

Via Electronic Mail Comments@fdic.gov and United States Mail
August 4th, 2022

James P. Sheesley, Assistant Executive Secretary
Attn: Comments RIN 3064-AF81
Federal Deposit Insurance Corporation
550 17th Street NW
Washington DC 20429

RE: RIN 3064-AF81
Community Reinvestment Act Regulations Comment on Proposed Rulemaking

Dear Sir:

I am writing you to comment on the proposed changes to the Community Reinvestment Act (CRA) rules as published by the Federal Deposit Insurance Corporation and other Federal Agencies on May 5th, 2022.

First International Bank & Trust (FIB&T) is a North Dakota chartered community bank with over \$4.7B in assets. We emphatically concur with the need for modernization and simplicity in the CRA rules that have not been updated for over 25 years; however, while containing some useful updates, the proposal does not go far enough.

FIB&T is in favor of the creation of presumptive ratings that banks can determine themselves by looking at the number of CRA-eligible activities as compared to the number of deposits. This will improve clarity for banks. While not perfect, we believe the presumptive ratings are more likely to spur CRA activities than limit them; however, it will be important for the Agencies to provide information on geographic community and nationwide benchmarks at least annually in order for banks to gauge their performance under the presumptive ratings.

Overall, FIB&T supports the proposed weighted ratings system and feels that the proposed weights of 45% - Retail Lending Test, 30% - Community Development Financing Test, 15% - Retail Services and Products Test, and 10% - Community Development Services Test for large banks places appropriate emphasis on the most important aspects of a bank's CRA activities. However, some of the volume screening and benchmark metrics do not account for differences in large banks' specific business strategies compared to their peers within a particular facility-based assessment area.

While the presumptive ratings would be of benefit – the benefit will be significantly offset for large banks by the increased record keeping requirements. The proposal will impose voluminous record-keeping requirements on already over-burdened banks. Large banks will be required to collect and maintain all data supporting the bank's performance context, assessment areas, retail deposit data, data on digital delivery systems, retail services data on responsive deposit products, community development services data, and automotive lending data for facility based assessment areas, retail lending assessment areas, outside retail lending assessment areas, as well as by state, multi-state metropolitan statistical areas (MSA), and the institution as a whole.

The adjustment of the asset thresholds is inadequate. Instead of defining “Small” as less than \$600 Million, the “Small” category should be increased to at least \$2 Billion, although a range anywhere from \$2 Billion to \$5 Billion would be appropriate. The “Large Banks” should be defined as those \$10 Billion and above with the “Intermediate Banks” defined as those in-between the “Small” and “Large” bank thresholds. This would better reflect the extensive consolidation and growth that has occurred in the industry since the Act’s initial implementation. Adjusting the proposed asset thresholds as described would allow for all institutions to opt-in to the existing current framework except “Large Banks” which would more likely have the resources needed to meet the additional reporting required by the proposed changes.

FIB&T supports the Agencies’ new forward-looking approach to provide a publicly available, illustrative list of activities eligible for CRA consideration and the proposed process open to banks to confirm eligibility of qualifying activities. However, the response to requests to confirm eligibility will need to be timely in order to be helpful.

FIB&T also supports the proposed impact review of community development activities under the Community Development Financing Test and Community Development Services Test. FIB&T especially supports the way the new rules incentivize banks to invest in opportunity zones, which are communities the federal and state governments have identified as needing economic development and job creation. Also, more businesses and farms will now qualify as small businesses and small farms because of the proposed increase in revenue threshold and more loans would qualify as small business loans and small farm loans because of the increase in the loan size threshold. At a minimum this change is necessary to counter inflation.

Lastly, FIB&T feels that the proposed effective date of 60 days after publication for the substantive provisions of the rule and 12 months for other provisions is not adequate to allow banks to fully digest the ramifications of the new rules, make decisions related to their assessment areas, and choice to opt-in, or changes to their data gathering systems. Most of these changes are substantial and will require significant action by banks, particularly those subject to the large bank test. As a result, FIB&T would propose an alternative effective date of 90 days and 18-24 months.

First International Bank & Trust accordingly feels that with some changes, the proposed regulations would better preserve what is best about the existing CRA regulations – leaning on that success – while encouraging banks to lend and invest more to low and moderate-income individual and areas.

Please feel free to contact me with any questions.

Sincerely,

FIRST INTERNATIONAL BANK & TRUST



Stephen Stenehjem, Chairman and Chief
Executive Officer