also proactively address CRA reform.

NNA is the national trade association of “NeighborWorks®” organizations: non-profits chartered by Neighborhood Reinvestment Corporation (d/b/a NeighborWorks® America) that create affordable housing and economic opportunities in America’s urban, rural and suburban communities. Our membership includes over 195 NeighborWorks® and non-NeighborWorks® non-profit housing and community development organizations in 50 states, Washington, DC and Puerto Rico.

Our members have a 30+ year history of facilitating lending to borrowers – including lower income families, borrowers with impaired credit and others who would not normally qualify for a conventional mortgage. NNA members typically serve the underserved, overlooked, and unfairly targeted. Our members are directly impacted by CRA regulations and many of our members rely on CRA as a leverage tool to provide critical homeownership and multi-family financing and community investment.

NNA provides the following comments in response to several of the specific proposed revisions:

I. Proposed Revisions to Community Development Activities Outside an Institution’s Assessment Area(s) In The Broader Statewide Or Regional Area That Includes An Institution’s Assessment Area(s)

NNA supports the proposed revision to the Q and A that reaffirms and further clarifies that a financial institution’s investment will be considered a community development loan or service to a qualified investment if it supports an organization or activity that covers a statewide or regional area that is larger than, but includes, the financial institution’s assessment.

Our members welcome the language which now will ask institutions to demonstrate that a CRA-related investment in broader statewide or regional areas that include the institution's assessment areas are not in "in lieu of, or to the detriment of" activities in the institution's assessment areas. This language clarifies for institutions and community organizations whether institutions will receive consideration for investment in statewide or regional areas, and may help increase CRA-related activities in some areas in which there has been limited CRA investment in the past.

It should be noted that NeighborWorks organizations would also welcome further changes to CRA regulations which would expand assessment areas even further to include areas that make up "credit and capital deserts," such as the Mississippi Delta and Appalachia, which have community development needs, customers of larger institutions (through mortgage lending or internet deposits, for instance), but do not contain physical branch or deposit-taking ATM locations. These regions may still fall outside CRA assessment areas, even using the statewide or new regional area definitions.

With this recommendation, however, comes a concern regarding balance. Expansion into capital deserts could decrease CRA activity in current geographies. For example, if a CRA institution has \$3 to spread, and currently utilizes all \$3 in its current assessment area (city) and is now being asked to provide to capital deserts as well (rural), that will dilute activity in current assessment areas: \$3 in the city becomes \$2 in the city and \$1 in rural. Therefore, we strongly encourage the agencies to push for more CRA activity overall so that serving other (more) areas doesn't come at the expense of current CRA activity.

II. Proposed Revision to provide on Investments in Nationwide Funds

NNA is supportive of these revisions. Identifying which type of financial institutions might find investments in nationwide funds to be beneficial is helpful to community based organizations and to the financial institutions themselves.

In addition, NNA is supportive of the elimination of the need for written documentation by the fund demonstrating earmarking, side-letters or pro-rata allocations which will further reduce the administrative and paperwork burden that has made some institutions reluctant to support national projects.

Our members have commented that while investment in nationwide funds may benefit some parts of credit/capital deserts, they would encourage the Agencies to go further in encouraging investment in these areas.

III. Community Services Targeted to Low or Moderate Income Individuals

NNA is supportive of these revisions. Adding language to allow institutions to receive consideration for community services provided to students and their families from a school where the majority of students qualify for free or reduced lunch, and Medicaid recipients are welcome clarifications to the Questions and Answers.

NNA also suggests adding a further appropriate category of service to low and moderate income families as follows:

“The community service is conducted for residents in a housing development which was developed or operated with low income housing government funding including such programs as Low Income Housing Tax Credits, HOME, CDBG, Section 8, USDA 514/516, USDA 515, Section 202, and Section 811.”

IV. Service on Board of Directors of an Organization Engaged in Community Development Activities

NNA is supportive of the modification to this question which includes service on the board of directors as an explicit example of a technical assistance activity to a community development organization. Furthermore, we offer that service on the board of directors include active and regular participation in that organization’s committees, working groups and other organizational opportunities for ambassadorship and involvement. In short, service should be defined by concrete activities to ensure active and meaningful involvement with the organization.

Thank you for your consideration of these comments and for all your efforts on behalf of all the low income communities the NeighborWorks Network serves. CRA’s contribution to America’s communities has never been more important. Please feel free to contact our Executive Director, Dave C. Brown, dbrown@nwa.us, for any clarification of these comments.

Sincerely,



Chris Krehmeyer
Board President, National NeighborWorks Association (NNA)