homeport

April 8, 2020

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

Dear Mr. Feldman:

Homeport appreciates the opportunity to comment on the proposed changes to the Community Reinvestment Act (CRA) regulations. Homeport is 501(c)(3) nonprofit and NeighborWorks America affiliate organization founded in 1987 that provides housing opportunities and related services to low-income individuals and families in the Central Ohio region. Homeport's mission is to create strong communities by developing quality, affordable homes on a cornerstone of dignity, security and opportunity. Since its inception Homeport has participated in the development, sale or preservation of more than 4,000 units of housing in Central Ohio. Over the last five years, Homeport has developed 1,200 rental homes, repaired 148, helped 724 families buy a home, helped keep 325 families in their homes and provided financial counselling and education to almost 8,800 individuals. During this same time, the total amount invested in these activities was just short of $191,000,000.

Homeport welcomes the opportunity to comment on the Office of the Comptroller of the Currency's (OCC) and Federal Deposit Insurance Corporation's (FDIC) Notice of Proposed Rulemaking (NPRM) regarding the Community Reinvestment Act (CRA), a law which we believe is critical to the continued success of housing development and counselling agencies such as Homeport to pursue its work. While the needs of serving the low to moderate (LMI) income population have always been important, both from a social services and economic development perspective, the need has been further magnified during the current COVID-19 pandemic.

While we acknowledge that the modernization of the financial industry does necessitate adjustments to the current CRA regulations, the intent of the regulation is as critical today as ever before. Homeport has serious concerns that the proposed regulation will diminish our ability to serve the needs of the low to moderate population. Furthermore, the more formula driven approach undermines the foundations of CRA which incorporated both community-based focus and sought to mitigate the history of discriminatory and illegal credit practices. Though we understand the need to make the regulation clearer in its execution, that effort must not diminish the original intent to ensure that fair and equal housing and related services are open to all.

As an affordable housing developer, Homeport has relied on the Housing Credit program to provide the necessary capital to develop housing that can support the rent cost levels that our target market can afford. In the Central Ohio area, a growing and thriving region, the poverty population is growing at

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three times the overall population, rent growth is double income growth and only one job category in the top eleven most needed jobs pays a housing wage. Moreover, 54,000 households in Central Ohio at poverty level or below are paying at least fifty percent of their incomes on housing. Commercial banks, encouraged by the current CRA requirements, provide around three-quarters of the equity capital for the Housing Credit program so any change that would have the unintended impact of reducing those investment funds will either have a negative effect on the amount of capital in the market or the price of that capital.

Homeport is well aware of current issues that today mean that there is a less than optimum application of the CRA guidelines, cause a misallocation of capital among geographic areas, create inconsistent application of the rules, impose unnecessary burden upon the banks and create confusion regarding the qualification for CRA credit. As a former banker, I experienced many of those same issues in ensuring compliance with regulation and, while at times it was an inconvenient, the funds – both debt and investment dollars – found their way to organizations such as Homeport to employ the capital effectively.

We would reinforce to the OCC and FDIC that the fundamental purpose of CRA reform is not to make the lives of the financial institutions easier but rather to clarify and simplify the ways in which the financial institutions continue to serve the communities that they serve. Any reform that does not focus on ensuring that the LMI communities are not served will simply exacerbate the continued growing issue that our nation has today regarding affordability of housing across all income levels.

Specific issues in the Rule:

- As opposed to reviewing loan originations, the NPRM recommends review of bank's balance sheets to determine compliance. Housing Credit investments are long-term investments, typically 15 years, and are not particularly liquid. If reviews are balance sheet, rather than originations based, there will be little incentive for the financial institution to continue investing in the community in which it serves. Additionally, allowing for investments that do not directly target the LMI market, such as stadium funding, only serves to make the balance sheet review more suspect as financial institutions will be able to rely on a smaller number of larger investments to comply. The range of activities that qualify as CDLIs is overly broad.
- Eliminating the separate 25% investment test for large banks will reduce the incentive that that has been in place to invest in the Housing Credit program. Again, now as our country is dealing with a massive financial crisis is not the time to reduce investment in our housing stock.
- Permitting a bank to successfully pass their overall CRA exam though it may fail to meet the requirements in all the bank's assessment areas could lead banks to dramatically cut back CRA activity in many of their assessment areas
- The NPRM proposes metrics – 6% and 11% total with 2% community development. At this point, there is no way to tell whether those proposed metrics are enough to support the actual need. So that organizations and communities can better understand the impact, we would request that the OCC and FDIC develop and share the data requested after the proposed rule was released, and then re-publish a proposed rule that gives stakeholders a better understanding of the full impact of the proposed presumptive ratios.

Recommendations:

- Limit the activities eligible for community development credit. While qualifying activities that fit the Community Development test may vary, ensure that it directly impacts the LMI communities that the financial institutions serve. Remove the essential infrastructure and community facilities that may only partially benefit LMI individuals and census tracts.
- Require that banks maintain a certain minimum level of new lending and investment in affordable housing. As noted above, test whether financial institutions have increased, maintained or decreased originations of affordable housing loans and investments relative to previous assessment periods. Activities that provide LMI borrowers with access to wealth-building products, not simply broad consumer credit originations, should only be considered within the Act.
- In general, limit CRA consideration to only mortgages made to LMI borrowers. In most areas, that would be incomes up to 120% of the area median income. Retain the current revenue and loan size limitations for small businesses in order to focus the efforts on those companies that have experienced historic disinvestment.
- Do not use simply Opportunity Zones as a basis for qualifying credit or investment. Simply being located in an Opportunity Zone does not mean that LMI individuals or communities directly benefit.

Homeport appreciates the opportunity to provide the Agencies with our feedback. In summary, we feel that it critical that guidelines in the NPRM continue to provide the needed capital to both revitalize communities impacted by disinvestment and directly benefit the needs, now more than ever before, of low to moderate income individuals and communities. Additionally, it is critically important that any new rules are consistent across the entire industry and, thus, would urge the Agencies to engage the Board of Governors of the Federal Reserve.

Sincerely,

Bruce Luecke
President & CEO

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