NCSHA

August 31, 2010

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219

RE: Community Reinvestment Act Regulation Hearings,
Docket ID OCC-2010-0011

To Whom It May Concern:

Thank you for the opportunity to submit comments on the Community Reinvestment Act regulations. We support the OCC, Federal Reserve Board, FDIC, and OTS efforts to consider changing their regulations to better serve the goals of the Community Reinvestment Act (CRA). The National Council of State Housing Agencies (NCSHA) supports amending the CRA regulations to increase CRA-related investments in Low Income Housing Tax Credits (Housing Credits) in areas currently suffering from a relative lack of investment without reducing investment in relatively better-served CRA assessment areas.

NCSHA is a national nonprofit, nonpartisan Washington, DC-based association that represents the interests of state Housing Finance Agencies (HFAs) before the Administration and the Congress. In addition to its policy and advocacy work, NCSHA provides HFAs education and training and facilitates best practice exchange among them.

HFAs are state-chartered housing agencies that operate in every state, the District of Columbia, New York City, Puerto Rico, and the U.S. Virgin Islands. Though they vary widely in their characteristics, including their relationship to state government, HFAs have in common their public-purpose mission to provide affordable housing to the people of their states who need it. HFAs administer a wide range of affordable housing and community development programs, including tax-exempt Housing Bonds, the Housing Credit, HOME, Section 8, down payment assistance, and state trust funds.

Under current CRA regulations, in many geographic areas there are more CRA-related investment dollars available than investment opportunities for those dollars. At the same time, other areas—often part of the same market area or geographically very close to the areas with a surplus—cannot attract CRA-related investment, even with safe and sound investment opportunities. The difficulty in attracting CRA-related Credit investment is a particular concern in non-metropolitan rural communities and smaller metropolitan areas, and for smaller Housing Credit developments.

To remedy this imbalance, we encourage the federal regulatory agencies with jurisdiction over the CRA to consider amending the CRA regulations to establish clear, consistent, and transparent standards for what Housing Credit investments satisfy financial institutions' CRA obligations. These standards should address the needs of all communities, including those underserved by and/or outside current assessment areas.

In developing these standards, we recommend that federal regulators consider defining CRA assessment areas more flexibly, at least for Housing Credit investments, to recognize that Housing Credit investments in locations near current assessment area boundaries, throughout a financial institution's state, and possibly in adjacent states or broader areas contribute to a financial institution's compliance with the goals of the CRA. Great care, however, must be taken to avoid an approach that could allow CRA-motivated investors to ignore the needs of smaller markets while receiving CRA credit for investments throughout multi-state regions.

Recognizing investments anywhere within an individual state, for any financial institution operating within that state, better aligns CRA-related Housing Credit investment with other state and federal community development programs, including with statewide Housing Credit allocation plans. While designating statewide assessment areas will result in larger assessment areas, a strong connection will remain between those areas and where the financial institutions conduct their business.

We also recommend that federal regulators consider the growth in non-retail deposits among many financial institutions and the possibility of awarding CRA credit for investing such non-retail deposits in broader assessment areas than those areas where retail deposit-related investments achieve CRA credit.

In addition, we recommend that financial institutions receive equal recognition for investments made directly or through a fund organized locally, statewide, regionally, or nationwide. The volume and responsiveness to local needs of the investment should matter, not the channel through which it is made.

A more flexible approach incorporating the principles outlined in this letter is likely to increase investor responsiveness to local needs while increasing the volume and geographic diversity of investments in all communities, particularly smaller and rural markets and for smaller Credit developments, while still maintaining financial institutions' connections to the communities and states where they conduct their retail business.

Designing and implementing such changes must be done carefully. We encourage you to work closely with NCSHA and other interested parties as you develop CRA regulation amendments. As we refine and develop our own thinking on this issue, we will send you updated recommendations to reflect any changes in our position.

Sincerely,

Garth Rieman
Director, Housing Advocacy and Strategic Initiatives