

Underwriting for Racial Justice National Working Group

Beneficial State Foundation is convening a group of more than 50 underwriters, impact leaders at financial institutions, regulators, innovators in alternative underwriting, and borrowers of color from across the country to develop solutions to increase credit access to people rising from longstanding systemic inequities and barriers, particularly BIPOC communities.

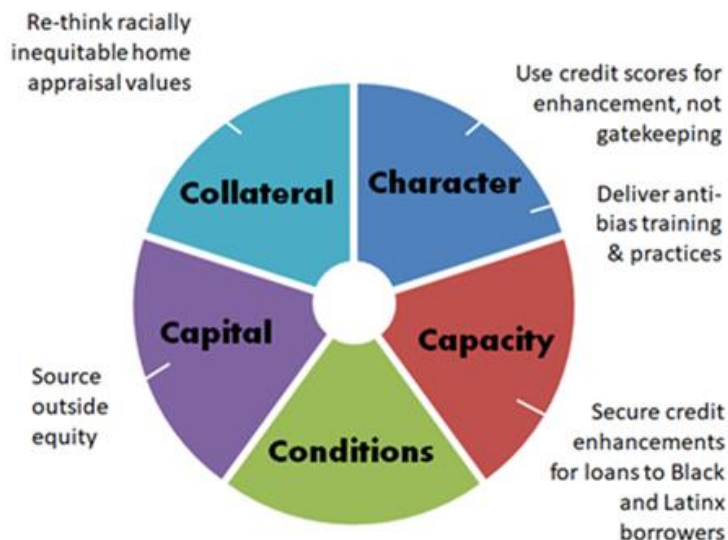
Why this program?

Historic and contemporary discrimination and wealth disparities put people of color at a disadvantage in current underwriting models, preventing access to reasonable credit or any credit at all for homes, small businesses, vehicles and other key assets, further exacerbating wealth and ownership inequality. We cannot maintain status quo in bank underwriting; we must acknowledge the realities and reasons for the vastly different starting points in wealth and collateral, uncover biases, and examine assumptions in our current system. We must find new ways to begin to make up for destructive inequities and increase opportunities while safely and soundly evaluating for true risk in the provision of credit in the banking system and, in turn, financial system at large.

Why Beneficial State Foundation?

As the primary and founding shareholder of social impact bank, and a social- and environmental-justice nonprofit with a goal to change the banking system for good, we are uniquely positioned to develop standards that are grounded in the practical realities of banks while demanding high standards for positive and equitable impact that truly and racially transform the industry, not just tinker around the edges.

Dismantling Racial Inequities in Underwriting: 5 C's of Credit Conceptual Example



Program Design and Status

We are launching and facilitating a one-year working group of participants from across the country. We have conducted two planning meetings collectively gathering input from approximately 50 organizations, and will begin monthly working group sessions in May 2021.

Q1 (Jan-Mar)	Q2 (Apr-Jun)	Q3 (Jul-Sep)	Q4 (Oct-Dec)
<ul style="list-style-type: none"> • Planning sessions 	<ul style="list-style-type: none"> • Baseline knowledge: current issues and historic causes for racial inequities in lending • Gather list of key barriers and issues • Share case studies - what is working to address key barriers and issues 	<ul style="list-style-type: none"> • Share case studies - what is working to address key barriers and issues • Problem solving sessions 	<ul style="list-style-type: none"> • Planning for pilots • Documenting and planning for regulatory advocacy

← Regular cross-disciplinary working group meetings, case study and research presentations and documentation, sub-groups for problem solving/design as needed →

Expected 2021 Outcomes

The expectation is that at the end of the year, participating entities will have:

- 1) Articulated key race-based challenges and opportunities for change in loan underwriting,
- 2) Shared promising practices and models in building more equitable access to credit
- 3) Identified potential pilot programs at 10-15 banks
- 4) Identified potential advocacy needs – policies, regulations, laws, and guidelines need to be changed (or relaxed in a trial period) to make progress
- 5) Developed a strong network for long term support and collaboration
- 6) Identified and/or implemented other actions that participants can take individually or collectively to make progress

The pilots and advocacy will happen in earnest in 2022 and beyond. We expect that the activities in Year 1 will be a catalyst for truly impactful work at the participating entities, and we seek to track that impact over time.

Intended Long Term Outcomes

- 1) Increased access to fair credit by Black and Latinx people in the U.S. through
 - Expansion and replication of successful programs
 - Development of new programs
 - Changes to law, policy, regulations, or guidelines
- 2) Increased awareness within the banking industry of the systemic reasons for racial wealth inequality, and the reduction of corollary bias, focus, and blame on the individual