WAKELAND
HOUSING & DEVELOPMENT CORPORATION
Building foundations for opportunity

February 8, 2021

Board of Governors of the Federal Reserve System
Sent via email to regs.comments@federalreserve.gov

RE: Community Reinvestment Act Proposed Rulemaking
Docket Number (R-1723) and RIN (7100-AF94)

Dear Governors:

Wakeland Housing and Development Corporation (Wakeland) greatly appreciates the Federal Reserve's (Fed) thoughtful and inclusive approach to modernizing the Community Reinvestment Act (CRA) regulations. CRA is a critical tool to meet the credit needs of low income communities and communities of color in California and throughout the country. In addition, CRA plays a critical role in the development of affordable rental housing by incentivizing banks both to lend on preferred terms and to invest in the Low Income Housing Tax Credit (Housing Credit). Indeed, **the Housing Credit finances virtually all new affordable rental housing**, with CRA motivating the vast majority of these investments. In 2019, an estimated **73% of all Housing Credit investment came from banks motivated by CRA requirements**. Strengthening the CRA regulations will improve on these outcomes.

Wakeland is a leader in the creation of affordable housing in California, delivering attractive and award-winning residential developments that address the needs of the communities we serve. Since our founding in 1998, we have created 50 affordable housing communities throughout California, totaling more than 7,300 units – with nearly half of those properties located in San Diego County. Wakeland is actively developing housing in low and moderate income Census tracts. Our housing enhances the community, provides stability for low income residents and promotes equity and inclusion in neighborhoods that have suffered from disinvestment from the financial markets, and public and private sector policy makers. A modernized and equitable CRA will provide a vital tool to achieve our charitable purpose.

We support the proposal to establish a separate community development (CD) test but oppose the suggestion that the CD lending and CD investments tests be combined. We are very concerned that doing so would disfavor Housing Credit investments, which can be complex and expensive for banks to transact and therefore may provide a lower return than CD lending. The Fed also proposes to encourage patient CD lending, which could further favor CD lending over CD investing. Both lending and investment are critical to the affordable housing ecosystem, and the ability to produce new housing would be dramatically diminished if banks are allowed to substitute lending for investing. For this reason, lending and investing must be examined separately, even if they are rolled up into one CD rating. In addition, the rules should prioritize annual investments and lending, with patient lending garnering higher impact scores.

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We also support efforts to reduce inequities in Housing Credit pricing between CRA "hot spots and not spots" that currently see a pricing differential of 10-15%. This can best be achieved without undermining the obligations within the bank's territory by granting banks credit at the assessment area level for Housing Credit investments made anywhere within a state in which a bank has one or more assessment areas. Eliminating the separate investment test while simultaneously expanding the array of activities that qualify for CRA credit under the CD Test could have the effect of displacing Housing Credit investments with activities that are less impactful for low-income communities and households.

Some stakeholders have noted, as included in the ANPR, that "large-scale development and infrastructure projects may sometimes have limited benefit for targeted geographies." For this reason, essential infrastructure and community facilities should qualify for CRA credit only if they primarily benefit low-income individuals and communities.

We commend the Fed for proposing data collection on community development activity as current data is sparse. Standards regarding affordability should not be relaxed and at least 50% of units in a building should be deed restricted at prices that are affordable to low- or moderate-income households and at least 10% below market in order for a CD loan to qualify for CRA credit for creating affordable housing.

Impact scoring should add credit for developments that are dedicated to serving (in whole or significant part) extremely low-income residents, homeless persons, and are located in areas that affirmatively further fair housing. Impact scoring should also reward banks that adopt CRC's Anti Displacement Code of Conduct or similar best practice policies that are effectively designed to mitigate gentrification and displacement.

Thank you for the opportunity to comment and for all the Fed's efforts to modernize and improve the CRA regulations in a responsible manner.

Sincerely,

Peter Armstrong

Peter Armstrong
Vice President