



# Housing Forum

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May 17, 2013

OCC: Docket ID OCC-2013-0003  
Federal Reserve: Docket No. OP-1456  
FDIC: Attention: Comments on CRA Interagency Q&A

Re: Interagency Questions and Answers Regarding the Community Reinvestment Act

To Whom It May Concern:

The High-cost Cities Housing Forum (HCHF) appreciates the opportunity to submit comments on the proposed changes to the Community Reinvestment Act Interagency Questions and Answers. We commend the regulating agencies for seeking input and taking these steps to update and strengthen CRA.

HCHF is a peer-to-peer group of housing directors and commissioners for the large cities of Boston, Chicago, Los Angeles, New York City, San Francisco, and Seattle. The forum serves as a venue for these commissioners to discuss policy, offer program ideas and exchange best practices. Our cities share many unifying characteristics, including expensive real estate, robust population and economic growth, and a housing stock characterized by more multifamily than single family housing.

The Community Reinvestment Act has been a critical driver of lending and investment in low- and moderate-income communities across the country—in rural areas as well as major urban centers. In our cities, the high costs of land and development can make much-needed affordable housing and community development projects appear complicated or risky, and CRA provides a crucial incentive to encourage this type of investment. As numerous [studies](#) have shown, banks are consistently maintaining safe and sound practices when engaging in CRA-eligible activities.

CRA has been enormously successful in past decades and we staunchly support reform and modernization of the program to make it even more responsive and effective. However, we recommend exercising caution in altering the language to ensure it does not put any communities at a disadvantage. In this context, we offer the following comments on the changes to the CRA Q&As.

### Assessment Areas

We support the agencies' efforts to reinforce activity outside of the assessment area. However, those activities should not be a substitute for, or detrimental to, activities in the established assessment area. We believe it should remain a priority for banks to adequately meet the needs of the assessment area before a financial institution expands its scope.

In many cities, there is a consistently high need for investments in lower income communities, and changing regulations may seriously harm results for neighborhoods in need. Driven by CRA credit goals, local stakeholders are often able to encourage large financial institutions to take on more innovative projects, while still adhering to safe and sound practices.

Particularly in states with highly competitive Low-Income Housing Tax Credit award processes, we request that the agencies thoughtfully consider the implications and include clear assurances that CRA housing investments will not decline due to substantive changes to assessment areas. Further, we believe this "maintenance of effort" should be measured on a per unit basis, not on a per dollar basis, as long as the units produced are equal to or exceed the units otherwise produced through a dollar measurement.

Any changes to this language must ensure that existing CRA obligations are not adversely affected, and that high-cost, high-demand communities would not experience a withdrawal of the much needed investments facilitated by CRA requirements.

### Services for Low- and Moderate-Income Communities

We support the inclusion of alternative methods to determine whether recipients of an investment are low- or moderate-income. We agree that communities and individuals utilizing Medicaid or the free- and reduced-lunch program are logical, appropriate proxies that remain consistent with the goals of CRA. We would recommend including activities that support individuals living in public housing, living in Low-Income Housing Tax Credit housing, or receiving federal housing vouchers for CRA credit. In addition, these proxies should be used on the lending and investment test, and should not be limited to the services test.

We also support the explicit inclusion of service on the board of directors of an organization that promotes credit availability or affordable housing as an example of a technical assistance activity. Further, we want to highlight the importance of particular community development services and are seeking ways to hold institutions more accountable. Providing effective financial education programs, intensive family budgeting and smart spending classes, offering credit counseling, home-buyer and home-maintenance counseling, or foreclosure prevention services are essential ways that make banks invaluable resources that help low- and moderate-income individuals. These education and mitigation efforts subsequently help build and stabilize low- and moderate-income neighborhoods. We would welcome the opportunity to work with regulators to identify ways to encourage financial institutions to engage more significantly in these activities. For example, the regulating agencies could set a specific and reasonably high threshold for banks to receive credit. Such a threshold could be in proportion to local government investment. We believe an institution's investment in financial education and homeownership counseling programs could be as much as five times higher than the local area's

investment if CRA provided a meaningful incentive for these activities. This modification would allow scarce local resources to be used more efficiently and to more thoroughly meet the needs of the community.

### Additional Recommendations

Financial institutions have tremendous potential to positively impact communities across the country, and CRA is one of the most effective tools available. We are incredibly grateful for banks' involvement in key activities that enable neighborhood stabilization and development, particularly for lower income households in high-cost, high-density places. However, in numerous cases, we are concerned that banks are not receiving adequate CRA credit for these activities.

We believe banks should receive more robust CRA credit for:

- Underwriting and financing new affordable housing construction;
- Participating in acquisition and predevelopment loan funds for affordable housing, and administered through intermediaries;
- Providing program-related investments or loans to non-profit affordable housing developers;
- Issuing Letters of Credit (LOCs)—LOCs should clearly be included as a positive-impact, CRA-eligible activity on par with direct lending. LOCs carry all of the construction and rent-up risk associated with a direct loan, and the issuing banks adhere to stringent underwriting practices accordingly;
- Investing in affordable housing preservation, as well as the acquisition and rehabilitation of existing market rate buildings for the purpose of increasing affordable housing supply;
- Investing in the development and rehabilitation of community facilities;
- Investing in public housing (maintenance, rehabilitation, and redevelopment);
- Investing in urban in-fill and transit-oriented development;
- Requiring Low Income Housing Tax Credit and New Market Tax Credit investments at higher rates, regardless of industry price;
- Offering prime, 30-year, fixed-rate mortgages to buyers of affordable homes, even when the restrictions on resale price (the affordability terms) would survive a foreclosure; and
- Establishing or maintaining branches in neighborhoods with insufficient access to traditional capital.

Finally, we would encourage the regulators to take this opportunity to reform the rating system. Under the current structure, there are no meaningful incentives to encourage banks to try to achieve an outstanding rating. If reformed, higher ratings could be obtained through deeper commitment and engagement in community services or quantitative evaluation of proportional investments in needed projects and programs.

Thank you again for your commitment to this valuable, imperative program and we hope to work with you to update and strengthen CRA in the future. Please reach out if we can answer any questions or to explore these comments further.

Sincerely,

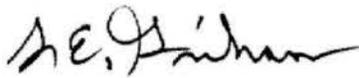
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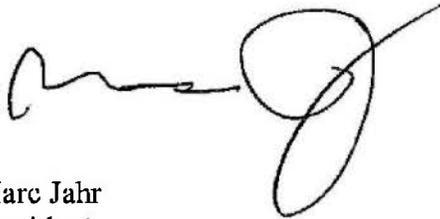
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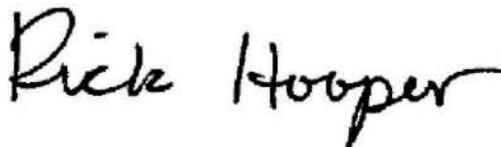
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