The Nickerson Group

April 3, 2020

SUBJ: Community Reinvestment Act (CRA) Comment Letter

Dear Madam/Sir:

The Nickerson Group strongly opposes the proposed changes to the Community Reinvestment Act (CRA) drafted by OCC and FDIC, because the changes would further exacerbate homeownership opportunity initiatives for underserved households and undermine community stabilization efforts in distressed neighborhoods across America.

By way of background, the Nickerson Group is a housing and community development consulting practice led by Craig Nickerson. I have held leadership roles in this field for over 45 years. Key roles have included Executive Director of the City of Boston Housing Department, founder and president of the National Community Stabilization Trust (NCST), national head of Expanding Markets at Freddie Mac, and homeownership advisor to Presidents Bill Clinton and George W. Bush.

I've seen first-hand how the CRA and the complimentary GSE Affordable Housing Goals have played a long-standing, meaningful role in spurring affordable housing and community stabilization. Over the years, banks have learned how to successfully make sound investments in underserved markets, generating homeownership opportunity, more rental housing access, and stimulating small business in underserved markets. It's worked!

But more must be done! Housing and community developments needs are growing; not diminishing. Now, more than ever, we need our financial institutions to invest in low-income and minority neighborhoods. Glaring gaps are growing in household wealth and in homeownership rates in the last 10 years for minority and lower income households. This is a crisis, less visible perhaps than our current pandemic, but nevertheless striking in the implications for many American households. (Please review the attached charts regarding these pervasive gaps.)

The proposed CRA changes will lessen, not strengthen, the ground rules for banks for follow. Let me offer some specific examples.

- The proposed CRA changes greatly weaken community-specific housing-related investments by permitting large infrastructure, transportation and even sports arenas to count. CRA won't create these major investments. These big dollar investments will be driven by the prospect of significant positive financial return and yet the unearned 'icing on the cake' will be considerable credit under CRA.

- The proposed "single ratio" approach will inevitably disregard whether the specific financial needs of communities are being served by the bank investments. We'll lose that connection between bank branches and the community they should serve.

- The huge loophole of meeting investment benchmarks in only a "significant portion" of the assessment areas is unconscionable. And to define "significant portion" as something more than 50 percent is laughable. Let's not give banks an ability to turn their corporate backs on neighborhoods in need.

- More focus in the CRA must be placed on affordable homeownership. Homeownership is the most prominent means by which lower income families build wealth. And yet, the homeownership rate for White non-Hispanics in currently 74%, while the rate for Hispanics is 48% and only 44% for Blacks. That largely explains why the wealth gap is getting worse. For White households, net wealth is $140,500, while the net wealth for Hispanics is $6,300 and $3,400 for Blacks (2016 data). Instead, the CRA changes seemingly will make it worse, encouraging redlining.

- Lastly, non-depository mortgage lending institutions should fall within the Community Reinvestment Act. I realize this 'horse has probably left the barn', but really . . . more than half of all mortgage originations are now made my non-bank mortgage lenders. That has been the case for the last few years and that trend is likely to continue. They should be included.

Updating the CRA surely makes sense. But this current proposal does not preserve the essence of the Act; it does not preserve the original intent. Let's not lose decades of valuable "lessons learned". The OCC and FDIC have strong internal voices focused on community lending. Please use their expertise in redrafting this proposal to meet our current compelling community needs. It's not too late to get it right.

America needs a strong commitment to affordable housing and community revitalization right now, not a free pass to easy compliance for the nation's financial institutions.

Thank you for considering these comments.

Sincerely

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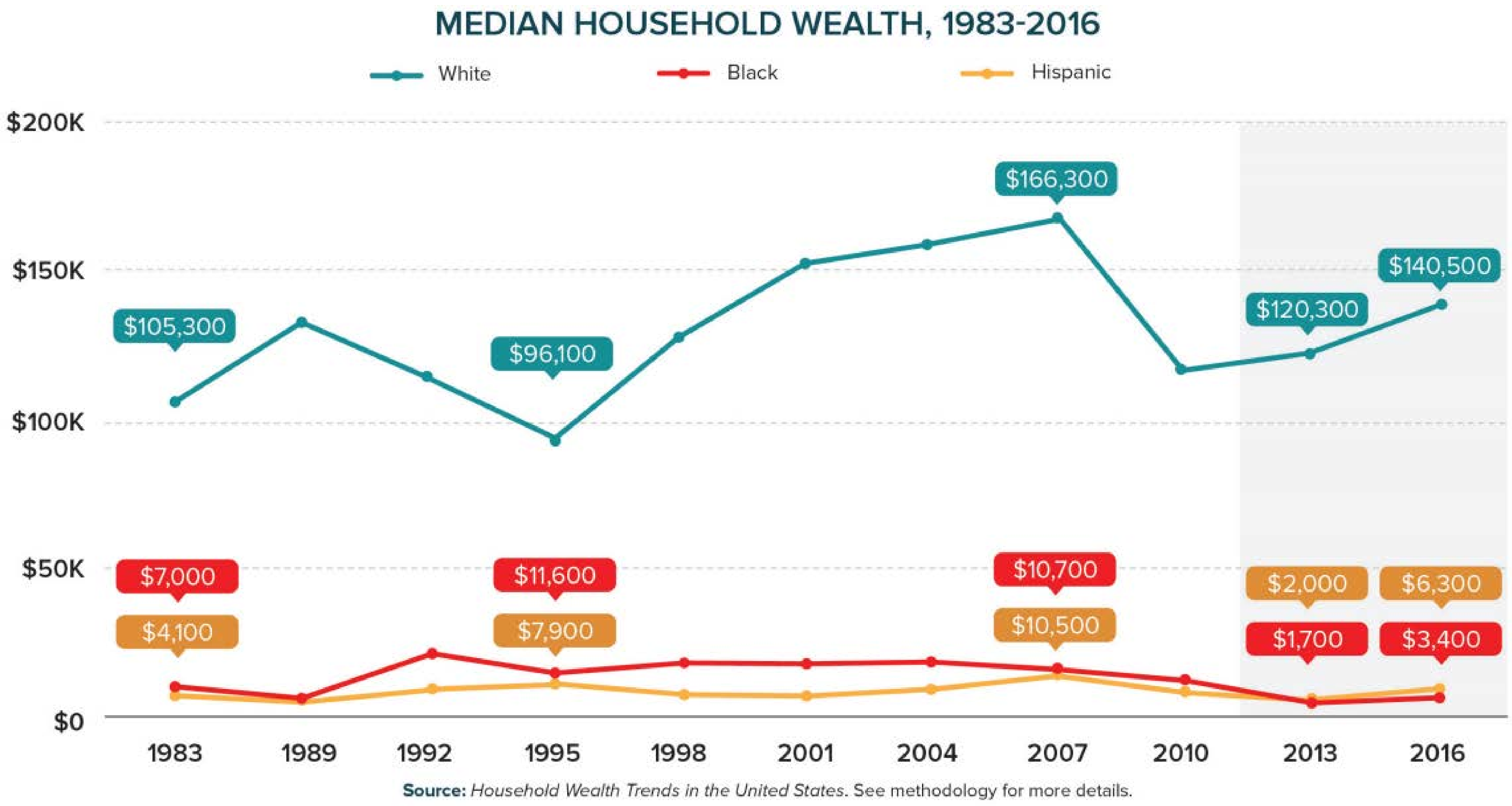
cc: NCRC
NACEDA
NCST
NeighborWorks

Homeownership as a source of wealth



What this chart tells us:

The recovery of household wealth for Blacks and Hispanics since the Great Recession has been much slower than White households

The national homeownership rate from 1995 through Q1 2019

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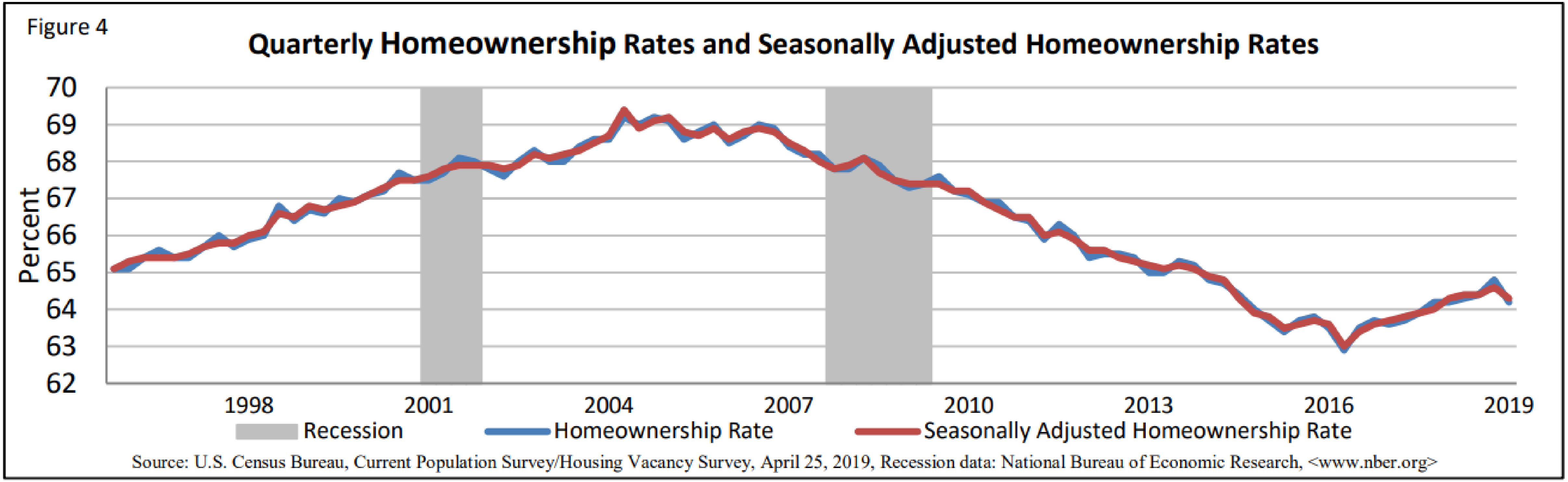
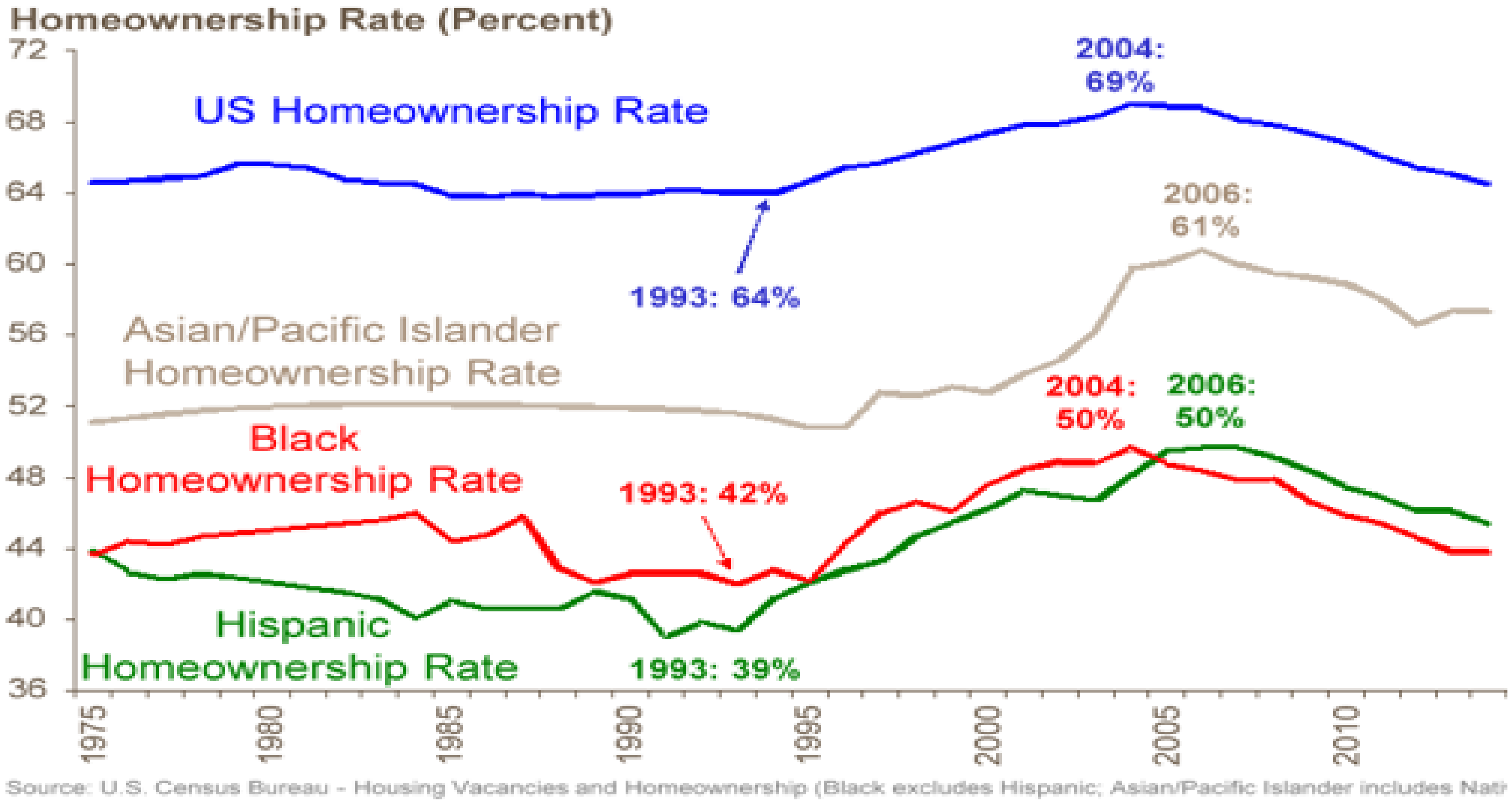


So, what’s going on?

Minority homeownership



2nd Quarter 2019

US 64.10%

Asian 57.70%

Hispanic 46.60%

Black 40.60%