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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
OAKLAND DIVISION

NATIONAL COMMUNITY REINVESTMENT
COALITION; CALIFORNIA
REINVESTMENT COALITION,

Plaintiffs,

vs.

BRIAN P. BROOKS, Acting Director, Office of
the Comptroller of the Currency, in his official
capacity; OFFICE OF THE COMPTROLLER
OF THE CURRENCY

Defendants.

Case No. 20-cv-04186-KAW

DECLARATION OF MARIE MORSE

DECLARATION OF MARIE MORSE

I, Marie Morse, declare as follows:

1. The facts in this declaration are based on my personal knowledge.

2. I am the Executive Director of Lafayette Neighborhood Housing Services, Inc.
d/b/a HomesteadCS. I have been in this position since 2007, and served in various positions at
HomesteadCS for 22 years before that.

3. HomesteadCS is a non-profit housing counseling agency based in Lafayette,
Indiana. Our mission is to provide education and resources to increase affordable, sustainable
housing opportunities and financial stability in the communities we serve and to be a catalyst for
the development and revitalization of our neighborhoods.

4. HomesteadCS is a member of National Community Reinvestment Coalition.

5. HomesteadCS works in ten counties in Indiana. The largest of our counties is
Tippecanoe County, which has a population of under 200,000. Much of the area we serve consists
of rural communities and unincorporated towns.

6. We offer education and consulting assistance to all homeowners and potential
homeowners, with a focus on clients with low and moderate incomes. Our services include
housing and financial education, foreclosure prevention counseling, and reverse mortgage

1 counseling. HomesteadCS is certified by the State of Indiana and the U.S. Department of Housing
2 and Urban Development to provide these services. We have provided counseling to approximately
3 5,000 families and saved over \$130 million dollars' worth of homes from foreclosure.

4 7. In addition to our education and counseling, we serve as a Community
5 Development Financial Institution (CDFI) that provides families in our communities with access
6 to affordable small dollar lending. We offer individual loans of up to \$1000 at an 18% interest rate
7 with an APR of 24%, helping families pay their bills, avoid predatory loans with rates up to 391%
8 APR, and begin to rebuild their credit after the devastation wrought by the recent economic crises.

9 8. We have also developed multiple affordable housing units under the federal Section
10 42 tax credit program and/or the federal HOME program, the most recent being the conversion of
11 a former high school into 74 units of housing for senior citizens with non-profit commercial space.

12 9. Our operations depend greatly on funding from banks regulated under the
13 Community Reinvestment Act. The vast majority of that funding comes in the form of small
14 grants or loans (in the range of \$2,500 to \$25,000) from banks that obtain CRA credit for
15 partnering with us. Our development and lending programs also rely greatly on below market
16 rate loans and grants from these same banks which again help them obtain CRA credits.

17 10. These CRA-qualifying investments are crucial to our operations. Without such
18 support from CRA-regulated banks, we would not be able to offer our lending program, develop
19 affordable housing units, or provide our education and counseling services. As an example, we
20 recently began to offer rental assistance under the CARES Act in response to the COVID-19
21 pandemic and the accompanying economic crisis. By contract with the State, the Act reimburses
22 us for up to \$100,000 of rental assistance, but we must provide the funds for the assistance upfront
23 and then wait for reimbursement. Without CRA-qualifying loans and grants from banks, we would
24 not have been able to provide this rental assistance.

25 11. The deals we make with banks are small, but still require a substantial amount of
26 time and resources on both our part and banks' part to arrange. For instance, we work with clients
27 to obtain checking accounts through our Bank On program. We offer the education and our CRA
28 partner banks offer the checking accounts. Our CRA banks have offered below-market lines of

1 credit to help us fund our small dollar lending program and worked with us to obtain under
2 \$50,000 from the Payroll Protection Program. Our affordable housing units, of which we are in the
3 beginnings of a new senior housing project, require a multitude of funding levels and need below-
4 market interest rates to keep our units affordable. These projects also need the expertise of our
5 CRA lenders to help us through the process. This can take months of work for us and the lender to
6 get to the point that they may only have less than half a million in a permanent loan to the project
7 that took a year to develop.

8 12. As we explained in our comment on the OCC's proposed rule,¹ a number of the
9 changes that OCC has made threaten our ability to get the funding that we need to provide our
10 services to the low- and moderate-income members of our community.

11 13. For example, OCC's new rule allows banks to obtain a CRA rating of
12 "Outstanding" even if they fail to undertake any CRA activity in up to 20% of their assessment
13 areas (or 50%, for banks with five or fewer assessment areas). The counties that we serve are
14 small, largely rural areas that simply cannot compete with the kind of large deals that banks can
15 find in nearby cities like Indianapolis, Fort Wayne, and Chicago. Banks can obtain more CRA
16 credit for less effort in those areas. The fact that banks can now ignore our areas altogether without
17 precluding themselves from obtaining an Outstanding rating puts us at a substantial risk of losing
18 future funding opportunities, and forces us to find ways to compete with opportunities that
19 communities like ours simply cannot offer.

20 14. Many other changes in the new rule pose a similar threat to our existence and the
21 support that our communities need. The ability to obtain funding for large infrastructure projects
22 that only partially serve low- and moderate-income communities will give banks the ability to
23 satisfy their CRA obligations through massive infrastructure projects that currently can't compete
24 for CRA-qualifying funding. The ability to get credit for financial education to upper-income
25 individuals will allow banks to get CRA credit from serving their most lucrative customers, rather
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27 ¹ See Lafayette Neighborhood Housing Services, Inc. dba HomesteadCS, Comment on Notice of
28 Proposed Rulemaking (Jan. 27, 2020), <https://beta.regulations.gov/comment/OCC-2018-0008-1617>.

1 than supporting our efforts to provide those services to low- and moderate-income individuals in
2 whom banks would otherwise have little interest. And the ability to get CRA credit for financing
3 affordable housing that is occupied by upper-income individuals will allow banks to focus on
4 housing for university students who reside in the counties HomesteadCS serves, often seen as
5 more reliable sources of income, rather than the low- and moderate-income families that need
6 affordable housing the most.

7 15. All of these problems are compounded by the new evaluation measure that makes
8 the total dollar amount of qualifying activities the most important factor in a bank's CRA
9 evaluation. This single ratio-dominated approach will let banks rely primarily on big deals in
10 larger cities for their CRA credits. Based on my experience working with banks and their CRA
11 officers for the past 35 years, and the knowledge of the bankers on HomesteadCS's board, I know
12 that the credit banks can obtain from our small-dollar deals will often appear not worth the time it
13 takes to put them together, compared to these large opportunities.

14 16. The final rule made additional changes that make the situation even worse than it
15 seemed when we submitted our comment on the proposed rule. For example, the final rule freed
16 banks from the need to establish assessment areas in communities where they only have ATMs.
17 One of the OCC-regulated banks in our area is only present through ATMs, while another has
18 branches in some counties but only ATMs in Tippecanoe County. This change, which we never
19 had the opportunity to comment on, will mean that these banks will largely be able to ignore our
20 communities without consequence, even though they take deposits from our residents.

21 17. HomesteadCS is a small organization, with just four full-time staff. We simply do
22 not have the resources to substantially expand the effort we put into obtaining investments without
23 cutting deeply into our ability to provide services to member of our community. OCC's changes
24 will force us to compete with large-dollar deals in bigger cities and take away banks' obligation to
25 provide services in our communities to ensure their CRA rating. This will force us to spend more
26 of our time seeking funding, which will directly take away from the time and resources we can
27 devote to serving the members of our community. As the impact accumulates over the coming
28 years, the sustainability of our programs, and possible even HomesteadCS as a whole, will be

1 increasingly threatened.

2 18. Pursuant to 28 U.S.C. § 1746, I hereby declare under penalty of perjury under the
3 laws of the United States that the foregoing declaration is true and correct to the best of my
4 knowledge, information, and belief.

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6 Dated: September 28, 2020


MARIE MORSE
Executive Director
HomesteadCS

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