



February 16, 2021

Ann E. Misback, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue,
NW Washington, D.C. 20551

Submitted via email (reg.comments@federalreserve.gov)

Re: Comment Letter on Advanced Notice of Proposed Rulemaking Issued by the Board of Governors on the Federal Reserve System seeking public comment on the regulations implementing the Community Reinvestment Act [Docket No. R-1723; RIN Number 7100-AF94]

On behalf of the Board of Directors and the membership of the Arizona Housing Coalition, we want to thank you for the opportunity to comment on the Federal Reserve Board's (FRB) recent actions to revise the Community Reinvestment Act (CRA). The Arizona Housing Coalition is a statewide collaborative association working to end homelessness by advocating for affordable homes for all Arizonans. We follow legislative and regulatory policies being adopted at the federal, state, and local level. As such, we appreciate the opportunity to weigh in, as well as appreciate the transparent and open approach the FRB has taken the last few years. We agree with the need to reform the CRA to better serve communities of color, and support efforts to bring CRA into the 21st century. We submit the following comments for your careful consideration and inclusion in regulations implement CRA:

- The Community Reinvestment Act has been a measuring tool to assess how banks are diversifying and investing in local communities. Proposed changes should strengthen banks ties to the local community, not aggregate investment. The ANPR misses a core objective of CRA modernization, which is to clarify how to identify community development needs. Emphasis should be placed on strengthening the relationship between a bank and the communities in which they do business, not on the technical aspects of CRA examination and accountability.
- Our country is experiencing an affordable housing crisis, exacerbated by the COVID 19 pandemic. One of the most important affordable housing development tools is the federal low income housing tax credit (LIHTC) program, created under President Reagan and expanded and reauthorized by Presidents Clinton and Trump, which is responsible for the development of more than three million apartment homes nationally. The "secret sauce" of making LIHTC housing developments work is the marriage of the tax credit with the bank's community reinvestment obligation dollars serving as capital formation for many of these projects. We are concerned that any changes to the CRA will have significant effects on investment in the LIHTC program - and ultimately on our state's response to building and preserving affordable housing.
- By focusing on dollar amounts over loan count, banks will discount mortgage lending in low to moderate income (LMI) communities as small dollar loans that are more likely in LMI



communities. By requiring banks to be good community stewards and serving alongside LMI communities, it requires trust, communication, and relationship building. It requires a higher level of attention to consumers with nontraditional financial resources and more challenging credit profiles which will naturally equate to less dollar volume. By moving to favor larger balance loans, this contradicts the intent of the Act.

- The proposed rule's expansion of CRA eligible activities to include financial literacy and housing counseling activities should be limited to LMI people and families. This type of free education is already scarce enough among communities that need that support without any attempt to water down a bank's incentive to provide it. But to that end, to meet the law's original intent to end redlining and ensure local access to basic financial services should start with the bank asking what the community needs. An exhaustive list created in a banking industry vacuum will distract from the community engagement process.
- While the proposed reform recognizes the changing nature of the banking industry, the changes to the geographic catchment area reduces transparency. Neither the banks nor the community will be able to evaluate the agencies' proposal to designate additional geographic areas on exams in the case of internet banks due to the lack of publicly available data. The public will not have a fair chance to offer comments on the effectiveness of significant changes whose impacts are unknown. It is critical that Arizonans have a fair chance to offer comments and the reduced transparency would hinder that considerably.

In summation, we do not support changes that would discourage banks from investing in affordable housing, counting activities that do not predominantly serve LMI individuals and families, and counting activities that could actively harm LMI individuals and families by fueling gentrification and displacement. We do appreciate the opportunity to submit these comments and thank the Board for their continued leadership, engagement, and careful review of all comments received during this rulemaking process. We are confident that through this process, a stronger, transparent, and tailored approach to the CRA will benefit Arizona and the nation for years to come.

Sincerely,

Joan Serviss, Executive Director
Arizona Housing Coalition