CalHFA California Housing Finance Agency

April 7, 2020

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street, SW., Suite 3E-218,
Washington, DC 20219

Robert E. Feldman, Executive Secretary
Attention: Comments RIN 3064-AF22
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

OCC Docket ID OCC-2018-0008

FDIC Docket ID RIN 3064-AF22

To Whom It May Concern:

The California Housing Finance Agency (CalHFA) appreciates the opportunity to comment on modernizing the Community Reinvestment Act (CRA) regulation. Although CalHFA applauds the intent to modernize CRA and establish more clear rules and benchmarks, we regretfully must oppose the proposed framework. The CRA system is complex and the impacts of these reforms would be far-reaching. At a time of unprecedented unpredictability due to the COVID-19 crisis, we must ensure that we do not implement reforms that would add further uncertainty to the housing market. In particular, CalHFA is concerned that the proposed single numerical test and the expansion of qualifying activities could have the unintended consequence of weakening the incentives for investors to participate in affordable housing.

Established in 1975, the California Housing Finance Agency is the state of California's affordable housing lender. CalHFA's Single Family Homeownership Division, through its first mortgage and down payment assistance programs, has used $28.6 billion to help 188,000 Californians find a place to call home. The Agency's Multifamily Division lends directly to developers of affordable rental housing and has helped create and preserve 67,000 homes through $5.2 billion in lending and bond issuance. We assist low- and moderate-income Californians through partnerships with private and government sectors, local and nationally, to finance affordable housing.

The primary source of financing for affordable housing development is equity generated by the sale of Low-Income Housing Tax Credits (LIHTC) and banks are the primary investors in these credits. Under the current CRA, banks actively compete with each other to lend to and make tax credit investments in developments within their CRA service areas. They offer increased tax credit pricing and lower loan interest rates, both of which make more affordable housing developments feasible and reduce the need for public subsidy. While not perfect, the current CRA system is a model for how regulatory incentives on the private sector can support public needs.

An estimated 85 percent of the annual investment in LIHTC comes from CRA-covered banks, and there is a broad consensus that the "investment test" in the current CRA system is the most important reason why investors buy housing tax credits. There is also broad agreement among leading LIHTC experts that the proposed single-ratio system would weaken incentives for banks to participate in housing tax credit deals. Novogradac & Company commented that the "single-ratio" approach "could result in deemphasizing LIHTC and NMTC equity investment as compared to lending, because it is much easier for banks to make loans, especially in high-cost areas, than it is to underwrite equity investments."

More time is needed to fully assess the impacts of the proposed reforms, and we urge federal regulators to "first do no harm" given the current COVID-19 economic crisis. We request that the OCC and FDIC reconsider their proposals and work with stakeholders to find productive alternatives to maintain the original intent of CRA when passed by Congress in 1977.

Sincerely,

[redacted]

Tia Boatman Patterson
Executive Director

Cc: The Honorable Mike Crapo, U.S. Senate
The Honorable Maxine Waters, U.S. House of Representatives
The Honorable Fiona Ma, California State Treasurer
Secretary Lourdes M. Castro Ramírez, California Business, Consumer Services and Housing
Katie Wheeler Mathews, Office of California Governor Gavin Newsom