Re: FDIC-2014-0006-0001, OMB Number: 3064-0092

Attention Gary Kuiper,

The prudential regulators rightly emphasize complete and accurate data for CRA and HMDA reporting purposes. But the current reporting requirements actually require the inaccurate reporting of small business lending by reporters. CRA is supposed to be all about "meeting the need for credit services" but when it comes to reporting that activity millions of loans for small business purposes are not reported because of technicalities in the implementation of the Regulations. A good example is the reporting of "renewed" loans. Many banks renew small business lines of credit, but if they use demand notes for revolving lines of credit all this lending activity is forbidden to be reported. However, if a lender employs time notes, they do report the activity. The current enforcement thereby requires the understatement of significant volumes of small business lending activity and the distortion of the credit market data pertaining to small business loan markets. A good example can be found in two of our clients who compete in New London County, Connecticut. Both lenders are approximately the same size and extend similar volumes of small business loans. However, one lender extends lines of credit using demand notes while the other lender employs conventional time notes for advances under their lines of credit to small businesses. As a result, the lender that uses time notes recognizes and reports most of their lines of credit while their competitor in the same market reports all their small business lines of credit. The first lender can capture the data as loan type 3 but it is not reported for CRA reporting purposes and therefore is not included in the market data. We consider the market data to be an important indicator of the need for small business credit, but the disqualification of renewed lines of credit evidenced by demand notes seriously understates the need and size of the credit market for small business. We urge the regulatory agencies to reconsider the definition of a "renewal" under CRA because of this significant distortion of the market.

Another way in which the reporting of small business loans understates the real market activity is the disqualification of loans secured by residential real estate. A large volume of small business lending is based on personal guarantees that are secured by liens on residential real estate. The collateral indirectly secures the loan by securing the guarantee of the loan. This is a critical distinction addressed in the HMDA Q&A's which forbid the reporting under HMDA of mortgages that secure the guarantee of a loan. But CRA regulations and Q&A's are silent about this. The Agencies should issue a Q&A on this topic similar to the Q&A published for HMDA reporting purposes. But the Agencies should state that any such business loan indirectly secured by residential real estate should be reported under CRA. This means these loans will not be double counted (which we believe was a concern of the Agencies for loans secured by residential real estate) and will be recognized for CRA purposes. We strongly suggest this be addressed in the next Q&A's.

Community Development is another critical part of CRA performance for Intermediate-Small and Large Banks. The reporting of Community Development loans is done only on an aggregate basis with no geo-coding of the loans unlike small business and small farm loans. In fact, the current reporting content of Community Development lending does not allow for determination of even the state in which Community Development loans have been extended. Community Development lending data can be critical in understanding the needs of the Community. Regrettably there is no national database of Community Development lending except the aggregate data reported under CRA. We urge the Agencies to require the geo-coding of Community Development loans and part of the reported content of Community Development lending. Moreover, we would suggest that a CD loan type that correlates with the 4 different definitions of Community Development employed in the regulation.

Finally, we urge the Agencies to require reporting by all institutions with greater than $250 million in assets. It is important for smaller institutions to have peer data to which they can compare their performance. Any responsible bank that takes its CRA obligations seriously is already collecting and monitoring their CRA lending activity. Many use the free software available from the FFIEC. So the added cost to upload their small business, small farm and community development lending is minimal. But the inclusion of their activity would be a valuable help to these lenders helping them understand the need of the community for small business and small farm credit as well as community development lending. This data also is very valuable to these lenders because it would provide them with a reference point for peer lenders which is missing from the current reported data that is dominated by the lending activity of Large Banks. ISB's and small banks would greatly benefit from the insights provided by lending activity extended by institutions smaller than Large Banks.

Respectfully,

Len Suzio

Leonard F. Suzio Jr., President