



ESSEX SAVINGS BANK
Service & Trust Since 1851

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April 6, 2020

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

Attention: Comments, RIN 3064–AF22

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E–218
Washington, DC 20219

Re: Community Reinvestment Act Regulations
Docket ID OCC-2018-0008
OCC-2019-0029

Dear Mr. Feldman,

Essex Savings Bank is a mutual savings bank founded 169 years ago. We serve the Connecticut shoreline with six branches in an Assessment Area of eleven towns located in three state counties. The towns are:

Clinton	Deep River	Essex	Killingworth	Old Saybrook	
Westbrook	Lyme	Old Lyme	Guilford	Madison	Chester

The Bank has total assets of \$421 million as of December 31, 2019, is an Intermediate Small Bank and is federally regulated by the Federal Deposit Insurance Corporation.

The Proposed Rules are of great concern to the Bank, because their adoption will place a substantive and untenable burden to effectively deliver services to our community and marketplace. We have highlighted some of our major concerns but in no way is this an exhaustive list. I urge the Modernization timeline be extended by one year or more to allow for a comprehensive review of all comments submitted for the April 8, 2020 deadline.

Thresholds for Bank Performance Standards and Cost of Compliance

The Proposed Rules exempt banks with assets of \$500 million or less in each of the prior four quarters (small banks) from the general performance standards. The FDIC estimates that complying with the CRA would pose \$93,000 in annual costs for small, FDIC-supervised entities subject to the small bank performance standards, and \$665,802.45 in annual costs for small, FDIC supervised entities subject to the new general performance standards.

While Essex Savings Bank is under the \$500 million level, we anticipate that with asset growth, we will soon become subject to the new general performance standards. The \$665 thousand cost will have a material adverse impact on Bank earnings and our ability to grow capital. To get a sense of the large and adverse impact of the cost to comply, the \$665 thousand cost is 24% of the Bank's net income of \$2,795 thousand for the year ended December 31, 2019.

We recommend a threshold level well in excess of \$1 billion. Current thresholds for large banks are approximately \$1.2 billion. A threshold at or well above \$2 billion will better align the cost of compliance with bank size and ability to pay.

Assessment Area Delineation

The Proposed Rules regarding delineation of the Assessment Area will greatly increase the geographic size and introduce markets with which the bank is unfamiliar.

The Proposed Rules eliminate the flexibility for a bank to adjust its Assessment Area to the area it "reasonably be expected to serve". The changes mandate that an Assessment Area be, (1) an MSA; (2) the whole nonmetropolitan area of a state; (3) one or more whole, contiguous MDs in a single MSA; or (4) one or more whole contiguous counties or county equivalents in a single MSA or non-MSA area.

This will place an undue burden to serve an area that is a great distance away and contains markets with which the bank has no familiarity. An example of the burden is (please reference Exhibit A):

Essex Savings Bank has one branch located in Madison, CT in New Haven County. The Town of Madison along with the Town of Guilford are located in the southeast corner of the county and

are currently in the Bank's Assessment Area. Under the new mapping requirements, a significantly larger geographic area and population will be mandated as an Assessment Area. The new area will not be able to be served by the Bank. The Towns of Madison and Guilford comprise 83 square miles vs. the entire county at 605 square miles. This is a six-fold increase. The new mapping requirement will require the Bank serve a much greater population. The population of Guilford and Madison is 40 thousand vs. the entire county at nearly 900 thousand. This increase is 21 times. The new mapping requirement would mandate the City of Waterbury be included in the Bank's Assessment Area. The City of Waterbury is in the far northwest of New Haven County, is 39 miles from the branch and is in an entirely different and unfamiliar market .

The other two counties in which the bank has towns in its current Assessment Area are New London County and Middlesex County. As with New Haven County, the Bank's current Assessment Area includes towns on the county border with the remainder of the county distant, containing markets with which we are unfamiliar and a huge increase in population.

To give a sense of the burden of serving these far away markets, the distance between the Bank's Madison and Old Lyme branches is 14.7 miles. This east-west distance encompasses all of our six branches. Traveling and understanding the markets to the far east or north of New London County and far west or north of New Haven County is a burden, given the densely developed geography of the Connecticut shoreline and beyond. Adoption of entire counties will increase the size of the Bank's overall Assessment Area by a factor of 5 – from 264 square miles to 1,639 square miles – increase the population served by a factor of 13 – from 99 thousand to 1.3 million – and increase the number of households served by a factor of 11 – from 40 thousand to 500 thousand.

Adoption of an Assessment Area driven by entire counties, MSAs or MDs is an increase of significant magnitude. As a small bank we simply will not be able to serve the new and larger mandated Assessment Areas.

Other notable factors are:

Connecticut Counties: Connecticut is divided geographically into eight counties, but these counties do not have any associated government structure and therefore are not political subdivisions as described in the CRA. As such the use of counties, in Connecticut, is arbitrary. The Proposed Rules allow the use of the other Assessment Area definitions such as MSAs and MDs. These present the same challenges and burdens as the use of counties.

Very large bank resources: The Proposed Rules set new Performance Standard Benchmarks with peer-driven data components which favor very large banks with extensive branch networks and, relative to small banks, extensive resources to serve very large geographies. We

anticipate that when these Benchmarks are calculated with data that is not yet available, the Bank will face adverse outcomes and possible “fail” results. The Benchmarks proposed by CRA Modernization will continue to drive the alarming trend of closing or consolidating small community-based banks. The continued degradation of choice and access to credit and other financial services is counter to the spirit of what the CRA seeks to preserve and promote.

In conclusion, the Bank requests that flexibility for a bank to adjust its Assessment Area to the area it “reasonably be expected to serve”, be preserved.

Confirmation Process

The Proposed Rules would establish a process under which a bank could ask its regulator to confirm that an activity qualifies for CRA credit. Within 6 months, the agency will notify the requestor whether the activity qualifies (incorporating any conditions, if applicable). If the agency does not object within this timeframe, the activity would be confirmed as a qualifying activity.

The Bank requests that the period of time be much shorter to meet the time pressure of deal identification, credit underwriting and commitment. Oftentimes, this is one month. A period of one week vs six months is requested.

In conclusion, I want to reiterate that this letter is brief and certainly not an exhaustive account of all pertinent comments because the scope and complexity of the proposed changes cannot be fully digested and effectively addressed in the timeframe given. We, Essex Savings Bank, have read peer, industry and association correspondence and comments on this matter and conclude that the changes proposed are too great in magnitude and will result in material and adverse consequences for small community banks already facing Herculean challenges.

The effort and energy of all involved in drafting the proposed changes is significant and appreciated. The CRA needs updating, and we trust that the process going forward will be considerate and take into account the valuable services that small community banks deliver to low-and-moderate income people and families.

Very truly yours,



Gregory R. Shook
President and Chief Executive Officer

Exhibit A

	New Haven County	Delta	% increase	Total AA	Gulford	Madison					
Land	605	522	629%	83	47	36					
Population (2020)	898,514	858,869	2166%	39,645	22,244	17,401					
Households (2013-2017)	327,402	312,071	2036%	15,331	8,582	6,749					
Business Units (2018)				1,558	856	702					
Employment (2018)				13,189	7,903	5,286					

	Middlesex County	Delta	% increase	Total AA	Clinton	Westbrook	Killingworth	Essex	Old Saybrook	Deep River	Chester
Land	369	247	202%	122	16	16	35	10	15	14	16
Population (2020)	170,518	121,304	246%	49,214	12,256	7,079	6,282	6,260	9,212	4,249	3,876
Households (2013-2017)	66,599	44,999	208%	21,600	5,334	2,873	2,411	3,028	4,255	1,922	1,777
Business Units (2018)				2,216	472	290	145	382	618	160	149
Employment (2018)				22,400	4,244	3,788	721	3,710	6,519	1,353	2,065

	New London County	Delta	% increase	Total AA	Old Lyme	Lyme
Land	665	610	1109%	55	23	32
Population (2020)	283,665	273,936	2816%	9,729	7,162	2,567
Households (2013-2017)	107,193	102,885	2388%	4,308	3,215	1,093
Business Units (2018)				363	310	53
Employment (2018)				2,802	2,625	177

	Three Counties	Delta	% increase	All AA towns
Land	1,639	1,379	530%	260
Population (2020)	1,352,697	1,254,109	1272%	98,588
Households (2013-2017)	501,194	459,955	1115%	41,239
Business Units (2018)				4,137
Employment (2018)				38,391