First State Bank

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Division of Glacier Bank

March 25, 2020

Mr. Robert E. Feldman, Executive Secretary
Attention: Comments, Federal Deposit Insurance Corporation
550 17th Street NW
Washington DC 20429

Re: FDIC RIN 3064-AF22 Proposed Changes to Community Reinvestment Act

Dear Mr. Feldman;

I am submitting comments regarding the Notice of Proposed Rulemaking regarding the Community Reinvestment Act. While our bank is in support of some of the changes in the proposed regulation, we are opposed to several others because there are many flaws and the proposal has several parts that are not clearly defined. Where there is a lack of clarity, there is disparity. Comments have been made that if anyone is opposed to these proposed changes, it is because they are not economically disadvantaged or they do not understand the proposed changes. Not understanding the proposed changes would indicate they are not clearly enough defined.

We agree that the current CRA regulation is seriously outdated and indeed needs reform; however, it is also disconcerting that the agencies are not in agreement with each other regarding these changes. All three agencies must be unified in their rulemaking and standards or the potential for chaos and inconsistency increases. Any changes in CRA must be made with all agencies in full agreement and consensus before they are ever implemented or enforced.

We agree that the thresholds for Small Businesses should be increased to $2 million to keep up with the economic environment we have. Too many businesses were being excluded because they continued to thrive, and yet, they are small businesses in terms of number of employees and service areas.

The advance of technology has changed the banking environment considerably and would necessitate the update to the regulation to include those technological advances. While most banks, if not all, have some form of using technology to serve and help their customers, not all banks are the same in either the technical products or services they offer, or in the reach of the banks in offering those products or services. Treating all banks over $500 million the same is not a fair application because we are not all the same. Those who choose to engage primarily in technology as a delivery system are not the same as those who are predominantly a traditional brick-and-mortar bank with branches in their community.

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The current proposal would actually penalize banks in some respects for branch banking. For example, we have several assessment areas in our bank that have no low or moderate income census tracts, and no designated distressed or underserved middle income census tracts. We have no control over that factor, but yet it appears we would be penalized under the proposed measurements for not having a branch in a census tract that is designated as low, moderate or distressed/underserved. If we are serving the individuals in our communities that are low and moderate income, or are in rural underserved areas, or in distressed areas, and we are providing convenient banking services and products that benefit them, isn't that the intent of the regulation? Why should a bank be penalized by not receiving as much credit for doing that just because they don't have a branch in a low or moderate income, distressed or underserved area?

The competitive edge small and mid-sized organizations have can erode if investments in technology are not made. Workforce development programs that are geared toward providing technology training can only be counted for CRA if it targets low and moderate income individuals. The investment in new technology is often challenging for smaller and mid-sized businesses, yet if they do not "keep up" they will ultimately fail because larger organizations will monopolize opportunities.

Expanding broadband into rural areas that have low and moderate populations or who are underserved is included in CRA consideration, but technological efforts that are used to help stabilize communities and their workforce should also be considered. In one of our more rural areas, a major employer shut down, leaving most of the residents out of a job. While there were some low and moderate income individuals impacted by the closure of this employer, the majority of the employees who lost their jobs were middle income individuals. It was difficult for the area to attract new businesses because there was a lack of technological education among this population. An organization sought funding to provide new training to all of the individuals who lost their jobs so they could find work in another field, and thus stabilize the community. However, we were not allowed to count our funding for this program in our CRA exam because it did not target low and moderate income individuals. It had a huge impact on the community however. Sometimes it seems like "community" impact is left out of the "Community" Reinvestment Act. Technology is the future, so helping to fund incubators that foster technology training should be considered for CRA credit because it builds the employability of individuals within the community, which helps to stabilize the economic base of the community and provide jobs. It attracts new businesses, new residents, and helps to promote entrepreneurial activities. All of these things strengthens communities and makes them healthier and more stable.

High poverty rates should also be considered, not just what the designation of a tract is when considering the activities a bank performs. If we have middle or even upper income census tracts that have poverty rates above the State or national rates, that should be a considered standard as well. Currently, the regulation only addresses low, moderate and distressed/underserved middle non-metropolitan census tracts. Poverty rates above the State or national level should also be included in the definitions.

We are also having difficulties with Opportunity Zones. The intent of this designation is for low or moderate income census tracts that have been specially designated as Opportunity Zones to encourage investment and revitalization/stabilization. However, we find many census tracts that are not low or moderate income tracts have been designated as Opportunity Zones. We have seen middle income tracts that are not designated as distressed or underserved as well as upper income census tracts that have been designated as Opportunity Zones – even though they are shown as "low income" on the

Opportunity Zone lists. Just because an activity takes place in an Opportunity Zone does not necessarily mean it benefits low and moderate income individuals.

The proposed changes include activities that partially benefit low or moderate income areas or individuals. In the past, the only pro-rata opportunities for CRA consideration were affordable housing. The proposed changes now make pro-rating activities across the board. It would seem that this would dilute the true intent of CRA. Part of the proposal indicates that banks would count rental housing as affordable housing if lower income people could afford to pay the rent without verifying that the lower income people would be tenants. If there is no verification of income or specific restriction on income for the affordable housing, individuals of greater means could reside there, which would create additional strain on the available housing units for truly low and moderate income individuals and their families. This would not meet the purposes of CRA. Income of residents has to be measured to make rental housing fit the definition of affordable housing and to target low and moderate income individuals and families as intended by the regulation!

We would also appreciate greater insight from the agencies on assisted living facilities and whether those would be included as affordable housing or not – we have had mixed opinions. It would seem if they are not temporary care facilities, they should be considered affordable housing for those on Medicaid because it is considered a permanent address.

Additional activities that should be included in consideration for CRA include housing that is specifically designated as "student housing". Although there are clearly some students attending institutions of higher learning that are not low and moderate income, there are many studies that show the majority of students do fit that category. Many of our assessment areas have universities or colleges and our bank makes a considerable amount of loans to developers who strictly develop student housing for the universities or colleges. These apartment complexes are specifically designated as student housing and approved by the universities and colleges as such. As a general rule, we cannot count these units unless they are construction loans or specifically part of a city's plans to revitalize or stabilize a low or moderate income area that is in close proximity to the campus. Most of these students work low wage jobs, but they play a vital role in the economy of the community. The apartment complexes and housing usually do not track income; only whether the students are registered at the university or college. The intent is that this housing is offered primarily to students, although to prevent discrimination, they are open to others as well. However, in most instances, it is college students living there.

Please consider our comments in your proposal for changing CRA. Any changes to CRA should maintain the focus of targeting low and moderate income individuals, small businesses and small farms, and strengthening our communities.