Proposal: 1723 (AF94) Reg BB - Community Reinvestment Act

Description:

Comment ID: 137596

From: Tiffanie Tabrizi

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Subject: R-1723 Community Reinvestment Act

Comments:

NONCONFIDENTIAL // EXTERNAL
Dear Federal Reserve System,
Thank you for encouraging public input on ways to modernize and improve the Community Reinvestment Act (CRA).
An updated CRA will have little impact unless the evaluation process for banks awards "outstanding" and "satisfactory" grades less frequently than in the past. The current rating system suggests that the banking system is doing a good job meeting the CRA's goals, which is clearly not the case. We have seen in Chicago specifically, that banks with outstanding ratings continue to participate in practices that neither encourage equity, opportunity, or access.
We need an evaluation process that more meaningfully addresses systemic inequities in access to credit, expands financial inclusion, and combats redlining, particularly for communities of color and rural communities. In Chicago, lenders have invested more in a single white neighborhood than all the black neighborhoods combined. According to a report in 2020 by WBEZ, for every $1 banks loaned in Chicago's white neighborhoods, they invested just 12 cents in the city's black neighborhoods and 13 cents in Latino areas. That's despite the fact that there are similar numbers of majority-white, black and Latino neighborhoods in the city.
To be sure, higher home prices in white areas explain some of the disparity in lending. But those higher home prices are themselves a reflection of past and present lending practices. For instance, banks for decades failed to lend in black neighborhoods. That has led to many homes in those areas needing expensive repairs. But because the homes need repairs, lenders are hesitant to provide home purchase loans. A lack of lending depresses property values. It's a self-perpetuating cycle.
I am asking you to update the CRA to include a clear focus on racial equity. Banks should be downgraded when consistent disparities are found in lending or banking services. In the case of Bank of America, JP Morgan Chase, Associated Bank, Wells Fargo, Wintrust, Citigroup, 5/3 Bank, PNC and US Bank - all should receive failing grades. Each lent more than $1B for home purchases in Chicago from 2012-2018. And not a SINGLE one lent more than 40% of loans to BIPOC borrowers. That's modern day redlining.
Considering how important homeownership is to creating household wealth and the long-standing disparities in homeownership rates by race and ethnicity, the CRA evaluation process should include a core component that examines whether banks are providing mortgage and home equity loan products that offer a path to affordable, sustainable homeownership. Banks need to do better in overcoming barriers to homeownership caused by overly stringent underwriting criteria, appraisal bias, lack of down payment assistance, and other factors. Moreover, promoting homeownership is a strategy for revitalizing communities suffering from disinvestment in their single-family housing stock.

Sincerely,
Tiffanie Tabrizi