Centrant
COMMUNITY CAPITAL

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

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

RE: OCC Docket ID OCC-2018-0008
FDIC Docket ID RIN 3064-AF22

Dear Sir or Madam:

I am writing you today on behalf of Centrant Community Capital (Centrant), a wholly-owned subsidiary of the North Carolina Bankers Association. Centrant is a mission-driven lending consortium, leveraging the resources of the banking industry to finance affordable multifamily housing. Since our creation in 1990, and with the financial support of nearly 100 member banks, we have provided over $400 million in first-lien, permanent mortgage loans to create or preserve more than 22,000 affordable apartment units in six Southeastern states.

Over our three decades of operation, we have relied upon our member banks to provide the funding behind our loans on a voluntary, loan-by-loan participation basis. Our current membership roster is broad and diverse, including some of the largest commercial banks in the nation participating alongside small, highly localized thrift and mutual institutions. For many of our members, the ability to receive "positive CRA consideration" for their loan participations remains an important motivation behind their membership, and we are proud to serve as community development partners alongside these financial institutions.

We applaud the Office of the Comptroller of the Currency (OCC) and Federal Deposit Insurance Corporation (FDIC) for undertaking this effort to outline a framework for amendments to the rules implementing the Community Reinvestment Act (CRA). We share in the belief that CRA modernization is overdue and necessary, and appreciate the opportunity to submit the following comments in response to the NPR:

- We support the agencies' inclusion of language clarifying the definition of affordable housing to include "naturally occurring affordable housing" (or "NOAH"), as well as the recognition of

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rental housing with rents targeted to LMI residents in high-cost areas. We believe that this clarification will support additional bank investment in critically-needed workforce housing.

- We agree with the proposal to have banks continue to delineate "facility-based" assessment areas (AAs), as well as the various options for delineation as proposed in the NPR. In particular, we support the option to allow banks to designate non-metropolitan statewide AAs, as we believe this option would encourage bank investment in rural communities that might otherwise be overlooked, with more assurance that the banks' CRA efforts will be properly recognized.

- We request that the agencies include more specific guidance in the proposed CRA revisions concerning the recognition and acceptance of community development (CD) lending and other qualifying activities undertaken outside of their delineated AAs – namely, in what has traditionally been referred to as "BSRAs," the broader statewide or regional areas that include an institution's delineated AAs.

    - Past supervisory guidance (namely the 2001 Interagency Q&A Regarding Community Reinvestments) stated that such activities would be given consideration "*as long as an institution has adequately addressed the community development needs of its assessment area(s).*" Unfortunately, in our experience, neither the question of adequacy of activities within AAs, nor the willingness to consider CD activities that benefitted BSRAs, has ever been clearly or consistently implemented. As a result, we find that our member banks often reduce or withhold financial support for our loans that are not in an AA out of concern that they will not receive CRA credit, even if they would otherwise support the project and would generally favor participation in our loans. On the other hand, projects located in high-demand CRA markets are often over-subscribed by a ratio of 3:1 or more.

    - **Our primary concern with the NPR, as presented, is that this issue does not appear to have been addressed with clarity or certainty,** beyond a statement in Section IV.B. that "*the agencies recognize that there are certain communities of need where banks have a limited physical or deposit-taking presence*," and "*the proposed rule would allow banks to receive credit for qualifying activities conducted outside of their assessment areas in determining their bank-level ratings*."

- Rather than attempt to determine or define what level of activity within AAs is considered "sufficient" <u>before</u> taking BSRA CD activities into consideration, **we suggest that financial institutions should receive credit for their CRA-qualified activities regardless of location,** so long as they receive an overall CRA rating of **"**Satisfactory" or better**.** We recognize that it may still be necessary for examiners to evaluate some level of sufficiency within a bank's AAs – that is the primary intent of CRA. However, banks should not be discouraged or penalized for pursuing qualifying activities that do not happen to be in an AA.

- While we support the goal of creating a publicly-available list of CRA-eligible activities, and expanding the scope of what is generally recognized as eligible, **we are concerned that the proposed scope of expanded activities recognized in the NPR is overly broad, and may have the unintended consequence of undermining financial support for the**

**preservation and creation of affordable housing** – arguably one of the most pressing public policy challenges we face today as a nation.

- We appreciate that the proposal provides enhanced weighting for the Housing Credit and other activities, but are concerned that this incentive will not be sufficient motivation for banks to seek out these investments. When compared to many of the other activities and investment types in the CDLI category, Housing Credit investment and lending activities are considerably more complex, less liquid and longer in duration than many of the other activities specifically listed in the NPR.

- We are particularly concerned by the introduction of investments in community facilities, municipal bonds and MBS not issued by state and local housing finance agencies, and essential infrastructure – which, while necessary and important, may only partially benefit low- and moderate-income communities or low- and moderate-income persons. From a business perspective, these types of activities may be perceived as much more attractive and less risky than affordable housing investments and lending, without providing commensurate or easily measurable community impacts.

- We recognize that the agencies' proposal to implement a standardized "CRA Evaluation Measure" and its related ratios is an attempt to establish objective criteria for evaluation. However, it is our position that:

  - There is no "one-size-fits-all" calculation that can be created to work for all banks and local communities due to variations in asset size, population and access to economic opportunities;
  - Reliance upon a bank's balance sheet holdings, as opposed to measurable activities such as originations and purchases, may create an unintended bias toward larger and/or simpler opportunities (e.g., buying and holding mortgage-backed securities rather than originating loans) that more effectively "check the box" for compliance with regard to the CRA Evaluation Measure formulas.

- Regardless of how AAs are defined, CD/CRA activity is tallied or ratings are evaluated, there will continue to be concerns and ambiguity without proper training and guidance of both bank representatives and agency examination staff. We encourage the agencies to jointly develop comprehensive industry and examiner training to ensure consistency and support well-informed judgements about topics such as performance context, innovation, and community needs, as well as CD practices.

- Finally, it is our sincere hope that the OCC and FDIC will join in partnership with the Federal Reserve prior to the issuance and adoption of any final revisions to CRA. For the sake of consistency and fairness, our nation's banks deserve nothing less than a uniform approach to CRA implementation.

We believe that the CRA is vital to the economic health of our nation's Low- to Moderate-Income (LMI) communities and people, and that a clearly outlined and consistently applied CRA can be an important component of the business plans of the nation's banks. Our experience has also shown that the nation's banks are willing to serve these communities for a host of reasons beyond simple regulatory compliance. As this conversation continues, we are optimistic that there is a path to CRA reform that is clear, modernized and mutually beneficial for banks and the communities they serve.

Thank you again for the opportunity to provide these comments. If I may be of additional assistance, or provide additional supporting information, please do not hesitate to contact me directly.

Sincerely,

[redacted]

David R. Bennett
Executive Vice President