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WHEDA

MEMO

To: Brian Callanan, General Counsel, U.S. Department of the Treasury
From: Joaquín Altoro, WHEDA CEO
Date: March 9, 2020
Regarding: Comments on proposed changes to the Community Reinvestment Act
OCC Docket #: Docket ID OCC-2018-0008
FDIC Comment: RIN 3064-AF22

In Wisconsin, longstanding partnerships between lenders and the Wisconsin Housing and Economic Development Authority have contributed to important progress in affordable housing and economic development.

WHEDA works with more than 148 participating lenders throughout the state to offer financing for qualified home buyers through conventional mortgages, first-time home buyer mortgages, Federal Housing Administration mortgages and the WHEDA Tax Advantage program. Through the years, these partnerships have helped more than 133,000 families purchase homes and contributed to the development of more than 75,000 affordable rental units statewide.

Just as WHEDA was created in 1972 to expand greater access to affordable housing among low- and moderate- income community members, the Community Reinvestment Act was put into place in 1977 to combat very real and widespread disparities in access to credit in low- and moderate-income neighborhoods.

Despite this shared history, WHEDA cannot fully support the desire among its banking partners for modernization of the Community Reinvestment Act as currently proposed. As written, numerous aspects of the proposed rule run counter to WHEDA's mission, vision and values.

WHEDA appreciates the opportunity to share specific concerns with the hope that the proposed Community Reinvestment Act modernization effort can be strengthened for the benefit of all stakeholders. Among the most troubling elements in the current version:

- **Introduction of a new metric, dubbed the "one ratio" that would be the determinative factor on CRA exams.** The ratio would consist of the dollar amount of CRA activities divided by bank deposits in a way that would favor larger, easier transactions. WHEDA and other stakeholders fear use of this ratio would decrease the number of smaller home mortgages and business loans to borrowers with low incomes. Further, this ratio-focused analysis would diminish consideration of how responsive the activities are to local needs.

- **The test measuring home mortgage, small business and consumer lending – the "retail lending test" – would be supplemental and count for less.** Specifically, home mortgage lending in low- and moderate-income communities would be eliminated as an exam criterion. In other words, banks could fail their retail lending test in half of their assessment areas and still pass the CRA exam.
- **Limited consideration of bank branches and no consideration of bank deposits.** While growing numbers of consumers use online banking services, the presence of financial service providers in low- and moderate-income communities supports access to credit and the tools to build wealth. The "one ratio" approach devalues bank branches in low- and moderate-income neighborhoods and likely will lead to significant branch loss and a decrease in lending.
- **Funding for infrastructure such as bridges would be added as an activity that qualifies as community development.** Even funding for athletic stadiums in low- and moderate-income tracts in Opportunity Zones would be an eligible activity. Unfortunately, these large projects have the potential to produce unintended consequences including increased traffic, gentrification and dislocation of existing residents and businesses without providing real community development benefits.
- **Finally, the proposed rule would dilute the focus on truly small businesses by expanding the definition to include enterprises with up to $2 million in annual revenue.** Meanwhile, family farms with up to $10 million in revenue also would be included as CRA beneficiaries.

WHEDA recognizes the importance of modernization in our financial services sector and appreciates the critical partnerships that have improved the lives of first-time homebuyers, low-income renters and small business owners. However, progress should not come at the expense of safe, affordable housing and economic opportunity for community members with low and moderate incomes. Significant changes to the proposed rule are needed if the CRA is to remain a means for assuring continued progress.

Thank you for the opportunity to comment.

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