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November 16, 2018

Joseph M. Otting
Comptroller of the Currency
Office of the Comptroller of the Currency
400 Seventh Street, SW
Suite 3E-218
Washington, DC 21219

Re: Federal Register Docket ID OCC-2018-0008

Submitted via: https://www.regulations.gov/

Dear Comptroller Otting:

On behalf of the 1.3 million members of the National Association of REALTORS® (NAR), I submit this letter in response to the Office of the Comptroller of the Currency's (OCC) advanced notice of proposed rulemaking (ANPR) on *Reforming the Community Reinvestment Act Regulatory Framework*. NAR applauds the OCC in its work to improve the process of making housing and development credit available by depository institutions to low and moderate-income Americans through the Community Reinvestment Act (CRA). NAR has a history of advocating for the CRA that is tempered by the need to avoid a prohibitive burden on small lenders.

The National Association of REALTORS® is America's largest trade association, including NAR's five commercial real estate institutes and its societies and councils. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,200 local associations or boards, and 54 state and territory associations of REALTORS®. NAR represents a wide variety of housing industry professionals, including approximately 25,000 licensed and certified appraisers, committed to the development and preservation of the nation's housing stock, along with its availability to the widest range of potential homebuyers.

REALTORS® know that homeownership is an integral part of the American Dream that should not be out of reach for low-income, rural and minority borrowers who lack access to traditional forms of credit.

Revisiting the CRA

The CRA was created to address the credit needs of low and moderate-income communities surrounding depositories, as well as issues of redlining**.** In the ANPR, the OCC seeks input on a variety of issues related to the CRA. Among these is the definition of lenders' "assessment areas" as technological innovations allow traditional lending services to migrate online without the need for brick and mortar services. Streamlining of the examination and qualification metrics is also raised, as is consideration of forms of lending or services which should receive CRA credit. In this letter, NAR will focus on those aspects of the ANPR that most directly affect REALTORS®.

EQUAL HOUSING OPPORTUNITY

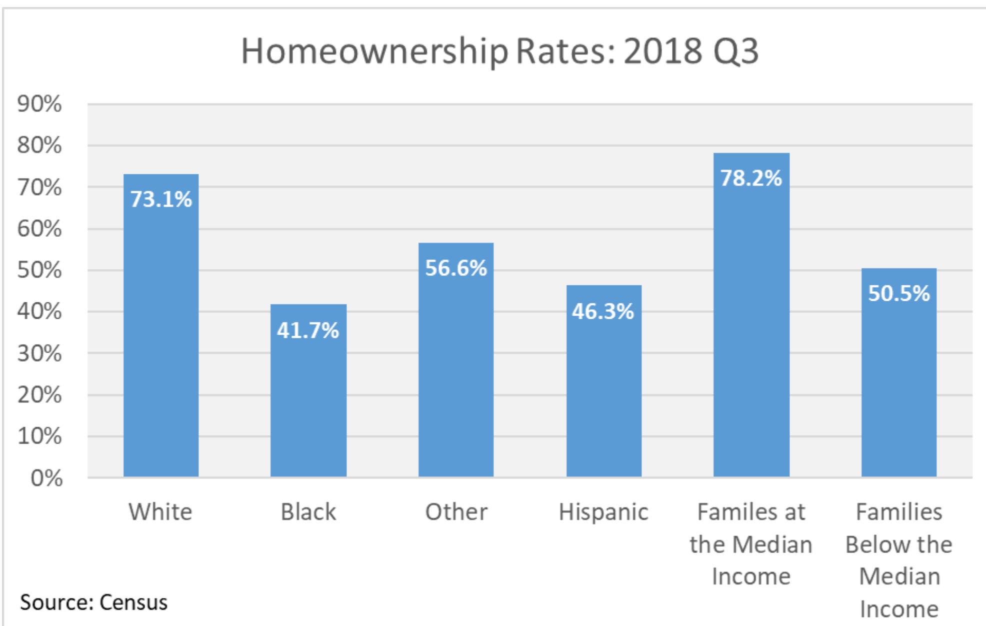
Credit for Counseling

Well informed consumers who are properly prepared to become homeowners are critical to the success and stability of America's housing market. NAR strongly supports voluntary counseling and homebuyer education so that consumers are better equipped to make sound decisions at every step of the transaction and to help them become default-resistant. Consequently, regulators should consider providing CRA credit for financial counseling and literacy programs that can be linked to positive homeownership rate outcomes.

A study by NeighborWorks® America, evaluated 75,000 mortgages that originated between years 2007 and 2009. The findings of the study showed that borrowers who went through pre-purchase counseling were nearly a third less likely than non-counseled borrowers to fall 90 days or more behind in payments in the first two years after closing.[1] Financial educational programs geared toward consumers' needs will bolster knowledge and understanding that is helpful to becoming a responsible homeowner, improving overall loan performance that benefits the consumer and the broader market.

Home Mortgage Lending and CRA Credit

Home ownership rates for minority as well as low and moderate-income households plunged in the wake of the Great Recession and remain historically low, particularly for African Americans. The national homeownership rate of 64.4 percent in the 3rd quarter of 2018 remains below its long-term average. The rate drops significantly for certain lower income and minority groups. Therefore supporting access to credit for these populations is vital to restoring balance to homeownership and should remain a central part of the CRA examination process.



The extension of mortgage credit is not the only issue. The current housing market faces historically low levels of inventory, which are driving home prices up at a steady clip. At the end of September 2018, supply would have been exhausted in just 4.4 months, the lowest since NAR began tracking in 1999, and well below what is considered a balanced market of 6 to 7 months supply. The shortage reflects a construction deficit of 3.5 to 4 million single-family

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[1] Mayer, N. S. & Temkin, K. (2013, March 13). Pre-Purchase counseling impacts on mortgage performance: Empirical analysis of NeighborWorks® America's experience. Retrieved fromhttp://neighborworks.issuelab.org/resource/pre-purchase_counseling_impacts_on_mortgage_performance_empirical_analysis_of_neighborworks_americas_experience

homes that have not been built since the crisis, which also continues to inflate prices. Furthermore, single-family investors bought millions of homes following the recession that were turned into rentals, while many would-be trade-up buyers chose instead to remodel and expand their homes, further reducing the stock for future entry-level buyers.

The CRA should recognize community development efforts that expand or support the expansion of housing supply for low and moderate-income households. The supply of affordable housing must be expanded utilizing a partnership with the private sector, focusing on increased housing production of rental and homeownership opportunities for special needs populations. Furthermore, it should provide an adequate supply of both owner-occupied and rental units at all price levels, in order to meet existing and forecasted housing demand in accordance with future economic and projected population growth patterns.

Location Matters

The Kansas City Federal Reserve indicates that, "the delineation of a bank's assessment area (AA) should be…aligned with its strategic focus and the geographic area the bank is reasonably able to serve."[2] However, financial technology has and will continue to dramatically reshape how depositories do business, particularly regarding where and how banks take deposits. Financial technology has impacted what lending falls under a CRA assessment area and where banks make their CRA investments.

A reliable and affordable source of mortgage capital for consumers in all types of market is critically important. To that end, NAR supports reforms that help to provide CRA credit in all markets, both urban and rural, and avoid so called CRA "deserts"[3].

Regulations and Small Lenders

While committing to the availability of credit and investment opportunities in underserved communities, NAR recognizes the ongoing need for improvements to the CRA without increasing burdensome paperwork requirements or jeopardizing the safety and soundness of financial institutions. To this end, NAR supports policies providing targeted reforms for appropriately sized community banks to ensure such institutions can continue to offer safe and affordable mortgage credit to their local consumers while meeting their CRA requirements.

Conclusion

The OCC's advanced notice of proposed rulemaking for Reforming the Community Reinvestment Act's Regulatory Framework is an opportunity to redefine and strengthen an important vehicle for spreading homeownership to groups that have historically been left out of mainstream housing finance. However, supporting ownership opportunities under the CRA should be balanced with safety and soundness of the lending institutions and a reasonable regulatory burden. NAR appreciates the opportunity to provide input and look forward to continuing to work together on these important issues. If you have any questions, please contact me or NAR Senior Policy Representative, Ken Fears, at 202-383-1066 or kfears@REALTORS.org.

Sincerely,

John Smaby
2019 President, National Association of REALTORS®

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[2] https://www.kansascityfed.org/en/banking/fedconnections/archive/delineation-of-assessment-areas-8-1-17
[3] https://www.npr.org/2018/05/01/607303557/updating-the-community-reinvestment-act-is-fraught-with-disagreement