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SUBMITTED ELECTRONICALLY VIA EMAIL

Office of the Comptroller of the Currency
Legislative and Regulatory Activities Division
400 7th Street SW, Suite 3E-218
Washington, DC 20219

Re: Notice and Request for Comment
Draft Bulletin: Risk Management Guidance for Higher Loan-to-Value Lending
In Communities Targeted for Revitalization

Dear Sir or Madam:

The Neighborhood Assistance Corporation of America ("NACA") appreciates the opportunity to comment on the Office of the Comptroller of the Currency ("OCC") Draft Bulletin: Risk Management Guidance for Higher Loan-to-Value Lending in Communities Targeted for Revitalization. NACA is a 501(c) nonprofit community advocacy and homeownership organization. As a HUD-approved housing counseling intermediary, NACA works with consumers to prepare them for the responsibilities inherent in homeownership. NACA also has established partnerships with financial institutions, and is a duly licensed mortgage brokerage company.

NACA appreciated the opportunity to meet with the OCC director Tom Curry and his staff to address the loan-to-value roadblocks in hardest hit areas throughout the country, and in particular the partnership with Bank of America in providing 150% financing in Detroit. NACA applauds the OCC's Draft Bulletin as a necessary step toward preserving low- and moderate-income consumers' access to credit products with favorable terms. NACA believes that access to higher loan-to-value mortgages is a critical aspect of community revitalization and will have a tremendous impact on hardest hit neighborhoods nationwide.

Through years of advocacy on behalf of primarily low- and moderate-income families and communities, NACA has convinced some of the nation's largest lenders to participate in offering an affordable mortgage product to those who have historically been subject to predatory lending practices or denied access to credit. The terms of this extraordinary product are: 1) no down payment requirement, 2) no closing costs, 3) no fees, 4) always a below market fixed interest rate, and 5) qualification based on the borrower's individual circumstances, not his or her credit score. NACA has vast experience working in communities targeted for revitalization and has created special programs to meet local needs in such communities.

All borrowers in NACA's program receive extensive housing counseling prior to becoming qualified to obtain a NACA mortgage. After qualification, all borrowers receive access to the mortgage product described above and are eligible to borrow up to 100% of a property's appraised value (i.e., they receive 100% loan-to-value loans). Borrowers who elect to purchase homes in need of health, safety, and structural repairs are allowed to finance the cost of renovations and are permitted to borrow up to 110% of the property's appraised value. Without access to such financing, owner-occupants are unable to purchase and rehabilitate these properties, which are then purchased by investors who buy the homes at a bargain, complete renovations, and re-sell the properties at vastly inflated prices. NACA's loans allow owner-occupants to purchase these properties and

reap the benefits of the newly renovated homes. NACA's 100% and 110% loan-to-value loans have been extraordinarily successful, and have allowed low- and moderate-income borrowers in historically disadvantaged communities to buy homes with safe and affordable mortgages.

Recently, NACA launched its Detroit Neighborhood Initiative. This initiative is a historic new lending program designed to bring residential mortgage lending back to Detroit. The City of Detroit has been cut off from conventional credit for decades which has devastated Detroit neighborhoods and caused an influx of predatory lenders. In order to purchase a home, borrowers who do not have significant amount of cash are forced to obtain seller financing. This type of financing, known as a "land contract," has risky and predatory terms including very high interest rates, balloon payments, and other unscrupulous terms. The recent article in the New York Times addresses these issues impacting communities nationwide on a large scale.

To stabilize and revitalize the economically devastated Detroit neighborhoods NACA is pioneering a new loan product specifically designed to meet the needs of Detroit residents. Detroit residents in the NACA program obtain mortgages with all of the features described above. To assist home buyers with any rehabilitation work needed on the property of their choice, NACA in partnership with Bank of America, will allow clients to borrow up to 150% of the property's appraised value. The borrowers must meet all underwriting criteria including being able to demonstrate the ability-to-repay. The program is designed so that area property values will be able to rebound and rehabilitation work will boost individual property values post-rehab. This feature of the Initiative is particularly critical in Detroit, where properties often need extensive renovations and traditional appraisal models dramatically under-value properties. Access to higher loan-to-value mortgages is an essential component of neighborhood stabilization in Detroit as well as other devastated communities nationwide.

The Draft Bulletin correctly establishes criteria for higher loan-to-value mortgages and specifies that policies for compliance with the ability-to-repay standard under Regulation Z are important components of any program offering such loans. NACA agrees. Critical to the success of any lending program designed to stabilize devastated communities is the fundamental principle that consumers should receive safe and affordable loans.

The Draft Bulletin also clarifies that programs offering higher loan-to-value mortgages must have policies and procedures in place to establish program criteria. This includes geographies of eligible communities and characteristics of eligible loans, such as maximum loan amounts, which, the Bulletin states, should not exceed \$200,000. NACA agrees with the OCC's criteria, but suggests that maximum loan size should be adjusted based on the area in which the program operates.

After discussions with financial institutions, NACA has learned that a major issue with lenders is the capital requirements the regulators may require for these high LTV loans. Thus NACA urges the OCC to include a provision in the Draft Bulletin that designates these loans as conventional loans without any additional capital requirements.

In conclusion, NACA strongly supports the OCC's Draft Bulletin and believes that this is a critical step towards providing access to credit in the nation's most disadvantaged communities. NACA also wants to commend the OCC for being proactive in addressing a crucial issue and providing the needed flexibility for lenders to become reengaged in the communities in desperate need for conventional affordable lending.

Thank you for the opportunity to comment on the Draft Bulletin.

Sincerely,



Bruce Marks
President & CEO