MHP Massachusetts Housing Partnership

August 5, 2022

DEPARTMENT OF THE TREASURY
Office of the Comptroller of the Currency
12 CFR Part 25
Docket ID OCC-2022-0002
RIN 1557-AF15
Chief Counsel's Office
Attention: Comment Processing
400 7th Street, SW, Suite 3E-218
Washington, DC 20219

FEDERAL RESERVE SYSTEM
12 CFR Part 228
Regulation BB
Docket No. R-1769
RIN 7100-AG29
Ann E. Misback, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

FEDERAL DEPOSIT INSURANCE CORPORATION
12 CFR Part 345
RIN 3064-AF81
James P. Sheesley,
Assistant Executive Secretary
Attention: Comments RIN 3064-AF81
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

To whom it may concern:

Thank you for the opportunity to comment on Community Reinvestment Act (CRA) Regulations proposed by the Board of Governors of the Federal Reserve System (Federal Reserve Board), the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC).

The Massachusetts Housing Partnership (MHP) is a public, nonprofit organization that provides financing for affordable housing across the Commonwealth of Massachusetts. Through our own multifamily loan programs funded by bank lines of credit and through a residential mortgage program administered by MHP and offered by participating banks, we have provided more than $6.2 billion in long-term financing

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supporting 27,700 rental units and more than 24,000 home purchases by low- and moderate-income, first-time buyers. Over the last 30 years MHP's financing programs have operated in partnership with our state bank association and with over 100 CRA-regulated banking institutions doing business in Massachusetts, including many banks regulated by the Federal Reserve, OCC, and FDIC.

MHP's CRA financing programs are significant both because of the people and neighborhoods they serve and also because of how well they perform. Over 85 percent of our home purchase lending is in predominantly low-income cities, to borrowers below 80 percent of area median income (AMI), or to borrowers of color who have historically been underserved and discriminated against. Our multifamily loan pool has no delinquencies and has experienced no loan losses since its inception in the early 1990s. The delinquency rate and default rate for our home mortgage loans to low- and moderate-income borrowers, currently at 2.17 and 0.37 percent respectively, are significantly below the rate for prime mortgage loans in Massachusetts.

We applaud the agencies' interest in improving the implementation of CRA and believe there are many long overdue steps that would accomplish that objective. MHP is a member of the National Association of Affordable Housing Lenders (NAAHL) and participated in numerous discussions about CRA reform over the last several years. NAAHL's recommendations reflect a strong consensus among the leading banks and nonprofit loan funds across the U.S. engaged in community development lending.

Based on our experience working with banks to originate high-impact CRA loans -- which has resulted in one of the largest and best-performing portfolios in the U.S. - the Massachusetts Housing Partnership is supportive of the direction the agencies are taking to CRA reform. We would like to provide feedback and input on the NPR as follows:

(1) ***Race as a Factor in CRA Exams:*** MHP supports the belief that now is the time for CRA to take racial equity directly into account. Persistent racial disparities in lending should compel the agencies to incorporate race and ethnicity in CRA exams. For over 30 years MHP has been creating financing mechanisms to address racial inequities and discrimination. Our first-time homebuyer mortgage product, ONE Mortgage, and its predecessor, the SoftSecond Loan Program, were created in direct response to a 1989 Federal Reserve study that detailed redlining and racial discrimination in the Greater Boston mortgage market. To this day we've helped over 12,000 households of color purchase their first home in Massachusetts, allowing them to put down roots, gain stability, and build long-lasting wealth through homeownership. The distinct wealth gaps that exist have been fueled by decades of systemic housing policy and underinvestment, with homeownership being a key driver. CRA is one tool that could help close these gaps.

(2) ***Eligible Activity outside Assessment Areas:*** Across the country, more banks are offering lending products outside of their facility-based assessment areas, and we think it is important for CRA to adapt to this reality. We support CRA modernization that gives banks credit for CRA activity outside of their assessment areas if, and only if, they are

doing a good or outstanding job meeting the credit needs within their assessment areas. By including activity outside of assessment areas within the scope of the CRA exam, the agencies would ensure that underserved populations have equitable access to a bank's products. On the retail side, banks that make significant numbers of home mortgage or small business loans outside of these assessment areas should have an obligation to serve low- and moderate-income communities equitably. Within community development, the consideration of financing outside of assessment areas will increase investment, including critical LIHTC investments, in underserved markets.

(3) ***Community Development (CD):*** MHP enthusiastically supports the CD test approach generally, which consolidates CD activity and separates it from retail activity. CRA is a hugely significant driver of CD activity, and as such, we urge the agencies to equally weight retail and CD activity so that banks remain motivated to maximize performance on both. The proposed rule weights CD activity at 50% for intermediate banks but at 40% for large banks. Additionally, we advocate for the following:

a. *Continuing credit for CD loans*: We strongly support the agencies' proposal to provide continuing credit for CD loans made in prior years, as CRA already provides for CD investments. This change will encourage much needed, long-term financing for affordable housing. If implemented, banks should be required to document continued affordability to receive credit.
b. *Recognizing decarbonization as a CD Impact Factor*: With the climate crisis upon us, we can no longer afford to ignore the impact of the built environment, including affordable housing, on greenhouse gas emissions and energy consumption, and our financing institutions must be part of the solution. We support the addition of an Impact Factor the recognizes decarbonization features of qualified CD activities, including high performance building standards such as Passive House and zero energy certifications. Housing built or renovated to these standards is highly energy efficient and naturally resilient to climate impacts.
c. *Recognizing LIHTC investments as a CD Impact Factor*: The proposed CD approach would consolidate lending and investment activity into a single test. To mitigate any unintended consequences of this consolidation on LIHTC equity investment activity, we support the addition of an Impact Factor for CD equity investments. This Impact Factor would recognize the unique value of a bank's equity investment and reduce the risk that banks pull back LIHTC investment activity, which could have significant funding impacts on affordable housing.
d. *Limiting eligibility of mortgage-backed securities (MBS)*: If MBS are included within eligible CD activities, only the portion of the MBS attributable to CRA-qualified loan should be considered, and MBS should account for no more than 25% of a bank's CD activity. The agencies should also consider implementing a minimum hold period for CRA consideration. While MBS may be a necessary

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investment strategy in certain years, they should not be the primary way for a bank to satisfy its CRA-related CD financing.

(4) ***CRA Performance Thresholds:*** Currently, about 98% of banks pass their CRA exams on an annual basis; nearly 90% receive a Satisfactory rating, with just less than 10% receiving an Outstanding rating. Under the proposed rule, more incentives are needed to motivate banks to achieve an Outstanding rating, which would help distinguish their performance against peers. The Retail Lending Test, for example, accounts for 75% of retail performance, yet the performance threshold for Retail Lending is prohibitively high. Lowering this threshold may encourage banks to strive for Outstanding performance. Furthermore, we encourage greater distinction between the ratings of Low Satisfactory and High Satisfactory, so that High Satisfactory truly indicates a path toward an Outstanding rating.

MHP looks forward to the implementation of a modernized CRA regulation. It should undoubtedly have a positive impact on low- and moderate-income communities across the nation, including here in Massachusetts.

Thank you for your consideration of these comments.

Sincerely,

[redacted]

Clark L. Ziegler
Executive Director

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