



Fair Lending

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The banking industry is committed to a color-blind, discrimination-free lending environment.

- In all communities, banks are actively seeking borrowers. Banks are in business to make loans.
- Banks want to make credit available to qualified borrowers on fair and reasonable terms.
- Loan denial rates alone misrepresent banks' efforts to provide services to minorities and low-income members of the community. Outreach to underserved areas can inadvertently result in marginally qualified applicants seeking loans before they are fully prepared for that financial decision. Good faith efforts to support communities can drive up denial rates in the short run.

Banks have become more prudent about who they lend to in an effort to ensure no one gets a loan they can't repay.

- The financial crisis has led to significantly more conservative underwriting standards. While this has caused higher loan denial rates in lower-income communities, that does not necessarily point toward discrimination.
- A host of new regulations, including a complete overhaul of mortgage disclosures, has affected banks' ability to lend. In addition, increased regulatory oversight, including sanctions for bad loans and higher capital requirements, has forced many banks to scale back lending.
- Sometimes, giving a borrower more debt is the wrong thing to do.
- The failure of many risky, fly-by-night mortgage companies has driven additional borrowers to banks. More responsible lending practices at banks could also result in increased loan denial rates in lower-income communities or to borrowers with past borrowing problems.

Banks have a history of reaching out to their communities and are leaders in community development lending.

- The Community Reinvestment Act requires a bank to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the bank.
- See the CRA and Community Development Lending page for more.