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RISK MANAGEMENT DEPARTMENT

Friday, August 5, 2022

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

Re: Community Reinvestment Act
RIN 3064-AF81

Dear Mr. Sheesley:

On behalf of First County Bank, we very much appreciate the opportunity to participate in your efforts to modernize the regulatory framework of the Community Reinvestment Act (CRA). First County Bank is a $1.9 billion dollar state chartered Mutual Bank regulated by the FDIC. We operate in the State of Connecticut and our 16 full-service branch offices are located in Fairfield County.

We thank you for your leadership and hard work in drafting a joint proposal on which we may provide feedback. We also very much appreciate your efforts coordinating with the OCC and the FRB to ensure that a consistent interagency final CRA rule is developed.

Our commitment to the goals of CRA and to meeting the credit and financial services needs of our communities has been a tenet of First County Bank since its founding in 1851. As a Mutual Bank, actively serving our communities is at the core of our very structure.

We take extreme pride in being a pillar of our community's growth and success, but CRA regulation and supervision have become overly complex, unpredictable, and outdated. The need to update the CRA regulatory framework is a long time coming and will gain importance as the financial services industry continues to evolve.

We hope that our insights will be helpful. I am happy to answer any questions that you may have regarding our comments.

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Below are targeted observations that we consider most important to highlight and that we implore you to consider:

1. *Retail Lending Assessment Areas (RLAA) for "Large Banks"*

Under the current proposal "Large Banks" (defined as banks with assets of at least $2 billion) would be required to establish "Retail Lending Assessment Areas" (RLAAs) outside of and in addition to the bank's Facilities Bases Assessment Areas (FBAAs). RLAAs would be delineated strictly based on a geography where the bank originated a relatively small number of home mortgage or small business loans during a finite timeframe. As soon as a bank meets the established triggers it would be evaluated for its CRA performance in the RLAA in all "major product lines". We believe that this approach would result in an excessive regulatory burden and severely negatively impact our CRA activities and, most importantly, the communities they benefit. While we fully support the intent of establishing RLAAs, this focused metric-based approach that adds assessment areas will dilute CRA activities in the bank's FBAA and impair its ability to direct CRA activities to communities known to be in need. Furthermore, successfully pivoting to serving a new RLAA in the time required by the rule would be impossible. The RLAA might be well outside our current Assessment Area. We would be forced to consider adjusting lending policy to avoid the creation of an RLAA. We estimate that at least two (2) additional full-time employees and additional financial resources would be needed simply to expand full scale product offerings and CRA activities into an RLAA. Measuring a bank by its performance in an Assessment Area that has been delineated after thoughtful evaluation based on the totality of its CRA activities would better ensure that the basic principles of the CRA and the community support it promotes are met.

2. *Ratings and Benchmarks for Retail Lending Test for Large Banks are Unattainable and Discourage Performance*

As a mutual community bank, we pride ourselves on serving all the needs of our communities and our CRA rating assists us in demonstrating this commitment. We enthusiastically share your interest in ensuring that banks continuously improve service to low/moderate income individuals and communities and welcome clear measurable guidelines for achieving desired CRA ratings. However, creating unattainable metrics serves to discourage, rather than incentivize performance. Based on estimates cited in the proposal, only 28% of banks would "pass" the Retail Lending Test in their RLAAs. We have grave concerns that the proposed performance benchmarks will be unachievable by a "Large Bank" of our size and complexity and our CRA rating will suffer. Further, while we recognize that Retail Lending is a pillar of our CRA activities, the proposed excessive weighting of retail lending activities will minimize our ability to provide other, very important, community support. Given our ultra-competitive lending market, we actively participate in other beneficial CRA activities, including Investments and Services. Limiting a bank's ability to assess the needs of the communities it serves by creating benchmarks and weighting that discourages certain equally valuable activities contradicts the mission of the CRA.

3. *Implementation Period is Insufficient*

12 months is sorely insufficient to implement the proposed changes for a rulemaking as comprehensive and complex as the CRA. Effective implementation requires a complete re-build of virtually all facets of our bank-wide CRA program across all business lines and all levels of staff and management. The most basic implementation efforts include: applying new and complicated formulas to existing CRA programs; establishing administrative oversight over newly designated RLAAs and ensuring that they are properly incorporated into the bank's CRA program; ensuring that all assessment areas (new and existing) meet the rule's newly-established performance benchmarks; implementing major data collection, recordkeeping, and reporting mechanisms that significantly exceed existing CRA requirements, including

the establishment of data integrity procedures and controls; and assessing impact and evaluating results. Rushing implementation will undermine all the efforts thus far to modernize and improve the CRA.

4. *"Intermediate Bank" Cap Must be Raised to Avoid Undue Burden and Unattainable Performance*

We greatly appreciate efforts made to tailor the proposed rule based on asset size and urge you to consider further increasing the Intermediate cap from $2 billion to $5 billion. As previously stated, First County Bank is a mutual community bank that caters to consumers and small businesses in a highly competitive market. Although just approaching $2 billion in assets, First County Bank will be considered a "Large Bank" with respect to the regulatory administrative burden and performance measures imposed by the proposed rule. Although relatively small in asset size and simplicity, First County Bank will be in most respects treated the same as the largest, most complex, systemically important financial institutions in the U.S. As a result, we will be especially negatively impacted by the proposal to increase assessment areas (i.e., adding RLAAs), performance expectations, and data collection requirements. Further, as a "Large Bank" First County Bank will be required to delineate an FBAA that consists of a whole county. This requirement fails to consider population density, local political subdivisions, income characteristics, competition, geographic barriers, and customary market areas, all of which impact a bank's ability to establish physical presence and succeed in a region. It obligates a bank of modest size to penetrate broad and distinct markets that it may be unwilling or unable to serve. Unlike some areas of the country, a single county in the Northeast likely traverses several separate and diverse highly populated cities and towns that may extend more than 60 miles beyond a local footprint. Given those circumstances, it is unlikely that any bank could successfully serve the CRA needs of a whole county. Rather than utilizing limited resources to meet unattainable regulatory requirements, a tailored approach that considers asset size in relation to the complexity of the rulemaking will ensure that bank assets may be deployed where most needed, to communities.

Again, thank you for this opportunity to comment on this most important rulemaking and should you have any questions please do not hesitate.

Sincerely,

[redacted]

Rosalia Aiello, VP Operations Risk & Senior Compliance Officer
Risk Management Department
First County Bank

CC: Robert Granata, Chairman & Chief Executive Officer, First County Bank
Willard Miley, President & Chief Operating Officer, First County Bank