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Housing Families, Building Communities, Creating a Stronger Frederick

March 20, 2020

To Whom It May Concern:

The Housing Authority of the City of Frederick (HACF) is an autonomous, non-profit private corporation created to address the need for low-income housing. Our mission is to engage with Frederick's low- and moderate-income residents by providing a healthy foundation for economic self-sufficiency through employment and educational supports in safe, affordable housing.

We strongly oppose the Office of the Comptroller of the Currency's (OCC) and the Federal Deposit Insurance Corporation's (FDIC) Notice of Proposed Rulemaking (NPRM) regarding the Community Reinvestment Act (CRA). CRA requires that deposit-taking institutions meet the convenience and needs of the low- and moderate-income (LMI) communities in which they operate. Over the decades, CRA has leveraged significant amounts of loans and investments in LMI communities. Since 1996, banks have issued almost \$2 trillion in small business loans and community development loans and investments in LMI communities.

The agencies propose a one-ratio measure that consists of the dollar amount of CRA activities divided by deposits. This ratio measure would encourage banks to find the largest and easiest deals anywhere in the country as opposed to collaborating with communities and responding to local needs. The inclusion of public infrastructure financing as a qualifying CRA activity would further displace smaller dollar financing for small businesses or homeowners.

The proposal would also allow banks to fail the Retail Lending test and further excuse the banks from community development investment in one-half of the areas on their exams. Still, these same banks would pass their CRA exams. This is counterintuitive to the very nature of CRA in that it would incentivize the export of capital from communities, as banks seek the most efficient and easiest way to fulfill their reinvestment obligations.

Frederick County, Maryland is a community where (1) the 2018 Asset Limited, Income Constrained, Employed (ALICE) Report shows that Frederick County has significant advances to make before nearly 39% of households in Frederick are able to earn a livable wage;¹ (2) the 2016 Frederick County Affordable Housing Needs Assessment shows a 5,720 affordable housing unit shortfall;² and (3) research on Adverse Childhood Experiences (ACEs) increasingly shows a link between childhood trauma and

¹ ALICE in Frederick County, MD. <https://www.unitedwayfrederick.org/alice>

² Frederick County Housing Needs Assessment, Frederick County, MD November 2016.

<https://www.frederickcountymd.gov/DocumentCenter/View/294552/Frederick-County-Housing-Study-November-2016?bidId=>, page 6.



lifelong quality of health and economic opportunity.^{[3][4]} The culmination of these factors suggest that we need direct, local support from the banks through the CRA program now more than ever.

HACF, which serves approximately 1,100 low- and moderate-income households, relies on the cooperation of our local banks to provide financial literacy workshops, assist with credit counseling and repair, and assist with providing school supplies to children in need. In addition, HACF households need financial support services which offer education about budgeting and saving money, avoiding predatory lending, and protecting themselves against fraud. Our low- and moderate-income households also need banks which are accessible via a store front location, as opposed to online banking or kiosk access. Bank branches are essential to the economic vitality of communities, and CRA regulations should emphasize the importance of physical branches in LMI neighborhoods. In short, the Frederick Community, in order to obtain and sustain stable affordable housing for low- and moderate-income families must be able to continue to rely on the true efficacy of CRA.

As it stands, the proposed regulations would encourage the export of capital from communities, in direct contradiction of the statutory goal of the CRA. Therefore, we urge the OCC and FDIC to discard the NPRM and instead work with the Federal Reserve Board and propose an interagency rule that will modernize CRA in a way that will increase reinvestment in LMI communities.

Sincerely,



Veronica Henry, Resource and Community Impact Manager
Housing Authority of the City of Frederick
Frederick Maryland

³ <https://www.cdc.gov/violenceprevention/cestudy/index.html>

⁴ https://www.ted.com/talks/nadine_burke_harris_how_childhood_trauma_affects_health_across_a_lifetime/up-next