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October 17, 2001

Ms. Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

RE: Docket No. R-1112

Dear Ms. Johnson:

The National Council of State Housing Agencies (NCSHA) appreciates this opportunity to comment on the Advance Notice of Proposed Rulemaking (ANPR) regarding the Community Reinvestment Act (CRA). NCSHA is a national, nonprofit organization created by the nation's state Housing Finance Agencies (HFAs) to assist them in increasing housing opportunities for lower income and underserved people through the financing, development, and preservation of affordable housing.

NCSHA is the principal national advocate in Washington for the Mortgage Revenue Bond (MRB), Housing Credit, and HOME programs, through which state Housing Finance Agencies (HFAs) have helped more than 2.5 million families buy their first home and have financed more than 2 million apartments for lower income renters. NCSHA represents its members in Washington before Congress, the Administration, and the federal agencies concerned with housing, such as HUD and the Treasury Department, and with other advocates for affordable housing.

NCSHA strongly supports the CRA's goal of encouraging banks and thrifts to help meet the affordable housing needs of lower income communities. We oppose any regulatory change that reduces incentives for lending institutions to respond to the affordable housing and community development needs of their communities. While the changing nature of the financial services industry and the advent of affordable housing challenges such as predatory lending may necessitate some amendment of CRA regulations, we caution you to take great care not to undermine the salutary effect current CRA regulations have on increasing the availability of affordable housing.

The CRA is vital to HFAs and the people they serve for it encourages lenders to make loans and investments they might otherwise not make in support of affordable housing. For example, lenders receive CRA credit for making MRB-financed mortgages to lower income first-time homebuyers and mortgages for Housing Credit properties. They also receive credit for investing in Housing Credits and tax-exempt bonds HFAs issue to finance their affordable housing efforts. Many HFAs report that their ability to serve lower income families in their states will be severely constrained if CRA is weakened or fails to keep up with changes in the financial industry. NCSHA would oppose any effort to eliminate or dilute the existing investment test because of the importance of bank investments in Housing Credits and MRBs.

The current CRA regulations and examination guidelines do not give as much credit as they should to lenders' involvement with the MRB and other HFA programs. For example, lending institutions seeking full CRA credit for purchasing HFA tax-exempt bonds must ask HFAs to issue bonds with tailored income targeting requirements. Banks serving limited assessment areas may not get full credit for investments in bonds issued to cover an entire state. While income targeting and geographic considerations are valid and important, some allowances must be made for granting full CRA credit for purchases of such bonds.

Thank you for reviewing these comments. HFAs are lenders' natural partners in fulfilling their CRA obligation. We hope you will pursue changes to the CRA regulations that strengthen these partnerships and eschew any actions that might weaken them.

Sincerely,

Barbara J. Thompson  
Executive Director

cc: John D. Hawke, Jr., Comptroller, OCC  
Robert Feldman, Executive Secretary, FDIC  
Ellen Seidman, Director, OTS