Habitat for Humanity®

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February 16, 2021

Docket Number R-1723 and RIN Number 7100-AF94

To Whom it May Concern:

Habitat for Humanity International appreciates the opportunity to provide feedback on how the regulatory and supervisory framework for the Community Reinvestment Act can be modernized to more effectively meet the needs of low- and moderate-income (LMI) communities and address inequities in credit access—particularly in the aftermath of the COVID-19 pandemic.

Habitat for Humanity invests in communities nationwide by helping low-income families access and sustain responsible, affordable homeownership. Since its enactment, the CRA has been instrumental in supporting Habitat's affordable homeownership activities, especially our work with low-income homebuyers in hard-hit, under-served communities. The CRA plays a crucial role in building partnerships between banks and local Habitat affiliates that greatly extend our ability to provide affordable mortgages to qualified, lower-income families. Nationally, banks purchase Habitat's below-market-rate loans to our partner families due primarily to the motivations provided by the CRA. Habitat relies upon these loan sales to further leverage the donations and other financing that makes building our homes possible. The CRA also plays a fundamental role in ensuring capital is available generally in the communities we are helping to revitalize.

The modernization approach outlined in the ANPR by the Board of Governors of the Federal Reserve System is a good first step, and a marked improvement over the OCC's recently finalized CRA rule. The ANPR rightfully maintains incentives for banks to meet the full credit needs of local communities, invest in affordable housing, and make affordable mortgages available to under-served, lower-income homebuyers. Our communities need more of all three.

Below we've outlined some additional, specific feedback for strengthening the CRA:

1. **CRA regulations need to reflect greater intentionality about increasing lending to lower-income people of color—starting with collecting data on investment and lending to people of color.**

   The harmful legacy of redlining and other racially discriminatory practices remains visible in the communities of color where we work, and in our nation's persistent racial divides in credit access, homeownership and wealth. Today's gap in homeownership rates between Black and white households is nearly 30 percentage points—worse than at almost any other time since the CRA was created. Homeownership rates for Hispanics also remain very low. Racial disparities in wealth remain similarly unchanged: In 2016, the median net wealth of white families was 10 times greater than that of Black families ($171,000 vs. $17,600). The wealth gap for Hispanic households was only slightly smaller.

   If we are to unwind the legacy of redlining and narrow our racial divides, we need to be more intentional in our policy and practice going forward.

   This is especially important in the aftermath of the COVID-19 pandemic. The pandemic is a vivid reminder that not all people and businesses in LMI communities are on the same track. Disproportionate job losses for Black and Hispanic workers, and widening racial gaps in access to resources for a down payment, are just two of the reasons racial disparities are likely to grow following the pandemic absent intervention. Increasing access to affordable home mortgage loans and business loans across both race and income will be critical to ensuring no one and no community is left behind as we seek to recover and move forward as a nation.

As a first step, we ask the Board to include numeric evaluation of efforts to increase racial equity as part of CRA assessments. This would help clarify the types of investment, lending and community development activities that will be fully responsive to a community's needs, inclusive of people of color.

2. **Keep the focus of volunteer activities on community development—even in rural areas. (Question #50)**

   The Board asks whether volunteer activities unrelated to the provision of financial services, or those without a primary purpose of community development, should receive CRA consideration for banks in rural assessment areas. We would discourage this. These activities should at least have community development as their primary purpose.

3. **Don't credit financial education and literacy activities for upper-income beneficiaries. (Question #51)**

   The Board asks whether financial education and literacy activities should be considered without regard to the income level of the beneficiaries. We recommend against this, as we believe it could result in a reduction in programs directly benefiting LMI people and places.

4. **Encourage investment in affordable homeownership for underserved, lower-income homebuyers. (Question #54)**

   The Board asks whether it should specify certain activities that could be viewed as particularly responsive to affordable housing needs. If the Board decides to go this route, it should highlight lending and other activities that increase homeownership for under-served, lower-income homebuyers. This includes but is not limited to direct lending, investment in the development of below-market-rate homes, and purchase of below-market-rate loans from mission-driven, affordable homeownership providers.

5. **Designate underserved areas based on low levels of retail lending. (Question #70)**

   The Board asks how to define areas of need where a bank could receive consideration for activities outside of its eligible state(s), territories and regions. Of the five options offered, we believe areas of need should be defined as having low levels of home mortgage or small business loans. This would seem to be the most effective way to direct needed lending and investments to underserved communities, including communities of color.

Thank you for the opportunity to share these recommendations.

Sincerely,

Robert Hickey

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Habitat for Humanity International