



January 16, 2024

The Honorable Jerome Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Via Electronic Mail

RE: Federal Reserve Docket No. R-1813 / FDIC RIN 3064-AF29

Dear Chairman Powell:

I write on behalf of the Hispanic Leadership Fund (HLF), a non-partisan advocacy organization dedicated to strengthening working families by advancing common-sense public policy solutions that foster liberty, opportunity, and prosperity.

For the proposed regulation “Regulatory Capital Rule: Large Banking Organizations and Banking Organizations With Significant Trading Activity,” HLF wishes to express its strong opposition to the implementation of Basel III Endgame rules especially regarding the increase of capital requirements on U.S. banks. HLF believes that this regulatory approach fails to account for the long-term impact on the wealth gap in the United States.

Increasing the amount of capital banks must hold limits their ability to offer affordable and accessible credit. HLF is especially concerned about the effects on underserved communities like the Latino community, and individuals who are struggling to create wealth, establish homeownership, and grow small businesses—which remain the engine of job creation in the United States, especially in underserved communities.

The result of having less capital to lend to consumers will mean less opportunity for low-income Americans, especially those with lower credit scores. These individuals would be much less likely to have the ability to use home equity lines of credit, for example. The reduction in available credit could kick many Americans while they are down, increasing their credit utilization and potentially hurting their credit scores.

Properly used credit is another factor in improving the economic condition of communities that suffer from a significant lack of investment. For example, majority Hispanic

communities tend to see [lower median credit scores](#) than do majority non-Hispanic white communities. This is especially the case for young adults, as 25- to 29-year-olds in majority Hispanic communities have a median credit score of 644, compared to 687 for their non-Hispanic white peers. Young adults in Hispanic communities are more likely to see their credit scores decline as they grow older—26.2% of these Americans saw their scores decrease between 2010 and 2021. This was the case for only 21% of young Americans in majority white communities.

Homeownership continues to be a critical vehicle for building wealth in the U.S. Under the proposed rules, Banks would have to hold more capital against these loans with increased risks, driving up the cost of borrowing for low and middle-income families. Thus, families in underserved communities would have an even harder time accessing mortgages under the proposed Basel III implementation and therefore likely to increase the homeownership gap.

A [report](#) by the Center for Responsible Lending shows that it would take 14 and 11 years respectively for Black and Latino renter households at each of their median incomes to acquire enough funds to afford a 5% down payment and associated closing costs for a median-priced home. The federal Deposit Insurance Corporation (FDIC) noted in its own [Down Payment and Closing Cost Assistance](#) analysis that “For many low- and moderate-income people, the most significant barrier to homeownership is the down payment and closing costs associated with getting a mortgage loan.”

Stricter capital rules would constrict the availability of affordable small-business loans, especially from the many regional banks that serve as major sources of small-business lending. Hispanic-owned businesses are growing across the country, there are still gaps that need to be closed.

Indeed, nearly one in four new businesses in the United States is Hispanic-owned—in recent years this growth has resulted in a total of nearly five million Hispanic-owned businesses, which collectively contribute over [\\$800 billion to the economy each year](#). Given this aggregate, policies that hurt these businesses affect the economy as a whole.

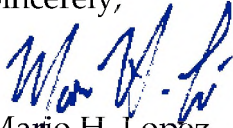
And yet, [39.3%](#) of Hispanic entrepreneurs report that access to proper financing remains a huge problem, compared to only 18% of non-Hispanic white small-business owners. From 2016 to 2021, Hispanic businesses applied for outside financing at higher rates than most other demographic groups.

The reality is that raising capital requirements will mean increasing the cost of borrowing, placing additional hurdles on Americans who are struggling to improve their financial conditions. HLF urges policymakers to place proper attention on increasing economic

opportunities and addressing core dynamics that affect wealth creation and economic opportunity rather than placing additional barriers to individuals who are pursuing the American Dream.

Thank you for your consideration and for the opportunity to provide input on this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mario H. Lopez".

Mario H. Lopez

President

Hispanic Leadership Fund