

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

Description:

Comment ID: 137727

From: Elizabeth Czechanski

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Subject: R-1723 Community Reinvestment Act

Comments:

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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. 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.

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 many homeowners and small business owners with good credit lack 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.

Sincerely,
Elizabeth Czechanski