

Proposal: 1813 (AG64) Reg H, Q, LL & YY-Regulatory Capital Rule: Amendments to LBOs and Banking Organizations

Description:

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Comment ID: 154745

From: Mandela Barnes

Proposal: 1813 (AG64) Reg H, Q, LL & YY-Regulatory Capital Rule: Amendments to LBOs and Banking Organizations

Subject: R-1813 Regulatory Capital Rule: Amendments Applicable to Large Banking Organizations and to Banking

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Comments:

To Whom it May Concern:

I am writing to you today to express my deep concerns about the proposal to increase capital requirements on banks and its potential effects on communities of color. My concerns are rooted in a broader context of addressing inequalities and disparities that have disadvantaged minority communities in the United States.

The idea behind these requirements is to prevent financial institutions from taking excessive risks that could lead to another financial crisis, as witnessed during the 2008 recession; however, given the measures taken after 2008, our federal regulators have prepared our banks to handle any potential crisis. In June 2023, the Federal Reserve reiterated that our banks are "well positioned to weather a severe recession and continue to lend to households."

If these capital requirements are implemented, there will be unintended consequences, particularly for marginalized communities. One of my primary concerns is that stricter capital requirements could lead banks to become more risk-averse, making it harder for individuals and businesses in communities of color to access credit. This reduced access to capital can hinder entrepreneurship, homeownership, and small business development, which are essential pathways to wealth accumulation. Stricter capital requirements may exacerbate pre-existing disparities by giving banks a reason to further limit lending in areas perceived as riskier, which often includes minority neighborhoods.

While the Biden administration has made significant efforts to bolster small businesses and advance economic equity and the Federal Reserve has diligently worked to curb inflation during the past year, a change such as increasing capital requirements would be a threat to this progress.

While financial stability is important, I believe that policymakers must consider the potential harmful effects on communities of color and work towards a more just and equitable financial system that benefits all Americans.

Thank you for your time and consideration.

Mandela

Mandela Barnes

45th Lt. Governor of Wisconsin