Neighborhood Housing Services of Toledo, Inc.
D/b/a NeighborWorks Toledo Region
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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, DC 20219

Re: Docket ID OCC-2018-0008
Notice of Proposed Rule Change
Community Reinvestment Act

Dear Chief Counsel,

The purpose of this letter is to respectfully submit comments on "Docket ID OCC– 2018-0008", Notice of Proposed Rule Change to the Community Reinvestment Act.

My name is William Farnsel. I serve as Chief Executive Officer of Neighborhood Housing Services of Toledo, Inc., and d/b/a NeighborWorks Toledo Region (NTR). NTR has been a chartered member of the NeighborWorks Network since 1993 and before that time was operating as a Neighborhood Housing Services organization since 1977. My tenure as Executive Director began in 1981.

With this introductory background, I believe that I am qualified to provide perspective and make comment on the proposed changes to the Community Reinvestment Act.

When I began work in the community development field in 1977, the banking landscape was very different from today. The empty branch bank buildings that dot the center city today were full service neighborhood nerve centers. In those days, the branch manager had enough loan authority to commit a mortgage loan on behalf of the bank; the main branch was downtown or in a near-by town. Decisions were local. When CRA came along, some of those banks had to nudge to make a loan in a central city census tract and a whole new industry grew up to oversee their performance and report wrongdoers.

Over time the enforcement to make the so-called higher risk loans in the LMI census tracts enlarged, but quite frankly the loan activity continued to lag behind other parts of the city. This gap in conventional mortgage product opened the door for a Neighborhood

Housing Service lending operation, and instantly partnerships were formed between the conventional lenders and community representatives. Make no mistake; the partnerships would not have occurred had it not been for the federal regulatory environment.

In my view, the proposed rule change to the present-day CRA is a step in the wrong direction because the make-up of the banking industry is no longer local as it was in the 1970's, 80's or even 90's. Local banks became regional and those resulting regional institutions were purchased by someone bigger. Lost forever was that bank branch as a social center where the manager lived in the neighborhood, and may have even been raised there. Beginning in the 1990's regular mortgage applicants were shunted to a customer service number. Private banking customers enjoyed traditional levels of service, but even that tradition faded. The demand for personal service led to the rise of boutique banks. A number of them formed in the Toledo area. Some have been bought out by bigger institutions, yet some remain.

Much time has been devoted to analyzing the proposed rule change, devising counterpoint to every point. For example, there is a lot of dialogue about what the new rule proposes to count toward CRA credit, where it will count and how it will count. Honestly, from my perspective the entire discussion appears much nuanced, aimed at moving the boundaries in nearly imperceptible measurements, making the changes that much harder to argue against. In this arena, it is the community that has to bring forward agreements against, but should it not instead be that the proposer of the rule change demonstrates how the community will be better off?

In the Toledo metropolitan area (not just city), between 2009 and 2018, the conventional lender invested the following: mortgage loans (dollar volume) to LMI borrowers - $2,773,179,400; business loans to LMI neighborhoods - $865,063,390, and; loans to small businesses - $1,419,242,000. The proposers of the new rule should detail how these numbers will get better, and devise tests to prove the case. Instead, the proposed rules appear like tax code designed to give advantage to a specific constituency.

Please allow me to offer a few examples in support of my commentary:

WHAT COUNTS

Under the proposed rule, affordable housing would be defined as middle income housing in high cost areas. The assumption is that if lower income households could afford the rent that unit would be deemed affordable. My question is: can the lower income household afford a mortgage to purchase that unit? If the lower income buyer cannot get access to reasonable cost financing, the unit in the higher cost area is un-affordable to the LMI homebuyer.

WHERE IT COUNTS

Under the proposed rule lenders would be given credit for CRA activity outside of the institution's assessment area, without regard to the performance in the original designated area. This "new" idea would promote a scenario similar to what Toledo experienced in the 2007-2010 period where affordable housing deals could not obtain sufficient private funding. Larger real estate deals were being funded in other parts of the region, but not in Toledo. This proposed rule would incentivize the retreat of affordable housing development capital from Toledo, with CRA blessing, when it became convenient.

HOW IT COUNTS

Under the proposed rule, there would be limited consideration of bank branches. The "one ratio" approach would penalize conventional lenders who maintained a promise to retain branches in LMI neighborhoods because of the miniscule .3 percentage points gained from the commitment. Lenders already find it unprofitable to maintain full service branches in poorer neighborhoods. The one ration methodology needs to return a full rating value to the branch, because it is the center of a community, just like it was in the past.

Thank you for this opportunity to comment on some aspect of the proposed rule change. I ask that the rule makers work on behalf of the community of constituents that make up the populations that occupy the lower income portions of our country.

If you have any questions, please feel free to contact me at 419-691-2900.

Sincerely,

[redacted]

William Farnsel
Chief Executive Officer