HDC
Housing Development Corporation
MidAtlantic

April 8, 2020

To Whom It May Concern:

I am writing on behalf of HDC MidAtlantic (HDC), a Charter Member of NeighborWorks America, to make public comment on proposed changes to the Community Reinvestment Act (CRA) outlined in the recent Notice of Proposed Rulemaking (NPR) by the Office of the Comptroller of the Currency (OCC). Thank you for the opportunity to make comment.

Since 1977, the CRA has encouraged banks to invest in affordable housing and community development. The CRA has been the policy backbone of nationwide efforts to repair past inequities in the housing industry and reverse redlining in communities across the country. Yet the changes outlined in the NPR would dramatically weaken the CRA, leaving the very communities it is supposed to protect open to divestment and de facto redlining. Therefore, we oppose the changes outlined in the NPR.

Since 1971, HDC has been working to provide housing that is safe and affordable to those with lower incomes, focusing on seniors, families, and individuals living with disabilities. Serving over 5,000 residents in 58 communities located in urban, suburban and rural areas across Pennsylvania, Delaware and Maryland, HDC builds hope and opportunity for all residents to reach their full potential by creating, preserving, and strengthening affordable housing communities.

To be clear, our banking partners are absolutely vital to this work and HDC would not be where it is today without their lending and philanthropic support. For decades the CRA has provided the framework within which banks provide resources to organizations like ours, and dramatically altering this framework as the NPR suggests would jeopardize these crucial partnerships.

One of our biggest concerns with the NPR's content is the "one ratio" measure that consists of the dollar amount of CRA activities divided by deposits. Changing CRA exams from the three test model to one ratio will drain the nuance and complexity from the bank's performance and allow them to focus on low-hanging fruit while ignoring the harder to achieve aspects of CRA exam credit.

The NPR significantly dilutes the focus on low- and moderate-income people and communities by expanding the range of CRA eligible activities to include investments in large-scale infrastructure and economic development projects, including professional sports stadiums. The ratio-focused analysis is likely to decrease small dollar lending for small businesses and homeowners and to also decrease bank responsiveness to local credit and capital needs.

Several of the proposed changes particularly impact HDC's geographic footprint serving smaller cities, and rural and suburban communities, in Pennsylvania, Delaware, and Maryland. The decline in syndication value of tax credit equity as a result of the 2019 Tax Bill has hit Pennsylvania's rural tax credit development especially hard. An allocation of tax credits to a rural market occurs every 3 to 4 years as opposed to Pennsylvania's two major urban areas which routinely receive over 40% of the annual tax credit allocation. The proposed changes would further devalue the rural affordable housing market by providing a disincentive to invest. Yet increasing affordable housing option's in HDC's footprint is vital to the low- and moderate-income residents flooding into the market seeking employment in distribution warehouses and processing plants. Many of these new workers are from demographic groups that have been historically disenfranchised, the very groups the CRA was designed to protect, and are potential customers for the banking community.

Historically, the CRA requirement has been a win-win-win for bank and financial investors. Banks received a substantive yield; a secure real estate investment with virtually no risk of foreclosure; and the goodwill created within the community by investing in affordable housing and economic development. The proposed changes allow financial institutions to continue to benefit from their investments while diminishing their requirement to invest in local communities. This would seem to underscore the image of an industry driven by share value with minimal care for the customers that they claim to serve, and is likely to recreate the kinds of unequal access to capital the CRA was created to dismantle.

I am deeply concerned that the proposed changes would undermine the essential purpose of the CRA—ensuring the banks invest directly in the people and communities where they do business, and undermine the win-win-win framework described above. This means the changes would lead to disinvestment in the households HDC serves every day, in turn leading to increased challenges to housing affordability. Furthermore, the changes could destabilize our organization's business model at a time when creating, strengthening, and preserving affordable housing is vitally important to the nation's economy. I strongly urge the OCC and FDIC to withdraw the proposed changes.

Sincerely,

[redacted]

Dana Hanchin
President & CEO