WOODSTOCK INSTITUTE

Advancing Economic Security and Community Prosperity

Via email regs.comments@federalreserve.gov

July 8, 2010

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave NW
Washington, DC 20551

Re: **Docket No. R-1387**

Dear Ms. Johnson:

I am writing to you from Woodstock Institute in support of the proposed rule to revise the Community Reinvestment Act (CRA) to include in the definition of "community development" loans, investments, and services by financial institutions that support, enable, or facilitate projects or activities approved by the U.S. Department of Housing and Urban Development (HUD) under the Neighborhood Stabilization Program (NSP). The growing number of vacant and foreclosed properties destabilizes communities by lowering property values, straining municipal resources, and increasing violent crime. Investment in projects designed to mitigate the effects of the foreclosure crisis is a primary credit need in many hard hit communities, and the consideration of NSP-related investments, loans, and services under CRA will help evaluate how financial institutions are meeting this pressing need.

Woodstock Institute is a leading nonprofit research and policy organization working to advance fair lending, wealth creation, and financial systems reform through applied research, policy development, coalition building, and technical assistance. Since the passage of the Community Reinvestment Act (CRA), Woodstock has documented its impact on low- and moderate-income households and communities and has suggested changes that would improve the ability of bank regulators under the CRA to assess whether financial institutions are meeting the credit needs of the communities they serve. For more than ten years, Woodstock Institute has conducted significant research on the subprime lending crisis and effects of foreclosures on neighborhoods and has advocated for solutions that minimize the negative impact of foreclosures, especially in low-wealth communities and communities of color.

Due to exigencies of foreclosure crisis, the consideration of NSP-related services to middle-income communities is appropriate, but provision must sunset

While Woodstock Institute strongly believes that the purpose of the Community Reinvestment Act is to encourage investment in low- and moderate-income communities that banks serve, the consideration of NSP-eligible activities in middle-income communities is appropriate given the severity and broad scope of the foreclosure crisis. However, this consideration should be strictly limited to HUD-approved "areas of greatest need" as designated by approved NSP action plans. Additionally, it is critical that the CRA consideration of loans, investments, and services to middle-income communities does not outlive the response to the foreclosure crisis and run the risk of serving as a disincentive from investing in low- and moderate-income communities. Woodstock Institute supports the proposed sunset date of two years after the last date NSP funds are required to be spent by grantees.

Regulatory agencies should consider investments, loans, and services to NSP target areas under CRA and not limit consideration to activities approved in NSP action plans

Conversations have arisen among Chicago region NSP administrators about the need to stimulate demand not only for the properties they rehabilitate, but in their entire target areas as well. Many areas designated in NSP action plans as "areas of greatest need" have been devastated by the foreclosure crisis and have depressed local real estate markets and economies that threaten neighborhood recovery. Supporting development in NSP target areas, above and beyond activities enumerated in NSP action plans, contributes to the long-term prospects for successful neighborhood stabilization. Financial institutions should receive CRA credit for investments, loans, and services such as mortgages, small business loans, or community development loans extended to borrowers in NSP target areas.

In situations where financial institutions donate blighted REO property, CRA credit should be contingent on support for demolition costs

While the donation of REO property in good condition can be a useful service that meets community development needs, REO property in poor condition can carry associated costs and liabilities for the organization receiving the donation. Banks should be eligible for favorable consideration for donating REO properties when consistent with local and/or regional government or nonprofit redevelopment plans. Favorable consideration should not be provided unless the bank demonstrates that the proposed donation property would further such efforts. Donations of REO properties that must be demolished should not be considered positively for CRA purposes unless the donating financial institution contributes the associated costs, such as demolition and environmental remediation.

I appreciate the opportunity to comment on the Agencies' proposals.

Sincerely,

Dory Rand

Dory Rand
President

DR/bab