



April 8, 2020

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: Docket ID OCC-2018-0008

To whom it may concern:

Thank you for the opportunity to comment on the Community Reinvestment Act (CRA) Regulations proposed by the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC).

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 \$5.2 billion in long-term financing supporting 24,086 affordable rental units and 22,125 home purchases by low-income, first-time buyers.

Over the last 29 years MHP's financing programs have operated in partnership with our state bank association and with 103 CRA-regulated banking institutions doing business in Massachusetts. Virtually all of MHP's financing is provided by banks regulated by the OCC and FDIC.

MHP's CRA financing programs are significant both because of the people and neighborhoods they serve and also because of how well they perform. Two-thirds of our bank-funded rental financing is in census tracts that would qualify for Opportunity Zone designation. Eighty-six percent of our home purchase lending is in predominantly low-income cities, to borrowers below 80 percent of area median income (AMI), or to borrowers of color who have historically been underserved. 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 2.6 and 0.5 percent respectively, are significantly below the rate for prime mortgage loans in Massachusetts.

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We applaud the OCC's and FDIC'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 helped develop NAAHL's 2017 policy brief "Improving Implementation of the Community Reinvestment Act." NAAHL's recommendations on CRA reform reflect a strong consensus among the leading banks and nonprofit loan funds across the U.S. engaged in community development lending.

Based on our experience working with banks to originate high-impact CRA loans -- which has resulted in one of the largest and best-performing portfolios of such loans in the U.S. -- the Massachusetts Housing Partnership is strongly opposed to the OCC's and FDIC's proposed regulation. In our view the proposed rule is at cross-purposes with an emerging national consensus on CRA reform, it would actually weaken CRA, and its adoption would likely reduce, rather than increase, the availability of credit to low-income borrowers and census tracts.

MHP's objections to the proposed rule are as follows:

- (1) The proposed single metric for CRA performance (the "CRA Evaluation Measure") would distort current CRA lending and investing practices by giving disproportionate weight to loans and investments with larger dollar amounts in higher-cost markets. As MHP noted in comments on the OCC's Advanced Notice of Proposed Rulemaking, the amount of supportable bank financing per unit in two recent low-income rental housing developments was more than five times higher in metro Boston than in rural Hampshire County, Massachusetts. Despite the extreme variation in bank financing per unit, these two loans served residents at the exactly same percentage of area median income and the affordable units in each of these developments were equally important in addressing community credit needs. Many comparable cost disparities exist within our market and across the U.S.

- (2) Adoption of a single evaluation metric is wholly inconsistent with the legislative intent of CRA: meeting the credit needs of the local communities in which banks are chartered. Formulaic CRA requirements were never envisioned by Congress. The very nature of CRA requires qualitative judgments about the relative importance of particular loans and investment to community credits needs and about the equitable distribution of loan and investment products within each bank's assessment area(s).

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- (3) Even if use of a single metric was consistent with the intent of CRA, there is no body of empirical data to support the CRA rating thresholds in the proposed rule. The only responsible way to implement such a scheme would be to benchmark proposed ratings against current bank lending and investment data (including, but not limited to, data recently compiled by the Federal Reserve Board), to test those quantitative ratings for a period of time in parallel with the current regulation and rating system, and to adopt the system only after it had been validated based on actual bank practice.
- (4) The proposed rule would stifle innovation by no longer giving weight to banking initiatives that go the extra mile and expand access to credit for low- and moderate-income populations and neighborhoods. There are many examples of banking industry leadership in collaboration with MHP that would be shortchanged under the proposed rule, including: (a) banks' assumption of shared credit risk for ONE Mortgage loans without reliance on mortgage insurance; (b) banks' agreement to purchase mortgage-backed securities for affordable multifamily housing developments at below-market interest rates; and, (c) banks' agreement to "wrap" real estate credit risk on tax-exempt bonds for affordable rental housing by issuing standby letters of credit at a below-market cost.
- (5) It makes sense to give banks credit for CRA activity outside of their assessment areas if, and only if, they are doing a good or outstanding job meeting the credit needs of the primary areas where they conduct business and collect deposits. That approach helps eliminate excessive concentrations of CRA activity in some areas and CRA "deserts" in others. The proposed rule would turn that principle on its head by allowing banks to obtain credit for "outside" CRA activity when they are doing a barely adequate job of meeting community credit needs in only a portion of their assessment areas.
- (6) Until and unless the three federal bank regulators (OCC, FDIC and the Federal Reserve) agree on a single CRA regulation – as has been done consistently in the past – it would be irresponsible to promulgate a divergent CRA rule. That problem would be magnified in a number of states, including Massachusetts, that have their own state CRA statutes and conduct parallel CRA exams in cooperation with federal regulators.

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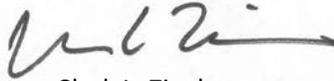
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While MHP cannot support the proposed rule, we would strongly support CRA reform undertaken jointly by all three federal bank regulators that embodies the basic principles articulated by NAAHL and by other industry leaders.

Thank you for your consideration of these comments.

Sincerely,



Clark L. Ziegler
Executive Director