League of United Latin American Citizens

November 26, 2025

Jennifer M. Jones, Deputy Executive Secretary
Attention: Comments | RIN 3064 AG12
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Chief Counsel's Office
Attention: Comment Processing | RIN 1557 AF34
Office of the Comptroller of the Currency
U.S. Department of the Treasury
400 7th Street SW, Suite 3E 218
Washington, DC 20219

Re: LULAC Concerns Regarding Proposed Rule to Eliminate Reputation Risk from Supervisory Programs [Docket ID OCC 2025 0142 | RIN 1557 AF34 | RIN 3064 AG12]

To Whom It May Concern:

On behalf of the League of United Latin American Citizens, the oldest and largest Latino civil rights organization in the U.S., I submit these comments in response to the proposed rule eliminating reputation risk from supervisory programs. LULAC represents over 570,000 members across 423 local LULAC councils in nearly 40 states. Since 1929, we have worked to protect Latino and immigrant families from discrimination, financial exploitation, and harmful business practices that undermine civil rights and economic mobility.

This proposed rule raises concerns that cannot be dismissed lightly. By forbidding supervisors from considering reputation risk, it narrows their vision at the very moment when clarity is required. It strips away a vital means of recognizing discrimination as it appears, of confronting the quiet ways extremism seeps into financial institutions, of questioning industries that profit from human vulnerability, and of stepping in before an entire community is quietly pushed to the margins of the banking system. These are not abstractions. They are patterns of harm that Latino and immigrant families have lived with for decades, and they form the long memory that guides LULAC's work today.

The following sections outline LULAC's four principal concerns with the proposed rule.

Concern 1: Elimination of a Key Civil-Rights Tool

Reputation risk has long been one of the tools regulators rely on to step in early when they see discriminatory or predatory banking practices taking shape. It gives supervisors the ability to act before families are harmed. Without it, regulators are left waiting until a bank has already broken the law. By then, the damage is done, and entire neighborhoods can feel the fallout.

One troubling example involves high fee remittance products and payday lending that are concentrated in Latino neighborhoods. Today, regulators can challenge these patterns because the reputational harm is clear and documented. Under the proposed rule, they would have to stay quiet until a violation is proven in court.

The data underscores why that matters. A 2016 analysis by the California Department of Business Oversight, cited by the Center for Responsible Lending, found that nearly 60 percent of heavily Latino and African American neighborhoods had six or more payday lenders, compared with 28 percent of white neighborhoods. A 2018 study by the University of Houston reported that 77 percent of storefront advertising for payday and auto title lenders targeted racial minority groups. A 2015 review by the University of Wisconsin showed that 75 percent of mainstream bank websites featured no Latino models and 30 percent featured no African American models.

These patterns are not theoretical. They show up in daily life. In east Los Angeles, for example, entire blocks in Boyle Heights carry more payday lenders than traditional banks, creating a financial landscape where families are steered toward high-cost products rather than safe credit. In Houston's Gulfton neighborhood, researchers documented clusters of auto title lenders situated near immigrant apartment complexes, drawing families into cycles of debt through marketing tailored to new arrivals.

These are the kinds of early warning signs that reputation risk allows regulators to catch before harm spreads. Removing that tool leaves families with fewer protections and fewer ways to hold financial institutions accountable.

Concern 2: Inability to Mitigate Extremist Misuse of Banking Services

The proposed rule tells regulators to look away, even when they know better. It forbids them from questioning a bank's ties to groups wrapped in the language of politics, culture, or faith, even when those same groups traffic in extremism or pose real threats to public safety.

Extremist groups have a documented history of misusing the U.S. banking system. According to a 2007 Courthouse News Service report, the U.S. seized 150 million dollars held at major banks after uncovering a Hezbollah-related money-laundering scheme. According to 2019 reporting by GIS Reports, JPMorgan Chase closed the personal account of Enrique Tarrio, chairman of the Proud Boys, because of extremist activity associated with the group.

Banks already assess reputational and security exposure through detailed regulatory frameworks. According to a 2023 analysis by Smith, Marshall, and Taylor, which reviewed standards under the Office of the

Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Reserve System, banks must evaluate capital adequacy, asset quality, management practices, earnings stability, liquidity, and compliance with the Bank Secrecy Act and anti-money-laundering requirements. They also conduct enhanced due-diligence reviews on high-risk customers, verify sources of funds and beneficial ownership, and monitor public sentiment, media reporting, and litigation exposure.

Regulators rely on these assessments to protect the public and ensure financial-system integrity. This proposed rule would block supervisors from acting on this information, even when extremist misuse threatens vulnerable communities. It introduces unnecessary risk into an already fragile landscape.

Concern 3: Protection of Predatory and High-Harm Industries

The proposed rule also shields certain high-risk industries from meaningful scrutiny. These sectors include payday lenders, firearm manufacturers, private prisons, and immigration detention contractors. A detention operator with a documented record of civil-rights violations could expand its banking relationships without regulators being able to highlight the reputational harm inflicted on immigrant communities.

According to a 2022 analysis by the Brennan Center for Justice, Bank of America and Wells Fargo have resumed financing private-prison operators. Regional banks such as Regions Financial Corporation, Citizens Financial Group, Pinnacle Financial Partners, First Tennessee Partners, and Synovus Bank continue to support companies involved in detention operations.

Latino and immigrant families are disproportionately affected by both these industries and the enforcement systems that feed into them. The Secure Communities (S-Comm) program, created by the U.S. Department of Homeland Security in 2008 and expanded nationwide by 2013, requires local law-enforcement agencies to submit fingerprints of every person booked into a local jail to federal immigration databases. When fingerprints match immigration records, U.S. Immigration and Customs Enforcement can issue a detainer requesting that the individual be held, even when the underlying charge is minor, dismissed, or unrelated to public safety.

In practice, S-Comm has funneled large numbers of immigrants into detention facilities, many of them operated by private-prison and immigration-detention contractors. According to the 2020 American Immigration Council, Latinos accounted for 93 percent of all S-Comm arrests, despite comprising an estimated 77 percent of the undocumented population.

A well-known example makes this clear. In 2011, the case of *Isaac Barrera*, a young Latino man from Boyle Heights in Los Angeles and a Pasadena City College student, drew national attention after he was arrested during a routine traffic stop and booked on a minor charge that was later dismissed. Despite having no criminal record, he was held under an ICE detainer triggered by S-Comm and transferred into immigration detention. He remained there until community advocates secured his release. His case illustrates how a routine stop can escalate into prolonged detention inside a private facility, with devastating consequences for young people who have no criminal history.

Reputation-risk oversight allows regulators to consider how financial institutions support or enable these industries. Removing that authority protects high-harm sectors while placing Latino communities at deeper risk.

Concern 4: Weakening Oversight of Discriminatory Banking Patterns

Eliminating reputation risk blinds regulators to the quiet geography of discrimination that shapes our financial system. It makes it harder to see exclusion as it develops: a branch that closes in a neighborhood where families still walk to the bank, credit that tightens out of sight, the familiar lines of redlining, and the quiet steering of certain products toward certain people. These decisions rarely announce themselves. They accumulate. Over time, they become the architecture of inequality.

The evidence is not new and it is not ambiguous. A 2022 Brookings Institution report shows that only 3 percent of white households are unbanked, while 14 percent of Black households and 10 percent of Hispanic households have no access to the banking system. Underbanking, another way of being pushed toward the margins, affects 54 percent of Black households and 50 percent of Hispanic households, compared with 11 percent of white households.

PBS captured this geography of exclusion in its 2023 NewsHour investigation, *"City National Bank accused of redlining majority-Black and majority-Latino neighborhoods in Los Angeles."* The findings were clear. In Los Angeles County, City National Bank opened eleven branches in majority-white neighborhoods and only one in majority-Black and majority-Latino neighborhoods. Mortgage lending followed the same direction, reflecting the older patterns that have shaped American cities for generations.

The Joint Economic Committee Democrats reported in 2021 that 40 percent of Black Americans and 29 percent of Hispanic Americans, along with more than one third of low-income families, were unbanked or underbanked. That same year, 46 percent of Black applicants and 37 percent of Hispanic applicants were denied credit or approved for less than they sought. These numbers point to a truth that communities have long understood. Discrimination in banking seldom arrives with a loud announcement. It settles in slowly, household by household and neighborhood by neighborhood, unless someone is watching closely.

Conclusion

For these reasons, LULAC respectfully urges the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation to withdraw the proposed rule. The rule limits the ability of supervisors to protect the public and it narrows the view of regulators at a moment when many communities already face real financial vulnerability. If the agencies choose to move forward, they should begin with a full Civil Rights Impact Analysis that evaluates how this proposal will affect Latino, Black, immigrant, rural, and low income communities. They should release detailed demographic modeling that shows where risk will increase and which communities are most likely to feel the consequences. They should also strengthen the current examination framework by preserving clear pathways for supervisors to review patterns of discrimination, assess the financial system's exposure to extremist activity, and address harmful industry practices before they grow into larger problems.

League of United Latin American Citizens

For nearly 97 years, LULAC has worked to strengthen oversight and defend the rights of Latino families. We stand ready to work with federal partners to ensure a fair, safe, and equitable financial system. Thank you in advance for your attention to these concerns. Should you have questions, please contact our National Director of Research and Policy, Dr. Ray Serrano, at [redacted].

We appreciate your engagement and remain committed to supporting the agencies' efforts to build a stronger and more equitable financial system.

Respectfully submitted,

[redacted]

Roman Palomares
LULAC National President and Board Chairman

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