Southwest Minnesota Housing Partnership

"Putting Together the Pieces of Community Development"

COMMENTS REGARDING COMMUNITY REINVESTMENT ACT REGULATIONS
FROM THE SOUTHWEST MINNESOTA HOUSING PARTNERSHIP

PREPARED FOR
OFFICE OF THE COMPTROLLER OF THE CURRENCY
FEDERAL RESERVE SYSTEM
FEDERAL DEPOSIT INSURANCE CORPORATION
DEPARTMENT OF TREASURY, OFFICE OF TRIFT SUPERVISON

The Southwest Minnesota Housing Partnership (SWMHP) is a regional non-profit organization formed in 1992 to serve low and moderate income communities in southwestern, west-central and south-central Minnesota. We serve low and moderate income communities within 38 rural counties. Our primary mission is to develop, improve and to preserve safe, sanitary and decent affordable housing for the residents of our communities. Consequently, we are heavily reliant on access to capital, from both Lenders and Investors, to meet the needs of our customers. The SWMHP works closely with many communities and our employers within our region to support job creation, immigrant services, supplement educational opportunities and to create affordable work-force housing. As a rural provider we are confronted with constraints to access capital The Partnership has developed, rehabilitated or preserved over 6,800 housing units since our inception.

The SWMHP thanks the nation's financial regulatory for this opportunity to comment on the Community Reinvestment Act (CRA). We would urge you to strengthen efforts to enforce the CRA and in particular to promotes responsible lending and improves access to underserved areas such as many rural areas of this Nation. The SWMHP urges the following reforms to allow CRA to realize its full potential to support a balanced housing policy.

Community Development Test

We would support the creation of a new rule(s) that provides for a Community Development test that would emphasize financial institutions lending, investments and services in support of affordable rental housing, community facilities and other essential community services. It is important the test be structured in a way that goes beyond a simple measurement of the quantity of loans or the dollar value, but should be weighted to measure the quality of the investment, its relevance to community need and its impact within the community. The dollar value of one loan to assist a local community development team may be much lass that the dollar value of a bank's volume of

NeighborWorks
CHARTERED MEMBER

Center for Regional Development
2401 Broadway Avenue
Slayton, MN 56172-1142

Phone: 507.836.8673
Fax: 507.836.8866

Email: swmhp@swmhp.org
Website: www.swmhp.org

conventional home mortgage lending in a low and moderate income neighborhood, yet the community development loan or investment may have a larger beneficial impact of the neighborhood.

National Housing and Community Development Priorities

We think that new regulations be developed that provide incentives for financial institutions to address national housing and community development priorities outside of their assessment areas. Such activities could include investments in the preservation of existing properties, encouraging investment in higher levels of energy and water conservation measures within affordable housing and commercial buildings, supportive housing for the homeless, smart growth development and responding to disaster recovery are some national priorities that should be considered. In particular the CRA rules in this area should fall heaviest on the largest financial institutions whose footprint is national in scale.

Geographic Coverage Should Reflect Market Realities

Regulators could create a mechanism that looks at the geographic coverage of all regulated financial institutions' assessment areas, and utilize CRA rules to provide incentives for financial institutions willing and able to lend, invest and serve those places where the coverage is limited or non-existent. There are many areas in the country within inner cities and high-poverty rural areas that have little access to equity or credit.

The banking market is increasingly a national market and measures of community investment should reflect this reality. While banks should be held to the highest standards where their retail offices are located, they should also have both greater accountability and greater freedom to move broadly to meet community development needs in underserved areas. This should also include equity investments within Low Income Housing Tax Credit multi-regional investment pools. This would serve to support strong projects in underserved markets, rather than being encouraged to concentrate these investments in markets that are relatively better served. Competition for good partners and good projects will help to drive investments to areas where they are needed, including rural areas.

Support Investment in Non-profit Mission-oriented Housing and Community Development Entities

Strong non-profit institutions are serving the Nation's most underserved areas. These organizations need to grow and to sustain their businesses in order to increase their impacts. The most critical need of these organizations is access to equity-like capital at the corporate level that they can utilize to leverage additional private capital for development projects. Investing in these organizations is investing in a more efficient housing and community development delivery system, one that can provide the scale and ability to assume tough challenges across the country. We would urge that the final CRA regulations provide financial institutions with full CRA credit for their investments in these non-profit entities whose missions are to serve low income populations and low income communities.

Thank-you for your consideration of our comments

Rick Goodemann
Chief Executive Officer
Southwest Minnesota Housing Partnership