Habitat for Humanity®
of Wake County
Serving Wake and Johnston Counties

April 8th, 2020

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

To Whomever It May Concern:

Habitat for Humanity of Wake County greatly appreciates the opportunity to share its input on the proposed changes to the Community Reinvestment Act (CRA). These changes, as outlined in the OCC and FDIC's Notice of Proposed Rulemaking, will have an impact on the families and communities we serve, in regard to access to homeownership, credit, and financial services. While we appreciate the need to modernize the CRA, Habitat Wake has strong concerns about several proposed changes, as described below.

Habitat Wake was founded in 1985 to address the need for affordable housing in Wake county, North Carolina, merging with the adjacent Johnston county in 2018. We envision a world where everybody has a safe place to live, and work to meet this goal by building high-quality affordable homes, repair and preserve affordable homes, and advocate for more affordable housing. To date, we have built 750 homes, providing families with a safe and affordable place to call home.

Habitat Wake recognizes the importance of bank partnerships in filling lending, service, and investment gaps in Wake and Johnston counties. The CRA plays a significant impact in incentivizing partnerships with banks; many of the banks that Habitat Wake partners with for mortgages receive CRA credit for working with us. This ultimately increases our ability to provide affordable mortgages to qualified, low- to moderate-income families. We have been able to see an increase in construction of affordable homes as a result of partnering with CRA-incentivized banks. For example, from 1985 to 2014, Habitat Wake operated without CRA partnerships. In 2015, we built 39 homes, but in 2019, that number increased to 74 as a result of $12 million in funding from banks seeking to fulfill their CRA obligations. Our partners have made it abundantly clear that the Community Reinvestment Act is the primary reason for their involvement.

It is important to note that our home loan clients default less than the national average and have a foreclosure rate near zero percent. The CRA is the only incentive for banks to provide service to these homeowners, as financial incentive alone is not strong enough. We know how important it is to provide affordable housing for the families in our community, and CRA credit to banks furthers our ability to do so. Weakening incentives for banks to meet the credit could drastically and negatively impact the credit and banking needs in Wake and Johnston counties and beyond.

The Community Reinvestment Act was created in 1977 to ensure that banks meet the credit and banking needs of the entire communities in which they are located. While Habitat recognizes the need to modernize the CRA, any changes made to the Act must ensure that there remains a consistent and transparent system that meets the credit needs of low- and moderate-income people. Several proposed changes threaten this core objective:

Proposed Single-Ratio Metric

The proposed “single-ratio” metric raises significant concerns for Habitat. 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

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 receive an outstanding rating.

Giving Banks Credit for CRA Activity Located Outside of their Assessment Areas

The Office of Government Relations and Advocacy Habitat for Humanity 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.

Reducing incentives for banks to invest in low-income homebuyers and communities has the potential to negatively impact Habitat Wake's work in creating increased access to affordable housing through homeownership. Our ability to provide affordable mortgages in partnership with bank lenders has a positive impact on the homeowners, permeating into the entire community. The regulatory changes described above will inhibit our organization's ability to have this impact.

Habitat for Humanity is deeply concerned that the Proposed Rulemaking will significantly reduce access to credit for qualified, low- and moderate-income homebuyers in the communities we serve while reversing progress made to revitalize historically under-served and distressed communities.

We believe 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 benefiting 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.

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

Habitat for Humanity®
of Wake County
Serving Wake and Johnston Counties

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,

[redacted]

Bill Ahern
President/CEO of Habitat for Humanity of Wake County