COMMUNITY REINVESTMENT ACT

NMHC/NAA Viewpoint

The existing CRA rules are outdated, lack transparency and do not reflect the modern day banking industry. Any updates to the Act should ensure that the borrowing and investment needs of the multifamily industry continue to be served.

In 1977, the Community Reinvestment Act (CRA) was crafted to ensure that banks meet the needs of their local communities, with a particular focus on those with low and moderate income. CRA reform is one of the issues that NMHC/NAA identified in 2017 when the new Administration took office. A recent report issued by the Treasury Department recommended many changes to CRA, some of which could help address the growing need for more housing that Is affordable.

Taking into account how significantly banking has changed since CRA was first enacted, Treasury's recommendations focused on four main areas:

- Assessment Areas - Update the assessment areas for banks to include not only the physical footprint of its branches, but other areas that are served but have no branch networks.
- Evaluation Clarity and Flexibility - Make changes to CRA eligibility determinations, including: expanding the types of loans, investments and services eligible for CRA credit; establishing more transparent standards for CRA credit; ensuring better consistency and predictability across the regulators; and simplifying record-keeping.
- Evaluation Process - Standardize CRA examination schedules and improve timing of the release of reports within and between regulators.
- Performance - Incorporate more incentives for banks to meet CRA guidelines.

The banking industry is an important source of debt and investment in multifamily properties.

Banking regulators are expected to issue new proposed regulations to CRA throughout 2018, and it is expected that their focus will fall in these four areas. NMHC/NAA will closely monitor the release of the regulators' updated CRA guidelines and will submit comments to ensure that multifamily borrowing and investment activities are fairly represented.