Lawyers' Committee for Better Housing

Chair Jelena McWilliams
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

April 8, 2020

Re: Lawyers' Committee for Better Housing: Public Comment on the Proposed CRA Changes

Dear Chair McWilliams:

Lawyers' Committee for Better Housing (LCBH) serves low- and moderate-income renters across Chicago who are confronting critical housing issues.

First, as we understand the proposal, banks would have less incentive to offer mortgages specifically in low- and moderate-income census tracts (as opposed to other areas). We are concerned that this would make it more difficult for "Mom & Pop" building owners to affordably purchase and maintain rental buildings.

Second, we are concerned that affordable financial products intended to protect low income consumers from high interest rates—creating safe alternatives to payday loans and the like—would no longer count toward a bank's CRA eligible activities. This would leave more low- and moderate-income families, when facing a household crisis, with no alternatives to predatory financial products, putting more tenants at risk of eviction.

Third, and most concerning to us, is the proposed list of CRA-eligible activities. The list, as written, would encourage banks to focus on a small number of big-dollar projects rather than a large number of small loans across underserved areas. Addressing specific community needs would no longer be at the heart of that CRA ecosystem.

We are especially concerned that a number of the items included in the proposed list would shift CRA away from its historic focus -- Low and Moderate Income (LMI) communities -- and toward Middle-income households.

For example, on Page 1231 -- referencing Section §§ 25.04(c)(1)(i)(D) and 345.04(c)(1)(i)(D) -- the Proposal would give CRA credit to (italics added):

- [a bank activity that] "*partially or primarily benefits middle-income individuals or families* in high-cost areas as demonstrated by an affordable housing set-aside required by a federal, state, local, or tribal government."

- "An investment in a project in a high-cost area where 30 percent of the rental units are set aside as *affordable to middle-income individuals* through local inclusionary zoning."

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- "A loan to a non-profit to develop rental housing under a state tax credit program that supports workforce housing in high-cost areas where 40 percent of the units will be set-aside for middle-income individuals and families."

On the same page -- referencing Section §§ 25.04(c)(1)(i)(E) and 345.04(c)(1)(i)(E) -- the Proposal would grant CRA credit for:

- [a bank activity] That is undertaken in conjunction with an explicit federal, state, local, or tribal government affordable housing program for *middle-income individuals or families* in high-cost areas; or

- A loan to finance temporary rental housing for *middle-income workers* in a high-cost area in response to a local workforce housing program.

I work with tenants from across a wide range of Chicago neighborhoods, but the majority are low-income. In my experience, market and political forces already push the definition of "affordable" housing development toward serving middle income households. CRA should not compound this pattern.

Lastly, I am concerned that the Proposal would grant CRA credit for "investing in TIF (tax-increment financing) bonds." In Chicago, some TIFs support some good work. But taken as a whole, the TIF program has grown to disproportionately support the construction of high-end market-rate housing in the central area -- housing that serves very few families of color and virtually no LMI households. At the very least, CRA credit should be carefully limited to TIFs expenditures that clearly and directly serve LMI households and census tracts.

My agency works with renters, typically low-income, facing eviction, oftentimes because their building has been acquired by an investor who intends to raise rents and evict current residents to convert affordable units to high-end rentals. A true modernization of the CRA would deter speculation in hot rental markets by creating incentives for banks to offer loans to responsible, ideally community-based, investors to acquire disinvested properties in order to update and preserve these affordable units without displacing current residents.

Sincerely,

[redacted]

Executive Director