

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

Description:

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Comment ID: 137609

From: Douglas Kenshol

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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'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.

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.

We also should modernize the CRA regulations to include non-bank financial institutions that now provide an increasing percentage of mortgages and other financial products. They need to be held to the same standards as the banks.

Also, there has been a significant increase in inter-net based banking services. National assessment areas should not be used for online or similar non-brick-and-mortar-based banks. These entities should have their evaluations tied to a place-based review of the geo-coding of customer addresses and other factors. As we expect continued lessening of reliance on physical bank branches in the future, banks need to be better evaluated in terms of how well their marketing practices, financial products, and non-branch physical services (e.g., ATMs and loan production offices) meet the needs of low- and moderate-income communities-particularly communities with a large number of unbanked people and low levels of lending.

Sincerely,

Douglas Kenshol