ILLINOIS HOUSING COUNCIL

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April 8, 2020

Comptroller Joseph M. Otting
Comptroller of the Currency
Comp 400 7th Street, SW
Washington, D.C. 20219

Chair Jelena McWilliams
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: Community Reinvestment Act Regulations
Docket ID OCC-2018-0008
Docket ID FIDC-RIN 3064-AF22

Dear Comptroller Otting & Chair McWilliams:

I am writing on behalf of the Illinois Housing Council (IHC), a nonprofit membership organization dedicated to the construction and preservation of affordable housing. IHC represents over 250 organizations including for-profit and non-profit developers, financial institutions and lenders, community-based organizations, general contractors and many others who work all across the state of Illinois in urban, suburban and rural communities to build and preserve affordable housing. IHC submits these comments in response to the OCC/FDIC's Notice of Proposed Rulemaking regarding the Community Reinvestment Act (CRA).

The CRA is a major incentive for private investment in affordable housing. Any changes to CRA that reduce this incentive could have a negative impact on the current level of investment and production of affordable housing. The Low-Income Housing Tax Credit (LIHTC) is our nation's primary tool for developing and preserving affordable rental housing, having financed more than 95,000 affordable homes for low-income Illinois residents since 1986. More than three-fourths of LIHTC investment comes from banks that are motivated by CRA requirements. We understand that changes in the banking industry have resulted in a need to modernize CRA, however we urge the OCC and FDIC to consider that the CRA has been a primary driver of private investment in affordable housing and any changes to the CRA that would reduce banks' demand for investing in the Low Income Housing Tax Credit could significantly decrease our ability to provide homes to low-income households.

Given the economic crisis our nation is facing as a result of COVID-19, significant disruptions to affordable housing investment are already likely. We encourage the OCC and FDIC to avoid any changes through CRA reform that could disrupt investment in quality, affordable housing for those in need. We believe the following aspects in the proposal could negatively impact the production of affordable housing:

New Evaluation Methodology:

- The elimination of the separate investment test, and the shift to a ratio evaluation approach in which many more types of activities qualify for CRA credit, could make LIHTC investments a much less appealing way of meeting CRA obligations relative to other easier options.

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- The list of activities that qualify for CRA credit in the community development category is too expansive and would allow for banks to meet their obligations with much lower-impact investments.
- We support the OCC and FDIC's selection of the activities identified for double CRA credit as part of the new evaluation methodology – most investments, loans to CDFIs, and loans to affordable housing. These activities have significant and direct impacts for low-income communities and families. However, we are concerned that the double credit that LIHTC investments would receive is not a sufficient incentive for banks to continue their current levels of investments in these types of activities, given the relatively small size of these investments compared to the potential size of the other qualifying activities.

Evaluating Balance Sheet Activity:

- Examining only balance sheets, and not originations, could mean that banks that have met their single ratio targets based on their current balance sheet assessment would limit or halt new investment activity. The Low Income Housing Tax Credit would be particularly vulnerable to this reaction because the credit would stay on balance sheets (earning double credit) for a long duration – part of the program's design to maintain housing affordability for the long term.

Redefined Assessment Areas:

- We support the modernization of CRA assessment areas to address the concentrations of CRA investments around banks' outdated physical footprints. However, the approach in the proposed rule will not sufficiently address this issue. Creating deposit-based assessment areas for non-branch based banks may encourage more investments in large, high cost markets where there is already a high concentration of CRA-driven investment, without encouraging investment in rural areas. The allowance to fail examinations in some assessment areas will further exacerbate this point.

The CRA is the most significant tool we have to ensure that banks meet the needs of LMI families and communities. At a time when our nation faces a severe affordability crisis and growing shortage of affordable housing that will only be exacerbated by the current public health crisis, we urge the OCC and FDIC to ensure that our nation's primary affordable housing delivery mechanism is at least as efficient and effective as it is today. Thank you for the opportunity to provide comments on this proposal.

Sincerely,

[redacted]

Allison Clements
Executive Director
Illinois Housing Council