UnidosUS and Affiliates Team Up to Strengthen the Community Reinvestment Act and Create a More Equitable Banking System

Overview of the CRA: A Key Part of the Strategy for Banking Access for Latinos

The Community Reinvestment Act (CRA) was first enacted into law in 1977 in response to a clear public record of racial and ethnic discrimination in the banking and credit systems and as protection against the pervasive practice of redlining. Over the years, the CRA helped revitalize neighborhoods and encourage banks to be innovative with investments so that low- and moderate-income (LMI) borrowers, who are historically underserved by banks, can benefit directly from large bank investments that might otherwise not reach their neighborhoods. In addition, the law helped to curb the harms of discrimination and unequal treatment that Latinos, immigrants, and other communities of color face when they interact with banks and the marketplace.

Yet despite the law's record of progress over the past four-plus decades, profound financial inequities persist, including racial disparities. For example, a 2022 analysis by the National Community Reinvestment Coalition (NCRC) found that total home loans to people of color and LMI people recently declined, and loan denial rates are higher for Blacks and Latinos than for whites .

A Fresh Look in 2022 from the Biden Administration

Three regulatory agencies, The Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board (the Board), and the Office of the Comptroller of the Currency (OCC), are responsible for overseeing the CRA. Together they issued a joint Notice of Proposed Rulemaking (NPR) on May 5, 2022, which proposed changes to virtually every aspect of the CRA rule. The joint proposal contained several elements that could strengthen the CRA and improve equity and inclusion in the banking system. However, several key pieces were also missing from the proposal, and many aspects could be improved.

Highlighting Needed Improvements and Making the Case for Change

For our comments on the proposal, we looked first to our experience and long history of working to produce better banking outcomes for low-income people and Latinos, drawing on the community's resources and information. We analyzed how the changes would be likely to impact lower-income people and Latinos and examined gaps in the system to identify missed and important opportunities for improving the financial well-being of these groups. We also were sure to consider many different perspectives to inform the comment letter. We participated in regular coalition meetings with experts and met to discuss the issues with Congressional staff and credit unions, community development financial institutions, minority depository institutions, and Affiliates.

Affiliate Network Engagement: A Necessary Engine for Information and Support

We offered two forms of our comments for Affiliates to sign onto. One letter provided more in-depth analysis and suggestions for Affiliates with deeper interest in the topic. At the same time, a shorter version of our comments focused on recommendations and analysis of the most important areas of the proposal. We also organized a webinar for Affiliates to discuss the proposal and our recommendations and sent specific invitations to Affiliates with a track record of engagement in bank policy. Fifty-eight organizations signed on to the short letter, and 18 signed on to the longer letter. In total, some 86 organizations supported both letters.

What's Next for this Effort on More Inclusive Banking?

The regulatory agencies received almost 5,000 comments in response to their proposal. They are currently analyzing the comments, which will help them decide how best to proceed with the rulemaking process. The agencies are likely to post more on the issue later in 2023 or early 2024.