

February 22, 2016

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
Attention: 1557-NEW
400 7th Street SW, Suite 3E-218
Mail Stop 9W-11
Washington, DC 20219

Via electronic mail to: prainfo@occ.treas.gov

Re: Draft Bulletin: Risk Management Guidance for Higher Loan-to-Value Lending in Communities Targeted for Revitalization

Dear Sir or Madam:

NeighborWorks America (also known as the Neighborhood Reinvestment Corporation) is pleased to comment on the Draft Bulletin: Risk Management Guidance for Higher Loan-to-Value Lending in Communities Targeted for Revitalization (Draft Bulletin). Please note that these comments have not been submitted to or approved by NeighborWorks America's Board. These comments solely reflect the view of NeighborWorks America management.

NeighborWorks America is a Congressionally-chartered nonprofit organization established in 1978. We support a network of more than 245 local and regional nonprofit housing and community development organizations. Among NeighborWorks America's network of affiliated organizations (NWOs) are 159 that provide community stabilization programs. These NWOs support place-based community transformation. Many operate in communities that face continued challenges with vacant properties and other lingering effects from the foreclosure crisis. We consulted with network organizations in order to prepare these comments.

NeighborWorks America supports the goals of the Draft Bulletin. In putting this Draft Bulletin out for comment, the OCC has both identified an area of lending that needs to be stimulated and provided a path for prudent lending that can help communities that need stabilization and revitalization. In general, we would note that the processes that are required to be developed by the banks to facilitate the goals of the Draft Bulletin should make the analysis/approval processes of the institution's policies commensurate with the risk of the mortgages and the small volume of lending likely to take place in each individual institution. Overly burdensome processes may inhibit lending.

Alleviating risk while providing access to much needed credit is an important goal of the Draft Bulletin. There are two very strong factors that banks should take into account in their policies and that the OCC could consider as helping to ensure safe and sound higher LTV lending. The first would be the engagement of community-based entities, like NeighborWorks' NWOs, already advancing neighborhood revitalization in the target community. Leveraging the work of NWOs in communities in need of revitalization will assist borrowers and banks in achieving

safe, sustainable lending. Second, the policies would not only look for counseled borrowers, but would also incentivize, support, and/or require financial education and/or homeownership counseling of borrowers. These proven services will also go a long way toward ensuring safe and sound lending practices.

In addition to enhancing the policies to foster more collaboration with strong NWOs or similar organizations, we would recommend that some of the limitations envisioned by the Draft Bulletin be altered to allow for more of the lending that is needed in the various different types of communities in need of access to this type of credit. This letter will outline four changes we would recommend.

First, while in some communities, such as Detroit, the \$200,000 loan size limit may serve the areas targeted for revitalization, in other communities, the \$200,000 threshold will greatly limit its usefulness. One NWO in New Jersey reports that they have 15 homes with sales prices over that threshold in their community. NeighborWorks recommends that the OCC reconsider the \$200,000 limit to meet realities of depressed neighborhoods in high cost regions and perhaps look at setting regionally tailored limits to reflect differences in markets, even within a state.

Second, while the Draft Bulletin limits the applicability of the higher LTV lending to the purchase of, or purchase and rehabilitation of, an owner-occupied residential property, NeighborWorks would recommend engaging this guidance to apply to refinance loans with no cash out, home equity loans, or lines of credit. These products are critical to allow for important home rehabilitation and maintenance for current residents which would contribute to revitalization in the neighborhood.

Third, the policies should ensure that the products that serve borrowers are structured in a way that does not recreate the damage that led to the foreclosure crisis. To the degree the products could be structured for shared appreciation at sale or with other mechanisms that assist borrowers in achieving an LTV below 100% as soon as possible, they would serve the short- and long-term stabilization of the neighborhood. In addition to the products themselves, the policies should show a clear accountability by the banks to make sure their lending practices aren't negatively impacting the borrowers or the target community. The policies should also allow for some flexibility in appraisal "comparables" areas, household vs. borrower income ratios or other mechanisms that may afford better access to credit, but still result in prudent lending.

Fourth, the Draft Bulletin's criteria for eligible communities should be examined to ensure all communities of need are indeed, eligible. NeighborWorks networks organizations work in thousands of communities across the country that may or may not be designated by a federal, state or municipal government entity as targeted for revitalization. While every area should not become a designated revitalization area, the policies should allow for targeted eligible areas that meet alternative, similar designations by a unit of government such as an area's Consolidated Plan.

NeighborWorks again supports the general parameters of the Draft Bulletin. NeighborWorks and the NeighborWorks network stand ready to partner with banks to facilitate safe and sound lending in these most distressed areas of nations' communities. The experience and borrower

services that NWOs bring to the table will assist the banks in helping bring back needed credit to stabilize and revitalize these communities and improve the lives of their residents.

Sincerely,

A handwritten signature in black ink that reads "Kirsten Johnson-Obey" with a stylized flourish at the end.

Kirsten Johnson-Obey
Senior Vice President
Public Policy and Legislative Affairs