

May 17, 2013

OCC: Docket ID OCC-2013-0003  
Federal Reserve: Docket No. OP-1456  
FDIC: Attention: Comments on CRA Interagency Q&A

Dear Ladies and Gentlemen:

Housing Partnership Network appreciates the opportunity to comment on the proposed revisions to the Interagency Questions and Answers on the Community Reinvestment Act (CRA). We applaud the agencies for moving forward with updates to the Questions and Answers and hope that the document in the March 18<sup>th</sup> *Federal Register* is but a first step toward a broader rethinking of CRA's regulatory regime. We are pleased to see the statement that "This notice addressing several community development issues is intended to be the Agencies' first step to addressing substantive and significant issues raised by commenters." Given the testimony the agencies heard in 2010 about the need to revise the CRA regulations to make CRA relevant to current banking realities, we support broader revisions to the CRA regulations as well as these "first steps."

The Housing Partnership Network is a member-driven organization comprised of 100 entrepreneurial nonprofits that operate all across the country. The members are diversified social enterprises combining a mission focus with business acumen. The members' businesses include lending, real estate development, property management, and housing counseling. Collectively, they have 14,000 employees, \$1.3 billion in annual revenues, and have served 4.3 million low-income people.

The Network is best described as a business collaborative. The members' senior leadership comes together with their peers to exchange information, solve problems, and share best practices. Their collaborations have spawned member-owned businesses that improve member operations and advance innovations in the practice of affordable housing and community development. For example, when insurance costs spiked after 9/11, members launched a captive property and casualty insurance company that today insures approximately 60,000 homes with \$7.0 billion of insurance-in-force. Other businesses that have emerged from these collaborations include a group buying service for building materials, a company that acquires and modifies distressed mortgage notes to help homeowners stay in their homes, a new web-based approach to homebuyer education, and a multifamily real estate investment trust.

CRA has been a powerful spur for private sector lending and investment in the housing and community development projects that HPN members develop and finance. HPN members are larger housing nonprofits that operate regionally or even nationwide. Our experience suggests that a definition of assessment areas that drives CRA-motivated bank loans and investments into very narrowly defined geographies can be counterproductive and deny rural areas and some cities access to credit. We support the intention of proposed Qs & As on \_\_\_\_\_.12(h)-6 and \_\_\_\_\_.12(h)-7 that community development in the broader statewide or

regional area that includes an institution's assessment area(s) will be considered in the evaluation of an institution's CRA performance but "may not be conducted in lieu, or to the detriment of, activities in the institution's assessment area(s)..." The "in lieu of" standard, however, may not achieve the goal of encouraging bank investments in broader geographies. How could a bank document that an investment was not "in lieu of" an investment in an assessment area? A simpler, clearer standard of "addressing the needs" of an assessment area may be a better approach.

The section on investments in national funds \_\_\_\_.23(a)-2 also makes a sensible simplification that eliminates the need for "side letters" to document bank investments in projects in specific assessment areas. Both of these provisions taken together will make it a bit easier for funding to flow to underserved areas. We look forward to working with the agencies on more substantial regulatory changes on assessment areas to bring CRA compliance more fully into the era of nationwide lending and deposit taking.

An important component of these two revisions to the Qs & As is the importance of performance context in evaluating CRA performance. The revised Qs & As \_\_\_\_.12 (h)-6 and \_\_\_\_.23(a)-2 and \_\_\_\_.22(b)(4)-2 all note that performance context is a critical part of the examination process. We urge the agencies improve examiner training to include proper understanding of effective performance context. In fact, we encourage you to go further and experiment with examiners creating joint assessments of community needs and capacities. A "performance context" that was developed jointly by the regulators could improve the CRA system, making it more efficient for banks and examiners and more meaningful as well. We endorse the recommendations made by a coalition of community development groups in 2011 about a more robust system to create performance context using available data.

Section III revises the definition of low and moderate income individuals for the purposes of the services test to include schools with a majority of students who receive free or reduced price lunch and individuals eligible for Medicaid. The use of these proxies will make it easier to demonstrate that services benefit low and moderate income people without requiring community organizations to obtain actual income data. There are other means tested government programs that could also serve as useful proxies such as receipt of Section 8, residency in public housing or LIHTC developments, and receipt of SNAP benefits, TANF, or SSI.

The proposed revisions to \_\_.12(i)-3 are a useful clarification in the how service on a community development organization's board of directors should be treated. The proposed Q & A includes useful list of activities, but it should be more inclusive. Assisting an organization with human resources, information technology, communications and marketing, and consumer compliance are also practical and meaningful ways a financial institution could help a community organization grow and develop. They should also count for the services test.

The proposed new Q & A \_\_.12(t)-9 on qualified investments in which the bank allows the recipient to use the interest but not the principal may need some revision to accomplish its goal. It seems to be a reasonable restriction on giving banks CRA credit for funds that

cannot be used by a nonprofit, but we urge you to look carefully at how it is drafted to ensure that it does not restrict real community development activities. If the bank makes an investment in a CDFI and the funds will be deployed over a number of years, the CDFI may initially invest the bank's funds in safe investments like Treasury securities. If the CDFI is allowed to eventually use the entire investment for community development purposes, it does not make sense to restrict the CRA credit only to the interest on the securities.

Redesignated Q&A \_\_\_\_ .21 (f)-1 states that institutions can get credit for investments in minority and women-owned banks as well as low income credit unions regardless of where the investing institutions' assessment areas are. It makes sense to extend this same treatment to investments in CDFIs certified by the Treasury Department and other national community development entities. The purposes of CDFIs -- to meet the credit needs of low and moderate income communities -- align with the purpose of CRA and it makes sense that CDFIs be treated similarly to minority and women-owned banks. This raises the broader issue of how national needs and underserved populations are treated under CRA, and we encourage you to take up the broader issues of CRA modernization sooner rather than later.

Proposed new Q & A .22(b)(4)-2 addresses an inconsistency in supervisory policy with regard to the inclusion of community development activity in the lending test rating. The proposal make is clear that community development can have a positive, neutral or negative impact on lending test ratings. This is a sensible change that makes a consistent policy across the agencies and gives community development more weight in the lending test rating. In 2010, we encouraged the agencies to go much further than this and create a community development test under CRA. We understand that such a change is beyond the scope of these changes to the Qs & As but, again, we encourage the agencies to move forward expeditiously to consider more sweeping modernization of the CRA regulations.

In conclusion, we thank you for the opportunity to comment on these proposed changes to the Qs & As, and we encourage you to quickly revise and adopt them with improved examiner training. We then encourage you to begin the long overdue process of modernizing and updating CRA's regulatory regime and we are happy to work with you on this challenging and essential project. Please contact Kristin Siglin at [siglin@housingpartnership.net](mailto:siglin@housingpartnership.net) if you have any questions or would like further information.

Sincerely,

Paul Weech  
Executive Vice President for Policy and  
External Affairs



For the body of your letter, make each paragraph align left and leave a line between paragraphs. Your writing in the body of the letter should be professional and to the point: Clearly state the nature of the letter, your reasons for sending it and what you hope to gain in response to the letter. Separate each idea of the letter into a separate paragraph. If you have more than one request or purpose for your letter, state them both in your introductory paragraph and then treat each fully but separately in subsequent paragraphs. Avoid using acronyms or abbreviations as they can cause confusion: Spell out exactly what you are talking about. Use proper grammar and spelling, and always SpellCheck your letter before you send it.

End your business letter with "Sincerely," or "Sincerely Yours." Drop down four spaces in a print letter and put your full name. Sign in the space between the closing and your name. In an email, put your name on the next line after your closing.

Sincerely,  
Your Name Here