From:	Jim M. Ford
To:	Regs.Comments
Cc:	Maurine Padden; Pat Carman; Dave A. Kinross
Subject:	HVADC: Agency: OCC – Docket ID OCC-2017-0018
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Central Valley Community Bank is a $1.7 Billion community bank in California. We are actively involved in construction lending with over $100 Million that come under the HVCRE part of the Capital Rules. Therefore, the Bank is very interested in the proposed "Simplifications to the Capital Rule" that was issued in September 2017.

We applaud the various regulatory agencies in their effort to bring more clarity to the current HVCRE via the new definition – HVADC. Furthermore, we appreciate the recommendation to reduce the Capital Requirement from 150% to 130% for those loans identified as HVADC.

Nonetheless we do have a concern for certain aspects of the new definition. Specifically:

1. **<u>Elimination of the exclusion for loans that had a minimum cash injection of 15%</u>. Under the current definition of HVCRE, projects in which the borrower has invested cash or "unencumbered readily marketable securities" into the project that is 15% or more of the "as-completed value" and meets the supervisory loan-to-value limits may be excluded. From a banker's standpoint the confusion comes in the details in identifying what "cash payments" qualify as part of the investment. The initial FAQs tried to clarify what costs/expenses/expenditures qualify and which do not. Furthermore, there is confusion as to whether or not a project continues to be exempt when as portions of the project are sold off and some capital is returned to the borrower so that the remaining cash left in the project may be lower than 15% of the original full "as-is completed value" but is still greater than 15% of the "as-is completed value" of the remaining portion of the project. The "Simplification", instead of trying to clarify this exemption, just eliminated the exemption. In our opinion this is penalizing banks that have a conservative approach to this type of lending by requiring the borrower to have adequate cash into the project.**

   We currently have about $10 million in loans identified as HVCRE that increases Risk Weighted Assets by $5 million. The majority of the approximately $90 million exempted loans are due to either (a) single family residential loans, or (b) the 15% rule. With the elimination of the 15% rule we would have another $20 million that would change the increase to the Bank's Risk Weighted Assets from $5 million to $9 million, or an 80% increase.

   Our recommendation is not to delete this current exemption but to simplify the exemption by addressing the individual parts that are creating the confusion. This way banks that are conservatively underwriting these types of loans are not penalized.

2. **<u>Definition of single-family for exclusion purposes</u>: Under the definition of the single-family residential exemption to HVADC, condominiums and cooperatives are ineligible for the exemption. We do not understand the reasoning for this ineligibility since townhouses and other PUDs are eligible. We believe both condominium and cooperatives should be included as single-family when the units are to be sold to individual families.**

Thank you for providing us the opportunity to comment on this proposal. If you desire to have more information regarding our comments please contact us.

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