MONTGOMERY HOUSING ALLIANCE

www.montgomeryhousingalliance.org

A coalition of organizations focused on increasing the rate of preservation and development of affordable housing in Montgomery County

April 8, 2020

To Whom It May Concern:

Montgomery Housing Alliance opposes the proposed changes to the Community Reinvestment Act (CRA). The Office of the Comptroller of the Currency's (OCC) and Federal Deposit Insurance Corporation's (FDIC) Notice of Proposed Rulemaking (NPRM) would result in significantly fewer loans, investments, and services to low- and moderate-income communities and communities of color, effectively re-legalizing redlining. Additionally, it would make banks far less accountable to the communities they serve.

Montgomery Housing Alliance (MHA) is a coalition of organizations working to increase the rate of preservation and development of affordable housing in Montgomery County, Maryland. Our members include non-profit developers, for-profit developers with a specific interest in affordable housing, non-profit organizations that serve people in need of affordable housing, and other groups who count affordable housing as one of their policy goals. CRA has had important impacts on the communities MHA members serve. Over the decades, CRA has leveraged significant amounts of loans and investments in low- and moderate-income communities; since 1996, banks have issued almost $2 trillion in small business loans and community development loans and investments in these communities. Significantly and for example, CRA has catalyzed investments in low-income housing tax credits, which, between 1987 and 2017, produced 3.13 million units of the affordable rental housing for households with incomes under 60% of area median income.

We are especially concerned about how the NPRM redefines affordable housing. It expands affordable housing to include middle-income housing in high-cost areas; additionally, the NPRM would count rental housing as affordable if low-income households could afford the rent levels, without verifying that low-income households would be the actual occupants. This could allow banks to get credit for developments that house all high-income households paying low rent. Low-income tenants often have credit issues and evictions on their records, and this would impose yet another barrier for them to overcome, competing with high-income tenants for low-cost units.

Additionally, the NPRM dramatically expands which activities would be eligible for CRA credit. The strength of CRA is in the feedback loop it creates between communities, banks, and regulators. The credit needs of communities are distinct and diverse, and current regulations emphasize the need for banks to collaborate with community organizations to develop innovative products, services, loans and investments that meet each community's credit needs. Switching to a "non-exhaustive list" of eligible activities developed in Washington, DC, and which includes infrastructure, transportation and even sports stadiums, dilutes the significant positive impact on affordable housing and would endanger the ability of organizations to find debt and equity to meet that need for development and preservation, and eliminates a community's voice in determining its needs. Instead, we recommend that the OCC and FDIC develop a list of principles, which defines CRA-qualified activities along with an illustrative, but not definitive, list of activities.
The NPRM also institutes a single ratio to assess how banks serve communities. This one ratio measure consists of the dollar amount of CRA activities divided by deposits. Such a ratio measure would encourage banks to find the largest and easiest deals anywhere in the country, as opposed to collaborating with communities and responding to local needs. The

inclusion of public infrastructure financing as a qualifying CRA activity would further displace smaller dollar financing for small businesses or homeowners.

Further, the NPRM proposes that a bank must meet investment benchmarks in only a “significant portion” of its assessment areas in order to receive a satisfactory or outstanding rating. The rule suggests that a “significant portion” be defined as something more than 50 percent. This approach would effectively legalize and encourage redlining, returning the U.S. to an era where financial institutions had the option to systematically deny financial services to low-income neighborhoods and neighborhoods of color. Additionally, the proposed rule would significantly reduce the importance of bank branches in CRA performance evaluations, likely leading to closures of branches in low- and moderate-income communities.

CRA was originally enacted to end redlining, and drive investment in lower-income neighborhoods and communities of color. The first goal of CRA modernization should be to prioritize the problem CRA was intended to fix. Instead, the proposed regulations would encourage the export of capital from communities, in direct contradiction to the statutory goal of CRA. The NPRM prioritizes policy compliance over impact and outcomes, putting numerators and denominators ahead of families and communities. We urge the OCC and FDIC to discard the NPRM and instead work with the Federal Reserve Board and propose an interagency rule that will modernize CRA in a way that increases reinvestment in low- and moderate-income communities.

Sincerely,

Montgomery Housing Alliance

Action in Montgomery
Affordable Housing Conference of Montgomery County
AHC, Inc.
APAH
Coalition for Smarter Growth
Enterprise Community Partners
Habitat for Humanity Metro Maryland
Housing Initiative Partnership
Housing Opportunities Commission of Montgomery County
Housing Unlimited
Interfaith Works
Keystar Real Estate
MHP
Montgomery County Coalition for the Homeless
Rebuilding Together Montgomery County
Victory Housing