Enterprise™

July 23, 2010

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Attention: OTS-2010-0017

OTS-2010-0017
Office of Thrift Supervision
Community Reinvestment Act Regulation
Comments on Notice of Proposed Rulemaking

To whom it may concern:

Enterprise Community Partners appreciates the opportunity to submit comments on the notice of proposed rulemaking to provide favorable CRA consideration for neighborhood stabilization activities. We commend the Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve (Board), Federal Deposit Insurance Corporation (FDIC), and Office of Thrift Supervision (OTS) for encouraging and rewarding financial institutions that support communities through participation in the U.S. Department of Housing and Urban Development (HUD) Neighborhood Stabilization Program (NSP).

Communities around the country are struggling with the negative impacts of the foreclosure crisis. Foreclosures bring down the value of neighboring homes and lower tax receipts. Vacant homes can cause blight and crime, affecting the overall quality of life in neighborhoods. The NSP program was created in 2008 to stabilize communities and stop home prices from declining in areas with large numbers of foreclosures by providing resources for the purchase of foreclosed, vacant or abandoned homes to rehabilitate, resell, or redevelop. It is critical that financial institutions play a meaningful role in these stabilization efforts.

At Enterprise, we create opportunity for low- and moderate-income people through fit, affordable housing and diverse, thriving communities. Central to our mission is Enterprise's fundamental commitment to give those living in poverty an opportunity to move up and out. We believe that these opportunities are best provided in communities with a diverse mix of affordable and market housing options, access to jobs and social supports, and a strong commitment to the environment. Since 1982, Enterprise has raised and invested nearly $11 billion to help finance more than 270,000 affordable homes across the country.

Enterprise was involved in the creation of the NSP program and we continue to work with our partners to ensure that the program realizes its maximum impact. We are also strong advocates for the Community Reinvestment Act (CRA) and are working to ensure that those innovative community development activities which have a positive impact on low- and moderate income-communities are

given appropriate recognition. Therefore, we strongly commend the aforementioned regulatory agencies for issuing this proposed rule because it aligns the tools of the CRA with the need of neighborhoods devastated by the foreclosure crisis. We feel this is an important rule and are enthusiastic about its potential. To ensure it is a strong and meaningful rule, we would like to offer the following specific comments on the proposed change:

1. **Granting favorable consideration for NSP-eligible activities that are outside of a financial institution's assessment area is important**. Under the current system, banks have a strong incentive to lend and invest in the areas that receive a full-scope CRA exam, and much less of an incentive to do business elsewhere. Therefore, we commend the regulatory agencies for granting CRA credit to NSP activities outside of a financial institution's assessment area because it will have a greater effect on stabilizing neighborhoods around the country. For such a rule to have a practical impact, the regulatory agencies should issue guidance regarding where on the loan tables this extra credit would count. Enterprise has made longer term recommendations to the agencies about CRA assessment areas more broadly, but in the short term, banks will need specific guidance about how NSP activities should be included in the loan tables.

2. **Incorporate the proposed rule into the CRA exam guidance so that it has a timely impact.** We applaud the intentions of this proposed rule. However, given the extensive list of activities that are eligible for CRA credit, NSP activities could get overlooked by busy examiners. Therefore, we urge the regulatory agencies to emphasize the timeliness and importance of this proposed rule by incorporating it into the CRA exam guidance, thereby ensuring that it is meaningfully enforced in the midst of this foreclosure crisis.

3. **Grant CRA Service credit for working directly with NSP grantees or through intermediaries such as the National Community Stabilization Trust (NCST).** Virtually none of the NSP grantees had a history of working in the real estate owned (REO) market before the foreclosure crisis. Therefore, technical assistance to assist these localities was critical. Financial institutions have spent considerable amounts of time cultivating relationships with both the grantees and the NCST to develop the systems necessary to transfer properties. Therefore, work that financial institutions do with the NCST and grantees to build the capacity to transfer properties should count as one unit of community development service for each NSP grantee served. A comparative example is that when financial institutions conduct homeownership seminars prior to extending a mortgage loan to the same low-income individual, that financial institution is eligible for a Service credit and, in addition, a LMI loan credit if the borrower or census tract is low- or moderate-income. This same principle should apply to NSP; financial institutions should earn credit both for working with grantees and the NCST, and for providing an NSP loan.

4. **Grant full community development investment credit for selling Real Estate Owned (REO) properties through a First Look program.** The proposed rule grants no CRA credit for responsibly selling REO properties to NSP intermediaries such as the National Community Stabilization Trust (NCST). However, the NCST is a critical tool to neighborhood stabilization as it provides NSP grantees with access to REO properties through mechanisms such as its First Look program. Therefore, financial institutions that sell

properties through NCST's First Look program should earn investment credit for the full dollar amount of the REO transaction. We recognize that such an activity does not fit into the current CRA tests. However, investing in neighborhoods through responsible REO distribution is critical to neighborhood stabilization, and therefore we recommend that the regulatory agencies revise the investment table to grant CRA consideration for selling REO properties through a First Look program.

5. **Grant CRA credit to non HUD-approved neighborhood stabilization activities.** The HUD NSP program is an important tool in stabilizing neighborhoods devastated by the foreclosure crisis. However, given the enormity of the problem, NSP funds alone will not be enough. Therefore, the regulatory agencies should grant CRA credit to activities undertaken by financial institutions that support or are consistent with NSP eligible activities, even if those activities are not funded by NSP dollars. Enterprise suggests that financial institutions should be granted CRA credit for all loans or services to individuals, governmental, or non-profit entities that are engaging in neighborhood stabilization activities within NSP-designated census tracts and areas.

6. **Granting CRA credit for neighborhood stabilization activities in middle-income individuals is important.** Congress permitted NSP funds to be used to benefit families and individuals up to 120% of area median income (AMI) in order to direct funds to the neighborhoods hardest hit by the foreclosure crisis. Therefore, we commend the regulatory agencies for extending CRA credit to NSP activities, including those activities that may benefit middle-income individuals.

7. **Accommodate for future rounds of and changes to NSP.** The proposed rule intentionally does not specify a "sunset" date because Congress may appropriate additional NSP funds; this has already occurred with the allocation of $1 billion for NSP3 in the Financial Reform Bill. Therefore, the regulatory agencies are correct in not setting a sunset date, and should not establish a termination until a date certain has been identified. In addition, the regulatory agencies should establish a mechanism to easily revise the proposed rule should Congress or HUD change the NSP program. For example, the Financial Reform Bill altered the legislative language for the 25% low-income set aside so that vacant properties can now meet that requirement. Enterprise suggests this change be reflected in the proposed CRA rule.

Thank you, once again, for the opportunity to provide comments on the proposed CRA rule. We commend the OTS and the other regulatory agencies for their ongoing willingness to seek and respond to public input. Please contact us with any questions or for further discussion.

Sincerely,

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Enterprise Community Partners