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Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
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Washington, D.C. 20219
Submitted via: https://www.regulations.gov/comment?D=OCC-2018-0008-1515

Chair Jelena McWilliams
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, CA 20429
Submitted via: comments@fdic.gov

Re: Proposed Rule – Community Reinvestment Act Regulations [85 FR 1204, RIN 3064-AF22]

Dear Comptroller Joseph Otting and Chair Jelena McWilliams,

Thank you for the opportunity to comment on the Office of the Comptroller of the Currency's (OCC) Advance Notice of Proposed Rulemaking (ANPR) regarding the Community Reinvestment Act (CRA). CRA has leveraged significant amounts of loans and investments for low-and moderate-income (LMI) communities since its adoption in 1977. It has helped meet the credit needs of many borrowers in various communities, including low-and moderate-income neighborhoods. An updated framework will help regulated financial institutions of all sizes more effectively serve the convenience and needs of their communities (physical locations and online) including LMI populations. This is especially true for residents in rural areas and individuals with disabilities.

Peoples' Self-Help Housing (PSHH) is a 501(c)(3) nonprofit that builds affordable homes with site-based services that offer opportunities to change lives and strengthen communities on the central coast of California. Over our almost 50 year history, we've built over 3,000 multifamily and self-help units to serve low-income households in San Luis Obispo, Santa Barbara, and Ventura Counties.

PSHH is concerned with certain aspects of the recently proposed CRA reforms. The CRA holds banks accountable to the needs of communities they have historically ignored or preyed upon. The federal statute requires each bank regulator, including the OCC, "to use its authority when examining financial institutions, to encourage such institutions to help meet the credit needs of the local communities." 12 USC 2901(b). Instead, the OCC seems to be seeking to dramatically lower the bar and make it easier for banks to pass CRA exams without consideration to the needs of local communities and by diverting CRA's focus on low and moderate income neighborhoods. The CRA has done tremendous good for California and the country and has essentially become a critical partner in the ability of organizations like ours to do our work.

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Throughout California, the CRA has motivated banks to provide loans and investments for affordable housing and economic development. In order to bolster CRA's effectiveness, reforms are necessary to take into account changes in banking and technology. Yet, as the OCC contemplates reform, it must not rush to propose or implement changes that will make banks less accountable and responsive to community needs, which would be counter to the purpose of the CRA legislation. If the OCC proceeds to significantly diminish the importance of assessment areas on CRA exams, the progress that has previously been made to increase lending in low-and moderate-income neighborhoods will cease. The National Community Reinvestment Coalition estimates that low and moderate-income neighborhoods could lose up to $105 billion in home and small business lending nationally over a five year time period, which in California, could mean a loss of upwards of 25 billion dollars.

Affordable rental housing is perhaps the most acute need in most California communities. If the OCC allows the banks to get CRA credit for more activities in more places while setting a low bar for satisfactory performance, affordable rental housing finance will drop precipitously. The overly simplistic formula for grading banks that the OCC is contemplating will mean difficult affordable housing project are not built – those that help seniors, veterans, disabled persons, the homeless and in rural communities. Further, the OCC's suggestion that lending to higher income households could qualify for CRA credit would result in financing development that would price low-and moderate-income families out of their current communities. In gentrifying parts of the state, there is a need for creative financing to preserve affordable housing opportunities. But creative financing projects will suffer most under an OCC system where banks could take the easiest path to comply.

History tells us that banks, without proper CRA incentive, will revert to choosing the easiest, most lucrative activities that counted towards this single performance number test instead of actually serving the diverse financial needs of their communities. Using a one-size fits all, single performance number approach, simply dividing the dollar value of CRA activity by asset size, to rate banks would almost certainly result in a substantial drop in Low Income Housing Tax Credit (LIHTC) investment levels in California and throughout the country. Such an expansion of what qualifies for CRA, a move away from the historic focus on low income communities, and oversimplification of performance measures would gut the CRA almost entirely. For these reasons, we strongly oppose these proposals.

Sincerely,

[redacted]

John Fowler
President & CEO

cc: California Reinvestment Coalition
California Coalition for Rural Housing