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

Description:

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From: Alton Drew

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

Subject: R-1723 Community Reinvestment Act

Comments:

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First name:Alton
Middle initial:
Last name:Drew
Affiliation (if any):
Affiliation Type: ()
Address line 1:
Address line 2:
City:Atlanta
State:Georgia
Zip:30310
Country:UNITED STATES
Postal (if outside the U.S.):
Your comment:Board of Governors of the Federal Reserve System
Docket No. 12-1723 and RIN 7100-AF94
Comment
Introduction
The following comment is filed in response to an Advance Notice of Proposed Rulemaking ("ANPR") issued by the Board of Governors of the Federal Reserve System ("Board"). This comment addresses Question 1 in the ANPR which asks the following:
"Does the Board capture the most important Community Reinvestment Act ("CRA") modernization objectives? Are there additional objectives that should be considered?"
The answer to this question is no, the Board does not capture the most important CRA modernization objective and that an additional objective should be considered. The most important objective this modernization initiative should capture is to expressly define what is meant by the word "community." Neither rule or statute defines the word "community", and the Board should use its rulemaking to expressly define the term. By expressly defining "community", targeted credit will be created leading capital to flow to its most productive use, generating returns for community resources and the lending banks, and aiding the Board of meeting its dual mandate of price stability and full employment.
Argument
No amendment to 12 CFR Part 228 Community Reinvestment (Regulation BB) can be made until the term "community" is properly defined. The lack of clarity in the definition could result in capital not flowing to entities that can leverage capital to produce income, employment, and returns to and of capital.
To create a sustainable, stable, and prosperous Caribbean American community in the United States, it is important that banks, as information search agents and intermediaries between savers and entrepreneurs, be able to identify the resources that can be employed to generate stable income and returns to capital. Race, ethnicity, and even income itself should not be the prime information targets for banks. Banks should be targeting communities that are built on resources i.e., mining, farming,

creative associations, manufacturing, etc., where the controlling interests of these resources or activities are controlled primarily by minority groups and employment resulting from exploitation of these resources or activities flow to members of minority groups with controlling interest in the resources or activities.

Targeting capital and credit merely toward income groups will dilute the impact capital and credit can have on increasing income for and employment of minority groups tied directly to resources and activities that generate income. In other words, it would be a waste of capital merely to approve credit for any borrower who does not have an ownership interest in the resource that the community relies on. In addition, from a cost-benefit perspective, there would be less waste of funds where credit is targeted to a resource based on present value of a future income stream from a community-owned asset. The Board would be able to better quantify returns on the investment by accounting for jobs created by the exploitation of a community-owned asset. By accounting for returns to the investment and jobs created, the Board has another factor to consider when meeting its mandate of full employment and stable prices.

Conclusion

To get to this point, where the Community Reinvestment Act of 1977, helps the Board meet its dual mandate, the Board should recommend changes in the statute that expressly defines community as an association of ethnic minorities built on the ownership or control of an income-generating resource or asset. This stricter definition would better target credit and capital to an activity that is generating income and employment for an ethnic group on a whole.