From: Columbus Housing Partnership, Inc., Amy D Klaben

Subject: CRA Regulations Hearings

Comments:

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Name: Amy D Klaben
Affiliation: Columbus Housing Partnership, Inc.
Category of Affiliation: Other
Address:

City:
State:
Country: UNITED STATES
Zip:
PostalCode:

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August 30, 2010 Chair of the Federal Reserve Board RE: Comments on CRA Reform Columbus Housing Partnership ("CHP") is an Ohio nonprofit organization in Columbus, Ohio that provides quality, affordable housing and related services to low to moderate income working households in Columbus and the surrounding area. Through its activities, CHP is a partner in building communities and enhancing the lives of its residents. Last year, CHP provided homeownership counseling to more than 2,400 families, approximately 6,000 people each year live in our affordable rental housing, and we sold 17 affordable homes in neighborhoods that we are revitalizing. CHP is a member of NeighborWorks® and works with Enterprise and the Housing Partnership Network. Current CRA regulations must be strengthened and modified to be more relevant, efficient and effective in promoting investments in under-served communities and neighborhoods. We appreciate the Federal Reserve and all of the federal banking agencies
proactively addressing this issue. Furthermore, we hope the U.S. Congress will also proactively address CRA reform. Specifically, following are our recommendation and concerns. The new rules need to create 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. In distressed and underserved areas these activities are the building blocks to a better future. It is important that the new test go beyond just measuring the number of loans or dollars invested, but it should also measure the quality of the investment, its relevance to community needs, and its impact in the community. The new regulations need to provide incentives to financial institutions to address national housing and community development priorities. The responsibility to address these national priorities should fall particularly on the largest

financial
institutions whose businesses extend well outside those places where they take deposits and on those financial institutions that do not have a bricks and mortar, branch based deposit-taking system. To start, the regulators could create a mechanism that looks at the geographic coverage of all regulated financial institutions' assessment areas, and use the CRA rules to provide incentives and rewards for those banks that are willing and able to lend, invest, and serve those places where that coverage is limited or nonexistent. There are too many places in America, from the older cities that used to rely on a manufacturing economy to the high-poverty rural areas that are credit and equity starved. CRA can help to encourage greater private investment in these places. These investments will also serve to foster the growth of stronger community development organizations in those same places. We would support some form of extra credit to financial institutions willing to invest in particularly tough places or to take on particularly difficult community development challenges. CRA should encourage all banks to serve national priorities outside their assessment areas. Regulators have proposed to give CRA credit to banks that invest in neighborhood stabilization activities - even if these occur outside of the financial institution's assessment area. The foreclosure crisis is a national disaster of a different sort, the response to which is appropriately supported by CRA. Since the CRA rules were last updated, the nonprofit sector has grown up considerably. There have emerged a group of high-performing nonprofits who can operate at scale, across the entire country or the region in which they are located. These organizations are mission driven and have developed strong partnership relationships with financial institutions, the business community, and local government. Given their capacity, they can and do serve as strong counterparties to the banks in doing the work in low-income communities that CRA was designed to encourage. What these strong nonprofit institutions most need to grow and sustain their businesses, and increase their impacts, is access to equity-like capital at the corporate level that they can use to leverage additional private capital for development projects. Investing in these institutions is investing in a more efficient housing and community development delivery system, one that has the scale and ability to tackle increasing tougher challenges that are occurring across regions. We would strongly urge that the final CRA regulations provide banks with full credit for their investments in these nonprofit entities whose missions are to serve low-income populations and low-income communities, and who are making a major contribution toward meeting their communities' needs. We are supportive of favorable CRA consideration for investments in multi-regional funds for Low Income housing TaxCredits and other CRA-related investments as a way to serve diverse areas. Assessment areas or the geographical areas on CRA exams must cover the great majority of banks' loans. Currently, 25 percent of all home purchase loans are made by banks operating in their assessment areas. Research has shown that bank loans outside assessment areas are more likely to be high-cost than loans in assessment areas and scrutinized by CRA exams. Currently, banks have the option of including their non-depository affiliates on CRA exams; they will opt against inclusion if the affiliates engage in risky lending or discriminatory lending. Banks must be required to include their affiliates on CRA exams.
A large body of research concludes that minorities received more high-cost and risky lending than was justified based on their creditworthiness. So far, CRA has not helped in bringing borrowing opportunities to minority individuals, families, and small businesses. Using improved HMDA data, CRA needs to improve racial disparities that well known and well respected research has shown. We also recommend that an additional rating be used that would evaluate what a CRA institution is doing to reduce racial disparities. CRA exam ratings must be

more descriptive and distinct in their ratings in order to provide for a meaningful interpretation and enforcement of performance. Over the last several years, 99 percent of banks have passed their CRA exams. CRA passing exams must be more descriptive. We recommend having the score of "outstanding" be more stringent and more difficult to achieve as well as incorporating two additional levels of scoring: high satisfactory and low satisfactory. These small technical changes will create a less complicated rating system with an end product that is more useful to the communities served as well as the institution itself. Acknowledge the difference between institutions, using more qualitative analyses to determine whether or not an institution is making a
difference in their communities with greater transparency in all regards. This has never made more sense; a post foreclosure-crisis Columbus looks very different from a post foreclosure-crisis South Florida, versus what could be useful on a national scale. As a result, CRA investment, irrelevant of institution size, should be doing different things based on the needs of the communities. Current CRA regulations are too rigid and silo-ed to an institution's asset size that the needs of a particular community are neglected and innovative practices go under-utilized. Banks must be required to submit public improvement plans, subject to public comment, when they receive a low rating overall or in any of their assessment areas. Fair lending reviews on CRA exams must be more detailed and must include reviews of safety and soundness of loans. We strongly oppose providing exemptions from merger review or less frequent CRA exams for banks with Outstanding ratings. CRA performance will
decline when institutions receive less frequent scrutiny. Thank you for your consideration of these comments and for all your efforts on behalf of all low income communities. CRA's contribution to America's communities has never been more important. Please feel free to contact me for any clarification of these comments. Very truly yours, Amy D. Klaben President/CEO Columbus Housing Partnership, Inc. cc: The Honorable George Voinovich The Honorable Sherrod Brown The Honorable Mary Jo Kilroy The Honorable Patrick Tiberi Thomas Deyo, NeighborWorks