

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

Description:

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Comment ID: 137549

From: Paul Maurizio

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,

Long-term systemic racism in housing has led to persistent economic effects on minority families in cities and towns across the country. In the communities I have lived in, whether Los Angeles, Baltimore, Philadelphia, or Chicago, credit and mortgage access disparities have led to myriad problems in segregated and isolated minority communities, compounding other effects of racial bias and social exclusion. In particular, Black, brown and immigrant communities, among others, have suffered financial losses that destroy any opportunity for achieving generational wealth, so I call on the Federal Reserve System to use the Community Reinvestment Act (CRA) to Reduce the racial wealth gap by supporting home ownership and small business ownership. Despite hardships, my parents, who were immigrants to the US from Asia and Europe, were persistent in pursuing home ownership and a small business (an Italian barber shop) to enable me to pursue my academic and professional goals as an adult. This sort of opportunity should be equitable and accessible for all families in the US, regardless of race or nation of origin. The new CRA should be used to directly combat decades of racially disparate practices that have lead to current inequities.

I appreciate the Federal Reserve Board encouraging public input on ways to modernize and improve the 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 homeownership, as well as affordable and flexible small business credit, savings, and loan products that create a foundation for sustainable small businesses.

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, including for small business loans.

Sincerely,

Paul Maurizio