



NATIONAL
ASSOCIATION FOR
LATINO
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BUILDERS

News Release

10/27/2023

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NALCAB Applauds Final Rule Modernizing Community Reinvestment Act

While this is a good start, more must be done to meet the needs of the Latino community

Washington D.C. – This week, for the first time since 1995, the Office of the Comptroller of the Currency (OCC), the Federal Reserve Board (FRB), and the Federal Deposit Insurance Corporation (FDIC) released a joint final rule modernizing the Community Reinvestment (CRA). The CRA was enacted in 1977 to address persistent systemic inequities in our financial system - such as redlining - that exclude low-income and communities of color from the resources needed to build assets. Since its inception, the CRA has been critical for ensuring depository institutions meet the credit needs of low-to-moderate income (LMI) people in the communities it serves.

NALCAB's President & CEO Marla Bilonick released the following statement in response to this new rule:

“We applaud this critical step forward. A strong CRA directly benefits low to moderate-income communities of color as they seek to bridge the wealth gap perpetuated by decades of redlining and disincentivized investments promoting displacement. When looking at median household wealth, Latinos face an income and asset gap of over \$150,000 compared to White households. As such, CRA is a necessary tool as low to moderate-income communities of color disproportionately face obstacles in accessing affordable credit and other financial services.

While increased lending stimulated by CRA reform can help reduce income and racial gaps in home and small business ownership, the final rule falls short of explicitly addressing the needs of Latino, Black, and other racial and ethnic minorities. Government data and reports by non-governmental organizations, including the National Community Reinvestment Coalition (NCRC), highlight that the long history of racial discrimination in access to credit and the barriers to obtaining credit are highly correlated with the legacy of past and never-remedied

discrimination. These patterns persist today despite the focus of CRA examinations on race-neutral low- and moderate-income criteria.

As we noted in our [2021 letter to the Federal Reserve](#), the CRA can be strengthened in addressing ongoing systemic inequity in credit access for minority individuals and communities by explicitly including race data and making this data publicly available. CRA exams could include performance measures assessing lending, investing, branching, and servicing to people of color and communities of color. In addition, CRA exams can include racial and ethnic demographic data in performance context analysis and require banks to affirmatively include communities of color in their assessment areas (geographical areas on CRA exams).

As we continue to review the nearly 1,500-page final rule and work to improve support for our communities, we applaud the coordinated interagency approach to CRA modernization. NALCAB looks forward to further collaborating with the prudential regulations and Congress to support equity of opportunity for communities of color.”

Highlights from the final rule include:

- It encourages banks to utilize Special Purpose Credit Programs (SPCPS) to help increase access to credit for communities of color. SPCPS can be a powerful racial equity tool, yet it has been underused since its authorization in the 1970s.
- These financial products provide a targeted means for creditors to meet the community's unique needs, including groups with common characteristics of race, national origin, or sex. Additionally, SPCPS can help fill gaps left by other affordable credit programs that leave racial and national origin disparities unaddressed.
- Strengthens communities by increasing investment in climate resiliency and including place-based criteria that eligible activities may not result in the forced or involuntary displacement of low- or moderate-income individuals in targeted geographic areas.
- Increases investment in Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDI).

Obstacles Latinos Face In Accessing Credit and Financial Services

- Latinos continue to be unbanked and underbanked at two times the rate of the white population.
- Minorities, despite being 40% of the population, represent 64% of the country’s unbanked and 47% of its underbanked households.
- For minority firms, they are currently three times more likely to be denied credit compared to their White counterparts.

About [NALCAB](#):

The National Association for Latino Community Asset Builders (NALCAB) is the hub of a national network of 200+ member organizations that are anchor institutions in geographically and ethnically

diverse Latino communities in 46 states, Washington DC, and Puerto Rico. NALCAB supports its member institutions through funding, training, research, and advocacy, enabling them to invest in their communities by building affordable housing, ensuring equitable neighborhood development, supporting small business growth, and providing financial counseling on issues including credit building and homeownership. As a grant maker and US Treasury certified CDFI lender with offices in San Antonio and Washington DC, the NALCAB Network serves hundreds of thousands of low- to moderate-income people, advancing economic equity and inclusivity in the communities we serve.

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