



August 5, 2022

Martin J. Gruenberg, Acting Chairman
Federal Deposit Insurance Corporation
550 17th St NW
Washington, DC 20429

RE: Centering Communities in the Community Reinvestment Act (RIN 3064-AF81)

Mr. Gruenberg,

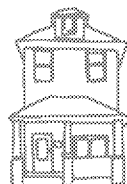
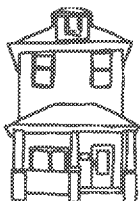
NeighborWorks Lincoln is a 501(c)3 non-profit organization and one of more than 240 NeighborWorks America affiliates across the nation committed to the creation of affordable housing and strengthened communities through the empowerment of low- and middle-income Americans. We are Nebraska's largest developer of for-sale affordable housing for first time homeowners and focus exclusively on the 99-square miles and 290,000 neighbors that call her capital city home. We do this through a tripartite work plan that includes homeownership (a HUD-certified homeownership and financial counseling program), real estate development, and community building. We appreciate the opportunity to provide feedback on the Notice of Proposed Rulemaking about proposed changes to the Community Reinvestment Act (CRA) and offer the following:

CRA Eligibility for NeighborWorks, CHDO, and HUD Counseling Organizations

In addition to our status as an exemplary affiliate of NeighborWorks America, we are also a HUD-designated Community Housing Development Organizations (CHDO) and a HUD-certified Housing Counseling Organization. We are proud of these accreditations and value the rigor with which each is maintained—processes that are equal to or greater than those which govern CDFIs—as a way to ensure focus on our collective mission. The mission of, “promoting community development and provide financial products and services to low- or moderate-income individuals and communities” described as foundational to CDFIs in the proposed rules is shared by each of these organizations. As such, we ask that the logic utilized to provide automatic CRA credit eligibility for CDFIs be extended to CHDOs, HUD-certified Counseling Organizations, and NeighborWorks organizations across the nation.

Prioritize Investment Impact

Investments such as the purchase of mortgage backed securities (MBS) have little beneficial impact when compared to direct investments in low- and moderate-income (LMI) housing and the service providers that assist those households. MBS investments should receive minimal consideration within the Community Development Financing Test and only the dollar amount devoted to LMI mortgages in the initial purchase of the MBS should be eligible. Instead, revisions to the Community Reinvestment Act should appropriately recognize financial institutions participating in impactful lending and community investments, such as mortgages and home improvement loans with low down payment requirements and high loan-to-value limits for first-generation homebuyers and workforce consumers. Financial products with favorable terms for historically disadvantaged consumers in disinvested or lower-cost markets are fundamental to reversing the shameful practices of redlining and segregation that CRA was originally authored to address.



Corporate Ownership of Single-Family Housing

Like several regions of the country, low- and moderate-income Nebraska families are having their dream of homeownership forestalled by the appearance of private equity into the single-family real estate market. These often out-of-state investors (usually equity funds or enormous property management firms) routinely outbid our clients with no-inspection cash offers. They are able to do this because they have access to cheap capital and their project pro forma assumes almost no maintenance or investment into acquired properties. The conversion of aging single family housing stock into rental properties and their continued physical decline is a major threat to our market and countless others. Financial institutions complicit in these practices should not be rewarded by CRA examiners. The financing of affordable single-family rental housing should be excluded from the Retail Lending Test and should be part of the Community Development Financing Test *ONLY* if the borrower is a nonprofit developer/CHDO and the housing is both affordable and in good condition.

LIHTC Eligibility

The low income housing tax credit (LIHTC) program is a vital tool in the battle to create affordable housing for the most vulnerable Americans. Tax credits are incredibly competitive and each state prioritizes project approaches and geographies that will implicitly and explicitly advance the goals of the Community Reinvestment Act. Participation in LIHTC should be an important factor in the community impact metrics of any financial institution.

Retail and Community Development Test Weighting

The proposed rules create a no-win situation where an “outstanding” rating is virtually unattainable for even the nation’s largest financial institutions. Should these parties instead target “satisfactory” rankings their incentive structure to be *more* active in their communities is gone. This is a threat to the intention of the original legislation and demands reconsideration.

Racial Equity Data and Transparency

Home Mortgage Disclosure Act (HMDA) data is insufficient to evaluate lending patterns by race despite that being the animating purpose of the Community Reinvestment Act. Given our nation’s pressing challenges to better integrate communities and ensure that equitable opportunities are available to all, we ask that the CRA’s revised rules require the examination of race and ethnicity data in geographical areas experiencing discrimination or showing racial disparities. The application of a more robust data analytics regime—able to analyze the impacts of investment on race and ethnicity—is fundamental to the goals of equitable lending. Related, CRA examiners should also consider the tenure of homes in neighborhoods where more than a third of the housing stock has become rental in the last five years and its disproportionate impacts on minority and LMI residents. While the proposed rules significantly improve required data collection by financial institutions the lack of transparency in ensuring that collected data will be publicly-available is regrettable.

Public Input in Examination

Nobody understands the dynamics of local markets like the community development organizations working there. To make CRA examination a more transparent and accountable process, we ask that the revised rules provide a vehicle for the solicitation and receipt of public input by the examiners. We suggest a public registry where interested organizations be allowed to indicate their desire to be solicited by examiners whenever local financial institutions are evaluated.

NeighborWorks Lincoln appreciates the opportunity to provide this feedback and thanks the countless agency staffers working to refine and enhance the Community Reinvestment Act so that it may be more closely aligned with its purpose.

Sincerely,



Wayne A. Mortensen
Chief Executive Officer

CC: Federal Reserve (RIN 7100-AG29), OCC (Docket ID OCC-2022-0002)