April 8, 2020

Office of the Comptroller of the Currency (OCC)
RE: Docket ID OCC-2018-0008 (Community Reinvestment Act Regulations)

To Whom It May Concern:

Guadalupe Neighborhood Development Corporation (GNDC) is thankful for the chance to share its view on the changes proposed for the Community Reinvestment Act (CRA) by the OCG and FDIC's Notice of Proposed Rulemaking. GNDC is a 501(c)(3) non-profit that celebrates nearly forty years of service to its community as an affordable housing provider to families from East Austin, Texas. GNDC is dedicated to providing high quality, affordable rental housing and homeownership opportunities for low to moderate income families. GNDC also works for the improvement, revitalization and preservation of the residential neighborhood. The CRA plays an important role in the work GNDC does by providing the communities we serve with banking needs, helping us access construction loans to develop affordable housing, and by making available mortgages for low and moderate income home ownership opportunities. GNDC appreciates the opportunity to share our significant concerns about how the suggested changes to the CRA will negatively impact our work and the families we serve.
Several proposed changes threaten this core objective:

Proposed Single-Ratio Metric
GNDC is very concerned about the proposed "single-ratio" metric. Under this proposal, a bank's lending, investment, and financial service performance would be assessed primarily by the overall dollar volume of CRA activities as a percentage of total bank deposits. This represents a significant shift away from the current practice of assessing the number of loans originated and evaluating performance based on the relationship of investment and lending activities to local credit needs. Emphasizing dollar volume, without regard to type of investments, will favor larger and easier loans at the expense of lower-value loans, such as mortgages used by lower-income homebuyers to purchase a home. This would negatively impact Habitat's ability to extend affordable homeownership opportunities to partner families, especially in under-served communities. We are also concerned that the proposed single-ratio metric significantly reduces the importance of placing bank branches in low- and moderate-income communities.

Passing Grade Only Needed in 51% of Assessment Areas
GNDC has significant concerns about the proposed changes to the CRA that will allow banks to receive a strong overall rating with a passing grade in only 51% of their assessment areas. This could allow a bank to choose to ignore the credit needs of half of its assessment areas, and still receive an outstanding rating. This change threatens the very purpose of the CRA and will have negative impacts on many organizations working in affordable housing and pursuing mortgages for housing development.

Giving Banks Credit for CRA Activity Located Outside of their Assessment Areas
GNDC is concerned that the Proposed Rulemaking would allow credit for CRA activity outside of banks' assessment areas regardless of performance in their assessment areas. We believe this will further enable and encourage banks to shop nationally for the largest possible deals in which to focus their CRA activities, at the expense of smaller loans and investments that are more responsive to local needs, including those of lower-income homebuyers.

Changes to Eligible Activities
Lastly, the Proposed Rulemaking expands the list of activities eligible for CRA credit to many activities with no direct relationship to lending or financial services for low-income homebuyers or small businesses. We have strong concerns with:

- Including stadiums and bridges as eligible activities;
- Relaxing the definition of affordable housing to include middle-income housing in high-cost areas;
- Granting CRA credit to financial education services for middle- or high-income individuals;
- Eliminating neighborhood stabilization as part of the definition of community development;
- No longer requiring eligible activities to primarily benefit low- and moderate-income communities; and
- Assuming housing to be affordable if lower-income people can afford to pay the rent, even if it is not actually available or occupied by lower-income people.
- These eligibility changes stray far from the CRA's original purpose and will likely draw lending capital away from the lower-income homebuyers with whom we partner—especially if coupled with a shift to a dollar-volume-based metric that favors large single loans over smaller-value loans.

Since 1981, GNDC has worked to develop high quality affordable housing. GNDC's rental program includes 50 single-family/duplex homes and 57 multifamily units with rent set at or below 30% of the household's gross income. GNDC provides property management services for all of its rental housing, as well as financial and homeownership counseling. Since 1983, GNDC has offered home ownership programs that have helped over 50 families experience the dream of home ownership. In 2012, GNDC developed the first Community Land Trust (CLT) home in Texas and has now sold 18 CLT homes. GNDC works with its tenants to improve their credit with a goal of moving to home ownership. Bank partnerships through the CRA have been vital to assisting GNDC in accessing loans for these projects and helping ensure its buyers that mortgages will be available for them to access homeownership. GNDC believes the combined effect of: 1) measuring CRA activity primarily by total dollar volume; 2) allowing banks to ignore virtually half of their assessment areas and still receive outstanding performance ratings; and 3) expanding eligible activities beyond those directly benefitting low-to-moderate-income communities or residents, will significantly undermine banks' incentives to meet the credit needs of every low-income community in which they take deposits, and to make capital available to the lower-income homebuyers with whom we partner, significantly impacting our work.

It is critical to GNDC that any changes made to the CRA allow it to keep with its original intention of providing a consistent and transparent system that meets the credit needs of low- and moderate-income people. The proposed changes will be detrimental to our work developing affordable housing and will have significantly negative impacts on our ability to develop relationships with banks, attract investments in our projects, and ensure our clients receive the banking services they need. We hear time and again that bankers approach us, wanting to work with us, because of the CRA. Without such incentives, the housing deficiency that has already put Austin in crisis will be made significantly worse.

We call on the OCC and FDIC to revise its Proposed Rulemaking—or to start over if necessary—to ensure that any modernization of the Community Reinvestment Act will increase rather than reduce the availability of lending, investments, and financial services for low- and moderate-income homebuyers and communities.

Thank you for your attention to these concerns.

Sincerely,

Rachel Stone, Assistant Director
Guadalupe Neighborhood Development Corporation