

November 3, 2014

OCC at: regs.comments@occ.treas.gov [Docket ID OCC-2014-0021]  
Federal Reserve at: regs.comments@federalreserve.gov [Docket No. OP-1479]  
FDIC at: comments@fdic.gov

**Subject:** Community Reinvestment Act: Interagency Questions and Answers  
Regarding Community Reinvestment

Dear Ladies and Gentlemen:

We would like to thank the Agencies for the opportunity to provide comments on the Interagency Questions and Answers Regarding Community Reinvestment as published in the Federal Register on September 10, 2014.

Given that these revised Interagency Questions and Answers have been proposed by several of NeighborWorks America's board agencies, our comments have not been submitted to or approved by NeighborWorks America's board. Our views do not necessarily represent the views of NeighborWorks America's board members, either collectively or as individuals. Instead, these comments reflect the views of NeighborWorks America's management, which have been formed in consultation with a number of NeighborWorks America's more than the 245 local and regional nonprofit NeighborWorks organizations which form our network.

### **Comprehensive Re-evaluation of Assessment Area Definitions**

NeighborWorks America is strongly supportive of the work that the Agencies put into making these revisions, and applauds the efforts to streamline the Interagency Questions and Answers. However, the Agencies should go even further to revise the evaluation of financial institutions under the Community Reinvestment Act.

We would be supportive of the Agencies performing a comprehensive assessment of CRA, especially with regard to CRA assessment areas. NeighborWorks America and its network would like to see a CRA examination process which incentivizes lending, services, and investment in credit and capital deserts, such as the Mississippi Delta and Appalachia, as well as in other underserved rural and suburban areas and small cities. By and large, these regions may still fall outside CRA assessment areas, even using the new statewide and regional assessment area definitions.

### **Consistent Examiner Training on CRA**

As a second general comment, we would like to emphasize the importance of consistency in examinations between examiners and across Agencies, especially in light of these proposed revisions and the supplement to the CRA Questions and Answers. NeighborWorks America believes that requiring consistent examiner training on CRA for all bank examiners would be beneficial.

We have outlined our specific comments with regard to the proposed revisions to the Q and As below.

### **Access to Banking Services**

The Agencies requested comments on proposed changes to the Q and A about access to banking services.

NeighborWorks and its Network would like to see the Q and A language weighted more to consideration of the traditional bank branch system. While we believe that an emphasis on alternative banking methods is important, we also would like to stress the continued importance of bricks and mortar bank branches. Bank branches remain important both for low- and moderate-income consumers, and nonprofit community development organizations.

The personal interactions between low- and moderate- income consumers at bank branches, such as the chance to ask questions about unfamiliar lending or banking procedures in person, cannot be duplicated through mobile banking or ATMs. Likewise, nonprofit community development organizations can form meaningful banking and lending relationships at branches that are difficult to form remotely.

### **Innovative and Flexible Lending Practices**

NeighborWorks and its network commend the Agencies for their review and expansion of the innovative and flexible lending practice Q and A. We especially applaud several of the examples of innovative and flexible lending practices that are in the Q and A.

The NeighborWorks network has successfully used bank technical assistance programs in conjunction with a loan as a tool to develop affordable housing. Based on experiences in their communities, NeighborWorks organizations believe that bank small dollar loan programs and the use of alternative underwriting criteria are very helpful in addressing the credit needs of low- and moderate-income consumers. Therefore, we strongly support the addition of these examples to the Q and A.

NeighborWorks organizations report that smaller community banks are more likely to use alternative underwriting criteria, and to have small dollar loan programs, especially since the financial crisis. NeighborWorks encourages the Agencies to encourage large banks to develop these kinds of programs since they are critical to helping lower income borrowers to build and access credit.

We also applaud your example of banks partnering with financial counseling programs in conjunction with small dollar lending, since financial counseling is a proven method to improve borrower performance. Over the years, NeighborWorks America has supported counseling and the research to prove its efficacy. In 2013, Neil Mayer and Associates and Experian released a study that found that homebuyers who receive NeighborWorks pre-purchase housing counseling and education are nearly one-third less likely to fall behind 90 days or more on their mortgages within two years of origination, than consumers who do not receive NeighborWorks pre-purchase counseling and education.

Finally, we would like to encourage the Agencies to add further to the list of flexible or innovative lending programs with the following examples:

- a. Investments in community development credit unions (CDFIs) including equity investments and affordable capital. This example could also include banks partnering with the CDFIs to provide outreach and marketing to potential CDFI borrowers.
- b. Banks buying seasoned first mortgage loans from CDFIs.
- c. Flexible loans for affordable housing project development.

### **Community Development Loans- Green Lending**

We applaud the inclusion of new language in the Q and A on community development loans which finance energy-efficiency technologies. We would like to suggest that the additional language underlined below be added to this example, in order to reflect more fully the kinds of energy-efficiency technologies that are available.

“Examples of community development loans include, but are not limited to loans to: . . . .

- borrowers to finance renewable energy or energy-efficient, or water-consumption reducing equipment or projects that support the development, rehabilitation, improvement, or maintenance of affordable housing or community facilities, such as a health clinic, even if the benefit to low- or moderate-income individuals from reduced cost of operations is indirect, such as reduced cost of providing electricity, or reduced water consumption, to common areas of an affordable housing development, or improved energy performance of a building through equipment purchases, improving insulation, windows or improvements which reduce heating or cooling costs.

The rehabilitation and construction of affordable housing or community facilities, referred to above, may include the abatement or remediation of, or other actions to correct, environmental hazards, such as lead-based paint, asbestos, mold, or radon that are present in the housing, facilities, or site.”

### Closing

In closing, NeighborWorks America would like to thank the Agencies for their efforts to strengthen the Community Reinvestment Act by issuing the proposed revisions to the Interagency Questions and Answers Regarding Community Reinvestment.

Please feel free to contact me, or Kirsten Johnson-Obey, Senior Vice President of Public Policy and Legislative Affairs at (202) 760-4139 or [kjohnson-obey@nw.org](mailto:kjohnson-obey@nw.org) for any clarification of these comments.

Sincerely,



Charles Wehrwein  
Acting President and Chief Executive Officer