

February 16, 2021

Board of Governors
Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

RE: Docket Number R-1723 and RIN Number 7100-AF94

To Whom it May Concern:

On behalf of MHP, I am writing to urge the Federal Reserve Board to strengthen the rigor of CRA exams and, in process, help communities that have been devastated by COVID-19.

By way of background, MHP is a nonprofit affordable housing developer based in Silver Spring, Maryland, just outside of the nation's capital. We are also a member of the NeighborWorks America network, a national affiliation of more than 200 nonprofit community development organizations committed to community revitalization. Our mission is to preserve and expand quality affordable housing throughout the Washington metropolitan region. Our success has been a result of taking a comprehensive approach to developing affordable housing that integrates three things: Housing people; Empowering families; and Strengthening Neighborhoods.

Our work has become even more critical during the pandemic as low-income communities and communities of color suffer disproportionate impacts related to health, safety and income. The pandemic has had devastating impacts on the small businesses that we support as well as the low- to moderate-income (LMI) communities that the CRA is intended to serve. In these uncertain economic times, it is more important than ever that we safeguard fair lending practices.

The CRA has been a vital source of capital formation for our organization and the affordable housing industry as a whole. The vast majority of our lenders are banks that are subject to the CRA. The CRA has been successful in many respects, none more so than when it comes to financing and constructing affordable housing. In conjunction with the federal government's Low-Income Housing Tax Credit (LIHTC) program, the CRA has been the driving force behind the creation of new affordable rental housing in this country. If not for the CRA, many of the banks that provide capital to our projects would almost assuredly exit the affordable housing space or require a higher rate of return on their investments.

In addition to motivating banks to invest in affordable housing for low-to-moderate-income households, the CRA has inspired lenders to become philanthropically engaged in organizations that serve the communities where they have customers. Many of the banks we work with have chosen to make charitable contributions to our organization after being exposed to the work we do, which has enabled us to have an even greater impact in local communities.

We would like to address four areas of proposed changes to the CRA that are of particular importance to our organization:

Ratings

We oppose the proposal to reduce the number of ratings on a state level and on subtests from five to four. This proposal would result in fewer distinctions in performance whereas new CRA exams must reveal more distinctions in order to motivate banks to be more responsive to COVID-19 recovery needs. We recommend that five ratings be retained on the state level and on subtests.

Data Collection

In the interest of reaching underserved areas, we strongly support the Fed's proposals to improve data collection, including community development financing data, which would better enable stakeholders to determine communities most in need.

Assessment Areas

We support the Fed's proposals to expand assessment areas on CRA exams. In addition to areas around branches, assessment areas must also include areas outside of branches with significant amounts of bank lending or deposit taking.

LMI Communities

In general, the CRA should be strengthened to ensure that the banking needs of LMI communities are being met and prioritized. As such, we do not support expanding financial education to any income since LMI consumers and people of color are most likely to be unbanked as revealed by surveys of the Federal Deposit Insurance Corporation (FDIC). Likewise, the Fed should further develop its procedures for awarding CRA credit for financing affordable housing that is unsubsidized so that such financing actually serves LMI residents.

Conclusion

In closing, MHP strongly supports efforts to modernize the CRA. The CRA can play a key role in economic recovery efforts and help ensure that investment continues to flow to historically disinvested communities. As we look to the future, maintaining a strong CRA program will be critical to helping neighborhoods hit hardest obtain the capital they need to rebuild and recover.

Thank you for your consideration of our views on this important matter.

Sincerely,



Rob A. Goldman
President



Housing People · Empowering Families · Strengthening Neighborhoods

