April 8, 2020

Office of the Comptroller of the Currency (OCC)

RE: Docket ID OCC-2018-0008 (Community Reinvestment Act Regulations)

To those who hold the weight of this decision and all those it will impact in their hands:

Our Habitat for Humanity of Greater Sacramento affiliate, a locally supported 501(c)3 nonprofit self-help affordable housing developer, appreciates the opportunity to share our perspective on how proposed changes to the Community Reinvestment Act (CRA) as outlined in the OCC and FDIC's Notice of Proposed Rulemaking would detrimentally cripple access to affordable homeownership, credit, and financial services for the low and very lower income communities and families, seniors, and veterans that we serve and cause irrevocable damage to our region's underserved communities.

Through home build, preservation, and community projects, Habitat for Humanity of Greater Sacramento serves over 2,000 people a year within our region. Currently Habitat for Humanity of Greater Sacramento, one of 1,200 Habitat for Humanity independently operated affiliates across the Country, is the only provider of affordable homeownership opportunities in our region for families in the income range we serve and one of only a few organizations who provides affordable home preservation support. Due to resources, we currently are only able to provide home ownership and preservation support to less than 5% of the inquires we receive for our homeownership and home preservation program. We are extremely concerned about the impact that these proposed CRA modifications would have on reducing critically needed resources for our organization from our largest current funders and partners (banks) and affordable housing developers across our region, state, and country who are already struggling desperately to meet the critical housing need and fight the housing crisis impacting our lower income communities and beyond. We also know that as this fight against COVID-19 continues and the continued economic wreckage grows, the need for affordable housing investment will be in even more dire need.

While we can understand a desire to "modernize" or update the CRA, we have ardent and strong concerns about several of the proposed changes and how they would decrease access to affordable housing for vulnerable underserved communities in our region and across the country – particularly during a time where there will be much investment needed following COVID-19 wreckage.

When these changes were first proposed, they caused us grave concern as to the impact they would have on the under-served communities and individuals that we partner with. We couldn't understand why, as our country faced our largest housing crisis in history, a proposal that would allow the largest required investors of affordable housing to not invest in where it is most needed it would even be on the table for consideration. **Now, amidst the COVID-19 crisis and the gut-wrenching economic impact this pandemic is having on all communities, but particularly our lower income and our country's most vulnerable communities, we hope that these paralyzing proposed changes to the current CRA will be dropped. <u>This is not the time when banks should be given the opportunity to stop investing in lower income communities, it is the time when they should be asked to invest in and support these communities more.</u>**

When the Community Reinvestment Act was created it was to guarantee that banks meet the credit and banking needs of the entire communities in which they are located – including lower income communities. Any changes made to the Act must ensure that the intent of the Act remains a consistent and transparent system that meets the accessibility and credit needs of low- and moderate-income people rather than decrease incentives for resources which support them.

Below you will find some of our gravest concerns regarding the proposed CRA changes:

Proposed Single-Ratio Metric

The proposed single-ratio metric significantly reduces the importance of placing bank branches in low- and moderate-income communities. The new, proposed single ratio metric applies a factor of .01 to local financial service performance, reducing bank presence and activities in LMI neighborhoods to a tiny factor in achieving a passing grade.

Which means if a bank with 25% of branches currently in low-income communities decides to literally close every single branch it would scarcely impact that bank's ability to achieve a passing grade at all. Such an effect would lead to significant branch loss in LMI communities (as well as loss of jobs, vacant buildings, increased crime from lack of access to capital), a decrease in lending to small businesses and local LMI homebuyers, and more unbanked residents in underserved communities. After all, when given the option with no detriment not to be located in a LMI community – why would a bank choose to be in a lower incoming community over a higher income community?

As of today, our unemployment rate in the US due to COVID-19 is leading to the highest levels since the Great Depression and economists say it will take quite some time to recover. Our lower income communities are the communities which have been hit the hardest and will be hit harder still as this continues. Why at this time would taking away incentives for banks to serve these communities and individuals even be on the table?

Passing Grade Only Needed in 51% of Assessment Areas

Proposed changes to the CRA will allow banks to receive a strong overall rating with a passing grade in only 51% of their assessment areas. This is deeply concerning, as it could mean that a bank could choose to ignore the credit needs of half of its assessment areas, and still have an "outstanding rating."

Lower income individuals need access to credit. They use credit for their education, for access to transportation, and more. They do not have family wealth or high earnings. As many lower income earners (restaurant staff, retail, gig workers, uber drivers, janitors) have now been left jobless due to COVID-19 impact – investment and access to credit for these LMI communities is more critical than ever to ensure they have a lifeboat and a fighting chance.

Changes to Eligible CRA Activities

The Proposed Rulemaking expands the list of eligible activities to qualify for CRA credit (such as allowing athletic stadiums and bridges to qualify which are clearly not whatsoever related to lending to low-income homebuyers or small businesses or to ensuring the availability of financial services in low- and moderate-income communities) are completely disingenuous from what the CRA was created to do.

These eligibility changes stray far from the CRA's original purpose which was to support LMI communities and bridge the gap between the haves and have nots and will likely end up encouraging lending capital that would have previously been sent to lower-income homebuyers to instead be sent to middle or higher income homebuyers.

I can tell you from the hundreds and hundreds of applications we get alongside desperate pleas for help – it is challenging enough for lower-income individuals and homebuyers to access capital. It is also challenging enough, as an affordable home developer, to get capital for our projects to serve them. I implore you not to take away the largest lifeline we have.

As a local organization that serves thousands of individuals a year and is funded primarily through private donations, sales from our ReStore retail outlet, and mortgage repayments from our families (who both build and pay for their affordable homes), our largest private funding sources are heavily comprised of bank partnerships who use their investments in our and other affordable housing projects for CRA credits. These banking partnerships include everything from project sponsorships, third party lending, ZEM mortgage purchasing transactions to support infrastructure and land acquisition, and more. Were banks to lose their incentive to partner, it would be crushing to our organization and to the hundreds and hundreds of housing insecure individuals we would not be able to provide affordable homeownership and preservation opportunities to now or in the future. It would also have a significant detrimental impact on the underserved communities in which we build, preserve, revitalize, and uplift through our various

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projects. In the City of Sacramento, the most recent Sacramento Housing Alliance study showed that there are over 62,000 families in need of affordable housing and this number does not take into account the countless numbers of seniors who are struggling to remain in their homes and avoid displacement due to deferred maintenance. The housing crisis in Sacramento, across our state of California, and across our Country is at an all-time critical level without enough resources to go around as is. To deplete the largest funding source for so many affordable housing developers would be catastrophic to the efforts to fight the housing crisis inflicting our region and beyond.

Habitat for Humanity of Greater Sacramento is deeply concerned that the Proposed Rulemaking would significantly reduce access to credit for qualified, low- and moderate-income homebuyers in the communities we serve, while reversing progress made to decrease gentrification, redlining, racism, and to support revitalizing chronically under-served and distressed communities.

The OCC, FDIC, and Federal Reserve's revised rulemaking should INCREASE bank activity in underserved neighborhoods, NOT reduce incentives for banks to invest in already undeserved and highly distressed markets.

We call on the OCC and FDIC to completely revise or stop entirely its Proposed CRA Rulemaking—to ensure that any "modernization" or update of it will not reduce the availability of lending, investments, and financial services for low- and moderate-income homebuyers, small businesses, and neighborhoods.

As I mentioned earlier, **this is not the time when banks should be given the opportunity to stop investing in lower income communities, it is the time when they should be asked to invest in and support these communities more. To allow the proposed changes of the CRA to go through now amidst the largest affordable housing crisis in our nation's history, COVID-19 economic impact, and the oncoming recession would be like taking away the very few oxygen masks left to keep many of our LMI communities and individuals with any hope of surviving or breaking their cycle of poverty, reliance, and subsistence.**

Thank you for addressing these concerns with the proposed changes to the CRA.

Sincerely,

[redacted]

Leah Miller,
President and CEO of Habitat for Humanity of Greater Sacramento