From:	Carrie Rathmann
To:	Comments
Subject:	[EXTERNAL MESSAGE] RIN 3064-AF22 - Comments
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February 21, 2020

RE: Notice of Proposed Rulemaking, Community Reinvestment Act Regulations

To Whom it May Concern:

Habitat for Humanity Philadelphia opposes the proposed changes to the Community Reinvestment Act (CRA) regulations as deeply misconceived. The OCC and FDIC would lessen the public accountability of banks to their communities by enacting unclear performance measures on CRA exams that would not accurately measure a bank's responsiveness to local needs. Contrary to the agencies assertions that their changes would increase clarity and CRA activity, the result will be significantly fewer loans, investments and services to low- and moderate-communities (LMI).

Habitat for Humanity Philadelphia builds strength, stability and self-reliance through affordable housing. We build, rehab and sell homes to hard working low-income families so they too can experience the opportunities and benefits that come with affordable homeownership. We also repair the homes of existing low-income homeowners. These are folks that have little other chance at assistance. Our homeownership program assists families making between 30-60% of Area Median Income. These are families that have NO OTHER entry from which to become homeowners.

At Habitat Philadelphia we, the communities we work in, and the individuals we work along side, greatly depend on CRA initiated investments to support our work. A large portion of the funding we receive from banks is the directly tied to banks'need for CRA credit. Here are some of the ways we rely on the current CRA regulations to ensure we can stay out there in communities providing our housing solutions:

Ve sell Habitat mortgages to leverage funds to develop more housing. Currently the bulk of our mortgages are Habitat originated and held. This is to allow our families to have a low-interest or zero interest mortgage. Also, these families would likely not ever get a traditional bank loan for various reasons:

A. Racist lending policies that shut out communities of color – especially African American neighborhoods and loan applicants;

B. Poor credit history; and

C. Smaller loans that banks often overlook for origination.

Bank originated mortgages for the low-income families we work with. Banks

will only originate these smaller and potentially higher-risk mortgages because of current CRA regulations. If Habitat is going to continue to build and sell homes we are dependent on generating some revenue at time of sale, so we can invest in the next project.

Grants for housing development and repair.

Partnering on Federal Home Loan Bank funded projects.

Home repair loans for lower income families.

Home equity loans for families that Habitat works with.

Equity investments in tax credit projects that fund Habitat development.

Habitat Philadelphia is just one of nearly 2,000 affiliates across the country. Together, we make up the largest affordable home builder in the US. Habitat affiliates generally build and sell a minimum of 10,000 units annually – and that number is growing as we are all working to meet the rising demand for affordable housing in our markets. This does not include the tens-of-thousands of homes repaired annually throughout the country – keeping people in their homes and communities. These changes could bring our affiliate network to a halt. At best, it will make it less likely that we were receive similar levels of funding from banking institutions. At worst- we could find we can no longer finance our affordable home development. And, this does not even take into consideration that myriad of ways our communities access banks and their products for other business and family needs.

The fact that the OCC and FDIC agencies would dramatically lessen CRA's focus on LMI communities could be devastating. We have seen, first hand, how the inequity in bank lending and investment, through redlining and other predatory practice or exclusion, has devastated communities of color and essentially created and maintained the racial wealth gap in the US.

If the proposed changes are made, the definition of affordable housing would be relaxed to include middle-income housing in high cost areas. In addition, the Notice of Proposed Rulemaking (NPRM) would count rental housing as affordable if lower-income people could afford to pay the rent without verifying that lower-income people would be tenants. We all know that this would result in more people of means simply getting a discount on their rents as they already have the access to be best informed and take advantage of opportunities as they arise. No doubt, this would further housing inequity and lack of access to affordable housing.

The NPRM would add financing large infrastructure such as bridges as a CRA eligible activity. It is likely that these highly-public and highly-visible projects would be more attractive to banks than investments and lending that would help meet the needs of lower-income communities and potentially build wealth for families in need.

While the NPRM recognizes changes in the banking industry such as the increased use of online banking, the NPRM's reforms to the geographical areas on CRA exams are problematic and would reduce transparency. Neither the agencies nor the public can evaluate the agencies' proposal to designate additional geographical areas on exams in the case of internet banks due to the lack of publicly available data. The public does not have a fair chance to offer comments on the effectiveness of significant proposed changes whose impacts are unknown. The public should have full ability to comment as essentially these investments are our money.

The agencies propose an evaluation system that would further inflate ratings while decreasing the responsiveness of banks to local needs. The agencies propose a one ratio measure that would consist of the dollar amount of CRA activities divided by deposits. This ratio measure would likely encourage banks to find the largest and easiest deals anywhere in the country as opposed to focusing on local needs. Since banks could fail in one half of the areas on their exams and still pass under the proposal, the likelihood of banks seeking large and easy deals anywhere would increase. Also, the proposal would relax requirements that banks serve areas where they have branches first before they can seek deals elsewhere.

The proposal would retain a retail test that examines home, small business and consumer lending to LMI borrowers and communities but this retail test would only be pass or fail. In contrast, the current retail test has ratings that count for much more of the overall rating. Moreover, the proposal would result in branch closures since it would eliminate the test that scrutinizes bank branching and provision of deposit accounts to LMI customers.

The agencies also propose to allow banks that receive Outstanding ratings to be subject to exams every five years instead of the current two to three years. This would result in banks not making much effort in the early years of an exam cycle to serve their communities.

Small banks with assets less than $500 million could opt for their current streamlined exams instead of the new exams. The new exams would require banks to engage in community development financing while the existing small bank exams do not. This is another loss for communities.

Instead of weakening CRA, the agencies must enact reforms that would increase bank activity in underserved neighborhoods. The agencies do not address persistent racial disparities in lending by strengthening the fair lending reviews on CRA exams or adding an examination of bank activity to communities of color in CRA exams. At the very least, the agencies could add a category on CRA exams of underserved census tracts, which would likely include a high number of communities of color. The agencies also require banks to collect more data on consumer lending and community development activities but do not require banks to publicly release this data on a county or census tract level. Finally, the agencies do not require mandatory inclusion on exams of bank mortgage company affiliates, many of whom engaged in abusive lending during the financial crisis.

This deeply flawed proposal would result in less lending, investing and services for communities that were the focus of Congressional passage of CRA in 1977. This backtracking will violate the agencies' obligation under the statute to ensure that banks are continually serving community needs. The FDIC and OCC need to discard the NPRM, and instead work with the Federal Reserve Board and propose an interagency rule that will augment the progress achieved under CRA instead of reversing it.

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