

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

Description:

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Comment ID: 137544

From: Sarah Brinkmann

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Subject: R-1723 Community Reinvestment Act

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Comments:

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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 clearly not the case.

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. Access to credit includes affordable mortgage and home equity loans for sustainable home ownership, as well as affordable and flexible small business credit, savings, and loan products that create a foundation for sustainable small businesses. The evaluation has to include downgrades for persistent disparities found in lending or banking services. Data consistently shows that if income is controlled for as a variable, loan denials correlate to race. CRA ratings should accurately reflect the banking institution's commitment to investing equitably, and allowing 'satisfactory' ratings to be achieved even if a bank is not consistently lending to minorities is unacceptable.

CRA credit should not be awarded for providing financial education to households at any income level. The CRA is intended to increase access to credit for low- and moderate-income consumers, and to address historic redlining that impacted their ability to get home and business loans and credit. Because of this, only financial education for low- and moderate-income households and small business owners should count for CRA credit.

National assessment areas should not be used for online or similar non brick-and-mortar based banks. These entities should have their evaluations tied to a place-based review of the geocoding of customer addresses and other factors. As we expect continued lessening of reliance on physical bank branches in the future, banks need to be better evaluated in terms of how well their marketing practices, financial products, and non-branch physical services (e.g., ATMs and loan production offices) meet the needs of low- and moderate-income communities- particularly communities with a large number of unbanked people and low levels of lending.

Sincerely,  
Sarah Brinkmann