

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

Description:

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Comment ID: 137519

From: Christine Stefano

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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).

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 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.

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.

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.

Sincerely,  
Christine Stefano