dhic
HOME TO OPPORTUNITY

April 6, 2020

RE: Notice of Proposed Rulemaking, Community Reinvestment Act Regulations

To Whom It May Concern:

I am writing on behalf of DHIC, Inc., one of North Carolina's largest community developers, to oppose changes to the Community Reinvestment Act (CRA) regulations proposed by the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

Established in 1974, DHIC builds, manages, and preserves affordable housing opportunities for seniors, families and individuals, primarily those earning less than 60% of AMI. Since inception DHIC has constructed and/or rehabilitated 350 homeownership units and 45 apartment communities totaling 2,700 affordable rental homes across nine counties in North Carolina. Together, these projects have leveraged nearly $323 million in direct investment from both the private and public sectors, including more than $30 million in permanent financing and/or equity from the sale of Low-Income Housing Tax Credits secured from area banks. Over the years, banks have provided millions in short-term construction loans as well.

We are confident that without the firm mandates under the Community Reinvestment Act as written today, bank financing in our projects would not be adequate or ample to sustain DHIC's productivity on behalf of low-income communities. In addition to the 2,700 low-income households we serve, DHIC's Homeownership Center provides critical homebuyer education workshops and pre- and post-purchase credit and financial counseling services to more than 400 prospective homebuyers annually, approximately 30% of whom graduate to purchase their first home. We know from these constituents that access to fair, affordable financial services and consumer or asset-building credit is among the most difficult systemic barriers to bettering their long-term prospects and achieving greater levels of stability and self-sufficiency.

Given DHIC's reliance on bank financing and the financial needs and goals of our constituents, we are concerned that the proposed rules will significantly diminish capital for affordable housing and mortgages for low- to moderate-income (LMI) people. Specifically:

113 South Wilmington Street, Raleigh, NC 27601
919-832-4345 | www.dhic.org

Homeownership Center
450 East Davie Street, Raleigh, NC 27601

NeighborWorks
CHARTERED MEMBER

The proposal will encourage further erosion of bank branch infrastructure and lending in LMI communities.
By eliminating the current large bank service test and examination of basic banking accounts for LMI customers, banks are off the hook for serving communities who need them most. In addition, the proposed "one ratio" approach devalues bank branches in LMI communities significantly. A bank with 30% of their branches in LMI census tracts would only receive an addition of .3 percentage points in the one ratio. Moving to this approach will greatly diminish the importance of bank branches in CRA compliance, which will likely lead to significant branch loss and a decrease in lending in LMI communities. On-line banking is not enough for our constituents, who benefit considerably from the personal relationships with local banking personnel.

The proposal reduces scrutiny on retail lending.
Under the proposed rules, home mortgage lending in LMI communities is eliminated as an exam criterion. Furthermore, the lending test that looks at home mortgage, consumer and other lending would be pass/fail and would count for much less towards the rating in each Assessment Area and overall. Banks can fail their retail lending test in half of their assessment areas – for example, by refusing to make critical homeownership and consumer capital available in 50% of LMI Assessment Areas -- without penalty. In addition, the proposed rules do not require mandatory inclusion on exams of bank mortgage company affiliates, many of whom engaged in abusive lending during the financial crisis. Reducing scrutiny on retail lending would hurt DHIC's efforts to connect aspiring homeowners with the affordable, fair credit they deserve to purchase houses in neighborhoods they choose.

The definition of affordable housing would be relaxed to include middle-income housing in high-cost areas.
The proposed rules would dramatically lessen CRA's focus on LMI communities, risking a new generation of redlining in and disinvestment from LMI and communities of color. In addition, the rules would count rental housing as affordable housing if lower-income people could afford to pay the rent <u>without verifying that lower-income people would be tenants</u>. This would encourage bank capital to flow to projects that do not actually meet the intent of CRA—to improve housing availability for low-income people—and could in fact spark gentrification as developers look to fill units with individuals who might be better credit bets.

Financing large infrastructure, such as bridges and athletic facilities, would be a CRA eligible activity, diverting divert banks' attention from community development projects in LMI communities. We cannot imagine any circumstance under which financing athletic stadiums in Opportunity Zones should be an eligible CRA activity—even in the City of Raleigh, where one has been proposed. This will shrink the financing available to affordable housing infrastructure. We propose that infrastructure projects like bridges and sewer projects be eligible only if they are *directly* tied to the development of housing opportunities for LMI households.

In short, DHIC's position is that the proposed rule changes will weaken rather than strengthen CRA, encouraging a decrease in bank activity in underserved neighborhoods and continued racial disparities in lending. We respectfully appeal to both agencies to reconsider these rules and ensure any new changes increase bank activity in underserved neighborhoods and reduce persistent racial disparities in lending. We would welcome the opportunity to offer further input in such future discussions.

Sincerely,

[redacted]

Gregg Warren
President and CEO

cc: Rep. David Price, Sen. Richard Burr, Sen. Thom Tillis