



MAYOR CAVALIER JOHNSON  
CITY OF MILWAUKEE

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November 28, 2023

To whom it may concern:

Milwaukee, like cities around the country, continues to deal with the economic effects of the global COVID-19 pandemic. Inflation and rising interest rates create barriers to economic security and wealth-building for working- and middle-class households. I am concerned that the effort to raise capital requirements could reinforce or worsen those barriers – especially for households of color aspiring to own a home.

Homeownership has long remained the primary mechanism for accumulating and passing on wealth in American society. This is particularly true for those in lower economic strata who have few opportunities for investment. Sustained homeownership is a primary mechanism for class mobility, bringing families into the middle class and allowing parents to pass a more advantaged economic status on to their children. A lack of sustained homeownership disadvantages lower-income communities, particularly communities of color, leaving large swaths of the community with little to no wealth to pass on to younger generations, functionally trapping people at a lower economic level. Consequently, racial disparity in homeownership is a key contributor to racial wealth disparities.

As a mayor, I prioritize increasing homeownership in my city as a mechanism for improving the lives of my constituents and building strong neighborhoods. In addition to building generational wealth, homeownership is associated with behaviors related to neighborhood stability, satisfaction, and strength. For example, homeowners are much more likely than renters to participate in neighborhood associations, civic groups, and to vote in local elections.

I am concerned that this new bank rule will be harmful to first time homebuyers in Milwaukee. Enforcing higher capital reserve requirements may cause banks to limit the number of mortgages offered and make mortgages more expensive for borrowers. This would make it harder than ever to purchase a home at a time when prospective homebuyers are already facing high prices and interest rates. People of color, who have historically faced greater barriers in mortgage lending than white buyers, would likely be most affected by these changes.

Furthermore, Urban Institute performed an independent analysis of the proposed changes in September 2023 and issued a [report](#) stating:

“There is no logical argument for the bank capital requirements proposed in the NPR. They are much higher than the Basel requirements. And our analysis shows they are higher than a repeat of the 2005–08 experience would suggest is necessary to protect the financial

system. ... We have shown that LMI borrowers, LMI communities, and Black and Hispanic borrowers are disproportionately represented in the highest LTV categories, the categories targeted to see increases in the capital requirements. This will translate directly into higher costs for these borrowers. ... This proposal also goes against the recent guidance by the bank regulators and other government agencies, including the Consumer Financial Protection Bureau and the US Department of Housing and Urban Development, to encourage lenders to design special purpose credit programs to increase the amount of home mortgage lending to those underserved groups. In short, the level of capital that banks would be required by the NPR to hold against mortgage loans held in portfolio is excessive, at all LTV levels, and is likely to further discourage bank mortgage lending. The NPR's impact on lending to LMI borrowers and communities and to borrowers of color is particularly perverse in the face of efforts by the bank regulators and other government agencies to encourage banks to increase their lending to precisely these borrowers and communities."

Therefore, I encourage officials to reconsider the proposal.

Sincerely,



Mayor Cavalier Johnson