



April 7, 2020

Office of the Comptroller of the Currency (OCC)

RE: Docket ID OCC-2018-0008 (Community Reinvestment Act Regulations)

To Whom It May Concern:

Twin Cities Habitat for Humanity appreciates the opportunity to share our perspective on proposed changes to the Community Reinvestment Act (CRA), as outlined in the OCC and FDIC's Notice of Proposed Rulemaking. The CRA is a critical tool for Twin Cities Habitat for Humanity and communities across the country. As the CRA spurs investment in affordable housing and builds partnerships between organizations like Habitat and local banks, we have significant concerns that several of the proposed changes would negatively impact access to affordable homeownership, credit, and financial services for the lower-income families we work with every day.

The mission of Twin Cities Habitat for Humanity is to eliminate poverty housing from the Twin Cities and to make decent, affordable shelter for all people a matter of conscience. Twin Cities Habitat is committed to building the quality of life, health, and economic prosperity of our region by producing, preserving, and advocating for affordable homeownership – because homes and families are the foundation of successful communities. Since 1985, more than 1,300 families have partnered with Twin Cities Habitat to achieve homeownership, building stability for generations.

The Community Reinvestment Act was adopted in 1977 to ensure that banks lend to lower-income census tracts and meet the credit and banking needs of the entire communities in which they are located, boosting the Fair Housing Act. CRA regulations incentivize banks to make capital available to lower-income homebuyers and communities through direct lending, investments, and service.

Partnerships with local banks are vitally important to furthering the mission of Twin Cities Habitat for Humanity, and many of these partnerships are due in large part to incentives from the CRA. For example, our partnership with Bremer Bank, in which Bremer has agreed to purchase 500 below-market Habitat mortgages over four years, will more than double the number of families that can partner with Twin Cities Habitat on affordable homeownership. Partnering with Twin Cities Habitat allows Bremer to make a meaningful investment in the community and demonstrate that commitment through the CRA while greatly extending Habitat's ability to provide affordable mortgages to lower-income families.

We believe that the CRA must remain consistent and transparent in order to meet the credit needs of lower-income and moderate-income people. Several proposed changes threaten to undermine this core objective:

## Proposed Single-Ratio Metric

The proposed single-ratio metric raises significant concerns for us. Under this proposal, a bank's lending, investment, and financial service performance would be assessed 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. We believe that this change will lead to banks favoring larger loans in which to focus their CRA activities at the expense of smaller, lower-value loans and investments that are more responsive to local community needs.

## Passing Grade Only Needed in 51% of Assessment Areas

The proposal to allow banks to receive a strong rating with a passing grade in only 51% of assessment areas is deeply concerning to us, as it could mean that a bank could choose to ignore the credit needs in half of its assessment areas and still receive an outstanding rating. This change represents a significant weakening of CRA regulations.

## Changes to Eligible Activities

Lastly, Twin Cities Habitat for Humanity is concerned that the Proposed Rulemaking expands the list of activities eligible for CRA credit to include activities with no direct relationship to lending or financial services for lower-income homebuyers, such as:

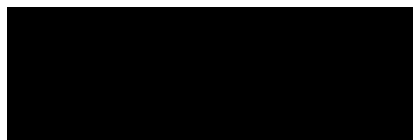
- Including stadiums and bridges as eligible activities
- Relaxing the definition of affordable housing to include middle-income housing in high cost areas
- Granting CRA credit to financial education services for middle-income and high-income individuals
- Eliminating neighborhood stabilization as part of the definition of community development
- No longer requiring eligible activities primarily benefit lower-income and moderate-income communities
- 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

Twin Cities Habitat for Humanity believes it is important that banks have incentives to invest in affordable homeownership. The combined effect of measuring CRA activity by total dollar volume, allowing banks to ignore half of their assessment areas and still receive outstanding performance ratings, and expanding eligible activities beyond those directly benefitting lower-income and moderate-income communities will significantly undermine incentives to meet the credit and banking needs of every lower-income neighborhood. Reducing these incentives strays from the original purpose of the CRA and threatens to draw lending capital away from the lower-income homebuyers we partner with.

We support a continued strong implementation of the CRA that provides a meaningful measurement of investment in lower-income communities. We urge the OCC and FDIC to revise its Proposed Rulemaking to ensure that any modernization of the Community Reinvestment Act will increase rather than reduce the availability of direct lending, investments, and financial services for lower-income and moderate-income homebuyers and communities.

Thank you for your attention to these concerns.

Sincerely,



Chris Coleman  
President and CEO  
Twin Cities Habitat for Humanity