GSTAND
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Georgia State Trade Association
of Nonprofit Developers

August 31, 2010

The Georgia State Trade Association of Nonprofit Developers (G-STAND) represents not-for-profit organizations that provide affordable housing in rural communities, towns and major cities of Georgia. We seek to enhance and increase the development of housing that serves low- and moderate-income households by strengthening the capacity of local not-for-profit housing organizations.

Financing is critical to housing development as well as grants for operating support and specific programmatic activities. With that in mind, G-STAND submits these comments for consideration.

Suggestions for Community Reinvestment Act Regulatory Changes

1. Regulatory agencies should conduct a thorough analysis of banking and lending practices in low-income and minority communities, to better understand how the CRA may be more effectively utilized. Due to the expansion of the payday lending industry, which perpetuates a cycle of reduced income and poverty, it is apparent that many residents in these communities still lack access to basic banking services, and are specifically pursued as part of predatory lending practices. The need still exists for these communities to have access to basic banking services.
    a. CRA could encourage banks to establish marketing or working agreements with non-profit Community Development Corporations (CDCs) for the purpose of developing community account products which expand access to banking and capital. CRA credits could also be awarded for working with CDCs to reach un-banked households.
    b. Banks could also be encouraged to tailor some banking products to work specifically with qualified CDCs and the residents they serve.

2. CRA should cover mortgage lenders and mortgage holders. Statistics from the recent foreclosure epidemic show that low-income and minority areas are specifically targeted for discriminatory and predatory lending practices. Mortgage lenders that continue to employ these practices must be held accountable with penalties, including possible CRA credit reductions.

3. Revise the CRA to promote more investment in community-based nonprofit housing organizations (e.g., CDCs, Community Housing Development Organizations), including operating support as an eligible activity.

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4. Revise CRA to support more financing of affordable housing development:
    a. Create more incentives for lenders to provide patient, equity-like capital for affordable housing development finance (grants, low- or no-interest loans, better lending terms for affordable housing financing).
    b. Promote financing of small- and mid-scale development projects, which preserve existing affordable housing. Banks are currently hesitant to finance smaller development projects, even though they play a significant role in housing affordability for some markets.

5. Revise the CRA to encourage greater investment in Individual Development Account (IDA) programs. IDAs generally have a high success rate. These savings accounts can be used for a range of things, including saving for homeownership, for secondary education, and for business start-up.

6. Statistics show that buyers who received homebuyer training from CDCs or other certified housing counselors have a high rate of successfully keeping their mortgage. CRA could be revised to encourage banks to work closely with CDCs to provide mortgages to trained and eligible potential buyers of CDC-produced homes, particularly in underserved communities.

7. Align CRA incentives with other federal policies and initiatives: create more incentives for investing in green affordable developments, transit-oriented developments, project-related investments, and particularly activities associated with the Sustainable Communities Initiative. Create CRA incentives for banks/lenders to work with local Neighborhood Stabilization Program partners to facilitate strategic transfer of REO properties.

8. Revise CRA to strongly promote reinvestment by banks into neighborhoods that are 'credit deserts' or have been severely damaged by the foreclosure crisis, particularly those neighborhoods in which individual banks have had high rates of foreclosure. Credit deserts also eencompass rural communities. Currently, CRA credit is available for practices that do not result in reinvestment in communities that need it the most. Banks should also be evaluated on practices in <u>all</u> lines of business.

9. There is a significant and growing problem nationwide with REO properties that are dilapidated, poorly maintained, and are in violation of local public safety codes. Create penalties, including CRA credit reductions for banks/lenders, which fail to maintain their REO properties per local code requirements.

10. When examining financial institutions, CRA ratings should take into account the institutions entire footprint or more than just its headquarters. Examiners should evaluate financial institutions in all of the places where they accept deposits. There is a tendency for financial institutions to favor their home base or headquarters location, which again, does not further reinvestment where it is often desperately needed.

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