

NEIGHBORHOOD HOUSING SERVICES OF CHICAGO, INC.

Rebuilding Chicago's Neighborhoods

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November 10, 2014

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
Mail Stop 9W-11
400 7th Street SW
Washington, DC 20219
Docket ID OCC-2014-0021
regs.comments@occ.treas.gov

Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Docket No. OP-1497
regs.comments@federalreserve.gov

Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
comments@fdic.gov

**Re: Community Reinvestment Act: Interagency Questions and Answers Regarding
Community Reinvestment**
OCC: Docket ID OCC-2014-0021
Federal Reserve: Docket No. OP-1497
FDIC: Attention: Comments on Interagency Q&A Regarding Community Reinvestment

To Whom It May Concern:

Thank you for the opportunity to comment on the proposed Interagency CRA Question and Answers guidance. Neighborhood Housing Services of Chicago, Inc. (NHS) is a nonprofit housing and community development organization serving the Chicago metropolitan region, with a mission to help people live in affordable homes, improve their lives, and strengthen their neighborhoods. As a HUD-certified housing counseling agency, NHS serves over 6,000 residents each year through homebuyer education and counseling, foreclosure prevention services, housing redevelopment, resident engagement, and through its non-profit residential mortgage lending entity, Neighborhood Lending Service (NLS).

NHS' primary concern in the Interagency Q&A is that broadening language under several of the Q&As will open the opportunity for large banking institutions to actually pull back their lending activity in the low- to moderate-income neighborhoods served by NHS. Our comments relate to four primary areas of guidance: 1) availability of traditional retail banking services (bank branches); 2) specific inclusion of non-profit organizations as partners under technical assistance and other support programs; 3) use of alternative credit histories; and 4) expansion of activities considered to be community development services.

Access to Banking Services

NHS is concerned that the revised proposed guidance de-emphasizes a financial institution's branch presence, while giving greater consideration to alternative delivery systems. The physical presence of a bank branch is still critically important to low- and moderate-income neighborhoods. While alternative systems, namely ATMs, provide helpful access to existing bank products for neighborhoods residents, branches offer the opportunity to build new relationships with residents. The importance of the simple bricks and mortar presence of a bank in these neighborhoods cannot be underestimated. Many of the geographies served by NHS remain under-banked. In fact, according to Bloomberg News, of the 1,800 bank branches that closed between 2008 and 2013, 93% were in low- or moderate-income neighborhoods. Residents of these neighborhoods benefit from access to consumer banking products, including residential mortgage lending.

The revised guidance also proposes to include other mechanisms for alternative banking access, including mobile and online technology. NHS feels that bank branches should continue to be given greater weight when examining an institution's presence, due to technology limitations and disparate access in some low- to moderate-income neighborhoods.

Innovative or Flexible Lending Practices

NHS is supportive of including additional examples of innovative or flexible lending practices, but recommends several language changes to ensure that these practices are being offered through qualified third-parties. Under 22(b)(5), we recommend changing the language regarding technical assistance to "...an institution may establish a technical assistance program under which the institution, directly or through **non-profit organizations**, provide affordable housing developers and other loan recipients with financial consulting services. Such a technical assistance program **with non-profit organizations shall**, by itself, constitute a community development service...."

Referencing non-profit organizations that provide financial coaching or other related technical assistance to low- and moderate-income residents will encourage institutions to partner with HUD-certified housing counseling agencies. These agencies and their counselors have been fully certified and have the highest qualifications to provide this type of service at little to no cost. Similarly, under 22(a) – 1- we recommend changing language to read, "For example, an initiative to partner with a non-profit organization to provide financial counseling to **homeowners** that encourages responsible use of credit **shall**, by itself, constitute a community development service eligible for consideration under the service test."

Another important example that NHS supports including as an innovative or flexible lending practice includes investments in Community Development Financial Institution (CDFI) loan

funds. Neighborhood Lending Services (NLS), an affiliated non-profit residential mortgage lending entity of NHS, is a CDFI with a mission to revitalize targeted neighborhoods through mortgage lending. NLS provides affordable, fixed-rate mortgage products to low- and moderate-income households and communities through a loan pool comprised of investments from 20 current private banking partners. Such CDFI loan funds offer a vehicle for financial institutions to support delivery of important products in low- and moderate-income communities. Additionally, given that such loan funds or other similar projects often need longer-term financing commitments, the Q and A could provide greater weight to longer-term commitments to CDFI loan pools or other CDFI investments regarding the development of affordable housing or community facilities.

NHS agrees with the importance of considering alternative credit histories and manual underwriting procedures, and NLS consistently and successfully uses these tools to help hundreds of low- to moderate-income homebuyers each year. However, these practices should only be considered to be innovative and/or flexible if they are targeted towards low- to moderate-income consumers, including both residential lending as well as retail banking. Through its counseling and lending services, NHS and NLS have observed that the recent tightening of credit availability applies not only to potential homebuyers, but also to residents seeking new deposit and savings accounts.

Community Development

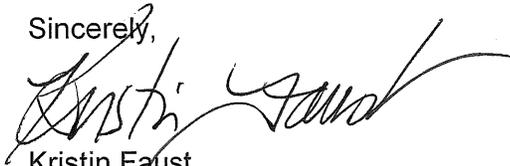
NHS is supportive of including additional examples of activities that are considered to promote community and economic development, and of clarifying how those activities are evaluated both quantitatively and qualitatively. To that end, NHS recommends adding language that is inclusive of additional community development activities to include participation in and support of homebuyer education, neighborhood stabilization and beautification projects, and other community-based projects.

Responsiveness and Innovativeness

Lastly, NHS supports the proposed additional examples by which institutions may be evaluated on responsiveness to community needs. Incorporating feedback from the communities served by financial institutions and the organizations partnering with institutions will provide evaluators will a more comprehensive picture of a bank's impact.

Thank you again for the opportunity to comment on these proposed changes. If you have any questions or would like additional feedback from NHS, please contact me at (773) 329-4174 or kfaust@nhschicago.org.

Sincerely,



Kristin Faust
President
NHS of Chicago, Inc.