



Bankers Trust®

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October 22, 2014

Robert E. Feldman
Executive Secretary
Attention: Comments, Federal Deposit Insurance Corporation
550 17th St. NW
Washington DC 20439

Dear Mr. Feldman

In response to the request for public comments to the proposed changes to the Community Reinvestment Act's Questions and Answers published in the Federal Register's Vol. 79, No. 175, Wednesday, September 30, 2014, we are pleased to issue the enclosed commentary for your review.

Bankers Trust is the largest privately-owned bank in Iowa. With almost 100 years of existence, we have consistently maintained an "outstanding" CRA rating since the year 2001.

Our history is marked by a tradition of community investment and leadership, and a culture of community engagement and participative inclusion of everyone in the communities we serve.

It is in this context that we provide the enclosed comments. We hope these can be useful in the regulatory guidance for CRA compliance, as well as fair and consistent procedures for CRA examinations.

Sincerely,

A handwritten signature in black ink, appearing to read 'Alejandro Orozco'.

Alejandro Orozco
VP Community Development Officer

Revisions to Existing Questions and Answers

24(d)-1 How do examiners evaluate the availability and effectiveness of an institution's systems for delivering retail banking services?

Full service branches and ATMs continue to be the primary system for our institution to deliver banking services. Physical branches and ATMs continue to be necessary for many consumers and businesses that are not apt, ready, or willing, to use more technologically advanced or convenient delivery systems. ATMs are one important system for making deposits and withdrawals after hours and weekends for many LMI consumers and businesses. This is especially important for ATMs located in LMI geographies.

We encourage examiners to evaluate delivery systems in accordance to the model and system established by each unique institution. While our institution has adopted mobile and phone banking, mobile branches to serve seniors, and other "alternative systems", we maintain a culture and edge on the personal service provided to each customer. We also provide personal multilingual and culturally-competent services which would not be possible to provide through other alternative channels. Alternative systems could compliment, but not substitute, or become more significant, to our business model, and as such, the scope of our examinations should first consider the investments in our branch and ATM networks as the primary delivery system of banking services.

Our ATMs are part of the "Privileged Status Network" which allows customers to make withdrawals through other participating institutions' ATMs without fees. This is an example of a significant investment with direct implications in the lives of LMI consumers that should receive greater consideration in CRA examinations than alternative banking services provided by us or other similarly-situated institutions.

24(d)(3)-1 How do examiners evaluate alternative systems for delivering retail banking services?

We currently have no system or process available to help us measure or identify the **usage rate** of alternative (or traditional) systems used by LMI consumers. We do not request or maintain income information from consumers or customers unless, a loan application is processed. Also, this is not a piece of information that we find of value in the normal course of business. Instead, a requirement to capture and record this information for every consumer using alternative systems will cause an unnecessary burden on the banking relationships as this is not relevant information in the assessment of a consumer's eligibility to access retail products or services. We also do not capture or record the banking situation (banked, unbanked, underbanked) of customers at the time of account opening or when the consumer purchases a service or product. At this point, there is no process that we can develop to capture information to assess the proposed revisions to this section, and therefore, it would be difficult to demonstrate during examinations.

In addition, it is unclear how or what type of information may be relevant to assess the "reliability of the system". Specific guidance and examples are needed to define this.

Other proposed factors related to the evaluation of the effectiveness of alternative systems that include: ease of access, range of services delivered, and the costs compared to other delivery systems are more readily available for us to provide at examinations. However, the proposed language raises more questions than clarifications on the weight and importance that each factor will have in the evaluation of an institution's effectiveness in providing alternative delivery systems. For instance, is

pricing more important or relevant than ease of access? And, for example, are bilingual alternative systems more significant than phone banking? How is this revision related to the institution's performance context and how will examiners weigh these different aspects?

22(b)(5)-1 What do examiners consider in evaluating the innovativeness or flexibility of an institution's lending under the lending test applicable to large institutions

This section states that *"In connection with a community development loan program, an institution may establish a technical assistance program under which the institution, directly or through third parties, provides affordable housing developers and other loan recipients with financial consulting services"*. Our institution is one of the largest community development lenders in our communities. We have financed a significant amount and size of affordable housing projects, some of which use subsidies that include state tax credits, low-income housing tax credits, community development block grants, FHLB funding, etc. Our lenders sit on the board of directors and loan committees of multiple non-profit affordable housing development organizations, which receive on-going guidance and technical assistance in the form of a lending partner but also from a governance perspective. However, we don't have a formal "community development loan program" or a formal "technical assistance program" in place to serve the needs of these entities. Our loan approvals are based on a project-to-project basis due to the complexity and structure of each financing request. The same is applicable to the technical assistance component of the relationship. It would be rather impossible to create a formal program that could meet the various needs of developers, or a formal technical assistance program as the existing language of this section implies. Therefore, we oppose to the idea that institutions be encouraged to implement such programs as basis for considering outstanding innovative or flexible lending practices.

Further clarification or explanation is needed to understand the expectations and extent in which community development lending assistance can receive consideration in both, the service test, and innovative and flexible lending practices of the lending test.

In addition, could institutions receive innovative and flexible lending practices credit for the provision of technical assistance to community development small business non-profit lending organizations in the development and establishment of new lending programs and products that meet unique needs of low-income business owners? Employees of our institution took a leading role in the establishment of the first microfinance program for low-income individuals in the area. We believe that such assistance provided should be noticed and credited for the innovation and flexibility of such microfinance program. An example of how microfinance programs are received and assessed by regulatory agencies would be useful and encouraged.

12(g)(3)-1 "Community development" includes activities that promote economic development by financing businesses or farms that meet certain size eligibility standards. Are all activities that finance businesses and farms that meet the size eligibility standards considered to be community development?

To receive consideration as an activity that promotes economic development, the section could include the example of "financial education" as one specific activity to help LMI individuals "improve access to financial services" as part of the "purpose test" for community development activities under this section.

Proposed New Questions and Answers

24(2)-1 How do examiners evaluate retail banking services and community development services under the large institution service test,

The proposed language does not sufficiently explain how examiners will evaluate retail services and community development services for effectiveness and availability. We are also uncertain of what information can demonstrate access and effectiveness by LMI geographies and individuals.

For instance, the offering of an Individual development account program available only to low-income individuals is a clear community development service, or retail service, of value in CRA examinations. However, other products and services with no income requirements or guidelines offered by our institution do not capture or document income information from the customer. How else could we demonstrate the effectiveness and availability of this information? We don't know.

B. Quantitative and Qualitative Measures of Community Development Services

24(e)-2: In evaluating community development services, what quantitative and qualitative factors do examiners review?

We agree with the need for consistency and guidance on the quantitative evaluation of community development services. The number of hours bank employees spend in community development activities, the number and percentage of employees involved, the number of community development organizations and programs served are all factors that could be evaluated for compliance. However, the proposed language in this section fails to establish the quantities of community development services that would be considered to be outstanding, satisfactory, needs to improve and substantial non-compliance, thus, defeating the purpose of this new Q&A.

In our experience during CRA examinations, both, the qualitative and quantitative aspects of community development services have always been considered by examiners, the problem that the examiner has sole discretion to determine a rating and the value of the information presented to support the quality and quantity of community development services. This is derived by the fact that there are no specific indicators in the Q&A or anywhere in the regulation that serves as a base for ratings assignments.

21(a)-3 "Responsiveness" to credit and community development needs is either a criterion or otherwise a consideration in all of the performance tests. How do examiners evaluate whether a financial institution has been "responsive" to credit and community development needs?

In addition to the new examples listed in this section, we have used studies and reports from academic institutions and other research bodies, non-profit development organizations, and governmental units. Some community development activities may be established, or started, based on the lack of, or low availability of, such services in a specific community. This need is sometimes identified not by studies, reports or data, but through community groups, conversations, and experience and common knowledge of community development entities.

In connection with .12(h)-6, the proposed new Q&A does not provide insight or anything new to help us make determinations on which community development activities to participate or support. We normally make decisions based on community needs, community partnerships, and business relationships in community development projects.