



April 8, 2020

Joseph Otting  
Comptroller of Currency  
Office of the Comptroller of the Currency  
400 7<sup>th</sup> Street S.W.  
Washington, DC 20219

RE: Comments for "Reforming the Community Reinvestment Act Regulatory Framework"; Docket ID OCC-2018-0008

On behalf of the National Association of Hispanic Real Estate Professionals® (NAHREP®) we urge the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) to rethink some of the proposed changes to the Community Reinvestment Act (CRA). We believe that the current proposal would result in significantly fewer loans, investments and services to Latino communities.

NAHREP's 40,000-member association has more than 100 chapters around the country comprised of real estate agents and brokers, mortgage loan originators, title agents, closing attorneys, appraisers, homebuilders and other professionals within the housing industry. Our mission is to advance the economic mobility of Latinos through sustainable Hispanic homeownership.

Overall, we appreciate the efforts in the Notice of Proposed Rulemaking (NPR) to provide clarity and transparency in the CRA ratings process. While we agree with some of the changes, for example granting more credit to loans that are held on a balance sheet as opposed to those sold on the secondary market, we do share concerns with the mortgage industry that the disparity in CRA credit might be too large.

Over the past decade, Hispanics have accounted for 51.6 percent of the overall homeownership growth in America, and 40.4 percent of the growth in household formations.<sup>1</sup> Latinos are driving demand for homeownership in the U.S. an economic sector that is vital to the growth of the U.S. GDP. The National Association of Home Builders (NAHB) estimates that housing accounts for 16.3 percent of the overall GDP, or approximately \$3.4 trillion dollars in 2018.<sup>2</sup> If the changes to CRA undermine the ability for the population that is driving homeownership growth to get financing, this poses a systemic risk to the overall housing industry. Therefore, investments in the Hispanic community that ensure sustained homeownership growth are critical for the health of the overall economy, particularly as we are bound to face a demand crunch in the aftermath of the COVID-19 pandemic.

The proposed rule, as it stands today, could jeopardize investments made to communities with high Latino populations, reduce access to credit for credit worthy families, and ultimately hamper economic activity within the housing market at a time when it is most urgently needed.

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<sup>1</sup> U.S. Census Bureau. (2020, January 30). Current Population Survey/Housing Vacancy Survey

<sup>2</sup> Calculation made in partnership with the National Association of Home Builders (NAHB) using data from National Income and Product Accounts (NIPA), Bureau of Economic Analysis (BEA), American Housing Survey (AHS), American Community Survey (ACS), U.S. Census Public Use Micro data (PUMS), and NAHB estimates. (2019, February).



NAHREP members understand the critical role that the Community Reinvest Act plays in advancing homeownership opportunities for Latinos. CRA is one of the most powerful mechanisms to reverse the disinvestment associated with years of government policies and market actions that deprived low- to moderate-income (LMI) communities of affordable and sustainable credit.

In NAHREP's latest State of Hispanic Homeownership Report<sup>3</sup> we found that in 2018, Hispanics purchased homes with a median down payment of 3.5 percent, compared to 10 percent for the general population.<sup>4</sup> Furthermore, Hispanics have a median credit score of 684, a median household income of \$51,404 and 41.2 percent of Hispanic homebuyers had a DTI above 43 percent. All of these characteristics underscore an important reality; affordable lending products, often provided through CRA channels, have been a critical contributor to the Hispanic homeownership growth exhibited over the past decade.

The expansion of activities in the proposed rule along with the new single metric ratio has the potential to hurt LMI borrowers. This single metric means that banks would simply need to invest a flat percentage of their money in low-income neighborhoods without any specificity in investment activities. This modification has the capacity to incentivize banks to do larger and easier projects, such as bridges or stadiums, instead of smaller, more complex activities, such as extending mortgages to working class people in those communities. Additionally, this has the potential of undermining the incentive banks currently have to develop constructive partnerships with community organizations. The very purpose of CRA was to increase access to credit for communities historically marginalized by the financial services sector and to encourage banks to meet the credit needs of low-to-moderate income families.

Given the current state of the nation in the wake of the COVID-19 pandemic, bank forbearance offered to borrowers will be especially important. The Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the Federal Reserve need to look for these types of efforts during a time of crisis, and cannot delete the qualitative criteria on CRA exams that evaluate bank responsiveness to the corresponding needs of a community.

After the housing crisis in 2008, the Hispanic population helped pull the nation out of a devastating housing recession in 2015 when it became the first ethnic demographic to show an increase in its post-recession homeownership rate. Today, Hispanics are the fastest growing demographic, accounting for 57.6 percent<sup>5</sup> of the total U.S. population growth last year, with the highest labor force participation in the nation<sup>6</sup> and almost a decade younger than the general population.<sup>7</sup> We are certain that with the appropriate investments today, Latinos are bound to drive homeownership growth once again as the country rebounds from a post-pandemic economy.

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<sup>3</sup> National Association of Hispanic Real Estate Professionals. *State of Hispanic Homeownership Report, 2019* Retrieved from <https://nahrep.org/downloads/2019-state-of-hispanic-homeownership-report.pdf>

<sup>4</sup> Calculations made by NAHREP in partnership with Urban Institute using 2018 HMDA data and ACS data.

<sup>5</sup> U.S. Census Bureau. (2019, July). PEPSR6H: Annual Estimates of the Resident Population by Sex, Race, and Hispanic Origin for the United States, States, and Counties: April 1, 2010 to July 1, 2018.

<sup>6</sup> U.S. Bureau of Labor Statistics. (2020). Labor Force Statistics from the Current Population Survey. LNU01300009.

<sup>7</sup> U.S. Census Bureau. (2019, July). PEPALL6N Geography-United States Year-July 1, 2018 Hispanic Origin-Hispanic: Annual Estimates of the Resident Population by Sex, Single Year of Age, Race, and Hispanic Origin for the United States: April 1, 2010 to July 1, 2018.



As such, NAHREP urges the FDIC, OCC and Federal Reserve to ensure the following when reforming the Community Reinvestment Act:

- Defend the core principles of CRA that help first-time homebuyers.
- Move away from issuing a single metric to determine CRA credit, particularly metrics that do not distinguish between homeownership, rentals and commercial property. A reliance on a single ratio of CRA performance could allow banks to pick and choose which communities to serve and which products and services to offer in those communities.
- Issue separate tests tailored for banks of different sizes and business models, rather than a one-size fits all approach.
- Encourage more lending for first-time homebuyers as opposed to large investments, such as bridges or stadiums.

We know this is a challenging moment for our nation. The protection of credit opportunities for working families will be a vital component of recovery efforts in a post-pandemic economy. We thank you for your consideration. For any questions regarding this letter, please feel free to contact Noerena Limon, SVP of Public Policy and Industry Relations at [nlimon@nahrep.org](mailto:nlimon@nahrep.org).

Sincerely,

A handwritten signature in black ink, appearing to read "Sara Rodriguez".

Sara Rodriguez  
2020 President  
NAHREP

A handwritten signature in black ink, appearing to read "Gary Acosta".

Gary Acosta  
Co-founder & CEO  
NAHREP