

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

Description:

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From: Fair Finance Watch / Inner City Press, Matthew Lee

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Comments:

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Board of Governors of the Federal Reserve System

Attn: Chair Powell, Secretary Misback

20th Street and Constitution Avenue, N.W.

Washington, DC 20551

Re Docket Number R-1723 and RIN Number 7100-AF94

Dear Chair Powell, Secretary Misback and others in the FRS:

On behalf of Inner City Press / Fair Finance Watch (ICP), this is a timely comment on the Community Reinvestment Act.

ICP has been increasingly concerned by the Federal Reserve System's rubber-stamping of merger applications, which are the enforcement mechanism of the CRA, as well as with the Fed's lack of transparency in withholding large portions of applications and of its communication with and about applicants.

On the policy issues raised in the Fed's ANPR, Fair Finance Watch joins in the comments of the NCRC of which it is a proud member. A few additional, question-specific responses:

"Question 1. Does the Board capture the most important CRA modernization objectives? Are there additional objectives that should be considered?"

No. The Federal Reserve has overseen the mass closing of bank branches serving low and moderate income communities; meanwhile fintechs and even crypto-currency entities are moving into banking without any accountability to LMI communities. These must be addressed - with public hearings, FOIA responses, and the too-needly but never-occurring denial of expansion applications.

"Question 3. Given the CRA's purpose and its nexus with fair lending laws, what changes to Regulation BB would reaffirm the practice of ensuring that assessment areas do not reflect illegal discrimination and do not arbitrarily exclude LMI census tracts?"

Given how the Board's merger approval orders explain away fair lending disparities including in HMDA data and the demographics of assessment areas, this appears to be a disingenuous question. Or, this

recommendation: if the Board as stated recognizes CRA's "nexus with fair lending laws," it should directly address these on merger applications. For example, in the NYC MSA, banks which exclude the South Bronx and Upper Manhattan should not have their applications approved.

"Question 7. Should banks have the option of delineating assessment areas around deposit-taking ATMs or should this remain a requirement?"

Obviously this should remain a requirement.

"Should delineation of new deposit- or lending-based assessment areas apply only to internet banks that do not have physical locations or should it also apply more broadly to other large banks with substantial activity beyond their branch-based assessment areas? Is there a certain threshold of such activity that should trigger additional assessment areas?"

Of course banks should be assess everywhere they take deposits and / or make loans: five of either.

"Is \$750 million or \$1 billion an appropriate asset threshold to distinguish between small and large retail banks? Or should this threshold be lower so that it is closer to the current small bank threshold of \$326 million? Should the regulation contain an automatic mechanism for allowing that threshold to adjust with aggregate national inflation over time?"

Lower - down to \$326 million or lower still. Automatic adjustment would be fine.

"Question 22. Does the performance ranges approach complement the use of a presumption of "satisfactory"? How should the Board determine the performance range for a "satisfactory" in conjunction with the threshold for a presumption of "satisfactory"? How should the Board also determine the performance ranges for "outstanding," "needs to improve," and "substantial noncompliance"?"

Again, big picture: it is absurd how low the percentage of banks getting even "needs to improve" is. So the performance ranges have to be changed, made less grade inflationary.

"Question 24. In addition to the number of branches and the community and market quantitative benchmarks discussed above, how should examiners evaluate a bank's branch distribution?"

There are far too few branches in LMI communities - and those there provide too little service. Without (yet) naming it, a bank on 149th Street in the South Bronx for months during the pandemic made itself entirely inaccessible to residents of the community, already underbanked. Nothing was done.

"Question 50. Should volunteer activities unrelated to the provision of financial services, or those without a primary purpose of community development, receive CRA consideration for banks in rural assessment areas? If so, should consideration be expanded to include all banks?"

No, and no.

Question 51. Should financial literacy and housing counseling activities without regard to income levels be eligible for CRA credit?

No - otherwise, lower income people will be even further underserved.

Question 61. What standards should the Board consider to define "essential community needs" and "essential community infrastructure," and should these standards be the same across all targeted geographies?

Given disparities and other human rights issues, the idea of banks getting CRA credit for criminal justice systems must be rejected.

There is more to be said - but the Federal Reserve should actually act on these expressed concerns, on bank merger applications - with public hearings, some merger denials, and timely FOIA responses, to innercitypress@gmail .com and lee@fairfinancewatch .org. We join in NCRC's comment.

Very Truly Yours,
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