MHP Making Home Possible

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Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street SW Suite 3E-218
Washington, DC 20219

RE: Docket ID OCC-2018-0008; RIN 1557-AE-34, 3064-AF22; - Reform of the Community Reinvestment Act

Dear Comptroller Otting and Chair McWilliams:

On behalf of MHP, I am writing to express our opposition to proposed changes to the Community Reinvestment Act (CRA) as they would result in significantly fewer loans, investments and services to low- and moderate-income (LMI) communities.

By way of background, MHP is a nonprofit affordable housing developer based in Silver Spring, Maryland, just outside of the nation's capital. We are also a member of the NeighborWorks America network, a national affiliation of more than 200 nonprofit community development organizations committed to community revitalization. Our mission is to preserve and expand quality affordable housing throughout the Washington metropolitan region. Our success has been a result of taking a comprehensive approach to developing affordable housing that integrates three things: Housing people; Empowering families; and Strengthening Neighborhoods.

The CRA has been a vital source of capital formation for our organization and the affordable housing industry as a whole. The vast majority of our lenders are banks that are subject to the CRA. The CRA has been successful in many respects, none more so than when it comes to financing and constructing affordable housing. In conjunction with the federal government's Low-Income Housing Tax Credit (LIHTC) program, the CRA has been the driving force behind the creation of new affordable rental housing in this country. If not for the CRA, many of the banks that provide capital to our projects would almost assuredly exit the affordable housing space or require a higher rate of return on their investments.

In addition to motivating banks to invest in affordable housing for low-to-moderate-income households, the CRA has inspired lenders to become philanthropically engaged in organizations that serve the communities where they have customers. Many of the banks we work with have chosen to make charitable contributions to our organization after being exposed to the work we do, which has enabled us to have an even greater impact in local communities.

We would like to address two of the proposed changes to the CRA that are of particular concern to our organization:

Metrics-Based Assessment

As we noted during the ANPR period, a move to a single ratio could undermine the original purpose of the CRA. Adopting a single ratio to evaluate compliance with the CRA will incentivize banks to seek out the largest deals and discourage smaller dollar loans and investments. MHP does not oppose the use of metrics, but we are concerned that establishing a simple threshold will ignore other factors essential to determining whether financial institutions are meeting the needs of low-to-moderate income communities. We appreciate the desire of banks for increased clarity and certainty regarding what activities qualify for credit - we share this goal - but we feel a single ratio goes too far.

To simplify the exam process, we recommend that financial institutions receive credit for any activity undertaken in partnership with a mission-oriented organization that serves low and moderate-income communities. Also, investments in projects funded with LIHTC or investments/ services to provide financial coaching and housing counseling should automatically be eligible for CRA credit.

Assessment Areas

With respect to assessment areas, we recommend that the regulations be expanded to reflect where financial institutions have customers in addition to where they have physical branches. The financial services industry of today barely resembles the one from the 25 years ago when the CRA was last significantly updated. The location of physical branches should still be a component of CRA exams, but banks should also receive credit for community development activities outside of a financial institution's assessment area in order to meet the needs of underserved areas. Moreover, the regulations should be flexible enough to accommodate the whole spectrum of banks, including small, large, regional, non-traditional, in order to ensure that they have choices in how to partner with local organizations and serve a range of communities that are distressed or underserved.

Conclusion

Given the current circumstances we find ourselves in, I would be remiss if I didn't touch on the coronavirus pandemic and how it relates to the CRA. The pandemic will have devastating and long-lasting impacts on small businesses and LMI communities that the CRA is intended to serve. In these uncertain economic times, it is more important than ever that we safeguard fair lending practices. Furthermore, the CRA can play a key role in economic recovery efforts and help ensure that investment continues to flow to historically disinvested communities. As we look to the future, maintaining a strong CRA program will be critical to helping these neighborhoods obtain the capital they need to rebuild and recover.

In closing, MHP strongly supports efforts to modernize the CRA and ensure that banks are given proper credit for lending to low- and moderate-income communities; however, the reforms currently under consideration would represent a huge step backwards for community lending and expanding financial opportunity to more Americans.

Thank you for your consideration of our views on this important matter.

Sincerely,

[redacted]

Rob A. Goldman
President