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Re: Docket ID OCC-2018-0008, “Reforming the Community Reinvestment Act Regulatory Framework”

Submitted via [https://www.federalregister.gov](https://www.federalregister.gov/documents/2018/09/05/2018-19169/reforming-the-community-reinvestment-act-regulatory-framework).

Dear Comptroller Otting:

**Please Do Not Lower the Bar on the Community Reinvestment Act (CRA)**

The CRA holds banks accountable to the needs of communities they have historically ignored or preyed upon. The federal statute requires each bank regulator, including the OCC, “to use its authority when examining financial institutions, to encourage such institutions to help meet the credit needs of the local communities.” 12 USC 2901(b). Instead, the OCC seems to be seeking to dramatically lower the bar and make it easier for banks to pass CRA exams without consideration to the needs of local communities and by taking CRA away from its focus on low and moderate income neighborhoods.

The CRA has done tremendous good for California and the country and has essentially become a critical partner in the ability of organizations like ours to do our work.

The [NAME OF YOUR ORGANIZATION] works to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. In the last [ ] years, we have developed \_\_\_ affordable homes serving low-income households in low income communities throughout [REGION]. CRA-motivated Banks have been critical partners in this work by providing not only lower cost more flexible debt but, even more critically, equity generated through the sale of Low Income Housing Tax Credits (LIHTCs).

Affordable rental housing is the most acute need in most California communities, as evidenced by the fact that California voters approved $6 billion in new funding on November 6th by passing Propositions 1 and 2. If the OCC allows the banks to get CRA credit for more activities in more places while setting a low bar for satisfactory performance, affordable rental housing finance will drop precipitously. The overly simplistic formula for grading banks that the OCC is contemplating will mean the harder affordable housing deals are not done – those that help seniors, disabled persons, and rural communities.

Further, the OCC’s suggestion that lending that benefits higher income households could qualify would result in giving banks CRA credit for financing development that would price low- and moderate-income families out of their current communities. In gentrifying parts of the state, there is a need for creative financing to preserve affordable housing opportunities. But creative financing projects will take the biggest beating under an OCC system where banks could take the easiest path to comply. Banks should be encouraged to lend and invest in hard to develop communities and in creative ways that truly meet local needs and should be downgraded for financing displacement.

The passage of HR 1 in 2017 had a huge negative impact on California’s LIHTC market as banks that had purchased $3.6 billion in LIHTCs in 2016 reduced their purchases to close to $2 billion in 2017 in anticipation of the bill passing, leading to a loss of more than $1.5 billion in housing funding in California alone. Several large banks reported that their decision to reduce their investment in California LIHTCs was driven by (1) their being at the end of their CRA review cycle, and (2) their wanting to wait to see if there would be changes to the CRA, presumably that would weaken their need to purchase LIHTCs. Given Congress’ decision to increase LIHTC allocations by 12.5% on March 23, 2018, it would be contradictory and counterproductive for federal regulatory agencies such as the OCC to do anything that would inadvertently undermine the value of the LIHTC.

Banks do not need relief from the CRA. CRA exam processes do not need to be simplified, watered down, or made easier to pass. For decades, over 98% of all banks have passed CRA exams with flying colors. Loosening or otherwise expanding what would count for CRA is simply deregulation by another name and will undermine much of the work we do.

**The CRA supports communities by holding banks accountable.**

History tells us that banks, if given the opportunity by looser CRA regulations, will revert to choosing the easiest, most lucrative activities that counted towards this single performance number test instead of actually serving the financial needs of their communities. Using a one-size fits all, single performance number approach, simply dividing the dollar value of CRA activity by asset size, to rate banks would almost certainly result in a substantial drop in LIHTC investment levels in California. Such an expansion of what qualifies for CRA, a move away from the historic focus on low income communities, and oversimplification of performance measures would gut the CRA almost entirely. For these reasons, we strongly oppose these proposals.

Sincerely,

[Your name]

[Your Organization Name]