

Testimony of Linda Mandolini
Executive Director, Eden Housing, Inc.
On Behalf of
The California Housing Consortium
Before
Public Hearing on
Community Reinvestment Act Regulation Hearings
August 17, 2010

Thank you for the opportunity to comment on changes to CRA regulation. I am Linda Mandolini, Executive Director of Eden Housing, a California-based non profit affordable housing developer that has developed more than 6,000 units of affordable housing in California. I am here today in my capacity as a member of the Board of Directors and Chairperson of the Policy Committee of the California Housing Consortium - CHC. CHC is a statewide housing advocacy organization that works to advance affordable housing and community development efforts throughout California. Our membership includes representatives from both for and non-profit affordable housing developers, lenders, investors, and state and local funding agencies all committed to and involved in the work of affordable housing. Collectively, we represent the entire State and have been involved in the production of tens of thousands of units of affordable housing for low and moderate income Californians.

For the record, although I am here to testify on behalf of CHC, Eden is also a member of the national Housing Partnership Network and we are supportive of the testimony being provided by our colleagues in that network today and at other hearings in the country.

CHC's members and the communities we serve throughout California have greatly benefited from the investments made through the requirements of the Community Reinvestment Act.

CHC members face many challenges in our efforts to serve low income communities, including the problems in the larger economy that have diminished lending and investment capital available for the creation of new affordable rental housing. The problem that has been particularly challenging is the loss of investment capital for low income housing tax credits. California is a diverse state with community development and affordable housing needs that are urban, suburban and rural. CRA has been helpful in fostering the work that many of us have done, but it hasn't changed with the changes in the overall structure of the financing universe we work in and has not encouraged financial institutions to help us meet the needs of the entire State. For these reasons, CHC supports your initiative to reopen the CRA regulations. There are two areas that we think are especially important here in California: the need to create a "community development test" and the need to rethink how assessment areas are determined.

Community development test:

On the community development test, we believe that the current CRA evaluation system does not adequately recognize the value of bank investment in complex affordable housing and community development projects that have significant community impact.

We support the recommendations of Enterprise Communities and others to augment current regulations with a rigorous but qualitative “community development test” that replaces the investment test. Lending and investments in affordable rental housing, economic development projects, and other important community facilities and community based lending institutions like CDFIs should qualify for CRA credit under this test.

Assessment areas:

The concept of “assessment areas” under CRA needs to be reconsidered. Under the current system, banks have a strong incentive to lend and invest in the assessment areas that receive a full-scope CRA exam, and much less of an incentive to do business elsewhere. This results in some areas being "credit deserts" because they are not part of any financial institution's CRA footprint. In California, this challenge is particularly acute in the Central Valley and rural locations. CHC’s members like Eden can secure investment in community development and affordable housing projects in coastal areas and major cities as a direct result of the current CRA assessment area test. However, these same high quality organizations serve low income communities in the Central Valley, where the investment climate is dramatically different. The banks that would invest with groups like Eden in Alameda County have no incentive and get no credit for

investing in locations like the San Joaquin County in the Central Valley, even though we are serving areas with significant need.

The agencies should consider different assessment area determinations for different types of financial institutions. For example, the largest financial institutions with nationwide branches should be evaluated not only on their performance in the large metro areas where they have a physical presence, but also on their investment within a state, and on their efforts to meet national community development challenges such as affordable or special needs housing.

Conclusion:

CRA is an important law whose effectiveness needs to be maintained. In California, CRA has helped create thousands of units of desperately needed affordable housing and supported community revitalization efforts throughout the State. The CRA-fostered developments created by CHC's members are among the most financially sound transactions in residential real estate. CHC's members believe that the opportunity to make changes to the regulations provide a way to expand the impact and effectiveness of the law to respond to the changing structure of the banking and finance industry and to better serve low income communities throughout California.

Thank you for the opportunity to comment.