From: Elsa Monte <EMonte@SunwestBank.com>
Sent: Friday, May 17, 2013 1:32 AM
To: Comments
Cc: Elsa Monte
Subject: Community Reinvestment Act: Interagency Questions and Answers Regarding Community Reinvestment

May 17, 2013

VIA EMAIL: comments@fdic.gov <mailto:comments@fdic.gov>

Robert E. Feldman

Executive Secretary

Attention: Comments, Federal Deposit Insurance Corp

550 17th Street NW.,

Washington, DC 20429

RE: Community Reinvestment Act: Interagency Questions and Answers Regarding Community Reinvestment

This letter is submitted in response to requests for commentary regarding the proposed changes to the Community Reinvestment Act Interagency Questions and Answers. The proposed changes intend to clarify how financial institutions can earn credit under the Community Development categories. As a CRA professional, I appreciate the Agency's efforts to provide clarity and consistency in the examination process. I am concerned however, that the changes proposed may further confuse and could be misinterpreted by individual examiners. Further, some of the points suggested could discourage an institution from investing.

I offer the following comments:

Proposed Changes to Existing Q&A's

1) Broader Region and Statewide Community Development Activities: Revision to .12(h)-6 and .12(h)-7

The intent of this proposed change is to clarify that activities in the broader statewide or regional area which include an institution's assessment area will receive credit as community development. The first paragraph of the Q&A was revised to provide clarification by removing the phrase "adequately addressed". However, the second paragraph states that "certain other community development activities" outside the assessment area but within a broader region will be given consideration so long as they are performed in a safe and sound manner consistent with the institution's capacity to oversee those activities and may not be conducted in lieu of or to the detriment of activities in the institution's assessment area.

My concern here is that I am not sure what is meant by "certain other community development activities" that may be different than those activities addressed in paragraph one. Further, the phrase added to paragraph two may cause some confusion as it states that such activities may not be conducted in lieu of or to the detriment of activities in its own assessment area; which is another way of saying "adequately addressed". I believe further clarification is needed in paragraph two. Perhaps examples of the types of activities that may be considered under paragraph one and in paragraph two could provide clarity.

2) Nationwide Fund Investments: Revision to .23(a)-2

With capital and human resources usually stretched to capacity, institutions with branches in multiple states find that investments in nationwide funds are an efficient way to invest their community development dollars. While it is optional to include documentation identifying "earmarked" funds, this may be an important way to document the "intent" of an institution's investment if ultimately the fund was not able to allocate a majority of its funds to projects within an institution's assessment area (Q&A .12(h)-8). Without the ability to identify the geographical and quantitative intent of a commitment, at least the community development portion of a CRA evaluation would have to be assessed based on overall assessment.

Proposed New Q&A

The proposed new question .12(t)-9 provides guidance for investments made by an institution to a community organization whose mission is not primarily community development, and then the community organization decides to re-invest the funds into non-community development instruments or projects; for example, a treasury security. The new Q&A proposes that the agencies only consider any portion of an investment (or income earned from such investment) that is used by a community organization for community development purposes. If the intention of this new question is to clarify that full quantitative credit for investments will only be given to community organizations whose mission is primarily community development, then this Q&A should be clarified.

While the first paragraph in the answer indicates that full credit will be given to community organizations that have a primary purpose of community development, the second paragraph does not provide the same guidance. The second paragraph addresses investments in 'organizations' that in turn invest those funds in instruments that do not have as their primary purpose community development. This could be interpreted as a continuation of the first paragraph. Many community development organizations receive equity investments from institutions who then place those funds into treasury securities for purposes of leveraging reserves. I believe that this proposed new question could be misleading and could discourage investments in community development projects. The Q&A should be reworded. For example:

A9. Examiners will give quantitative consideration for the full dollar amount of funds that benefit an organization or activity that has a primary purpose of community development. If an institution invests in (or lends to) an organization

THAT DOES NOT HAVE COMMUNITY DEVELOPMENT AS ITS PRIMARY PURPOSE, and that in turn the organization invests those funds instruments that do not have as its primary purpose community development....

Conclusion

The clarifications addressed in the current proposal are very much appreciated. Any clarity or guidance on how to more effectively manage our institution's community reinvestment program is welcomed. I look forward to future guidance on how institutions can evaluate their assessment areas in this era of shrinking branch count nationwide and the growth of the internet and mobile banking. More and more, a bank's deposits are no longer tied to grids on a map. Until a bank's hands are untied to open up its assessment area beyond the brick and mortar buildings, community development investments (particularly at intermediate small institutions) will be primarily focused on the assessment area boundaries.

Sincerely,

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