

To:

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]

From:

Eileen M. Fitzgerald
Chief Executive Officer
NeighborWorks America

1325 G Street, NW
Suite 800 Washington, DC 20005

Date:

May 17, 2013

Subject: Community Reinvestment Act:
Interagency Questions and Answers Regarding Community Reinvestment

Dear Ladies and Gentlemen:

On behalf of NeighborWorks® America (also known as the Neighborhood Reinvestment Corporation) I want to thank the Agencies for the opportunity to provide comments in regard to the Proposed Revisions to the “Community Reinvestment Act: Interagency Questions and Answers Regarding Community Reinvestment”, as published in the Federal Register on Monday, March 18, 2013 .

Given that the revisions to the Interagency Questions and Answers have been proposed by several of NeighborWorks America’s board agencies, these comments have not been submitted to or approved by NeighborWorks America’s board. These views do not necessarily represent the views of its board members, either collectively or as individuals. These comments reflect the views of NeighborWorks America’s management, which have been formed in consultation with a number of NeighborWorks America’s more than 235 local and regional nonprofit affiliated NeighborWorks organizations.

NeighborWorks America is strongly supportive of the effort that the Agencies put into making these revisions to the Interagency Questions and Answers. NeighborWorks America would also like to emphasize the importance consistency in examinations between examiners and across Agencies, especially in light of these proposed revisions to the Interagency Questions and Answers. NeighborWorks America is supportive of consistent, required examiner training on

CRA for all bank examiners, and would be pleased to discuss this further with Agencies, given NeighborWorks America's community development training experience.

NeighborWorks America 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)

NeighborWorks America 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 area. Consumers in many areas outside major cities or in other parts of the state may be customers of financial institutions through mortgage or internet services even though there is not a physical presence or ATM in that community. In addition, these consumers and communities are tied into and support a much broader regional economy which benefits financial institutions, but these consumers and communities may not be able to receive any CRA benefits due to lack of presence of a branch or an ATM. We hope that the proposed revision will address this issue.

NeighborWorks America welcomes the clarifications in the description of what constitutes a regional area. This may will be helpful in alleviating confusion for institutions and examiners, and create flexibility and opportunities for very impactful investments.

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.

NeighborWorks America appreciates the CRA examiners must take into account the institutions' performance context when evaluating CRA activities. NeighborWorks would encourage the Agencies to produce a series of publicly available briefs, updated on a regular basis, on community development lending and investment needs and opportunities in geographic areas around the country (i.e., "Community Development Needs and Opportunities in Alaska"). NeighborWorks America feels that publication of these briefs would be useful documents both for financial institutions, and community organizations such as NeighborWorks organizations, in assessing potential community development projects in their assessment or service areas.

II. Proposed Revision to provide on Investments in Nationwide Funds

NeighborWorks America and NeighborWorks organizations are 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, NeighborWorks America and NeighborWorks organizations are very supportive of the elimination of the need for written documentation by the fund demonstrating earmarking, side-letters or pro-rata allocations will further reduce the administrative and paperwork burden which has made some institutions reluctant to support national projects.

NeighborWorks organizations 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. In addition, NeighborWorks would urge consideration of some additional credit for longer term investments. Communities would benefit from the capacity of CDFIs to make longer term investment (8 to 15 years) in the community. Currently, that is difficult due to the nature of shorter term investments by financial institutions in CDFIs and other nonprofit development organizations.

III. Community Services Targeted to Low or Moderate Income Individuals

NeighborWorks America and NeighborWorks organizations are very 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.

NeighborWorks America 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 (but not limited to) 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

NeighborWorks America and the NeighborWorks organizations are very 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 organizations what would receive consideration as a community development service.

V. Qualified Investments

Among NeighborWorks America's more than 235 local and regional nonprofit affiliated NeighborWorks organizations are numerous Community Development Financial Institutions (CDFIs) and community development loan funds. NeighborWorks organizations make many kinds of loans with community development purposes including affordable housing development, community facilities development, community development first mortgages, or subordinate mortgages. NeighborWorks America and the NeighborWorks organizations understand the intent of this proposed question and answer. However, NeighborWorks feels that the proposed wording of the answer may inadvertently discourage investments in NeighborWorks organizations CDFIs and community development loan funds in particular, by leading to examiners to discount the value of Qualified Investments made by financial institutions. In many cases, CDFIs and loan funds may first place Qualified Investments in Treasuries or other relatively safe investments while they wait to deploy the capital in loans with a community development purpose. NeighborWorks asks that the answer be revised to allow for this practice. NeighborWorks suggests that examiners look for an agreement between the financial institution and the organization which stipulates that the purpose of the Qualified Investment is community development.

Background Information Regarding NeighborWorks America:

NeighborWorks America was established by Congress in 1978 as the Neighborhood Reinvestment Corporation. The Corporation receives a direct annual federal appropriation. The corporation's Board of Directors is made up of senior representatives of the federal financial regulatory agencies (the Federal Reserve; the Federal Deposit Insurance Corporation; the Comptroller of the Currency; the National Credit Union Administration) and the U.S. Department of Housing and Urban Development.

The primary mission of NeighborWorks America is to expand affordable rental and homeownership opportunities and to strengthen communities across the United States. NeighborWorks America provides support to more than 235 local and regional community-based NeighborWorks organizations, as well as training and service to the broader community development field. NeighborWorks organizations serve urban, suburban and rural communities in all 50 States, the District of Columbia and the Commonwealth of Puerto Rico.

In FY 2012 alone, NeighborWorks America and the NeighborWorks organizations generated more than \$4.6 billion in direct reinvestment in distressed communities across the nation, and helped 305,000 low- and moderate-income families purchase and preserve their homes, and live in safe, decent rental housing. NeighborWorks organizations own and manage more than 100,000 units of affordable rental housing.

Closing Comment:

In closing, NeighborWorks America would like to thank the Agencies for their efforts to strengthen the Community Reinvestment Act by issuing the proposed revisions to the Interagency Questions and Answers Regarding Community Reinvestment, which are strongly supported by NeighborWorks America.

Please feel free to contact me, or Steven Tuminaro, Director of Public Policy and Legislative Affairs (at 202-220-2415 or stuminaro@nw.org) for any clarification of these comments.

Sincerely,

Eileen M. Fitzgerald
Chief Executive Officer