

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

Description:

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Comment ID: 137507

From: William Sellers

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

Subject: R-1723 Community Reinvestment Act

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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).

My answer to Question #81 is "yes." 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 clearly not the case.

With respect to Question #2, 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. This means a CRA that includes an explicit focus on racial equity. Data consistently shows that if income is controlled for as a variable, loan denials correlate to race. Examiners should downgrade bank ratings when persistent disparities are found in lending or banking services.

Sincerely,  
William Sellers