

Proposal: 1769(AG29) Regulation BB: Community Reinvestment Act

Description:

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From: Sebastian Rivera

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Comments:

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Your comment: It is commonly known that most banks receive a Sat rating. A quick review of the PEs across both ISBs and smaller banks would show how frequent it is that banks, even with mediocre performance, get assigned the 'passing' rating. The rating is often given in light of those smaller banks not having significant resources to upscale CD efforts, or because the performance context reveals that there aren't too many opportunities for the bank to get involved in. As such, the Sat rating is almost guaranteed, unless there are clear patterns of discrimination or unexplainable gaps in the lending. This creates an atmosphere of complacency for those ISBs (especially) and also for those SBs. As part of CRA interviews, we have often heard from senior mgmt at ISBs and SBs that "there just isn't much else they can do for LMI peoples in their areas". We need to incentivize institutions in those lower asset buckets to continue to do better. If you look at the performance across different PEs (leaving out the most recent PEs which include COVID-19 data) on average there is no upward trend in performance but instead a stagnation. This is because the SAT rating allows a bank to continue to grow with weak or mediocre performance. There should be a limit to how many branches a bank with a SAT rating can open, because otherwise a prudent bank can easily sail through the CRA evaluation by simply conducting the same CD activities every year and having similar or slightly worse performance on the lending test than in previous years. If you want examples of the banks I'm referring to, feel free to reach out to me at