

To: [Comments](#)
Subject: Comments On Recent CRA Proposed Questions & Answers -- Community Development Loans
Date: Friday, November 07, 2014 7:24:20 PM
Attachments: [image002.png](#)

Thank you very much for your very extensive work to address potential changes in the CRA Questions & Answers so that the CRA regulations can be most effective and understandable. In general I think that your proposals are very good.

The section of “Community Development Loans” is still not clear as to which loans can be considered as “community development”. This is actually an element of the regulations for which there is much confusion and misunderstandings. In general, the “purpose” is relatively clear, especially in the section __.12(h) – 1, examples. For example the second bullet point “not-for-profit organizations serving primarily low- and moderate-income housing or other community development needs” is clear. However, in another section of the CRA regulations, it states that any loan to an organization that is \leq \$1 million must be counted as a small business loan and not a community development loan. The result is that this excludes many loans that should be considered as community development loans.

Most community development not-for-profit organizations are relatively small, and can neither use nor qualify for a loan of over \$1 million. Sometimes a \$25,000 loan is exactly what they need to expand their services to those of low and moderate income. It is my understanding, as confirmed by FDIC regulators and examiners, that a loan that is \leq \$1 million must be recorded as a “small business loan” and not as a “community development loan”. However, other financial institutions believe that their regulators have said that loans of any size could be considered to be a “community development loan” if the purpose fits the regulations.

I understand that it is important that loans not be “double-counted” (both as a small business loan and as a community development loan), although multi-family loans that meet the community development definition are counted both in HMDA and as community development. I propose that the financial institution could decide under which category it would be reported, understanding that it could only be reported once. This might be an incentive for financial institutions to meet the needs of the small, but critical, community development not-for-profit organizations in our communities. Often they are more challenging to provide financing for, as they may be less sophisticated financially than the large organizations, but they can effectively meet needs in communities that are not met by the larger organizations.

I strongly urge you to allow all loans to community development not-for-profit organizations be allowed to be considered and reported as community development loans, regardless of the size of the loan.

I appreciate your consideration of this change and/or clarification of the CRA regulations. I would be very glad to discuss this matter with anyone from your organization.

Best regards,

Kathryn Williams
Director of Community Relations, S.V.P., CRA Officer
HomeStreet Bank
206-389-7705
Visit us at <http://www.homestreet.com>

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