February 24, 2020

RE: Notice of Proposed Rulemaking, Community Reinvestment Act Regulations

To Whom it May Concern:

As a leading lender to low and moderate-income homebuyers and homeowners in Central New York for almost 25 years, Home HeadQuarters, Inc. (HHQ) opposes the changes to the Community Reinvestment Act (CRA) regulations proposed by the OCC and FDIC. HHQ believes these changes, if adopted, 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, resulting in significantly fewer loans, investments and services to low- and moderate-income communities (LMI).

HHQ works to combat disinvestment in LMI neighborhoods by providing affordable home improvement lending products, facilitating homeownership through homebuyer education, first mortgage lending, down payment and closing cost assistance, and rehabilitating vacant homes to provide affordable homeownership opportunities and return properties to the tax rolls. This multi-pronged approach stabilizes neighborhoods and helps attract private investment. Much of this work would not be possible without our banking partners and demonstrates the transformative power of the CRA and the creative solutions and partnerships it has helped foster.

One of our most successful programs in this effort is our FlexFund program. The FlexFund is a partnership with local banks who provide capital to HHQ in the form of low interest loans, which HHQ then uses to make home improvement loans to homeowners who fall outside traditional banking standards. In return, banking partners receive CRA credits and interest on their investment when the loan is repaid. Since its inception, the FlexFund has provided more than $23 million in affordable home improvement financing to more than 2,000 homeowners with a default rate of less than 1%. Likewise, HHQ's successful first mortgage lending relies on banks purchasing seasoned loans HHQ has made in LMI neighborhoods to provide HHQ with needed capital to continue making these loans. In 2019, HHQ closed on nearly $7 million in first mortgages helping more than 70 new homeowners become first-time homebuyers, many of whom would not have secured a mortgage on the private market. HHQ also provides homebuyer education for homebuyers who secure their mortgages from many of our partner banking institutions, ensuring they are more prepared and more likely to repay their mortgage in full, and helping to keep banks' first mortgage lines profitable even in LMI neighborhoods.

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Programs like these are a win for both low and moderate-income homeowners, the neighborhoods in which they live AND banks. They have allowed banks and organizations like HHQ to work together to craft and fund creative solutions to their own community needs and evolve these solutions as community needs change. It is worth noting that the FlexFund has been so successful and profitable for both our community and banking partners that banking institutions and organizations in other communities have come to HHQ to learn how to replicate it in their regions. The proposed changes to CRA regulations will likely put programs like this in jeopardy.

The proposed changes would dramatically lessen CRA's focus on LMI communities in contradiction to the intent of the law to address redlining. 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. The NPRM would add financing large infrastructure such as bridges as a CRA eligible activity. Even financing "athletic" stadiums in Opportunity Zones would be an eligible activity. Each of these changes has the potential to dilute the successful programming HHQ and banking partners have implemented for decades.

With the advent of online banking, HHQ believes it is important to revisit geographical considerations in the existing CRA, however, the proposed changes are problematic and would reduce transparency. Further, they are difficult to evaluate due to the lack of publicly available data on internet banking. The public does not have a fair chance to offer comments on the effectiveness of significant proposed changes whose impacts are unknown.

Proposed changes to the evaluation system would further inflate ratings while decreasing the responsiveness of banks to local needs. The proposed ratio measure (dollar amount of CRA activities divided by deposits) would likely encourage banks to find the largest and easiest deals anywhere in the country as opposed to focusing on local needs. The success of the CRA in our market has been due in large part to the partnership of local banks and local organizations working on creative solutions for local problems. This would be lost with banks rewarded for large deals anywhere in the nation.

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, changes to the geographical areas on CRA exams are problematic, particularly with the potential for them to lessen incentives for banks to retain branches in LMI neighborhoods. Last year with the launch of the Syracuse Financial Empowerment Center (FEC) one of the overwhelming barriers for clients of the FEC is being underbanked, which has a ripple effect of decreased savings and a limited or absent credit history. Proposed changes are likely to only make this challenge grow if bank branches become less accessible to LMI individuals. As the Financial Empowerment Center model gains momentum around the country and shows promise in its outcomes to help low-income households gain financial health, the proposed changes will undermine these successes.

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. For example, 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.

I urge you to use caution in considering the proposed changes to the Community Reinvestment Act and to ensure that any amendments adopted are in the spirit of the Congressional passage of the CRA in 1977 to expand financial opportunities and access to low- and moderate-income communities. 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. We applaud the efforts of our local banking partners working with us to invest in our community. It has been to the benefit of our community, our organization, and the banking institutions themselves. We look forward to continuing these partnerships, rather than having them weakened under the current proposal. Thank you for your consideration.

Sincerely,

[redacted]

Kerry P. Quaglia
Chief Executive Officer

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