COHHIO
Coalition on Homelessness and Housing in Ohio

November 16, 2018

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

Comment regarding "Reforming the Community Reinvestment Act Regulatory Framework"

RE: Docket ID OCC-2018-0008

To Whom it May Concern:

The Coalition on Homelessness and Housing in Ohio (COHHIO) appreciates the opportunity to comment on the Office of the Comptroller of the Currency's (OCC) Advance Notice of Proposed Rulemaking (ANPR) regarding the Community Reinvestment Act (CRA). COHHIO is a coalition of organizations and individuals committed to ending homelessness in Ohio and to promoting decent, safe, fair, affordable housing for all.

COHHIO believes that implementing the approach outlined in the ANPR will significantly diminish banks' investment in affordable housing in Ohio. In particular, we are concerned that the "one ratio" concept would make CRA exams considerably less effective in evaluating how banks respond to local needs in Ohio's many diverse metropolitan areas and rural communities.

I. OCC Should Reject the "One Ratio" Approach Because it Exacerbates Housing Inequity

The CRA encourages banks to invest in Low Income Housing Tax Credits (LIHTC), which are the primary driver of affordable development and preservation in the U.S. Commercial banks provide at least 80 percent of the equity capital for the LIHTC program. We are concerned that the changes proposed in the ANPR could reduce demand for housing tax credits, with a resulting negative impact on affordable housing production, especially in rural and low-housing cost markets.

The "one ratio" would effectively give banks a target amount for CRA loans, investments and services. This will encourage larger regional banks to concentrate their CRA activity in fewer large, high-cost projects in the more expensive housing markets, where it will be much easier to reach their target investment volume. And with smaller banks within Ohio, we anticipate a similar pattern; they will choose not to invest in multiple, less expensive, but critical projects in small cities and rural communities, opting instead for fewer high-dollar investments in hotter

COMMUNITY SHARES OF MID OHIO
175 South Third Street, Suite 580, Columbus, Ohio 43215
Ph: 614.280.1984 Fax: 614.463.1060
www.cohhio.org

urban real estate markets. This outcome could fuel gentrification in these neighborhoods, and further aggravate the existing shortage of affordable housing in both urban and rural areas.

The National Community Reinvestment Coalition's (NCRC) analysis of the ANPR highlights the negative economic impact of the "one ratio" approach. NCRC estimates that low- and moderate-income neighborhoods in Ohio could lose up to $1.9 billion in bank investment over five years if these rules are adopted.

II. The Current Examination Method Used by CRA Examiners Provides a Holistic Analysis that a Simple Mathematical Formula Cannot Capture

CRA exams currently evaluate and rate banks' compliance in assessment areas where banks have branches. As part of this process, examiners consider feedback from actual residents of these communities. Implementing the "one ratio" approach would diminish a critical part of the process of determining whether banks are adequately serving the many low-income communities and individuals within their markets in a meaningful way.

Long-term trends of disinvestment and discriminatory lending practices, which the CRA was designed to address, are complex and affected by many varied local factors. As such, any responsible and effective effort to remedy these issues will necessarily be more complicated than a simple mathematical formula, such as the ratio of a bank's qualifying CRA activity to its assets.

III. OCC Should Continue Progress by Applying CRA Regulations to Additional Types of Loan and Investment Institutions

Rather than over-simplify CRA compliance in the direction indicated by the ANPR, we respectfully request the OCC address other issues to update the law in a more responsible way. For example, the OCC should apply regulations to additional types of institutions that provide loans and investments, and explicitly evaluate lending and services to people and communities of color.

Conclusion: OCC Should Work to Preserve the Intent and Elevate the Impact of the CRA

Since its passage in 1977, the CRA has leveraged a substantial amount of private investment in affordable housing development and preservation for low- and moderate-income individuals and communities in Ohio. While we recognize that the current regulations fail to adequately account for advances in banking and technology that have occurred over the past two decades, we are concerned that the ANPR approach could significantly weaken this landmark law.

Although Ohio has made progress remedying the negative impacts of decades of redlining on low-income communities, several recent news items reveal that discriminatory lending practices remain a problem in our state:

- Black applicants in the Dayton metro area were 2.1 times as likely to be denied a conventional home mortgage as white applicants, even when controlling for applicants' income, loan amount and neighborhood. [1]
- Two Cincinnati-based banks, Union Savings Bank and Guardian Savings Bank, reached a settlement with the U.S. Department of Justice in 2016 over allegations of redlining "predominantly African-American" neighborhoods in Cincinnati, Columbus, Dayton, and Indianapolis.[2]
- Cleveland and Columbus neighborhoods that were marked red on Home Owner's Loan Corporation maps now have some of the highest eviction rates in those cities.[3]

Rather than making it easier for banks to comply with the CRA, as proposed in the ANPR, the OCC should work to strengthen protections against discriminatory lending and bolster incentives for private investment in affordable housing. We urge the OCC to start afresh and develop a more comprehensive and responsible approach in conjunction with the Federal Reserve Board and the Federal Deposit Insurance Corporation. Thank you for your attention to our comments.

Sincerely,

Bill Faith

Bill Faith

Executive Director

---

[1] 2016 data analysis by the Center for Investigative Reporting. *See* https://www.mydaytondailynews.com/news/modern-redlining-racial-disparities-lending-persist-dayton/6gTaGkhi8fNqMtS3cong3L/

[2] United States v. Union Savings Bank and Guardian Savings Bank (S.D. Ohio), (consent order issued on Jan. 3, 2017). *See* https://www.housingwire.com/articles/38845-two-ohio-based-banks-settle-redlining-allegations

[3] "PREDICTING EVICTIONS: A Look Back on Redlining in Ohio," Ohio Housing Finance Agency, Oct. 3, 2018 http://ohiohome.org/news/blog/october-2018/predictingevictions.aspx