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*Via e-mail*

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Dear Sirs and Madam:

Regional Housing Legal Services (RHLS) appreciates the opportunity to provide comments regarding how the Agencies can revise their Community Reinvestment Act (CRA) regulations to ensure that banks are adequately meeting their obligations to ensure access to credit for low-income individuals and investment in low-income communities.

RHLS is a nonprofit law firm with unique expertise in affordable, sustainable housing and its related components — community and economic development, utility matters and preservation of home ownership. RHLS provides innovative project and policy solutions that help create sustainable communities offering decent, safe and affordable housing for lower-income Pennsylvanians.

We and our clients are deeply concerned about investment in low-income communities. Many of our clients are non-profit affordable housing developers producing safe, decent, affordable, and sustainable housing in underinvested areas in Pennsylvania and for populations with special needs. It is vital that the CRA regulations provide favorable consideration for banks that support both the needs of individuals and the needs of communities.

### **Geographic Coverage**

RHLS strongly supports revising the current assessment areas. Assessment areas that are tied to the location of bank branches reflect an antiquated understanding of bank operation. In addition to the proliferation of online banks, many banks are active in markets where they do not have a physical branch presence. In these locations, the banks are free to operate without CRA oversight. We believe CRA oversight makes a significant difference.

1) Recent studies in Chicago have shown that some banks provide significantly different levels of service inside and outside of their assessment areas, with a higher percentage of higher cost loans being issued to borrowers outside the bank's assessment area.

2) Tying credit for Low-Income Housing Tax Credit (LIHTC) investments to assessment areas creates a situation where there is more investment in assessment areas than outside. In the national LIHTC market, the distortion is easy to see. As currently implemented, the assessment areas have artificially inflated the demand for Low-Income Housing Tax Credits (LIHTCs) in some areas of the country (e.g., Long Island, NY and San Francisco, CA), while the demand for LIHTCs in other areas of the country is paltry. Given our current economic climate, it is especially important to ensure that the LIHTC program, which is the major producer of affordable housing in the United States, stays strong throughout the country.

Although there have been efforts in the past to expand the area for which banks can receive CRA credit for supporting LIHTC projects, the effort resulted in confusion and banks responded by taking a conservative approach. The Agencies must revise their regulations to require banks to be responsible for CRA obligations in any geographic area where they are active. Banks must be given credit for LIHTC investments in any area where the bank is actively lending.

Should you need additional information in reformulating the regulations to encourage investment in LIHTCs across a broader geographic area, please feel free to contact us or reach out to National Council of State Housing Agencies (NCSHA).

#### **Affiliate Activities**

RHLS believes that affiliate activities should be considered in CRA scoring. By excluding affiliates from the CRA scoring, lenders are incentivized to transfer their less community friendly practices to affiliates, for which reporting is not required. A lending institution that is profiting through an affiliate should be held accountable under the CRA for the actions of that affiliate.

#### **Community Development**

RHLS applauds the proposed rule change that would allow NSP-funded projects to be included in the definition of Community Development. We believe that this definition should include projects beyond those strictly funded by NSP. Projects in NSP areas or supportive of NSP uses or NSP funded organizations should also qualify as a CRA Community Development investment.

Sincerely,



Mark Schwartz  
Executive Director



Rachel Blake  
Staff Attorney-Special Projects