

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

Description:

Comment ID: 137518

From: Gary Arnold

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Subject: R-1723 Community Reinvestment Act

Comments:

NONCONFIDENTIAL // EXTERNAL

Dear Federal Reserve System,

I appreciate the Federal Reserve Board encouraging public input on ways to modernize and improve the Community Reinvestment Act (CRA).

An updated CRA that responds to changes in the banking sector such as the decrease in community-based banks and the evolving ways in which consumers use banks will have a modest 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 not the case.

We need an evaluation process that meaningfully addresses systemic inequities in access to credit, expands financial inclusion, and combats redlining, particularly for communities of color and rural communities.

This means a CRA that includes an explicit focus on racial equity. Data consistently shows that loan denials correlate to race. Examiners should downgrade bank ratings when persistent disparities are found in lending or banking services.

Providing CRA credit for financing naturally-occurring affordable housing is a worthwhile idea; however, it is key to ensure that such housing actually increases the overall long-term housing affordability in a community and does not promote gentrification and displacement. Often, only rental housing subsidized through project- or tenant-based funding actually meets the needs of people with the lowest incomes.

Sincerely,
Gary Arnold