STAR
Bank | Insurance | Private Advisory

July 26, 2022

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

Ann E. Misback, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave NW
Washington, DC 20551

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street, SW, Suite 3E-218
Washington, DC 2021

Via Federal eRulemaking Portal – Regulations.gov

Re: Community Reinvestment Act Regulations RIN 3064-AF81, RIN 1557-AF15, RIN7100-AF

Dear Sir or Madam:

STAR Financial Bank ("STAR") is an approximately $3 billion asset sized community bank headquartered in Fort Wayne, Indiana. We are committed to delivering quality services, innovative technology, and personalized banking solutions to the customers within our footprint. Our footprint includes 36 locations in central and northeast Indiana.

STAR continues to be committed to the growth and development of the communities we serve. As a community bank, our goals and strategy align with the intent behind the Community Reinvestment Act (CRA). We continue to dedicate time, resources, and funds geared toward revitalization efforts, redevelopment initiatives, and economic development opportunities. As a company, our philanthropy is focused on supporting Education, Arts and Economic Development. We regularly provide services and support to 120+ organizations throughout Indiana.

Modernization Efforts

We sincerely appreciate the leadership and coordinated effort that the FDIC, OCC, and Federal Reserve exerted to develop a final CRA rule. As a financial institution that is focused on innovative technology, we appreciate and support the need for CRA modernization. The banking industry continues to rapidly evolve, and customers expect access to innovative banking solutions. The current CRA regulation acknowledges innovation but does not allow for appropriate credit when it is utilized. The modernization efforts will hopefully allow community investment to be the priority. STAR is fully supportive of these efforts and the positive impact they will have on our customers and communities.

Community Development
We fully support the proposed preapproval process for qualifying services and activities for community development. This will provide much needed transparency for activities that impact our community and that our employees enjoy participating in. We also agree that combining the community development lending and investments into one evaluation test, the Community Development Financing Test, will allow us to clearly articulate our commitment to community. Both of these aspects will have a positive impact on our footprint. Thank you for including these in the proposed rule.

Asset Thresholds
We have reviewed the CRA modernization proposal in great detail. As a community bank, we are grateful for the adjustment to the definitions of Small, Intermediate and Large Banks. At an asset size of approximately $3 billion, we will continue to remain a Large Bank. However, the delineation between Large Banks with assets over $10 billion is very well received. Small community banks vary in complexity and the size categories are appropriate. Large community banks, such as STAR, also have different levels of reach and complexity. Tiering the more complex data requirements and burdens to institutions over $10 billion will allow us to modernize our efforts without crippling data burdens across all product lines.

Assessment Areas
The CRA Modernization proposal surrounding the updated metrics for large bank evaluations is extensive. We appreciate the thought that went into developing facility-based assessment areas and retail lending-based assessment areas. This acknowledges the reach of innovative technology when brick and mortar locations are not a part of that geography. However, as financial institutions expand their digital outreach, it is not feasible that a bank be evaluated on all product lines in a retail lending assessment area (RLAA) when that product line would not meet the established triggers for delineating a RLAA. This option could have the unintended impact of prohibiting growth if a financial institution approaches the trigger for one category but is unable to compete in another category. The resources needed to fully engage in CRA activities in a new RLAA, when only one product line has triggered the delineation, will be a significant impact to community banks. Optionality regarding which products to include in a RLAA assessment would be a helpful alternative for community banks. Clarification around the applicability of the non-MSA triggers would also be appreciated. The proposed rule is vague surrounding the trigger of taking all non-MSAs in the state or if the intent is at a county level based on the proposed lending triggers. There is a large difference in serving a small non-MSA county versus all Non MSA areas throughout a state. Clarity is needed to ensure that community banks are not harmed by a commitment to serve areas that do not meet the triggers.

Data Collection/Retail Lending Test
Under the current proposal, STAR would not fall under the mandatory deposit data collection, due to an asset size under $10 billion. However, dependent on the calculations utilized, we may need to collect the information because the FDIC's Summary of Deposits (SOD) does not identify the amount or percentage of the deposits sourced from outside our facility-based assessment areas. To be evaluated under the Retail Lending test, if we are based on SOD data, that may not be fully representative of our deposit sourcing for that market. If we do not collect the deposit data, an adverse impact could cause failure on the Retail Lending Test, and that impact could not actually exist if the deposits were sourced to the correct facility-based assessment area. Despite the exclusion of under $10 billion Large Banks data collection, we may need to collect it to correctly pass the Retail Lending Test. That data burden would be significant to the majority of community banks. The intention behind the data collection is to

accurately compare a financial institution's total dollar volume of retail lending relative to its deposit base. And then compare that data against peers in that market. We are supportive of the intent, but the metrics utilized allow a large margin of potential error, that can only be corrected by non-required burdensome data collection.

STAR would also support a continued focus on a reporting trigger based upon loan amount for the small business data collection. Gross Annual Revenue is not an easily reportable field in many loan origination or core systems. Loan amount is a static field at time of origination and has already proven to provide accurate and accessible data in the current regulation. Maintaining the focus on loan amount will simplify an already complex data collection process.

In addition, the weights provided in the proposal could make it incredibly hard to achieve an outstanding CRA rating. As a community bank, we are committed to underserved customers and promoting economic development to revitalize and stabilize our communities. Given the complexities stated above with the Retail Lending Test data, if it has the highest weight at 45% and the data is not accurate, it will be impossible to ascertain the true CRA commitment. In order to obtain correct data, community banks would have to collect deposit information to be treated fairly under the Retail Lending Test. Regardless of any exemption due to asset size, to be accurately assessed, the deposit data collection would be integral in obtaining a true CRA evaluation. We share an ultimate goal of commitment to providing financial services to all communities, but that can be accomplished in a variety of ways. The weighting of the performance evaluation tests should reflect a more equitable comparison.

We appreciate the joint agency effort to provide consistency in other data collection efforts, including HMDA and the potential Section 1071 data. However, a transition period of one year would be insufficient to implement, train, and assess the proposed changes. In order to understand our current performance under the new requirements, we would need to gather, analyze, and then strategically determine how best to continue to serve our communities. That does not include the time to upgrade our loan origination systems, document systems, data submission systems, and our training tools. CRA modernization will be complex and gathering the data will take significant time and effort. Community banks will need time to weigh the next steps to adequately manage and mitigate the risks presented with this implementation.

Thank you for the opportunity to comment on the modernization of the Community Reinvestment Act. We continue to support our communities, and we welcome the commitment of the joint agencies to help modernize current regulatory requirements.

Sincerely,

James C. Marcuccilli
Chairman & CEO
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