Housing Development Fund

100 Prospect Street

Stamford, CT 06901

April 8, 2020

Chief Counsel's Office

Attention: Comment Processing

Office of the Comptroller of the Currency

400 7th Street SW

Suite 3E-218

Washington, D.C. 20219

Robert E. Feldman

Executive Secretary

Attention: Comments

Federal Deposit Insurance Corporation

550 17th Street, NW

Washington, DC 20429

RE: Community Reinvestment Act Regulations OCC --Docket ID#: OCC-2018-0008; FDIC –RIN 3064-AF22

To Whom It May Concern:

Thank you for the opportunity to comment on the Notice of Proposed Rulemaking (NPR) to modernize the regulations that implement the Community Reinvestment Act (CRA) of 1977.

The Housing Development Fund (HDF) is a certified community development finance institution (CDFI) that finances affordable housing and community development projects. We also counsel low and moderate income consumers on homeownership preparedness, provide homebuyer education classes, and directly lend to consumers to assist them in the purchase of their first homes. HDF is a longstanding member of NeighborWorks America and of the Housing Partnership Network.

HDF is able to assist developers of low and moderate income housing and also first time homebuyers because of the investment in our loan consortia by a large number of lending institutions. The Community Reinvestment Act (CRA) was enacted in 1977 to prevent redlining and to encourage banks to help meet the credit needs of all segments of their communities, including low- and moderate-income neighborhoods and individuals. The CRA extended and clarified the long-standing expectation that banks will serve the convenience and needs of their local communities. Banks' investments in HDF's lending pools since 1990 are a direct result of the efficacy of CRA.

We agree with the objectives outlined in the NPR make a regulatory framework that is "more objective, transparent, consistent and easy to understand." We support these goals in the context of remaining true to the primary purpose of the CRA statute: assuring that banks provide appropriate access to capital and credit to low and moderate income people and places.

Consistency across bank charter type, size and business model is key to achieving uniform application of the CRA obligation. For this reason, it would be useful for the OCC and FDIC to propose changes that the Federal Reserve could also support. Given the complexity of the existing CRA regime and the number of interrelated issues that affect how banks are examined and rated under CRA, we urge you to issue another NPR with all three banking regulators before moving onto a final CRA rule.

It is not wise to upend the existing CRA regime without more careful data collection and analysis. Instead, a series of thoughtful improvements and updates to CRA could achieve the stated goals of the NPR with less disruption, uncertainly, and without the danger of unintended consequences.

We are not in favor of reducing CRA compliance to the performance evaluation outlined in the NPR. This will not prove to be a meaningful test given the diversity and complexity of local economies. In Connecticut alone we see a wide divergence of economic realities in our cities and towns. We would advise an approach that improves the current system rather than radically changing it. The current system may be too complex but such a radical change would have unintended consequences and immense practical challenges.

Even if the performance evaluation is adopted as currently drafted, the ratios set in the NPR are not supported by data. Given the lack of published data, we do not know with any level of certainty whether the proposed metrics (11% total, 2% CD) are appropriate metrics to judge whether a bank is undertaking sufficient activities to support LMI individuals and neighborhoods. To adequately determine the impact of the proposed metrics, the OCC and FDIC should develop and share the data requested after the proposed rule was released, and then re-publish a proposed rule with a better understanding of the full impact of the proposed presumptive ratios.

Consumer lending for credit cards and auto loans should be excluded from data collection and from the retail lending distribution analysis. Access to consumer loans, such as credit cards and auto loans, is abundantly available to consumers including low and moderate income borrowers without adding an incentive through CRA. In addition, requiring all banks to meet consumer lending distribution metrics could promote credit products to low and moderate income consumers on unfavorable terms, especially since consumer loans do have the same protections that are included in mortgages.

If the Agencies are committed to pursuing the performance evaluation measure. We would suggest you look at the alternative outlined in the National Association of Affordable Housing Lenders' (NAAHL) comment letter which proposes three fully rated tests that would contribute to a bank's CRA rating at both the assessment area and bank levels: the CRA evaluation measure, retail lending distribution, and community development (CD).

We appreciate the attempt to add more transparency and consistency to CRA rules by being clearer about what counts for CRA. However, the range of activities that qualify as community development activity under the NPR is overly broad. Of most concern are investments in community facilities, essential infrastructure, municipal bonds, and mortgage-backed security products that may only partially benefit low-income communities or low-income persons could represent a very sizeable portion, if not the entirety, of community development investments for banks. These types of activities may be much more attractive from an economic standpoint than affordable housing, without providing commensurate community impacts.

NeighborWorks Organizations Should Be Included in Eligible Community Development Activities. We appreciate the addition of capital investment, loan participations or other venture undertaken in conjunction with CDFIs to the list of qualified activities and would encourage the final rule also include NeighborWorks organizations to that list.

We also suggest the list of qualifying activities that fit within the CD test to remove essential infrastructure and community facilities that only "partially," rather than "primarily," benefit LMI individuals and census tracts.

Require that banks maintain a certain minimum level of new lending and investment in affordable housing. We recommend that the OCC and FDIC factor into ratings whether banks have increased, maintained, or decreased originations of affordable housing loans and other preferred investments significantly at the bank level relative to the prior assessment period.

As we face a future of economic uncertainty and an urgent need for affordable housing opportunities and community development, the role of CRA investments in vulnerable communities is now more important than ever. We urge you to work with the Federal Reserve on a new proposed rule based on data and comments you have received in response to this NPR so that a modernized CRA can continue to meet its purpose while being more objective, transparent, consistent and easy to understand. If you wish to discuss any points in this letter, please contact me at JCarty@hdfconnects.org. Thank you for your consideration of our comments.

Very truly yours,

Joan Carty

President and CEO