



OFFICE OF THE ILLINOIS STATE TREASURER
MICHAEL W. FRERICHS

February 4, 2021

Ann E. Misback
Secretary, Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

RE: Docket No. R—1723 RIN 7100—AF94

Dear Ms. Misback:

As the State Treasurer of Illinois, I am committed to providing all Illinois residents with the financial tools they need to thrive. The Community Reinvestment Act (CRA) is a tool my office relies on in deciding how to partner with and invest in financial institutions. My office requires any financial institution from which we procure banking services to have a satisfactory or higher rating, and we use CRA ratings as a metric in evaluating investments in financial institutions with banking subsidiaries. I recently championed legislation in Illinois that will require any investor of public funds to meet the same standard. As the CRA improves, so will the work of my office. Thus, I enthusiastically support your efforts to modernize the Act.

The banking industry has changed substantially since the last updates to the CRA. Thus, there is reason to believe the existing evaluations and standards do not adequately align with the intent of the Act to provide banking services to all people and communities on an equitable basis. Recent reporting by WBEZ in Chicago found significant disparities in lending across neighborhoods in the city that were strongly correlated with race.¹ Following those reports, I joined Chicago City Treasurer Melissa Conyears-Ervin in establishing the Advancing Equity in Banking Commission (“Commission”) to work directly with banks and financial institutions to improve access to capital and address systemic racism within the banking industry.

Your proposal presents stakeholders with nearly 100 questions on specific topics. I will focus on portions that stood out as particularly relevant to work my office has undertaken and which are important steps to furthering financial equity and inclusion. Your proposal to expand reporting on deposit products and locations would help to increase our understanding of banking services – a gap in knowledge we have

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noted in our Commission's work. Establishing Designated Areas of Need would also help to reduce existing disparities in banking access and encourage engagement with so-called banking deserts.

My office has also pursued several recent initiatives to improve our ability to work with Minority Depository Institutions and Community Development Financial Institutions. Your proposals to elevate investments in these types of institutions as criteria for an outstanding rating align with my office's findings that these institutions are critical to meeting banking needs in historically underserved communities.

Finally, your desire to improve transparency and clarity for both financial institutions and the communities they serve is important, and I fully support your proposals to do so. Ultimately, transparency enables trust and results in accountability.

I am glad to see the Federal Reserve taking important steps to modernize the CRA. I look forward to continuing to engage with you and the financial partners of my office to strengthen Illinois communities through improved banking practices, community engagement, and investment.

Sincerely,

A handwritten signature in black ink that reads "Michael Frerichs". The signature is written in a cursive, flowing style.

Michael W. Frerichs
Illinois State Treasurer

¹ Lutton, Linda, Andrew Fan, Alden Loury. [Where Banks Don't Lend](#). WBEZ. 3 June 2020.