whpc
Wisconsin Housing Preservation Corp.

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February 11, 2021

Ann E. Misback, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Via E-Mail: regs.comments@federalreserve.gov

Re: Docket No. R-1723 and RIN 7100-AF94
Community Reinvestment Act
Advanced Notice of Proposed Rulemaking

Dear Secretary Misback,

Thank you for the opportunity to comment on the Federal Reserve Board's October 19, 2020 Advanced Notice of Proposed Rulemaking for the Community Reinvestment Act (Docket No. R-1723 and RIN 7100-AF94).

The Wisconsin Housing Preservation Corp. is a nonprofit organization based in Madison, Wisconsin that is focused on a mission to "preserve, provide and protect affordable housing for the low- and moderate-income citizens in the state of Wisconsin." Currently, we are the largest owner of affordable rental housing in Wisconsin – with more than 8,300 units throughout 57 of the state's 72 counties. The vast majority of our residents have extremely-low household incomes, and would struggle to find affordable housing in the absence of our portfolio.

While the majority of our properties were originally constructed using Section 8 project-based rental assistance in the late-1970s and early-1980s, we have been active users of the 4% and 9% Low Income Housing Tax Credit program for more than a decade. The allocation of Housing Tax Credits has allowed us to make critical capital improvements, which will allow our properties to be quality, financially-viable housing options for our residents into the future. Nearly 40% of our housing portfolio has been rehabilitated (and in a handful or cases – newly constructed) using the Housing Tax Credit program. Financial institutions are the primary investors in Housing Tax Credits – in large part, to comply with their responsibilities under the Community Reinvestment Act.

We urge that any changes to CRA continue to incentivize robust investment in affordable housing through the Housing Tax Credit. While the Housing Tax Credit finances virtually all new affordable housing, CRA motivates the vast majority of these investments – meaning our nation's ability to develop and preserve affordable housing is closely tied to and impacted by CRA. Total Housing Tax Credit investment reached $18.3 billion in 2019[1], an estimated 73 percent of which came from banks motivated by CRA requirements[2]. Additionally, new regulations should help to address CRA-driven variations in investment between different regions of the nation. In fact, "the largest single determinant of Housing Credit pricing is based on the CRA investment test value of a given property's location," with pricing differentials of 10 to 15 percent between Housing Credit developments in "CRA-hot" and "desert" areas. States like Wisconsin frequently see credit pricing well-below pricing for similar properties in our neighboring state of Illinois.

Any changes to CRA could have significant effects on the motivation to invest in the Housing Credit, amount of equity invested, and distribution of investments – and ultimately on our ability to build and preserve affordable housing. For these reasons, we urge the Board to ensure that any changes to CRA will support at least as much Housing Credit investment as it does today, in all parts of the country.

The ANPR included a proposal to eliminate the separate investment test and combine loans and investment under one community development financing subtest. This could have the effect of reducing Housing Credit investment unless mitigating strategies are put in place. We recommend that the Federal Reserve consider the following mitigation strategies:

a) Strongly encourage community development investment by rewarding large banks that meet a benchmark level of community development investments as a portion of their total community development activities.

b) Allow examiners to request an explanation if institution-level community development investment decreases significantly compared to the previous assessment period.

c) Expand the proposed *Impact Score* assessments to a five-point scale, giving Housing Tax Credit investment and other community development investments the highest impact score.

d) More fully integrate *Impact Scores* into the proposed assessment methodology by setting a high-impact community development benchmark at the state or institution level.

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[1] CohnReznick, "Housing Tax Credit Monitor," (2020). *Retrieved from: https://www.cohnreznick.com/insights/housing-tax-credit-monitor*

[2] CohnReznick, "Housing tax credit investments: Investment and operational performance," (2019). *Retrieved from: https://www.cohnreznick.com/insights/2019-housing-tax-credit-investment-operational-performance*

Within the ANPR, the Federal Reserve Board requested comments on the treatment of community development activities outside of assessment areas and the operationalization of nationwide assessment areas. WHPC recommends the following:

a) To adequately incentivize activity outside of assessment areas and due to the unique aspects of the Housing Credit, we believe banks should receive credit at the assessment area level for statewide Housing Credit investments made outside of an assessment area.

b) To the extent the Board permits nationwide assessment areas for certain banks, we suggest pairing national assessment areas with incentives for serving traditionally underbanked communities. This would help to ensure banks with national assessment areas are furthering the goals of CRA.

WHPC strongly recommends that any final CRA regulations are first closely analyzed to ensure they will not have a negative impact on Housing Credit investment, considering the Housing Credit's integral role in our nation's affordable housing delivery system and the vast and growing need for affordable housing across the country.

If you have any questions or comments, please feel free to contact me at dginger@whpccorp.com or 608.807.1767.

Best Regards,

David Ginger, Vice President
Wisconsin Housing Preservation Corp.