

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

Description:

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From: Anonymous

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Subject: Reg BB; Community Reinvestment Act

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Comments:

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Proposal: Regulation BB: Community Reinvestment Act [R-1769]

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Your comment: The proposed new rule for CRA is commendable in detail, but drifts away from the core purpose of the CRA as it was passed in 1977. The agency's desire to provide more detail about what is and what is not community development is not in line with the agency's supposed function under the law. It is the responsibility of banks, not regulators, to determine what activities are best to meet the needs of each bank's respective community. The regulator's role is merely to approve or reject proposed activities, based on, among other things, the quality and quantity of the bank's research and effort. Far from telling what banks should or should not be doing in order to foster community reinvestment, regulators should be listening and validating. It is not the regulator's responsibility under the CRA to tell banks what they should or should not be doing in order to meet their obligations and responsibilities under said CRA. Banks may complain about a lack of clarity regarding what activities qualify and do not qualify for CRA credit, but ultimately if a bank believes that an activity in question should qualify for CRA credit, then the bank ought to provide sufficient documentation and persuasion for the regulator to approve said activity. By aiming to create lists of qualifying activities or expanded examination procedures, the regulator may actually be tying the hands of banks and discouraging innovation in the financial intermediation industry. It is not the role or responsibility of the regulators to determine what is and what is not community development or community reinvestment. On the contrary, the law explicitly puts this burden on the banks, and for good reason. After all, banks should be more knowledgeable of their local communities, markets and assessment areas than a large, distant government regulator would be. Consequently, this plethora of knowledge gives banks the ultimate power to enact positive economic changes within their communities. Nevertheless, validating that a bank did its proper due diligence and research is an important responsibility of an impartial and effective regulator.