



October 29, 2021

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street, SW., Suite 3E-218
Washington, DC 20219

RE: Community Reinvestment Act Regulations, Notice of Proposed Rulemaking [OCC Docket OCC-2021-0014]

To Whom It May Concern:

Thank you for the opportunity to comment on the Notice of Proposed Rulemaking (NPRM) entitled "Community Reinvestment Act Regulations," which was published in the Federal Register on September 17, 2021 by the Office of the Comptroller of the Currency (OCC). NeighborWorks has been actively engaged as a stakeholder in the OCC's previous Community Reinvestment Act (CRA) rulemaking, as well as those undertaken by other financial regulators. In 2020, NeighborWorks expressed our reservations about the proposed changes to the regulations governing examinations under the Community Reinvestment Act, which the OCC finalized later that year ("2020 Rule"). We are very pleased to see that the OCC has decided to reopen the rulemaking process with the intention of reengaging the Board of Governors of the Federal Reserve and the Federal Deposit Insurance Corporation to develop a new joint framework for modernizing CRA for all types of regulated institutions.

Please note that these comments have not been submitted to, reviewed, or approved by NeighborWorks America's board and do not necessarily represent the views of its board members, either collectively or as individuals. These comments have been formed based on the ongoing work of NeighborWorks America with our network of nearly 250 NeighborWorks-chartered local and regional nonprofits.

For over 40 years, the Neighborhood Reinvestment Corp. (doing business as NeighborWorks America), a Congressionally-chartered, national, nonpartisan nonprofit, has created opportunities for people to improve their lives and strengthen their communities by providing access to homeownership and safe, affordable rental housing, increasing financial capability, and promoting community and economic development. NeighborWorks America traces its origins to the same era

and circumstances that drove enactment of the Community Reinvestment Act, and it is with this shared history in mind that we offer our perspective on this Notice of Proposed Rulemaking (NPRM).

NeighborWorks is pleased that the OCC is reconsidering the 2020 Rule. CRA is a critical framework for ensuring that the low- and moderate-income (LMI) people that NeighborWorks organizations serve have access to safe, sustainable banking and financial products, and that the neighborhoods in which they live are able to attract and retain investment from homeowners, small businesses, and others. In addition to direct investment, CRA provides incentives for banks to partner with NeighborWorks organizations and other community-based organizations, including CDFIs, to increase their reach and enhance access to safe and responsible financial products and services. NeighborWorks and the organizations that make up the NeighborWorks network have a vested interest in ensuring that CRA is preserved and the regulatory structures strengthened to meet the needs of LMI people and communities in a changing banking environment. The 2020 Rule put this all at risk.

Over forty years have passed since the Community Reinvestment Act was signed into law, but it remains vital to ensuring that banks meet the credit needs of the communities that they serve, particularly in low- and moderate-income neighborhoods. Since its enactment, the legislation and accompanying regulations and guidance have been updated periodically, but additional changes are still needed to reflect the realities of the modern financial system, community needs, and the regulatory environment. To that end, NeighborWorks is conceptually supportive of efforts to revise the CRA regulations.

NeighborWorks shares several of the goals articulated by the OCC in the 2020 rulemaking process. We support efforts to refine CRA regulations in a manner that provides clarity and certainty, both for banks and their communities. Predictable regulations could clear the way for many projects which sit on the margin to proceed. If done properly, amended regulations could catalyze additional investments in communities, serving community needs as well as supporting bank business. We also support the goal of redistributing investment to address the issue of “hot spots” and “deserts.” By reducing artificial incentives to concentrate investments in certain geographies and constraints against receiving credit for investments in others, capital could be better distributed across the country. This resulting allocation could be far more efficient and effective than that which is currently in place. Unfortunately, the 2020 Rule did not achieve these goals.

NeighborWorks is troubled by the 2020 Rule’s adherence to a strictly quantitative mechanism for evaluating the extent to which banks’ activities meet the credit needs of their communities, a structure which NeighborWorks believes is fundamentally flawed. Such a rigid quantitative assessment would drive stark shifts in bank resource allocations to fit the CRA evaluation model, exacerbating existing “hot spots” and “deserts,” and causing communities to lose access to much-needed capital and service, particularly in rural communities and markets with low property values.

Another major concern was the one-size-fits-most approach ingrained in the 2020 Rule. Given the range in bank business models, new CRA regulations must be sufficiently flexible to recognize the different ways in which banks work, allowing banks and communities to partner in the ways that are most appropriate to address the community's credit needs within the scope of the bank's lines of business. Likewise, CRA regulations must also recognize that community credit needs vary from place to place and must encourage banks to be responsive to those local needs.

Despite the 2020 Rule's overall shortcomings, there were several aspects of its approach to adding transparency and clarity around the activities that are eligible for CRA consideration that should be retained in a future rulemaking. In particular, we support the use of an ongoing list of CRA-eligible activities. New activities should be added to the list as innovations in the banking industry emerge, and activities should also be removed or refined as circumstances warrant. NeighborWorks also supports an established pathway for banks to seek pre-approval of activities prior to fully underwriting a project. This pre-approval mechanism provides added certainty that can allow banks and nonprofits to work together more efficiently and effectively.

NeighborWorks also supports the additional clarity the 2020 Rule brought to eligibility for affordable rental housing, particularly unsubsidized housing affordable to lower-income households. We applaud the requirement that rent affordability requirements apply to both current/initial rents and to future rents projected at the time of the loan or investment, a necessary safeguard to ensure that the housing continues to provide benefit to LMI populations. These improvements should be retained in future rulemaking.

We appreciate the opportunity to continue to engage with the OCC to modernize the Community Reinvestment Act. NeighborWorks is deeply committed to ensuring the ongoing success of this landmark statute and recognizes the critical role of the regulatory framework. We maintain the importance of consistent regulations for all banks regardless of their regulator and urge the OCC to re-engage the Board of Governors of the Federal Reserve and the FDIC in these efforts. The Advanced Notice of Proposed Rulemaking put forward by the Federal Reserve in early 2021 should serve as the starting point for this collective effort, and public input from both the OCC and Federal Reserve's processes should inform further refinements. NeighborWorks looks forward to continuing to work towards a framework that better meets the needs of both communities and banks under the Community Reinvestment Act.

Sincerely,

A handwritten signature in black ink that reads "Marietta Rodriguez". The signature is written in a cursive, flowing style.

Marietta Rodriguez
President & CEO, NeighborWorks America