



CRA Modernization

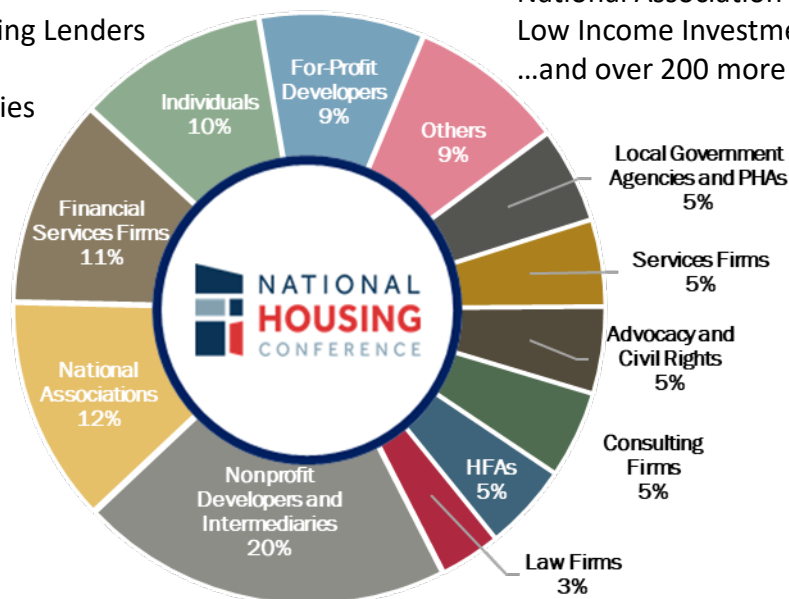
David M. Dworkin
President and CEO
National Housing Conference

Who We Are

269 Members and growing

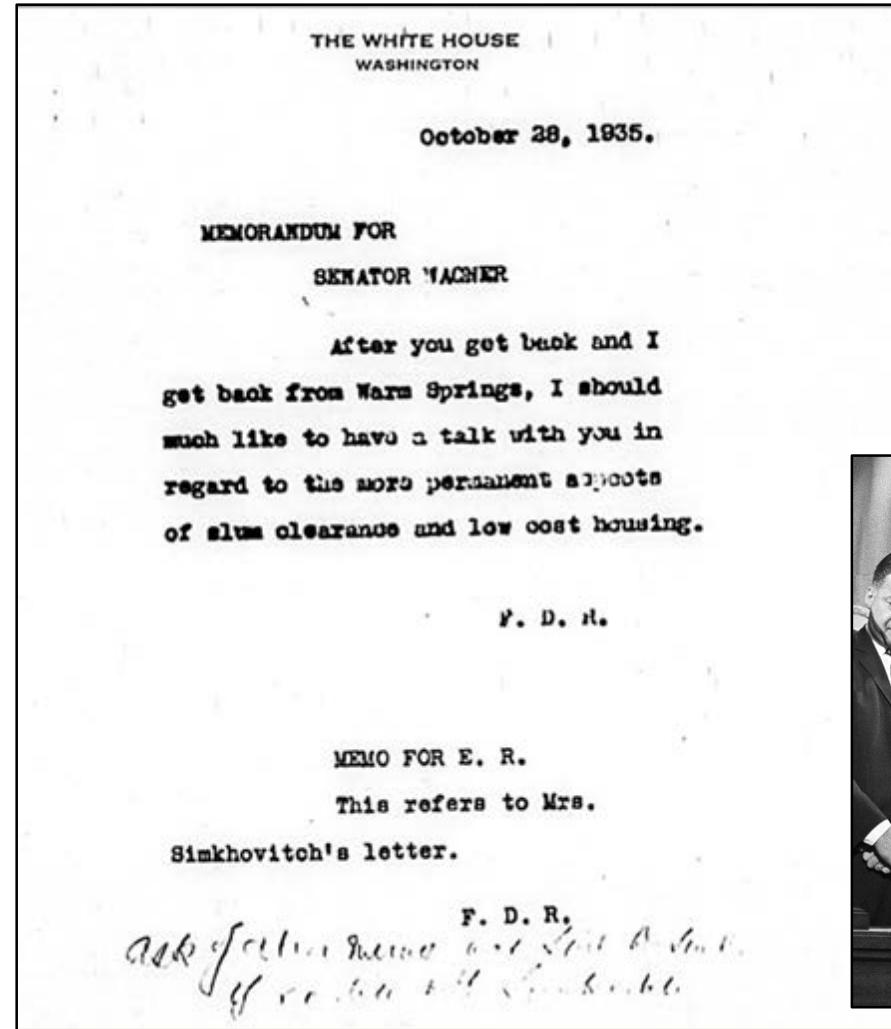
Council of Federal Home Loan Banks
Federal Home Loan Bank of Chicago
JP Morgan Chase
Wells Fargo Bank
Bank of America
Mortgage Bankers Association
National Alliance for Fair Housing
National Association of Affordable Housing Lenders
National Association of Home Builders
National Council of State Housing Agencies

National Multifamily Housing Council
National Low Income Housing Coalition
National Association of REALTORS
Center for Responsible Lending
Enterprise Community Partners
Low Income Support Corporation
National Association of Real Estate Brokers
Low Income Investment Fund
...and over 200 more!



What We Do

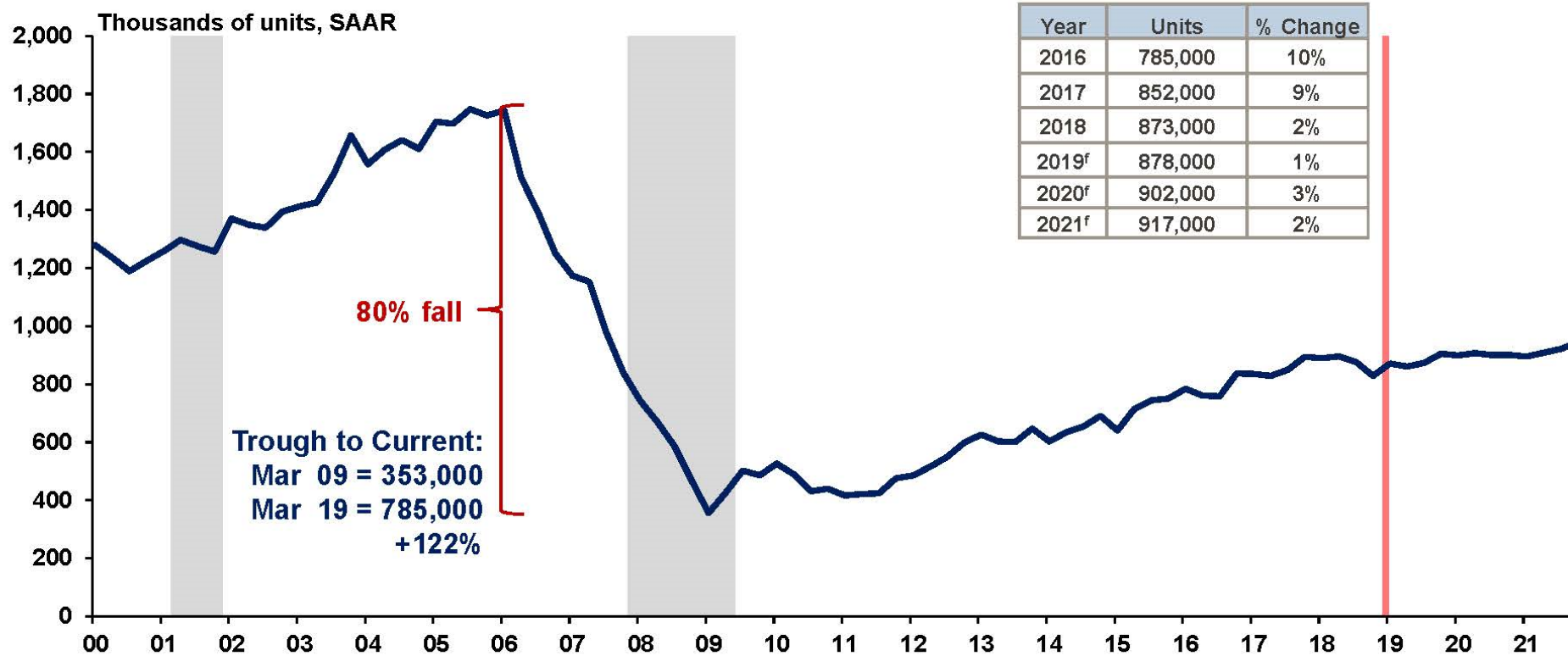
- 1933 – FDIC and HOLC
- 1934 – FHA
- 1937 – Public Housing
- 1938 – Fannie Mae
- 1946 – VA Loan Program
- 1949 – Urban Renewal
- 1965 – Dept. of Housing and Urban Development
- 1968 – Fair Housing Act, GNMA, TILA, HUD 235
- 1977 – Community Reinvestment Act
- 1987 – McKinney Homeless Assistance Act
- 1990 – Cranston-Gonzalez (HOME, HOPE)
- 1992 – Federal Housing Enterprises Financial Safety and Soundness Act
- 2008 – Housing and Economic Recovery Act (HERA)
- 2009 – Dodd Frank Act



Housing Supply Shortage

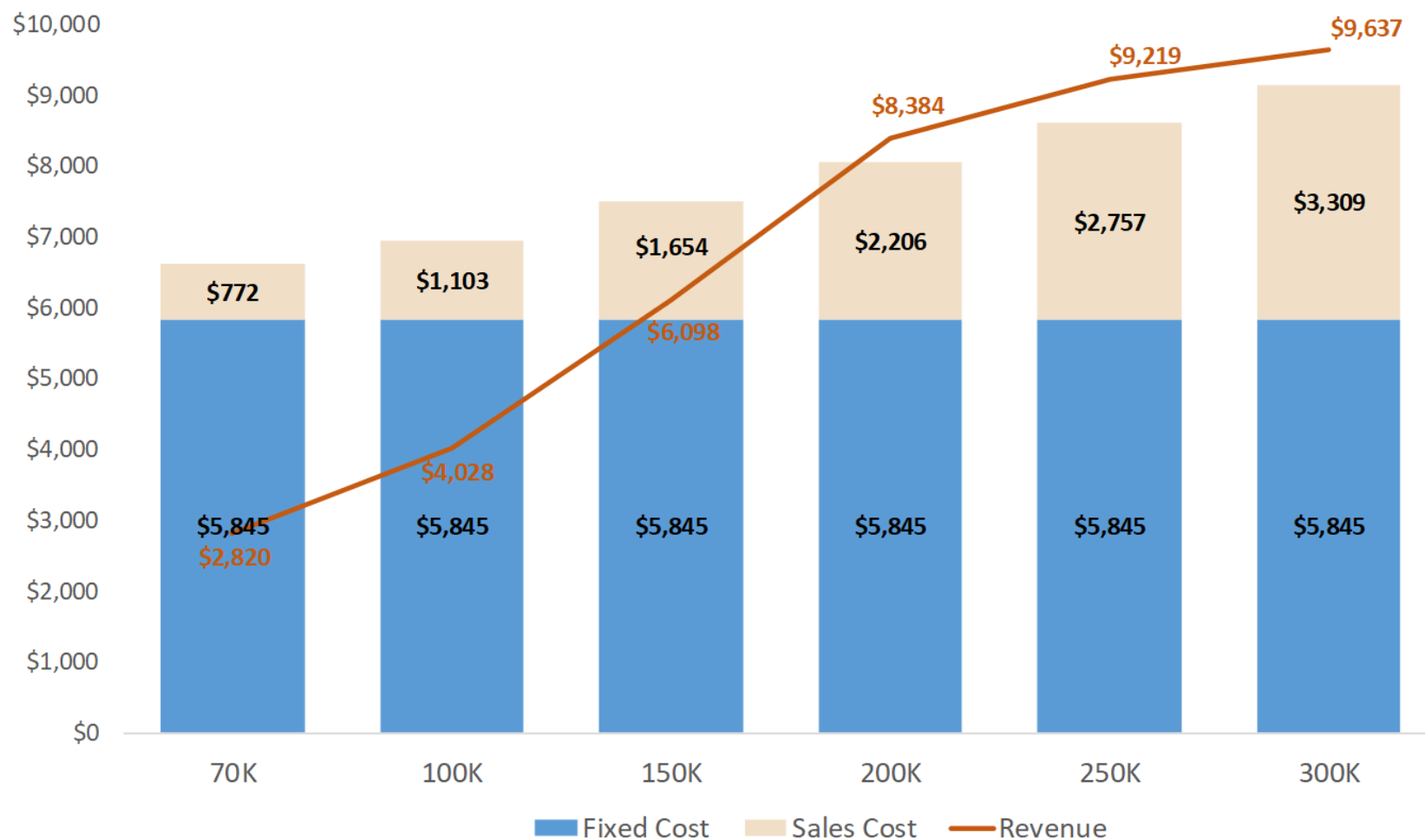
Single-Family Starts

Limited growth as economy slows



Source: U.S. Census Bureau (BOC) and NAHB forecast

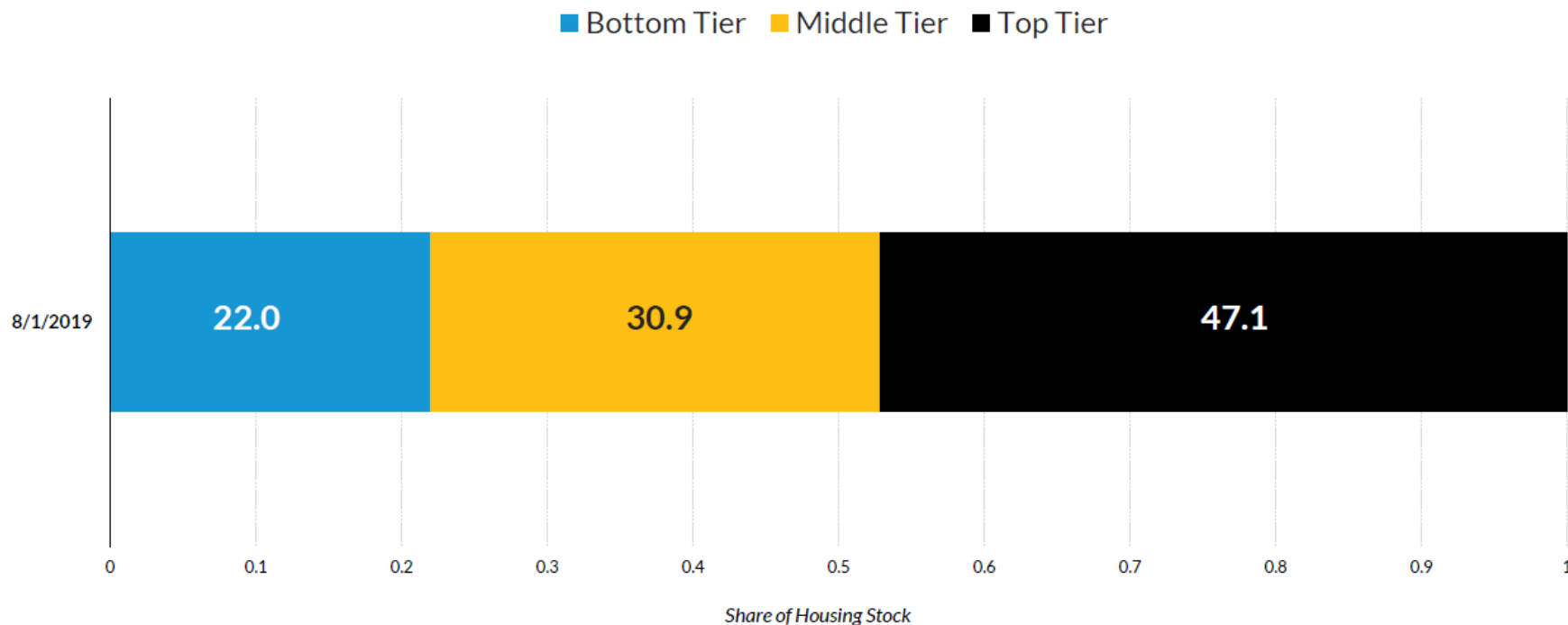
Cost Per Loan vs Revenue by Loan Size - 100% Retail/CD Lender
(Illustration from the Quarterly Mortgage Bankers Performance Report)



Source: MBA's Quarterly Mortgage Bankers Performance Report, www.mba.org/performance-report

Lowest price makes up the smallest share of the Market

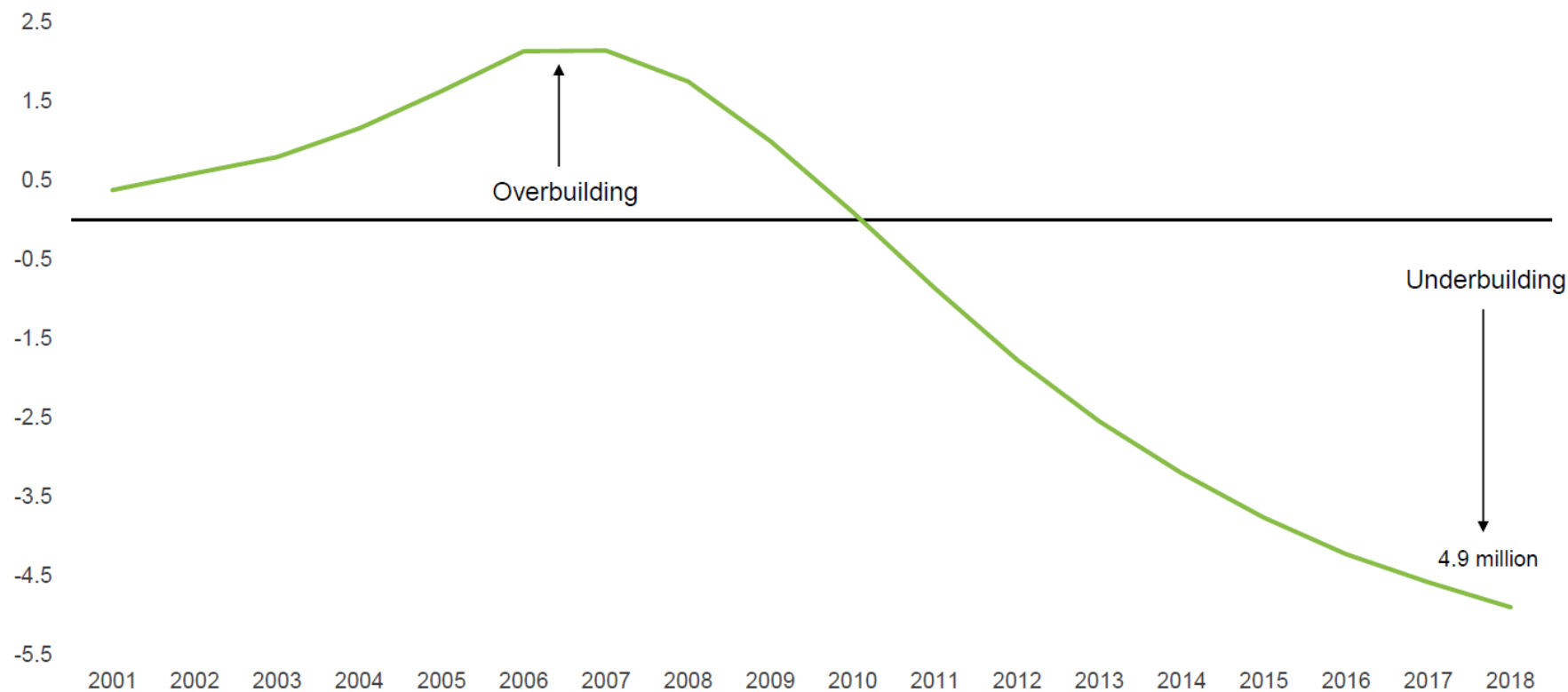
Share of housing supply by home value



Source: Urban Institute Calculations from Zillow Estimates

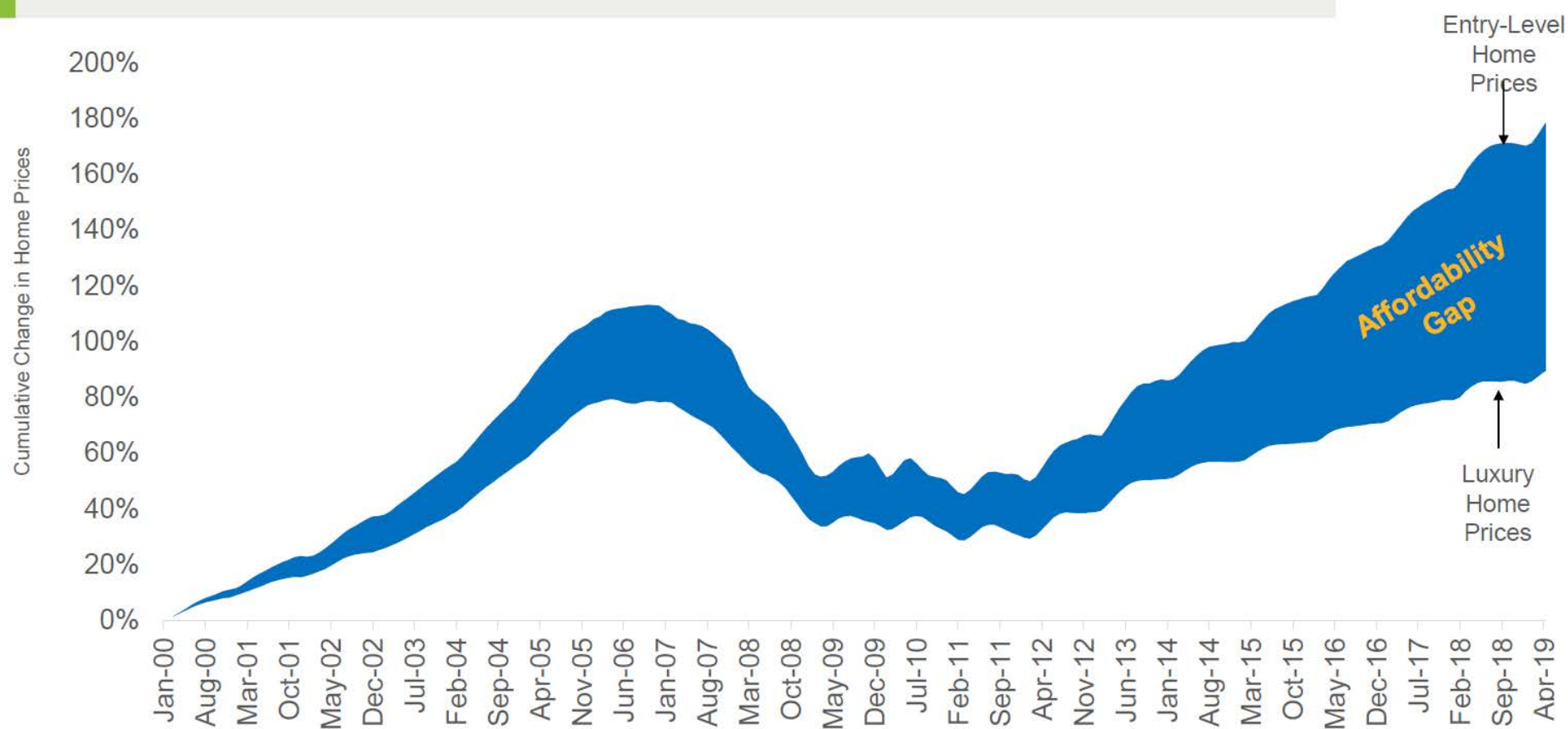
Note: Zillow defines top, middle and bottom tier homes as those that fall in the top, middle and bottom third of all home values respectively in a given geography (includes single-family and condominium units) data as of Aug. 2019.

Cumulative Shortfall in Supply Since 2000 is almost 5 Million Housing Units...



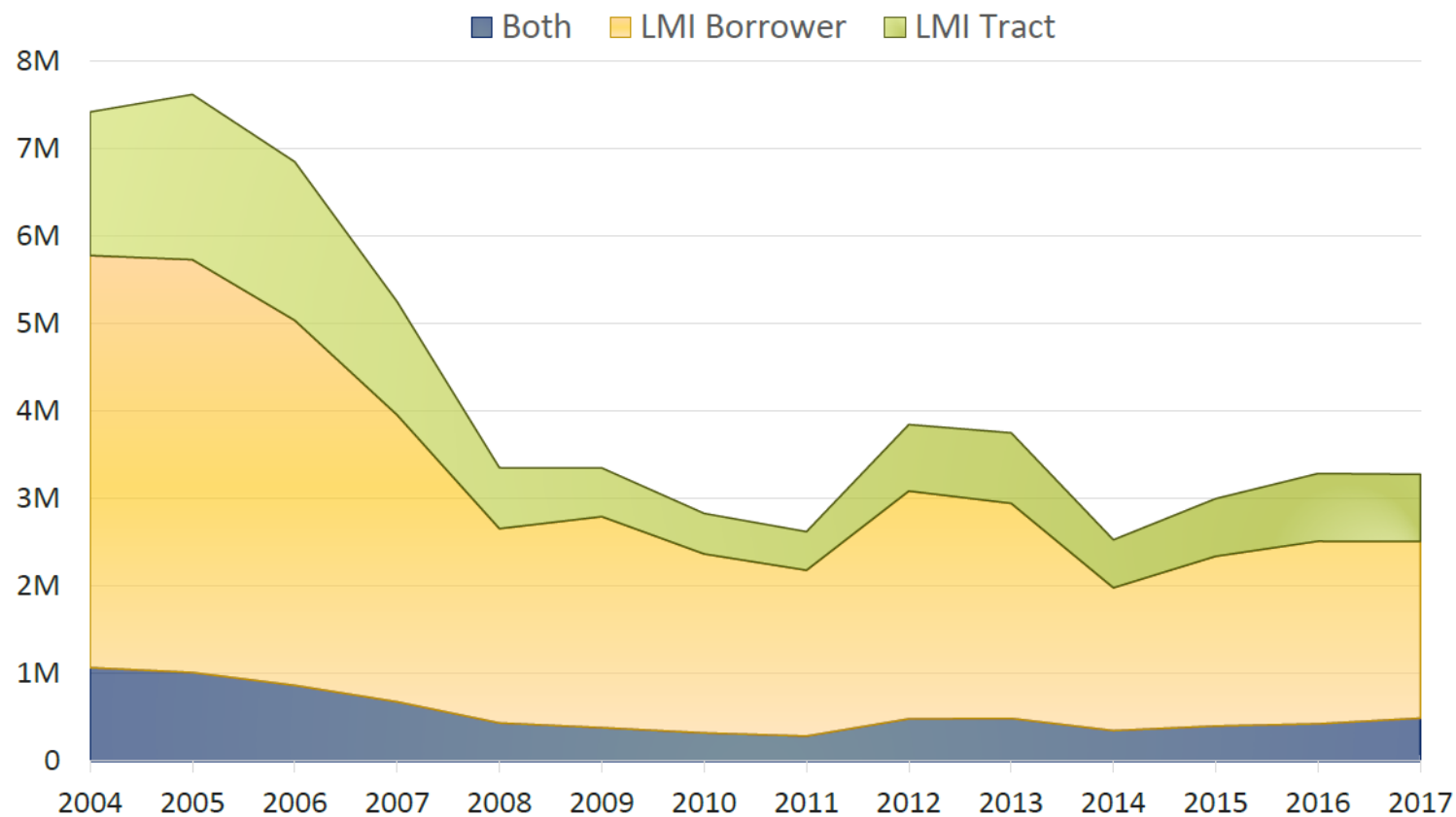
Lack of New Supply is Driving Up Entry Level Home Prices Much More than Luxury Prices

Freddie Mac



Source: CoreLogic

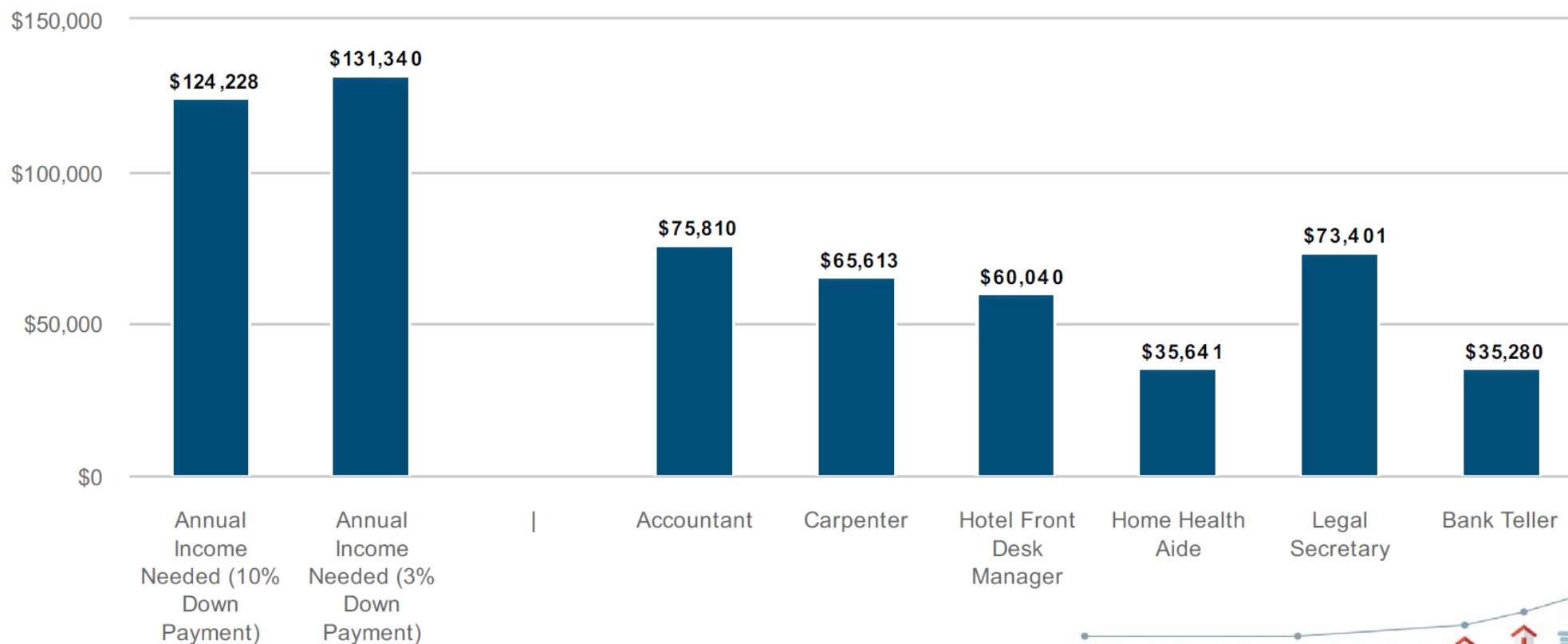
LMI Mortgage Originations by Year



Key identifies areas in order from bottom to top.

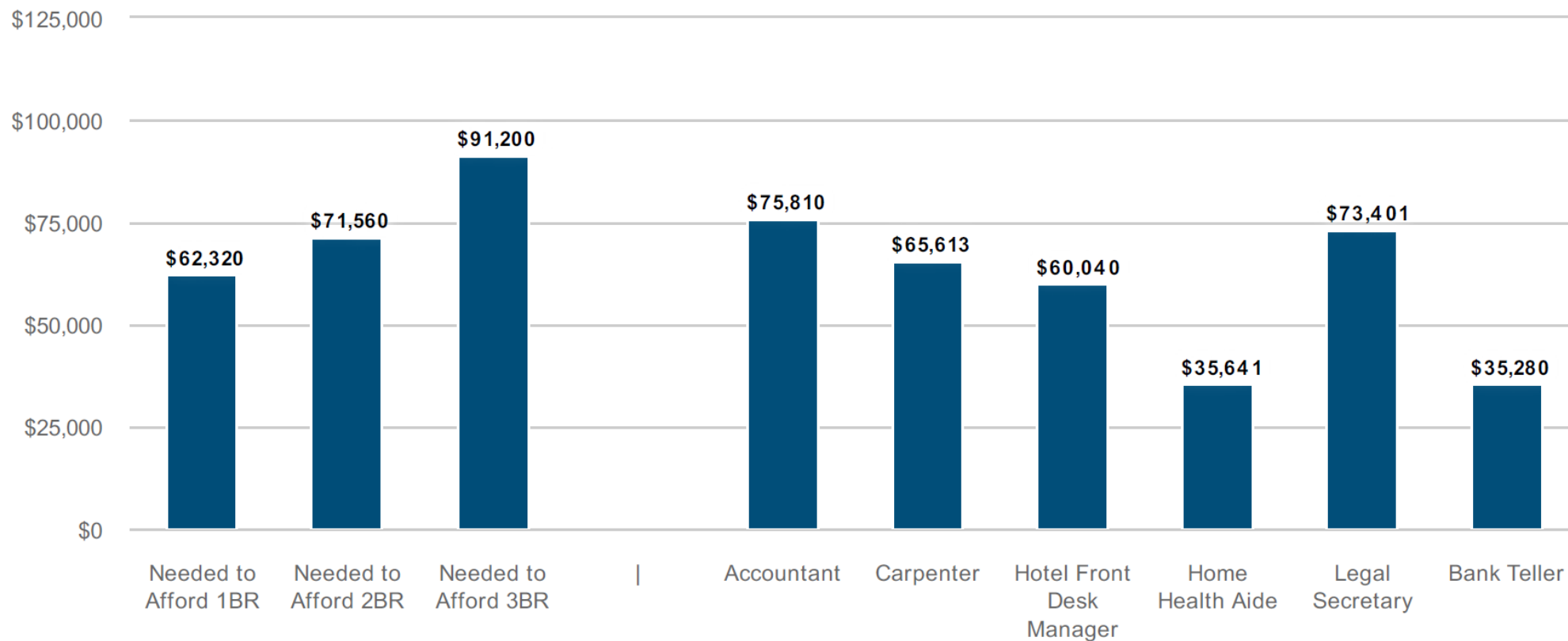
Housing Supply Shortage

New York-Newark-Jersey City, NY-NJ-PA , Homeownership Market



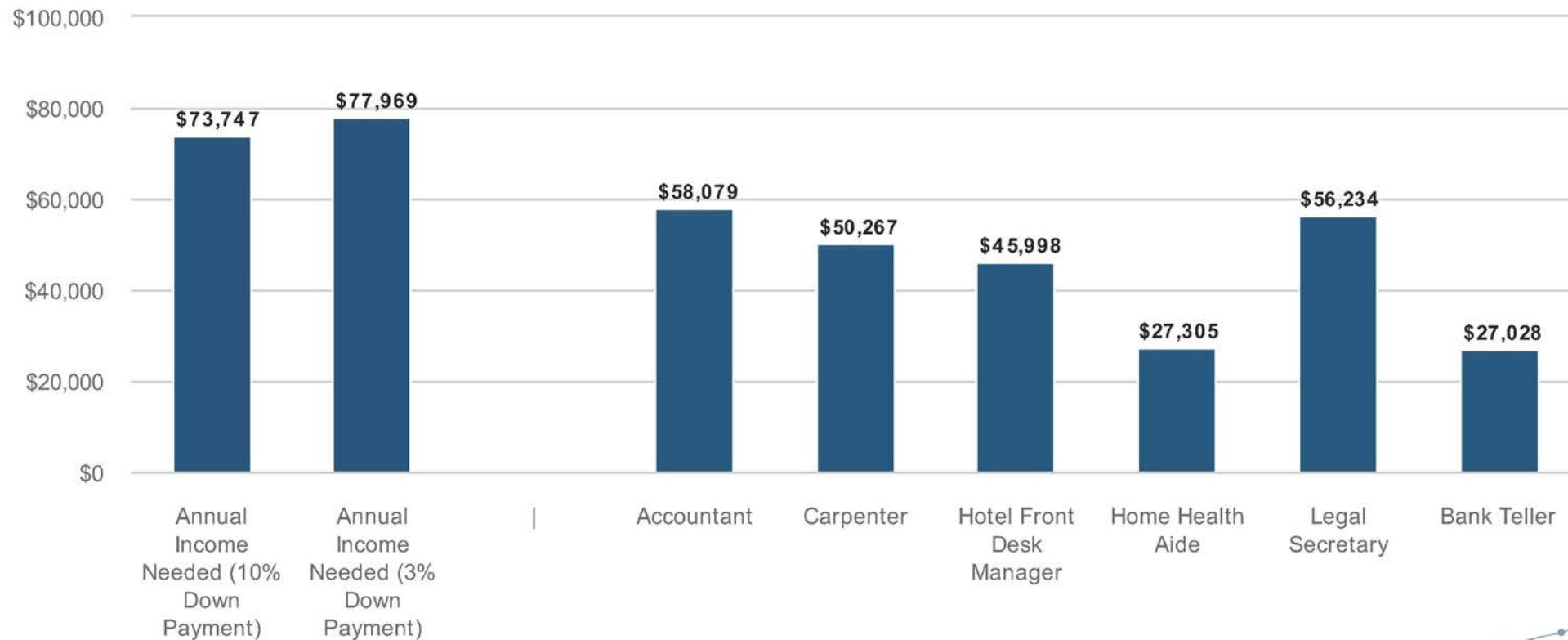
Housing Supply Shortage

New York-Newark-Jersey City, NY-NJ-PA , Rental Market



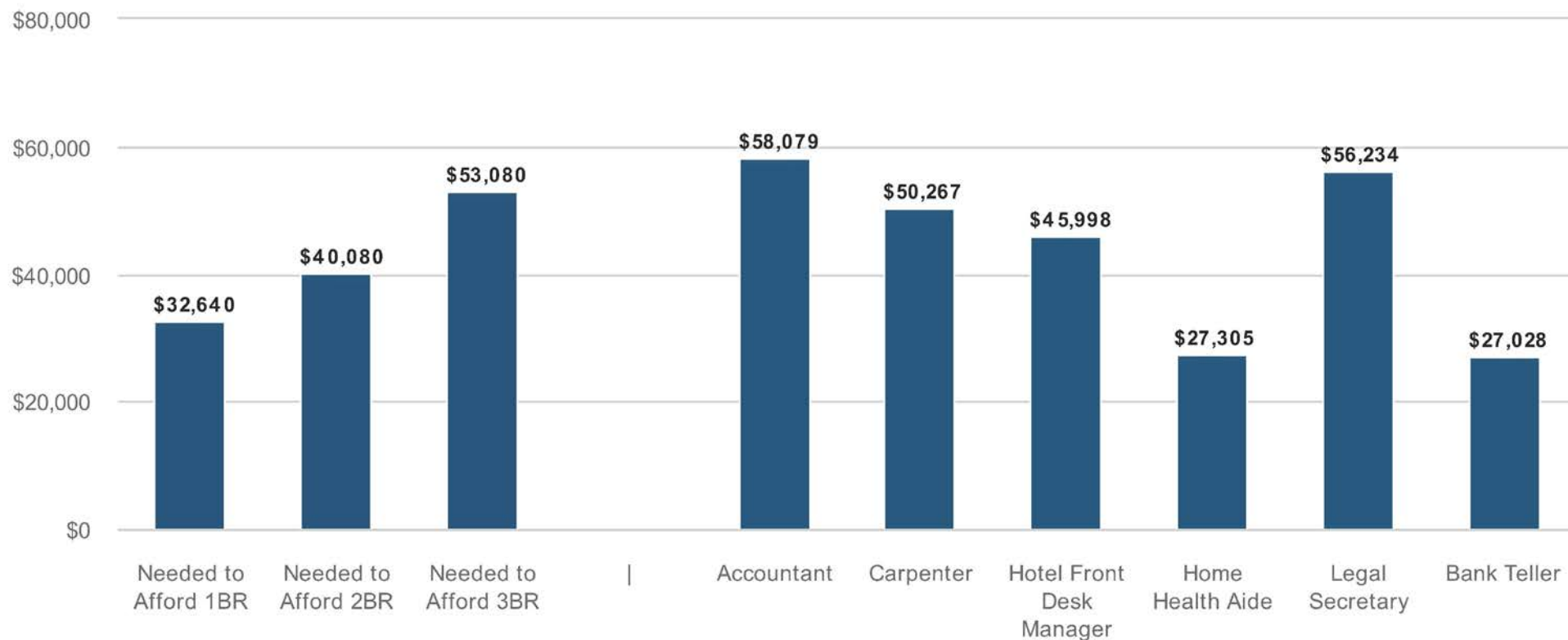
Housing Supply Shortage

Nashville-Davidson--Murfreesboro--Franklin, TN , Homeownership Market



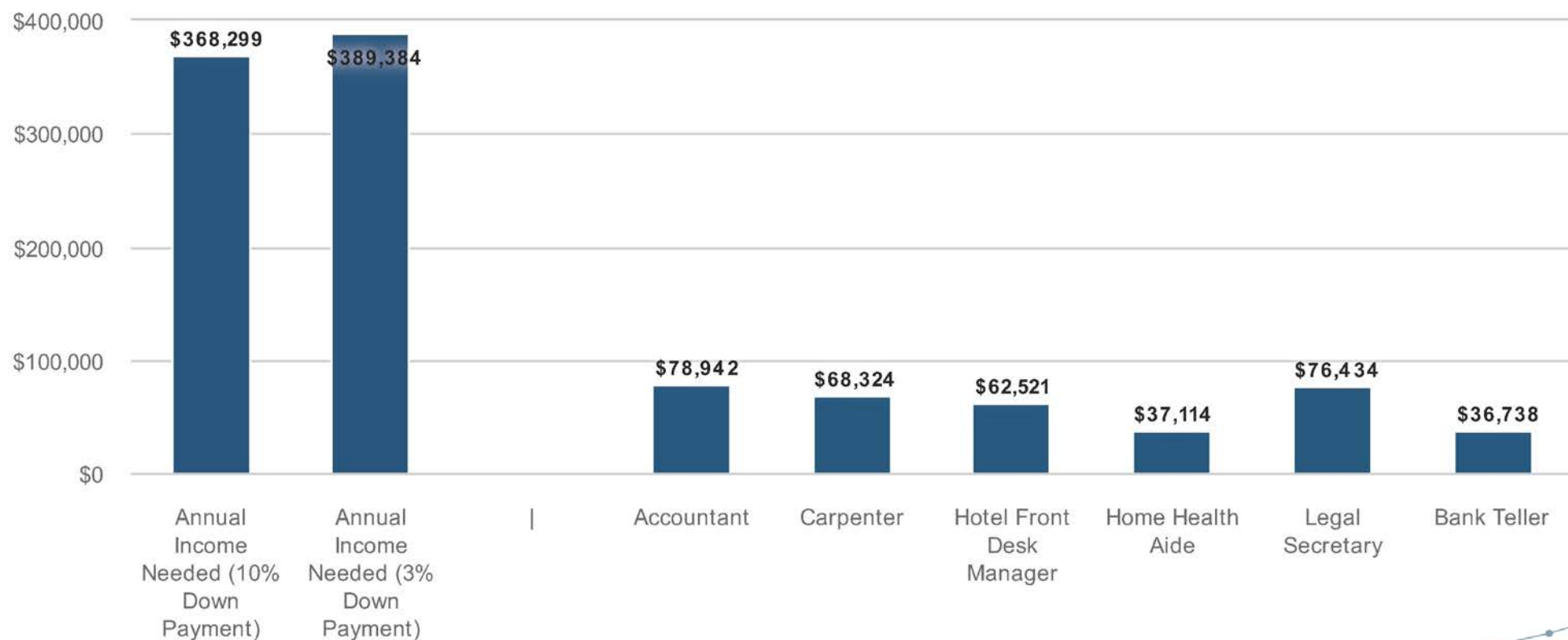
Housing Supply Shortage

Nashville-Davidson--Murfreesboro--Franklin, TN , Rental Market



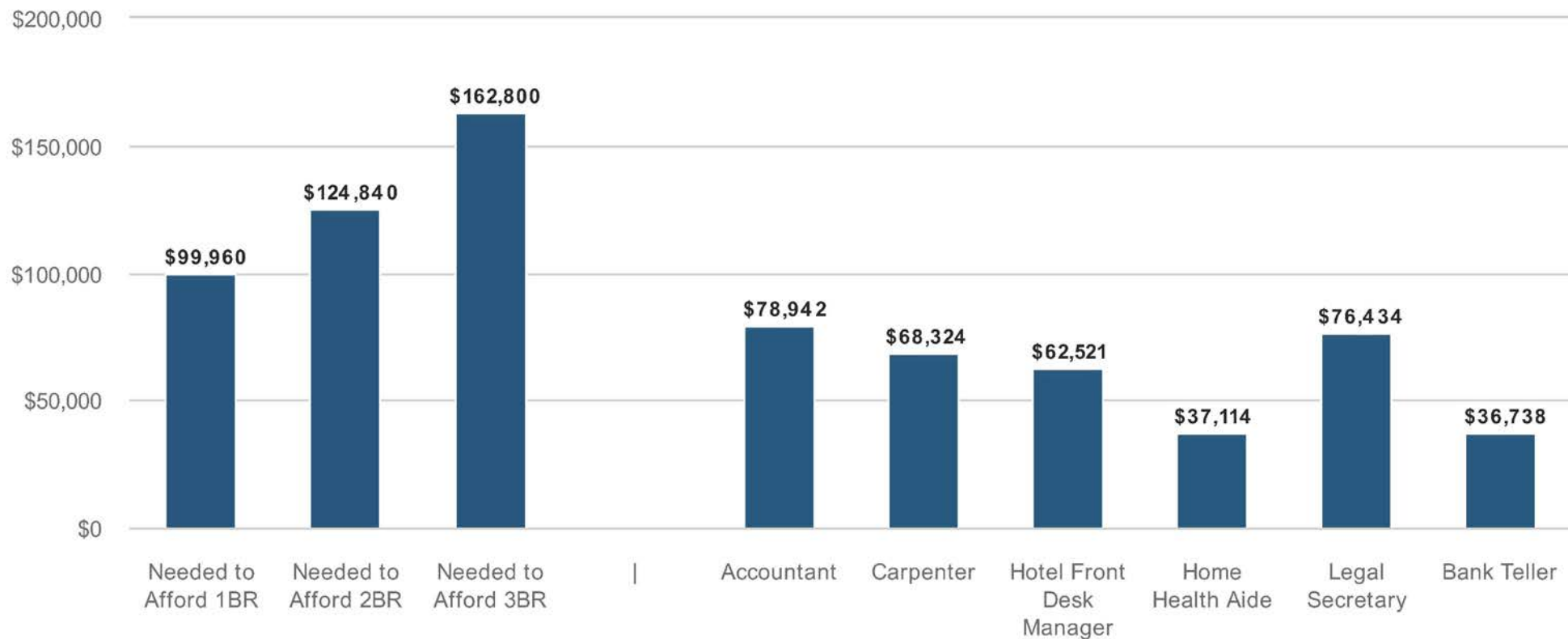
Housing Supply Shortage

San Francisco-Oakland-Hayward, CA , Homeownership Market

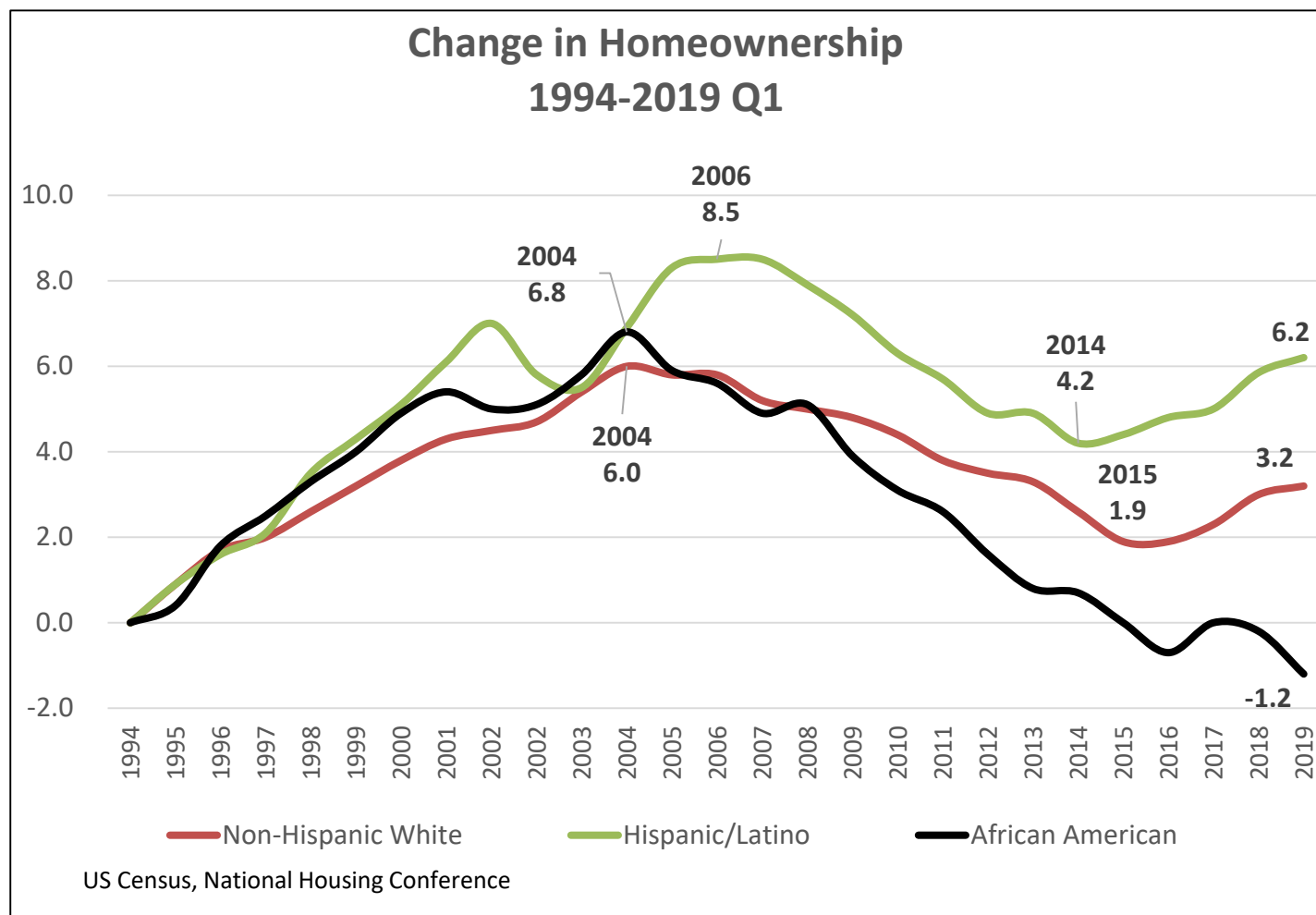


Housing Supply Shortage

San Francisco-Oakland-Hayward, CA , Rental Market



Black Homeownership



CRA Modernization

Any new CRA regulatory regimen must:

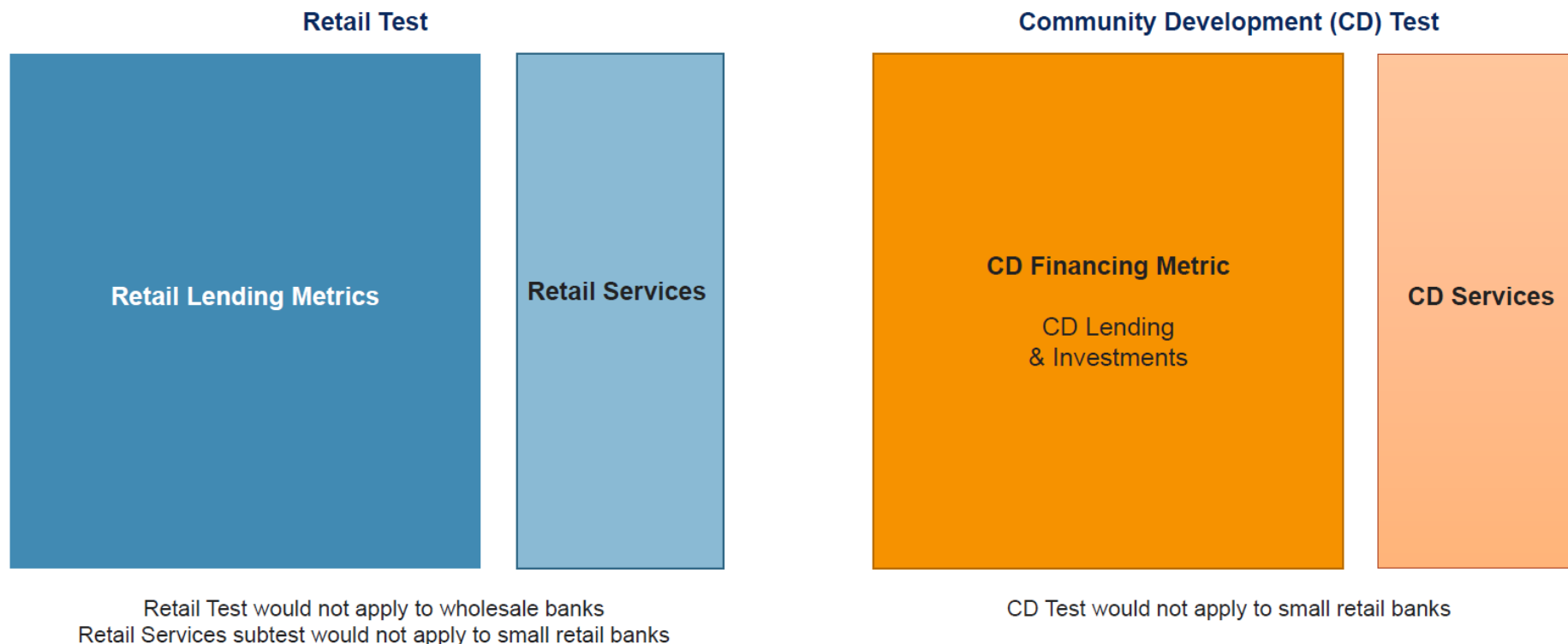
1. Increase investment in communities that are currently underserved;
2. Benefit more low- and moderate-income (LMI) people, particularly people of color, who live in those communities;
3. Ensure that CRA lending and investment does not lead to displacement of the very people it is meant to help; and
4. Make both bank performance and government enforcement more transparent and predictable.



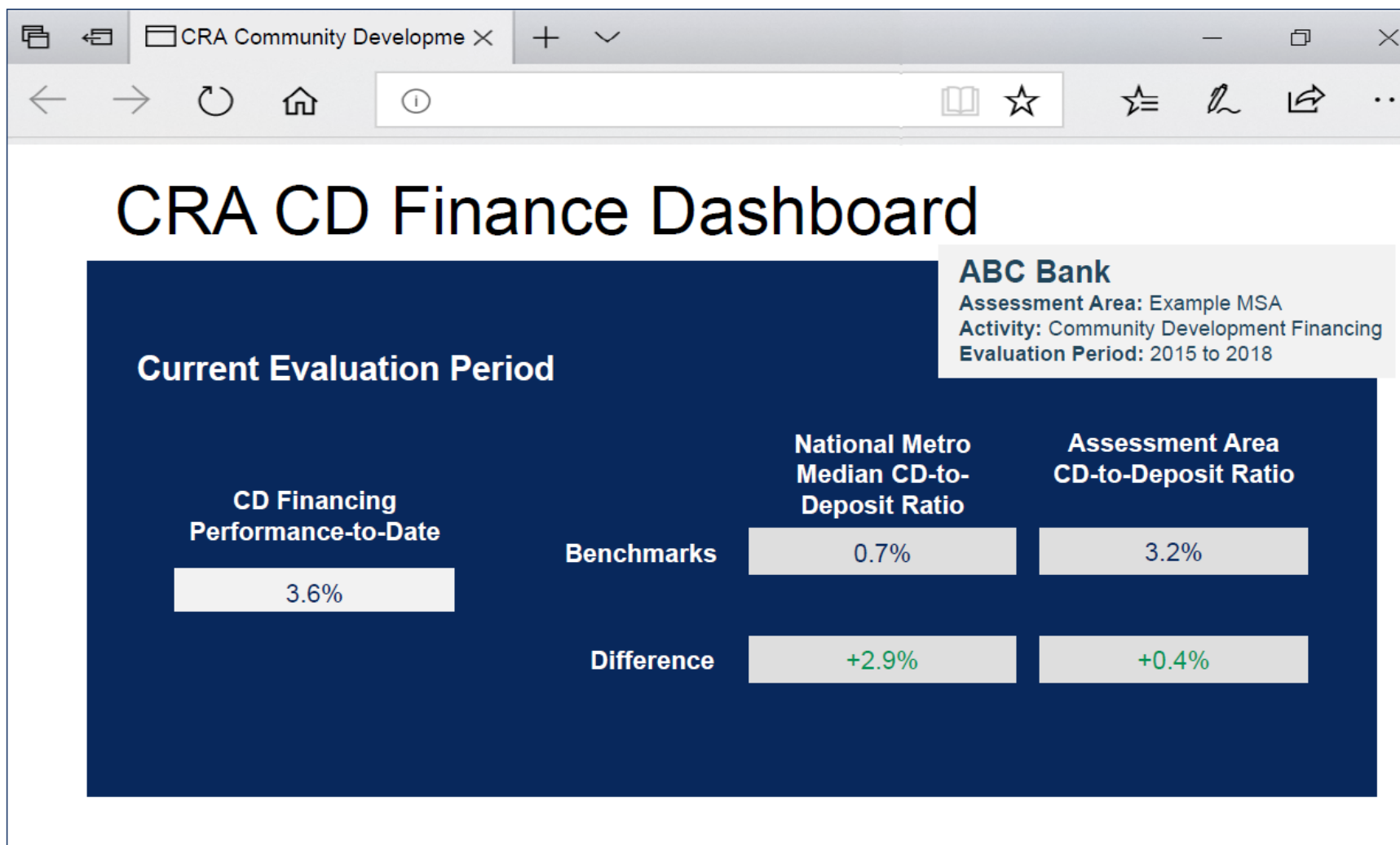
The OCC/FDIC Proposal

- It seeks to clarify what counts for CRA credit “by articulating clear standards and requiring agencies to publish an illustrative list of qualifying activities.”
- It claims to preserve assessment areas in the local areas around branches and “require banks that draw a large portion of their current assessment areas to designate additional assessment areas wherever they have significant concentrations of deposits.”
- It seeks to evaluate CRA performance “by assessing what portion of a bank’s retail lending is targeted to LMI individuals and areas - as well as measuring impact of by comparing the value of a bank’s CRA qualifying activity with its deposits in each assessment area and at the overall bank level.
- It attempts to improve the transparency and timeliness of reporting. Better reporting will allow stakeholders to gauge banks’ performance throughout the evaluation cycle and will help speed up regulatory decision making.

Federal Reserve Board Approach



Federal Reserve Board Approach



Gov. Brainard's Concerns

- The Federal Reserve Board refused to sign on to the OCC approach.
- As Fed Governor Lael Brainard explained, “a uniform ratio that does not adjust with the local business cycle could provide too little incentive to make good loans during an expansion and incentives to make unsound loans during a downturn, which could be inconsistent with the safe and sound practices mandated by the CRA statute.”
- She recognized that “industry commenters also expressed concern that discretionary adjustments to the uniform metric are likely to lag behind the economic cycle and undermine the certainty a metric purports to provide.”
- However, she was noncommittal on the Fed undertaking its own rulemaking process. NHC has urged the Fed to issue its own NPR.



Director Gruenberg's Concerns

“This proposal would fundamentally undermine and weaken the Community Reinvestment Act.”

- It would establish a CRA evaluation framework relying on a single metric approach that would allow a bank to concentrate its CRA activity in as little as 50 percent of its assessment areas, disinvest in the other 50 percent, and still receive a satisfactory or even outstanding CRA rating. The metric itself would establish presumptive percentage standards for CRA ratings for which no basis is given.
- The proposal would expand current CRA eligible activities and thereby reduce the focus of CRA on low- and moderate-income individuals and communities. It would virtually eliminate the retail services test that currently encourages low cost bank accounts to expand access to the banking system to those who are currently unbanked.
- Finally, the proposal undermines what has been a core strength of CRA for forty years – the encouragement of bank engagement and dialogue with stakeholders in local communities to understand and better serve historically underserved areas.



NHC's Concerns

- It is our hope that the OCC and FDIC will find common ground with the Federal Reserve Board and community advocates to reach agreement on a final rule that has broad, bipartisan support.
- In the absence of that consensus, NHC will join our colleagues in advocating for a repeal of the new rule and the drafting of a new ANPR by the next leadership team at these agencies.
- If modernization is done without broad support across the political spectrum, it could do irreparable harm to millions of Americans who deserve better and become just another swing of the pendulum that will cost the banks it proports to help hundreds of millions to retool their compliance systems and hundreds of millions more when the pendulum swings back and they have to retool again.

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