Massachusetts Housing Partnership

November 19, 2018

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219

RE: Docket ID OCC-2018-0008

To whom it may concern:

Thank you for the opportunity to comment on the OCC's Advanced Notice of Proposed Rulemaking on Reforming the Community Reinvestment Act (CRA) Regulatory Framework.

The Massachusetts Housing Partnership (MHP) is a public, nonprofit organization that provides financing for affordable housing across the Commonwealth of Massachusetts. Through our own multifamily loan programs funded by bank lines of credit and through a residential mortgage program administered by MHP and offered by participating banks, we have provided more than $4.9 billion in long-term financing supporting 23,546 affordable rental units and 21,390 home purchases by low-income, first-time buyers.

Over the last 27 years MHP's financing programs have operated in partnership with our state bank association and with 96 CRA-regulated banking institutions doing business in Massachusetts. While we work with a significant number of state-chartered community banks, the vast majority of MHP's financing is from OCC-regulated banks.

MHP's CRA financing programs are significant both because of the people and neighborhoods they serve and also because of how well they perform. Sixty-five percent of our bank-funded rental financing is in census tracts that would qualify for Opportunity Zone designation. Eighty-nine percent of our home purchase lending is in predominantly low-income cities and/or to borrowers below 80 percent of area median income (AMI). Our multifamily loan pool has no delinquencies and has experienced no loan losses since its inception in the early 1990s. The delinquency rate and default rate for our home mortgage loans to low- and moderate-income borrowers, currently at 3.6 and 0.4 percent respectively, are significantly below the rate for prime mortgage loans in Massachusetts.

We applaud the OCC's interest in improving implementation of CRA and believe there are many long overdue steps that would accomplish that objective. MHP is a member of the National Association of Affordable Housing Lenders (NAAHL) and strongly endorses the detailed comments and recommendations that NAAHL is submitting for your consideration.

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Our primary purpose in submitting additional comments from MHP is to address the proposal in the ANPR to determine CRA ratings through a new “metric based framework.” Based on our highly successful CRA lending performance -- which spans several decades, product types and market cycles -- we believe that adopting single metrics tied to the size of each bank would actually weaken CRA and would likely reduce the availability of credit to low-income borrowers and census tracts.

In our view it is the nature of any particular loan or investment that determines the degree to which it “meets the credit needs of the local communities in which [a bank] is chartered”, not necessarily the dollar amount of that loan or investment. In our work we can easily think of examples where a single metric would discourage banks from responding to the most significant unmet credit needs.

- Regional differences in home prices distort the relative value of a dollar of bank lending or investment. MHP’s ONE Mortgage Program, for example, provides 97 percent loan-to-value, 30-year fixed-rate mortgages to first-time low- and moderate-income borrowers through participating banks. The banks retain credit risk and participate in an MHP-administered risk pool that eliminates the need for mortgage insurance. The mortgage amounts for two recent ONE Mortgage loans – a $389,570 loan in the high-cost town of Rockland in metropolitan Boston and a $260,930 loan in the more economically distressed city of Chicopee in western Massachusetts – illustrate the problem. Even though both loans were made to borrowers at or below 80 percent of AMI, the dollar amounts varied by 50 percent. Both loans were equally important in addressing community credit needs and it is hard to imagine any dollar weighting regime that would adequately account for those market differences.

- Regional differences in household income -- which drive the amount of supportable equity and debt in rental developments utilizing low income housing tax credits and other subsidy programs -- also distort the relative value of a dollar of bank lending or investment. The loan amounts for two recent bank-financed rental housing developments – $71,391/unit for an affordable rental development in Brookline adjacent to the city of Boston and $15,143/unit for an affordable rental development in the rural, western Massachusetts town of Goshen – illustrate the problem. Even though both projects are serving households at or below 60 percent of AMI, the bank-financed debt per unit is nearly five times higher in metro Boston than in rural Massachusetts. As with the previous home loan example, both multifamily loans were equally important in addressing community credit needs and it is hard to imagine any dollar weighting regime that would adequately account for those market differences.

- Equal dollar amounts of lending or investment within general product types may have vastly different value in meeting community credit needs. An FHA-insured home purchase loan to a borrower at 80 percent of AMI would seem to be assigned the same value as an MHP One Mortgage loan under the proposed metric-based framework, yet the benefits to the community and the degree of positive bank engagement could not be more different. FHA loans cost a typical borrower $321 more per month and have nearly three times as many delinquencies and four times as many defaults as ONE Mortgage loans. ONE Mortgage loans perform better, in part, because banks retain credit risk and are reserving capital against them. The same concept is true of bank investments in affordable rental housing: purchase of a rated tax-exempt bond or MBS by a CRA-regulated bank is generally a safe and liquid investment, but provides the community with only nominal credit value. In our case, though, MHP arranges for banks to purchase unrated tax-exempt bonds for affordable rental housing developments at a below-market return. Presumably both investments would be valued equally in a metric-based CRA framework, yet the community value is not even closely comparable.

While MHP cannot support the proposed metric-based CRA framework, we applaud the OCC's willingness to take on CRA reform. We strongly encourage you to proceed in collaboration with the Federal Reserve Board and the Federal Deposit Insurance Corporation to ensure that there are no significant policy differences between the three primary bank regulators.

Thank you for your consideration of these comments. We would be happy to answer questions or provide any additional information.

Sincerely,

Clark L. Ziegler
Executive Director