OCC Issues Final CRA Rule

On May 20 the Office of the Comptroller of the Currency (OCC) issued a final rule on regulations governing the Community Reinvestment Act (CRA). This rule comes just six weeks after more than 7,500 comment letters were submitted in response to the agency’s proposed changes to CRA – including a letter of opposition from the Low Income Investment Fund (LIIF). The OCC’s final rule is a departure from the typically joint CRA rulemaking process undertaken by the three federal banking regulators. Notably, the Federal Deposit Insurance Corporation (FDIC) did not join the OCC in issuing a final rule despite signing on to the proposed changes, and the Federal Reserve has signaled their differences throughout the process by not joining their counterparts on the proposed changes.

Although the final rule does include some positive updates from the proposed rule, it ultimately retains a predominantly quantitative structure that threatens to dilute the focus on impactful community development work. As such, LIIF continues to oppose the rule. In response to the OCC’s final rule, LIIF CEO Daniel A. Nissenbaum issued a statement reiterating LIIF’s opposition to the changes and noting our continued commitment to investing in impactful community development efforts in difficult-to-reach communities. Mr. Nissenbaum and Donna Gambrell, President & CEO of Appalachian Community Capital (ACC) and LIIF Board Member, also published an opinion piece decrying the OCC’s rule.

House Passes $3 Trillion HEROES Act, Senate Signals Interest in Beginning Next Phase of Negotiations

Earlier this month House Democrats passed a nearly $3 trillion bill to provide additional funding and emergency response measures to address the pandemic. Highlights of the Health and Economic Recovery Omnibus Emergency Solutions Act (HEROES Act) include:

- $1 billion for the CDFI Fund
- $100 billion for Emergency Rental Assistance through the Emergency Solutions Grant Program (ESG)
- $7 billion for the Child Care Development Block Grant (CCDBG)
- Nearly $1 trillion in state and local fiscal relief (DC is treated as a state)
- Revisions to the Paycheck Protection Program (PPP), including a set-aside within the remaining PPP funds for ‘community financial institutions’
- Another round of $1,200 direct payments to individuals

While the full HEROES Act will not advance in the Senate as written, the ambitious funding levels proposed for several affordable housing and community development programs puts these programs in a strong position heading into negotiations on a final deal.

Senate Majority Leader Mitch McConnell has been hesitant to consider additional emergency relief legislation given concerns about adding to the deficit and a desire to see how the already
enacted $3 trillion federal response plays out on the ground, although he acknowledged this week that additional relief will likely be needed in the near future. Upcoming negotiations are expected to extend throughout June and possibly beyond the July 4 congressional recess.

LIIF will continue to advocate for immediate emergency relief resources for the community development field, including:

1. $1 billion for the CDFI Fund
2. Emergency relief for the child care sector
3. Emergency rental assistance, including support for affordable housing owners and operators
4. Broad and flexible state and local fiscal relief

**Treasury Department Announces $10 Billion PPP Set-Aside for CDFIs**

This week the Treasury Department announced a $10 billion set-aside for CDFIs in the Small Business Administration’s (SBA) remaining Paycheck Protection Program (PPP) resources. Congress initially provided $350 billion for the PPP in March and included another $310 billion for the PPP in April. CDFIs have already approved $3.2 billion in PPP resources from the Round 2 funding, and a statement from the Treasury Department notes that “the additional $6.8 billion will ensure that entrepreneurs and small business owners in all communities have easy access to the financial system, and that they receive much-needed capital to maintain their workforces.”

Last month LIIF sent a letter to congressional leadership urging them to enact additional PPP resources with a set-aside for CDFIs. We thank the Treasury Department and SBA for recognizing the important role that CDFIs play in deploying resources to some of the smallest, more vulnerable communities and borrowers.

**Housing Credit Industry Eyes Policy Modifications to Sustain and Increase Affordable Housing Production**

Economic uncertainty associated with the pandemic is causing concerns among Low Income Housing Tax Credit (Housing Credit) stakeholders about missed rent payments, increased cleaning and service costs, and delays that cause properties to miss critical deadlines. The Housing Credit industry has developed a series of policy proposals to address these challenges, including enacting a minimum 4% credit rate, reducing the 50% test for bond-financed transactions, expanding Housing Credit allocation authority by 50%, and enacting a series of basis boosts to support vulnerable properties and populations.

Lawmakers generally consider the Housing Credit as part of a longer-term economic stimulus and recovery effort, meaning that these provisions are unlikely to advance in the next package as Congress remains focused on emergency relief measures. The exception is the 4% credit rate, which is tied directly to federal borrowing rates and as a result is now at a historic low of 3.07% for June. **Enacting a minimum 4% credit rate is the industry’s top priority in the next relief package and would make it possible to finance nearly 126,000 additional affordable rental homes** over the next decade.
Revised California Budget Threatens the State’s Commitment to Child Care

On May 14, California Governor Gavin Newsom presented a revised fiscal year (FY) 2020-21 budget proposal that looks considerably different from what he originally presented in January. “The numbers changed, but not our values,” Newsom stated, adding that his administration is applying an equity lens to their decision-making to balance the budget during this unprecedented health and economic crisis. The projected deficit of $54.3 billion in the budget will uniquely affect the early care and education (ECE) sector: if approved by legislators, the proposal represents over $1 billion in funding reductions and trigger cuts for ECE programs. These cuts include:

- Elimination of the infrastructure grants for facilities ($263 million)
- Elimination of workforce development grants ($195 million)
- 10% cut to provider reimbursement rates ($372 million) and other rate reductions ($65 million)
- Elimination of new full-day spaces in the California State Preschool Program ($289 million)

Governor Newsom’s budget suggests that these cuts will not take effect if additional federal funding becomes available.

LIIF is spearheading efforts to inform policymakers about the most pressing needs related to the COVID-19 pandemic impacts on ECE facilities by hosting online forums, such as the Building Blocks for Equitable Recovery event held on May 21, and using sign-on letters addressed to state and federal decision-makers. These efforts are implemented with Build Up California partners: a statewide collaborative effort to sustain, improve, and increase the supply of early care and learning facilities in California.

For more information about ECE advocacy in California, please reach out to Ericka Erickson, LIIF Policy and Program Officer, Early Care and Education.

New York City Proposes Drastic Cuts to Affordable Housing Capital Budget

Mayor Bill de Blasio recently released his FY 2021 Executive Budget, which proposes to cut the current year and next year’s NYC Housing and Preservation Development (HPD) capital budget by 40 percent – $581 million in 2020 and $457 million in 2021, dramatically reducing the city’s affordable housing plan. In addition to reducing funding for new affordable housing development, the cuts would also throw off complicated financing plans and timelines for projects in the development pipeline. LIIF submitted testimony opposing these proposed cuts, noting that while the current public health and economic crises necessitate tough budget decisions, “cutting public funding for affordable housing is short-sighted and ill-conceived.” Read LIIF Director Kirsten Shaw’s full testimony here.

For questions or comments, please contact:

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