



April 8, 2020

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

To Whom It May Concern:

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Since 1976, Habitat for Humanity has put God's love into action by bringing people together to build homes, communities, and hope. Since inception, Habitat for Humanity has grown to become a leading global nonprofit working in nearly 1,400 communities throughout the U.S. and in nearly 70 countries worldwide. As a not for profit builder, developer, and lender, we have improved housing conditions for over 13 million individuals globally; becoming the world's largest private builder of affordable housing. During this time, Community Reinvestment Act derived funding has been essential to our work.

Habitat for Humanity appreciates the opportunity to share its perspective on how proposed changes to the Community Reinvestment Act (CRA) as outlined in the OCC and FDIC's Notice of Proposed Rulemaking would impact access to homeownership, credit, and financial services for the lower-income families and communities we serve. While we understand the need to modernize the CRA, we have strong concerns about several proposed changes, as described below.

With one in three renters in the state of California spending over 50% of their income on shelter, safe decent and affordable housing has become very scarce in the Western US. Located geographically in the center of the California, since 1985 Habitat for Humanity Greater Fresno Area has improved living conditions for over 1,000 families in Fresno and Madera Counties. While partnering exclusively with first time home buyers that range between 30 – 80% of Area Median income; and focusing on the most impoverished areas of our region, in 34 years Habitat Greater Fresno has had only one home default.

To make the impact that we have to date, CRA has been an essential ingredient to relationships that we have established, that ultimately have led to the investment in our regions housing stock. As an example, Wells Fargo, California Bank & Trust, Tri-Counties Bank, Premier Valley Bank, Bank of America, Bank of the West collectively have committed and invested millions of dollars in our program via private grants, mortgage purchases, construction lending, volunteer support, and sponsorships by way of CRA mandates.

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 for assessing CRA compliance 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 new assessment metric could also lead to large national banks focusing their activities in neighborhoods with higher property values given that mortgages in these areas would more quickly generate the volume needed to reach an adequate ratio of CRA activities to deposits. Accordingly, the proposed single-ratio metric could have a significantly negative impact on Habitat’s ability to extend affordable homeownership opportunities to partner families, especially in under-served communities.

One of the ways Habitat is able to keep its construction costs low is by way of leveraging volunteer support. Over the past five years Habitat Greater Fresno has amassed over 100,000 hours in volunteer support. Much of said support has come by way of CRA incentivized volunteer commitments in partnership with local financial institutions. Habitat has another concern regarding the proposed single-ratio metric. This metric significantly reduces the importance of placing bank branches in low- and moderate-income communities. Currently, bank branch locations and local volunteering make up one-quarter of a bank’s overall assessment score. The new, proposed single ratio metric applies a factor of .01 to local financial service performance, reducing bank presence and activities in LMI neighborhoods to a tiny factor in achieving a passing grade. By our calculations, a bank with a quarter of its branches currently in LMI communities that decides to close all of those branches would only reduce its ability to achieve a passing assessment grade by 4%. We believe this will likely lead to significant branch loss in LMI communities, a decrease in lending to small businesses if not also to local homebuyers, and more unbanked residents in LMI 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

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, Habitat for Humanity is troubled that the Proposed Rulemaking significantly expands the list of activities that would be eligible for CRA credit, including such uses as athletic stadiums and bridges that are not directly related to lending to low-income homebuyers or small businesses or to ensuring the availability of financial services in low- and moderate-income communities. Of further concern are eligibility changes that involve:

- 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.

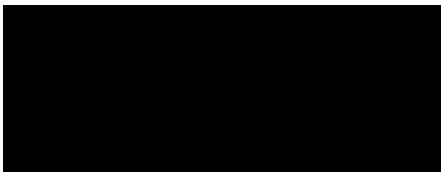
In the City of Fresno alone, 1/3 of the census tracts are above the 90th percentile most economically disadvantaged in the state. If the aforementioned changes were in fact to be implemented, places like Fresno would be left behind. More importantly, the people, (good people I might add) that are largely responsible for feeding the nation and the world would risk being left behind. We are deeply concerned that the Proposed Rulemaking would 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.

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 to include stadiums, bridges, middle-income housing, and other activities that do not primarily benefit LMI 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 humbly call on the OCC and FDIC to revise its Proposed Rulemaking—or to start over if necessary—to ensure that any modernization of the Act will not reduce the availability of lending, investments, and financial services for low- and moderate-income homebuyers, small businesses, and communities. The OCC, FDIC, and Federal Reserve's revised rulemaking should increase bank activity in underserved neighborhoods, not reduce incentives for banks to invest in distressed markets. Any changes to the CRA need to ensure continued availability of credit to all areas and all members of LMI communities, including lower-income homebuyers with smaller-dollar mortgages.

Should you have any questions or comments about this letter please contact me directly at Matthew@habitatfresno.org or via phone at 559.237.4102 ex 100. Thank you for your time and attention to these concerns.

Building Together,



Matthew Grundy

CEO | Habitat for Humanity Greater Fresno Area