

July 15, 2022

The Honorable Ed Perlmutter
Chair
Subcommittee on Consumer Protection
and Financial Institutions
1226 Longworth House Office Building
Washington, DC 20515

The Honorable Blaine Luetkemeyer
Ranking Member
Subcommittee on Consumer Protection
and Financial Institutions
2230 Rayburn House Office Building
Washington, DC 20515

Dear Chair Perlmutter and Ranking Member Luetkemeyer:

On behalf of the National Association of REALTORS®' 1.5 million members working in all aspects of the residential and commercial real estate industries, I write to you thanking the Subcommittee for exploring the modernization efforts to the Community Reinvestment Act (CRA) in its hearing entitled: "Better Together: Examining the Unified Proposed Rule to Modernize the Community Reinvestment Act."

Created by Congress in 1977, the intent of the CRA was to end the practice of redlining, where banks would not write mortgages for certain communities, particularly communities of color, and to encourage banks to make investments in and serve the communities from which they receive deposits. Since the inception of the CRA, the banking sector has dramatically changed and will continue to evolve as the financial needs of Americans adjust to new economic times. The CRA must therefore keep pace in order to meet the financial service needs of underserved communities and to maintain a structure that empowers lenders to fulfill the CRA mandate.

The National Association of REALTORS® (NAR) applauds the work of both the Subcommittee and the regulatory agencies in working to modernize the CRA. Since its creation, the CRA regulations, examination processes, and reporting structure have incentivized banks to provide lending and investment activity to low and moderate income (LMI) neighborhoods. NAR supports the CRA and is strongly committed to the availability of credit and investment opportunity in under-served communities. Furthermore, in order to refocus and improve lending to LMI areas, small businesses, and communities in need of financial services, NAR supports the modernization of the CRA regulations under these guidelines:

- The original mission of CRA must be maintained. Modernization efforts should enhance the ability of all finance companies of any size to serve communities by providing access to credit for all neighborhoods;
- The banking and financial institution regulators must act together on reform of the CRA; Office of Comptroller of Currency (OCC), Federal Deposit Insurance Corporation (FDIC) and Federal Reserve Board (FRB);
- Any CRA qualifying "credits" or other future performance rating methods must support the mission, be clearly identified and defined, and be consistent over time and between examiners. To prevent the churning of loans for CRA credit, credit for CRA lending should reflect the duration that the investment is on the books of the lender, but that credit should diminish over time;

- Assessment Area definitions, used in the evaluation process, must be updated through collaboration between the regulators and the financial institution to reflect changes to geographic coverage, but also the nature of lending and the need for banking services. If community's lending needs within a lender's assessment area(s) are met, lenders should be able to receive credit for CRA-eligible investments outside of their assessment area(s);
- Methods of examinations should be consistent, transparent and readily available;
- Any metric-based evaluation system should be holistic and must not diminish the analysis of the true needs of communities;
- All financial institutions have an obligation to serve their communities especially in their greatest areas of need and to provide fair access to financial services; and,
- The Performance Context, a research-based understanding of the credit and community development needs and opportunities, should be defined and updated in real time in conjunction with the supervised financial institution and used in the evaluation process as well as in the forward-looking strategic investment plan of the financial institution.

The National Association of REALTORS® looks forward to continuing its work with the Subcommittee and the joint regulatory agencies as further updates are made to the Community Reinvestment Act so that it serves communities for further decades to come.

Sincerely,



Leslie Rouda Smith
2022 President, National Association of REALTORS®