

From: Stephanie Preusch <Spreusch@neighborhoodfinance.org>
Sent: Thursday, April 02, 2020 2:45 PM
To: Comments
Subject: [EXTERNAL MESSAGE] CRA Comments Regarding: RIN 3064-AF22

To Whom it May Concern:

The Community Reinvestment Act (CRA) has been an important tool for community development since 1977. Neighborhood Finance Corporation (NFC), a 30-year nonprofit mortgage company and a NeighborWorks America Organization, was founded on partnerships developed as the result of CRA. Though NFC understands the needs for banks to have predictability, we remain concerned that the current proposal from the FDIC and OCC will result in long-term structural changes to community development that will impact our ability to provide affordable and accessible financing and services to low and moderate income communities. Any changes to CRA should strengthen the positive impact on communities that have traditionally experienced disinvestment and benefit the people that live in those communities.

NFC relies on investment commitments from financial institutions for our non-conforming first mortgage purchase and refinance loans and home improvement loans. NFC provides renovation loans for owner-occupied homes with the mission of revitalizing neighborhoods. Currently, NFC has \$23 million in commitments that will provide critical capital to low and moderate borrowers and census tracts for 3-years. Though we understand banks participate in our lending pools as part of their larger commitment to serve our community, we also recognize that CRA credit has been a major contributor to our ability to raise over \$135 million the past 30 years.

For this reason, the NFC staff and Board of Directors believe it is important to share our key concerns with the FDIC and OCC on the proposed CRA rule changes.

Location and local investment matter – Though online access has impacted financial transactions, through our work in low and moderate income communities we are keenly aware that many of our customers do not use online tools to access financial information or conduct financial transactions. For this reason, we believe local branches remain important to our communities as a means to build relationships and to curtail the use of high-cost financing through pay day and checking-cashing establishments. Further, NFC believes it is imperative that banks must meet the needs of all of their assessment areas and believe the recommendation that testing is based on serving only a “significant” part of the Assessment Area is concerning and could potentially have a negative impact on smaller markets like Des Moines and Cedar Rapids, Iowa.

Community Development and CRA investment are nuanced – NFC believes that impactful CRA investments cannot be measured through a single-metric; for instance, through a balance sheet approach based on the amount invested. Community development partnerships require an on the ground understanding of the local community through Board participation, volunteering in communities, and long-term investments. In order for CRA investments to meet the needs of the underserved in the community, it requires banks to have a full understanding of the credit needs of the communities they serve, and relationships with the non-profit organizations providing impactful solutions. Without this understanding, CRA investments could be used for projects that lead to displacement and limiting affordability to the exact communities CRA was created to benefit and serve.

Not all investments are equal – NFC has a 30-year commitment to providing affordable home mortgages that build wealth and improve low and moderate income neighborhoods. NFC, like our NeighborWorks partner organizations, do this work in partnership with local governments, banks and community leaders. Our experience tells us that investments that make real change need to build wealth among minority and low and moderate income community members and improve the community for those that are currently living there. Therefore, we believe CRA activities should be focused to meet these goals. As part of this objective, we believe any activity with a NeighborWorks Organization should be eligible for CRA credit. Also, Opportunity Zone credits should only be available for those activities that improve the lives and meet the needs of the current residents of the Opportunity Zones.

Thank you for the opportunity to share our thoughts on the proposed CRA changes,

STEPHANIE PREUSCH

Executive Director

1912 6th Avenue • Des Moines, Iowa 50314

1110 Old Marion Rd Suite A • Cedar Rapids, Iowa 52402

direct 515-273-1372 • main line 515-246-0010 DSM or 319-777-7127 CR • fax 515-246-0112

[NeighborhoodFinance.org](http://www.NeighborhoodFinance.org)

COVID-19 Update - In response to the community-spread of COVID-19 in Iowa, NFC has made the difficult decision to have all of our staff work remotely from home during this challenging time for our community. Even though we are not working in the office, NFC will continue to provide information to potential customers, take loan applications, process loan applications, close loans, pay out to contractors for completed renovations, and conduct all other business. Thank you for understanding. **For more information visit our website at www.NeighborhoodFinance.org.**

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