

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

Description:

Comment ID: 137526

From: Kristin Ginger

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Subject: R-1723 Community Reinvestment Act

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).

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.

A fundamental historic shortcoming of the CRA is that nearly every bank receives a passing rating, even though many communities, particularly communities of color, suffer from disinvestment and lack of access to lending and banking services. Until the evaluation process is tougher, based on whether investment is increasing in communities with historically low levels of lending and other factors (e.g., reduction in the number of unbanked households), many banks will not take their CRA responsibilities seriously.

The CRA evaluation process should include an explicit focus on promoting racial equity. For example, CRA exams could include performance measures assessing services to people of color and communities of color, such as lending and investing in majority-minority census tracts outside of core assessment areas. In addition, scoring on exams should separate and heavily weight findings from fair lending analysis of disparate lending patterns. When banks are found to have a pattern of disparate lending outcomes, their scores should be lowered. When banks participate in activities that address racial disparities in lending (e.g., working with community lenders to create mortgage products that increase homeownership rates among low- and moderate-income people of color), that bank should see an increased score.

Thank you for your time and consideration.

Sincerely,
Kristin Ginger