February 16, 2021

Tierra Del Sol
HOUSING CORPORATION

Docket Number R-1723 and RIN Number 7100-AF94

TO WHOM IT MAY CONCERN:

I appreciate the opportunity to submit Community of Reinvestment Act (CRA) comments about the Office of the Comptroller of the Currency's (OCC) Advance Notice of Proposed Rulemaking (ANPR). I am writing as Executive Director on behalf of Tierra del Sol Housing Corporation (TDSHC) a regional non-profit affordable housing and community development organization that serves New Mexico and west Texas. TDSHC's purpose is to improve the quality of life and economic conditions of low-income persons residing in distressed and underserved communities by providing affordable housing and community development through construction and infrastructure activities, lending, train and jobs opportunities.

These current times compel that the Federal Reserve Board (Fed) strengthen the CRA examinations to promote recovery from the COVID-19 pandemic and the anemic U. S. economy at the community base described as "Main Street." There is a specifically compelling interest to require that CRA examinations be more objective and transparent. It is yet unsure if the Fed's has a transparent ongoing approach that it will reduce the high rate of CRA inflation. It is obvious that bank examinations are not consistent and should be more proactive to assist communities of color that are low-and moderate-income (LMI) neighborhoods to expedite recovery from the pandemic's devastation. The continuous emergence of vast infestation of predatory lenders has become indicative or symptom that fair credit from banks is not available to essential working residents. In the Southwest border area where TDSHC works, residents must resort to from most unscrupulous lenders and impose excessive terms to cause long term financial impact during the repayment period. At the exorbitant rates of predatory lending has become escalated in a short time overpower the community lending system as what the severe subprime lending impacted during 2008 and subsequent years of national financial and housing crisis.

Since 1973 TDS has produced over 3,500 units of affordable housing leveraging over $650 million in infrastructure, construction, tax revenues and economic development stimulus to strengthen communities in Southern New Mexico and West Texas. Over 650 families have preserved their homes and result in a safe and healthy home. TDSHC serves the lowest income families residing in recognized U.S. and Mexico counties by HUD, CDFI and USDA Rural Development as persistent poverty areas. TDSHC has been fortunate to collaborate with a few lenders that are committed in CRA by providing proactive work and not waiting until a "Needs Improvement" issued by examiners. One bank we closest collaborate is a local regional lender that has provided over $2 million construction line of credit for single family homeownership and multifamily rental housing. Unfortunately, that the larger national bank institutions do not provide investment although TDSHC has requested.

TDSHC PROVIDES TO THE FED THE FOLLOWING ADDITIONAL COMMENTS:

1. The Fed must strengthen the results of CRA examinations to truly promote recovery from the COVID-19 pandemic. The Fed has described approaches in its Advance Notice of Proposed Rule Making (ANPR) on CRA that will make CRA examinations more objective and transparent. Yet, questions remain about whether the Fed's approach will reduce the high rate of CRA inflation. If nearly every bank continues to pass the examination process is more of a "rubber stamp" and banks will not be motivated to assist communities of color and low-and moderate-income neighborhoods. TDS has continued with challenges and hardship to revitalize several rural and urban

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neighborhoods during high COVID-19 impact. Annually at least 400 homebuyers receive homebuyer and financial literacy counseling, complete 50 subdivisions sites infrastructure and homes are constructed, 25 or more owner occupied homes are preserved through housing rehabilitation for veterans, farm workers and those disabled homeowners, 84 units of multifamily rental apartments new built or preserved and several small businesses created or strengthened. The adverse impact of COVID-19 has caused TDSHC to experience fatalities to four building subcontractors and five staff recuperating from the quarantine and illness. TDSHC has experienced lack of staff working consistently due to quarantine or illness caused shortage of cash flow to operate for meeting scheduling and reasonable optimum operating needs. The small PPP loan provided temporary cash flow for partial payroll. Several construction subcontractors were fatalities of COVID-19 and half dozen some staff continues to regain their health back to work. Several clients have lost jobs due to employers reducing or closing which means less families' reducing disposable income. The CARES resources through the county, city and state are excessively bureaucratic and inaccessible to the impacted residents. Much of the CARES and stimulus resources have been at the same time being reprogrammed to raise local government salaries instead to use the money for emergency residents. TDSHC housing production has experienced impediments due to construction costs raised at least 20% due to scarcity of supplies, trade sanctions of electrical/plumbing products, delays in delivery and inspections. TDSHC has operated with ongoing challenges trying to follow cautious the State's Health Department mandates. Survival of the TDSHC operation and its important client families are proving to be resilient and have faith the future days will be better.

2. TDSHC requests to strengthen CRA as a critical component for financial recovery. It is appreciated that the National Community Reinvestment Coalition (NCRC) found significant correlations between redlining and susceptibility to COVID. This condition has caused risk of lending in neighborhoods where working class and minority neighborhoods that usually received the riskiest designation of being hazardous to banks for lending. These designations subsequently facilitated redlining and discrimination against these neighborhoods, which cause impediment for access to equity value and credit. These neighborhoods also have the highest incidence of health conditions and more susceptible to COVID-19. Since the start of the pandemic thousands of Hispanics, African American, Oriental and business owners of color have closed. Discrimination in lending contributes to disparity in small business survival rates. Only a few businesses of color were able to access the Paycheck Protect Program loans as were not encouraged to access the intended relief.

3. The Fed proposal must be strengthened to prevent grade inflation. It is unclear if the Fed's ANPR proposal will address CRA ratings inflation as there is insufficient transparency metrics. The Fed emphasizes improving the performance measures on CRA examinations including those used on the lending test that compare a bank's percent of loans to LMI borrowers and communities to other lenders. However, the Fed proposes thresholds that appear to replicate the high ratings on CRA examinations. The Fed does not describe in any detail the impact of its initial thresholds on CRA ratings and hints the thresholds replicate the current CRA ratings distribution.

4. The Fed proposal should increase lending to people of color. The Fed recognizes the importance of addressing racial inequities. It asks the public whether underserved areas should be designated based on high levels of poverty or low levels of retail lending. TDSHC supports NCRC's designation of underserved census tracts based on low levels of lending which would effectively target neighborhoods redlined because of the HOLC classifications. It is requested the Fed to consider explicitly include race on CRA examinations. The agencies have hesitated to do so but we believe

that the CRA statute allows this since the law emphasis banks meeting credit needs in all communities, but particularly underserved ones. CRA examinations could include performance measures assessing lending, investing, branching and services to people of color and communities of color. In addition, CRA examinations can include racial and ethnic demographic data in context analysis and require banks to affirmatively include communities of color in their assessment areas (geographical areas on CRA examinations). The Fed could also provide CRA consideration for lending and investing in majority minority census tracts outside of assessment areas just as the Fed is considering for Native reservations and other underserved areas as the border area.

5. Assessment areas must support and reflect a local commitment to lending, investments and financial services. TDSHC supports the Fed's proposals to expand assessment areas on CRA examinations. In addition to areas around branches, assessment areas must also include areas outside of branches with significant amounts of bank lending or deposit-taking. We do not support the idea of a national assessment area for internet banks that the Fed discusses. Instead, TDSHC believe that data analysis can designate areas where high numbers of retail loans or deposits are located. TDSHC supports the Fed proposal to eliminate distinctions between full-scope and limited-scope assessment areas. Full-scope assessments areas, which are usually the largest cities, count more on current CRA examinations than limited-scope areas that generally are smaller cities and rural counties. Often, communities of color, Colonias on the border and underserved communities continue to receive less CRA-related loans and investments because they are in limited-scope areas.

6. The CRA modernization must maintain its focus on lower-income communities and those of color. Unlike the OCC, the Fed generally does not avoid away from the focus on LMI communities in its ANPR proposals. However, TDSHC does support expanding financial education to all incomes residents and especially provide resources to focus LMI consumers people of color. TDSHC recommends that banks provide resources to certified nonprofit counseling entities that can effectively stimulate CRA transactions for homes and small business. These latter population is most likely to be unbanked or underbanked as revealed by surveys conducted by the FDIC. The Fed can designate additional subgroups in the population such as people of color, persons with disabilities or older adults for whom MRA credit for financial education or other community development activities can be earned instead of opening it up to everyone regardless of need. Likewise, the Fed should further develop its procedures for awarding CRA credit for financing affordable housing that is not subsidized so that such financing serves LMI tenants.

7. Collecting improved community development and deposit data. Finally, the Fed should pursue its proposals to collect improved community development and deposit data. Community development and deposit data should be collected on a census tract level or at least on a county level so that CRA examinations can better target community development financing to areas of need.

In Conclusion, TDSHC appreciate the direction the Fed has embarked in its ANPR but caution that it must not end up with a set of proposals that serves as an important starting point for an interagency rulemaking that will strengthen CRA and take a critical step towards more financial resilient communities and an equitable recovery. Please contact me should you have questions or comments. My email: roseg@tdshc.org and cell phone 575-649-2395.

Respectfully submitted,

Rose Garcia, Executive Director