

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

Description:

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Comment ID: 137458

From: Bob Palmer

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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).

I do believe that the even with an updated and improved CRA that attempts to respond to changes in the banking sector, such as more national and regional banks and fewer community-based banks, and the evolving ways in which consumers use banks, such as the increased use of online banking, will have a modest impact toward the goals of the CRA unless the evaluation process for banks awards "outstanding" and "satisfactory" grades less frequently than is current practice. 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.

An evaluation process that more meaningfully addresses systemic inequities in access to credit, expands financial inclusion and combats redlining will include an explicit focus on racial equity; target financial education to those most in need; evaluate banks based on community engagement, investment and support; support affordable housing that meets community needs and serves people with the lowest incomes; and maintains a focus on place-based services.

Data consistently shows that when income is held constant, loan denials correlate to race across income levels. Examiners should downgrade bank ratings, when persistent disparities are found in lending and/or banking services.

Sincerely,  
Bob Palmer