

**From:** Meegan O'Neil <meegan@merrimackvalleyhabitat.org>  
**Sent:** Thursday, March 05, 2020 2:06 PM  
**To:** Comments  
**Subject:** [EXTERNAL MESSAGE] CRA Comment: RIN 3064-AF22

To Whom It May Concern:

As the Executive Director of Habitat for Humanity in Lawrence, Massachusetts, I'd like to share my concerns about the proposed changes to the Community Reinvestment Act. I appreciate that it is time to update these regulations, but I'm concerned that the changes proposed would negatively impact homeownership, credit, and financial services for the families and communities in our area.

We work in a wealthy area of the country, where many are fortunate to have access to great schools, great medical care, and great financial opportunity. We see, however, that this opportunity is not equally available to all. Having built homes for more than 100 families in our region over the past 35 years, we know that there are hard-working families deserving of opportunities to build a brighter future. The partnerships we build – with families, volunteers, and donors are what allow us to deliver on this promise.

We are fortunate to have great relationships with a number of local banks. They provide expertise, access to credit, and financial support for our organization. While I firmly trust that they are generous at heart, in my conversations with bank leaders, there is continual emphasis on meeting the requirements of the CRA. In fact, banks looking to grow into our service area have specifically sought partnerships with Habitat, and offer low-interest mortgages to our homebuyers.

While we 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.

Habitat is also concerned that the proposed single-ratio 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. We have already seen that many banks in our area

choose to locate their branches in our affluent, suburban communities, while few choose to provide needed services in our lower-income, urban neighborhoods.

### *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.

For us to continue to do our work as a mission-focused non-profit, we need key partners at the table. Knowing that our local and regional banks have incentive to work with us to meet CRA requirements is an essential tool in the Merrimack Valley Habitat toolbox.

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 like Lawrence.

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 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 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.

Thank you for your attention to these concerns.

Sincerely,

Meegan O'Neil

Meegan O'Neil  
Executive Director



strength.

stability.

and self-reliance through shelter.

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