LISC
LOCAL INITIATIVES SUPPORT CORPORATION

March 19, 2021

Acting Director Rob Fairweather
U.S. Office of Management and Budget
1650 Pennsylvania Avenue
Washington, DC 20503

Re: Recommendations from the Metropolitan and Micropolitan Statistical Area Standards Review Committee to the Office of Management and Budget Concerning Changes to the 2010 Standards for Delineating Metropolitan and Micropolitan Statistical Areas (FR 2021-00988)

Dear Acting Director Fairweather:

The Local Initiatives Support Corporation (LISC) submits the following comments to the Office of Management and Budget's (OMB's) Recommendations from the Metropolitan and Micropolitan Statistical Area Standards Review Committee to the Office of Management and Budget Concerning Changes to the 2010 Standards for Delineating Metropolitan and Micropolitan Statistical Areas.

Established in 1979, LISC is a national nonprofit housing and community development organization dedicated to helping community residents transform distressed neighborhoods into healthy and sustainable communities of choice and opportunity. LISC mobilizes corporate, government, and philanthropic support to provide local community development organizations with loans, grants, and equity investments; as well as technical and management assistance. Our organization has a nationwide footprint, with local offices in 36 cities. In 2020, LISC invested approximately $2 billion in these communities. Our work covers a wide range of activities, including housing, economic development, building family wealth and incomes, education, and creating healthy communities.

In 1995, LISC launched Rural LISC, a national program to expand LISC's reach beyond urban areas to include rural communities. Today, Rural LISC partners with 87 rural community-based organizations, including five financial intermediaries, helping them identify challenges and opportunities and delivering the most appropriate support to meet local needs. Together, Rural LISC is transforming communities in more than 2,200 counties across 44 states.

General Comments

OMB proposes to double the minimum urban area population thresholds from 50,000 to 100,000 and solely justifies this change by stating the nation's population has nearly doubled since 1950. LISC has substantial concerns with the proposed changes since it will not only impact the communities slated for Metropolitan Area status change but will undoubtedly dilute affordable housing and economic resource provision and programmatic access in rural communities across the nation. These communities will have to compete for rural-targeted funds with larger and greater-resourced small- and medium-sized cities.

LISC believes OMB's justification for this change is inadequate and recommends a more thorough analysis on the practical and programmatic impacts of the proposed changes to its Metropolitan Area Standards definitions. OMB's Metropolitan Area definition is used by numerous federal agencies in the administration of programs and resources totaling billions of dollars. OMB's continued position that these standards are solely for statistical purposes contradicts reality and practice. Below are a few brief examples of how the proposed Metropolitan Area threshold modifications could potentially alter programmatic and resource allocation in federal housing programs in rural communities:

- *HUD's Community Development Block Grant (CDBG) Program.* The proposed change could increase demand and competition for CDBG non-entitlement funds that primarily benefit rural communities.
- *USDA's Rural Development Housing Resources.* The proposed OMB modifications would likely increase demand for already limited USDA housing resources and could alter programmatic dynamics such as income limits, eligibility status, and payment standards for USDA loans and grants.
- *HUD's Fair Market Rent (FMR) Calculations.* The proposed OMB reclassification would substantially change FMR limits and calculations for communities no longer associated with a metropolitan area.
- *HUD's Income Limits*. Income level parameters that many federal resources rely on for the administration of federally assisted housing programs could be drastically altered.
- *FHFA's Duty to Serve (DTS) Requirement.* The rural underserved market in DTS regulation utilizes OMB's Metropolitan Area designation for assessment and oversight of this requirement.
- *Home Mortgage Disclosure Act.* A change in the OMB Metropolitan standards would reduce the number of banks and financial institutions that currently report to HMDA depriving regulators and communities of valuable mortgage and finance information for their markets.

The proposed OMB Metropolitan Area reclassification will also distort rural statistical and demographic analysis. According to estimates by the Housing Assistance Council (HAC), 71 percent of the population in communities slated for change in Metropolitan Area status reside in suburban or exurban tracts, and 9 percent live in urban tracts. Only 20 percent of the population in these change communities reside in rural or small-town tracts as classified by HAC. The addition of these overwhelmingly suburban and urban communities to the Outside Metropolitan Areas designation will serve to further distort and dilute rural population analysis.

The Local Initiatives Support Corporation cannot support these recommendations in their current form. OMB should suspend this process and reconvene the Review Committee in consultation with community and rural stakeholders to conduct a more comprehensive and detailed analysis on the potential statistical and programmatic impacts of the proposed changes to communities across the nation.

We thank OMB for the opportunity to offer suggestions and please contact Mark Kudlowitz (mkudlowitz@lisc.org), LISC Policy Director, if you have any questions.

Sincerely,

Matt Joseph

Matt Josephs
Senior Vice President for Policy