

Proposal: 1723 (AF94) Reg BB - Community Reinvestment Act

Description:

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From: Texas State Affordable Housing Corporation, David Long

Proposal: 1723 (AF94) Reg BB - Community Reinvestment Act

Subject: R-1723 Community Reinvestment Act

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Comments:

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Your comment:

The Texas State Affordable Housing Corporation (TSAHC) respectfully requests that the Federal Reserve increase its consideration for down payment assistance (DPA) programs provided by housing finance agencies/corporations as part of its current CRA reform process. Specifically, we believe financial institutions participating in qualified DPA programs should receive increased CRA credit for serving middle-income home buyers (defined as those earning up to 120% of the area median family income (AMFI)).

In the past five years, many financial institutions have withdrawn or reduced their participation in DPA programs, including TSAHC's. We have noticed that many of these financial institutions have opted to create portfolio loan products geared toward low-income and first-time home buyers in lieu of participating in existing DPA programs. We believe this is because most DPA programs, including TSAHC's, serve households earning up to 115%-120% of the area median family income, which may not currently qualify for CRA credit.

We believe it is important to allow financial institutions to receive increased CRA credit for serving middle-income home buyers through DPA programs for several reasons. First, as home prices continue to rise, even households earning up to 115%-120% AMFI find themselves unable to save enough for a down payment. DPA programs help home buyers overcome the down payment hurdle, which is the #1 obstacle to homeownership. Additionally, DPA is a proven strategy for helping households of color achieve the American dream of homeownership. In 2020, 38% of TSAHC home buyers were Hispanic, and 14% were Black.

And finally, most DPA programs used to be funded by mortgage revenue bonds, which provided a finite amount of funding for DPA programs. When the amount of the bond issuance was reached, the organization could not offer any more loans with DPA until the next bond issuance. However, most

down payment assistance providers now utilize a financing mechanism called the TBA program to offer mortgage loans with DPA. This financing source is unlimited, which means that DPA providers can now serve households earning up to 115%-120% AMFI without taking the opportunity away from households earning up to 80% AMFI.

It is for the reasons stated above that we believe it is critically important to allow financial institutions participating in DPA programs to receive increased CRA credit for middle-income households. We thank you for consideration and would be happy to answer any questions about this comment.