April 24, 2018

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

Dear Chairman Powell,

On March 30, in recognition of the Fair Housing Act’s fiftieth anniversary, President Trump declared April 2018 as National Fair Housing Month and announced that his Administration “intends to deliver on the promise outlined by the Fair Housing Act, by ending prejudice and unlawful discriminatory practices in the sale, lease, and financing of housing.”¹ As one of the agencies charged with ensuring compliance with the Community Reinvestment Act (CRA), a law designed to address the disgraceful historical practice of redlining,² the Federal Reserve has a critical role in making sure that the institutions it supervises are serving their customers fairly. I am writing to request information about how the Federal Reserve is executing this mission.

Fifty years after the Fair Housing Act became law, housing discrimination remains a serious problem in the United States. According to a recent study by the Center for Investigative Reporting and Reveal, minority borrowers are more likely to be denied a mortgage than similar white borrowers in 61 metropolitan areas—even after controlling for loan amounts, neighborhoods, and applicants’ income.³ To combat housing and lending discrimination, it is critical that federal regulators uphold and enforce the rules put in place to protect American communities.

The CRA was enacted to curb lending discrimination and to ensure that banks help meet the credit “needs of the communities in which they are chartered to do business.”⁴ The Federal Reserve, along with the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC), is tasked with developing regulations and evaluating

² “History of the CRA,” Federal Reserve Bank of Minneapolis (Online at: https://www.minneapolisfed.org/community/cra-resources/history-of-the-cra-new).
³ Aaron Glantz and Emmanuel Martinez, “For people of color, banks are shutting the door to homeownership,” Reveal (February 15, 2018) (Online at: https://www.revealnews.org/article/for-people-of-color-banks-are-shutting-the-door-to-homeownership/).
⁴ 12 U.S.C. § 2901
banks' compliance with the CRA as part of its examination program. Any institution regulated by these three agencies with assets valued at $1.252 billion or more is subject to data collection that allows the Federal Reserve (Fed), OCC, and FDIC to evaluate these banks' compliance with the CRA. The three regulatory agencies conduct comprehensive tests and determine if a bank has one of four ratings: Outstanding, Satisfactory, Needs to Improve, or Substantial Noncompliance.

Earlier this month, the Treasury Department released a set of recommendations to the primary CRA regulators, on how to “modernize” that law. Recent reports also indicate that the Federal Reserve has been working with the OCC and FDIC on “an interagency redo” of CRA rules, and is close to releasing those changes. The OCC has already taken action – in October 2017 it issued a new Policies and Procedures Manual that weakened its ability to penalize “banks suspected of discriminatory lending” by allowing lenders to avoid double downgrades and penalties if they promise to take action. In a recent appearance before the House Financial Services Committee, you stated that the Fed “take[s] a very serious view of any kind of racial discrimination in lending... look[s] at it through a variety of... consumer affairs tools.”

In order to better understand the Federal Reserve’s approach to the CRA and how the agency intends to fulfill the President’s vow to “deliver on the promise outlined by the Fair Housing Act,” I ask that you provide answers to the following questions no later than May 8, 2018.

1. How many CRA examinations has the Federal Reserve conducted in each of the last five years?
   a. What percentage of banks received each of the four ratings in each year?
   b. How often on average elapses between CRA examinations?

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5 12 U.S.C. § 2902
6 Community Reinvestment Act “2018 Reporting Criteria” Federal Financial Institutions Examination Council (Online at: https://www.ffiec.gov/cra/reporter18.htm).
7 12 U.S.C. § 2906
11 C-Span “Monetary Policy and the Economy Federal Reserve Chair Jerome Powell appeared before the House Financial Services Committee” (February 27, 2018) (online at: https://www.c-span.org/video/?440903-1).
2. Please list any and all changes the Federal Reserve plans on making to regulations or procedures governing CRA enforcement, and how those changes allow the agency to better regulate “unlawful discriminatory practices in the sale, lease, and financing of housing.”

   a. Does the Federal Reserve plan to incorporate any of the recommendations from the Treasury Department into its reforms?

3. Are you, or any other Federal Reserve employees, consulting with or discussing changes to CRA enforcement policies with any outside entities – including lobbyists or representatives of the banking or financial services industry – in revising the CRA enforcement rules? If so, please provide a list of any and all meetings where these changes were discussed, and a list of all participants.

4. Please provide a list of all meetings that have taken place as a result of the “interagency redo,” including topics of the meetings and the participants.

5. How does the Federal Reserve measure the effectiveness of the agency’s efforts to reduce housing discrimination? Please provide an analysis of the agency’s performance over the last two years.

6. Please describe any Federal Reserve initiatives in place, beyond CRA enforcement, to address housing discrimination.

Sincerely,

Elizabeth Warren  
United States Senator