



BancorpSouth

April 8, 2020

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation (FDIC)
550 17th Street, NW
Washington, DC 20429
Attention: Comments, RIN 3064-AF22

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency (OCC)
400 7th Street SW, Suite 3E-218
Washington, DC 20219
Docket ID OCC-2018-0008

Re: Community Reinvestment Act Regulations (CRA)

To whom it may concern:

BancorpSouth Bank (BXS) is a financial services company with approximately \$20 billion in assets. Headquartered in Tupelo, Mississippi, BXS and its subsidiaries provide a range of financial services to individuals and businesses, including banking, mortgage products and services, insurance, equipment finance, as well as trust and wealth management services. With locations in ten states, the Company has more than 300 full-service branches, 90 mortgage locations, 30 insurance locations, and 30 trust and wealth management locations.

First, we would like to thank you for your leadership and hard work in preparing the draft proposal on the Community Reinvestment Act (CRA) to which stakeholders can provide feedback. We are committed to the goals of the CRA and to meeting the credit and financial services needs of our customers and communities.

While we take pride in our BXS locations, people and services being engines of economic growth, we also believe that CRA regulation and supervision have become overly complex, unpredictable, and have not kept up with the way consumers expect to use technology to access financial products and services. The need to update the CRA has existed for years and will grow more pressing as technology and the financial services industry continue to evolve. We urge all three banking agencies – the OCC, FDIC, and Federal Reserve – to develop a final CRA rule that is issued on an interagency basis and which acknowledges the actual state of the financial services industry.

I. QUALIFYING ACTIVITIES

A. Expanded Criteria for Qualified Activities.

The proposed qualifying activities criteria generally would include activities that qualify for CRA credit today as well as other activities that are consistent with the purpose of the CRA, but may not qualify under the current regulatory framework. Examples of qualifying activities would include: activities supporting community support services (such as child care, education, and health services), essential community facilities, essential infrastructure that serves low- and moderate-income (LMI) individuals, naturally occurring affordable housing, and rental housing for LMI individuals residing in high-cost areas.

Expanding the criteria for qualifying activities under the CRA will provide banks like BXS more flexibility to meet the financial needs of the communities we serve. In addition to activities that currently qualify under the CRA, banks would benefit from receiving pro rata credit for activities that partially serve LMI individuals, such as infrastructure improvements for large areas, including but not limited to LMI neighborhoods.

From a service perspective, there are times when some organizations need physical labor. Under the current regulation, financial institutions do not receive CRA credit for activities that do not utilize the employee's financial expertise. This has discouraged certain activities that may be of greatest need such as helping to build a home for LMI individuals or families. We welcome the proposed change that includes activities that do not always utilize only banking expertise.

B. Some Activities No Longer Qualify or Would Receive Only Partial Credit.

The proposal would include a provision whereby mortgage loans to high-income individuals living in low-income census tracts would no longer qualify for CRA credit. In addition, CRA qualifying loans and community development investments would be valued based on their average month-end-on balance sheet dollar value; qualifying retail loans originated and sold within 90 days of their origination date would be valued at 25% of their origination value. This means that loans sold to the Government Sponsored Entities (GSEs) or to a correspondent would only be valued at 25% and would only be counted if made to LMI individuals or to LMI individuals in LMI tracts.

We oppose the idea that lenders such as BXS would only receive partial credit for loans sold in the secondary market. Many of these loans are sold within 45 to 60 days to the GSEs. This proposal seems to defeat the intent of the CRA and would cause disruption to a long established process. The CRA regulations should not discourage lending that would actually advance the CRA's goals and that has been at the forefront of the CRA activities for years.

C. Confirmation Process.

The proposal would establish a process under which a bank could ask its regulator to confirm that an activity qualifies for CRA credit. Within six (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 deemed to be a qualifying activity.

A confirmation process would give lenders such as BXS incentives to engage in new and innovative CRA activities, however, the six (6) month time period is not timely. Requiring banks to possibly wait for six (6) months before learning whether an activity qualifies for the CRA could result in banks missing out on opportunities that may not be available or possible after the six (6) month time period. We have a responsibility to our customers to act timely. A six month time period could discourage banks from engaging in new and innovative activities. It is our recommendation, therefore, that the confirmation process be no more than three (3) months.

D. Illustrative List of Qualifying Activities.

The agencies would maintain on their website a non-exhaustive list of examples of qualifying activities and non-qualifying activities. In addition to updating the list in response to requests submitted pursuant to the confirmation process described above, the agencies will publish the qualifying activities list at least every three years for public notice and comment.

A list of qualifying and non-qualifying activities would be helpful for banks and community partners. It would also be helpful if the regulators would host regular webinars to provide a more in-depth review of certain qualifying and non-qualifying activities. This would ensure financial institutions are more efficient when considering CRA opportunities and would enable community partners to create projects that would qualify for optimum credit.

Publishing the list with a request for comment will provide an opportunity for valuable feedback, but in order to be relevant and responsive to community needs, this should be an annual process.

II. ASSESSMENT AREAS

To address concerns that the existing CRA regulations place too much emphasis on physical bank locations, the proposal would establish two types of assessment areas: facility-based assessment areas and deposit-based assessment areas. A bank would be required to delineate a facility-based assessment area encompassing each location where the bank maintains a main office, a branch, or a non-branch deposit-taking facility as well as the surrounding locations in which the bank has originated or purchased a substantial portion of its qualifying retail loans.

In addition, a bank that obtains 50% or more of its retail domestic deposits from outside its facility-based assessment area(s) would be required to designate deposit-based assessment areas

that include the non-overlapping geographies in which the bank sources five percent (5%) or more of its retail domestic deposits. Retail domestic deposits would include deposits provided by an individual, partnership, or corporations; they would not include deposits obtained via deposit brokers.

Under this proposal, BXS would have to identify the location of depositors by zip code and determine the percentage of deposits held within the facility-based assessment areas versus outside of this area. If BXS determines that 50 percent or more of its deposits originate in a geography outside of its facility-based assessment areas, further analysis will be required in order to consider additional deposit-based assessment areas.

While most facility-based financial institutions, including BXS, will not reach the required threshold for deposit-based assessment areas, these institutions will still be forced to evaluate the location of deposits on an ongoing basis. This will require infrastructure changes to accurately capture this information as well as resources set aside to analyze this information. In addition, deposits fluctuate. With this fluid movement of funds, assessment areas would continuously change. That does not create much stability for banks or the communities they serve.

Brick and mortar financial institutions should not be required to have their assessment areas tied to deposits. This creates extra analysis and reporting in having to track deposit accounts and ignores changes that have taken place in the financial services arena. Online banks should have to define their assessment areas based on deposit location, but regional and community banks should not.

III. CRA PERFORMANCE MEASUREMENT

In lieu of the current CRA regulation's lending, investment, service, and community development tests, the proposal's new framework would evaluate a bank's CRA performance within each assessment area and at the bank level using three measures. Together, these three measures would generate an annual presumptive rating, which the agencies could adjust based on performance context factors or evidence of discriminatory or other illegal credit practices.

We are not opposed to the three tests as they currently exist and would support a more middle of the road approach to determining ratings. In particular, we support the inclusion of financial literacy for all constituents, as well as counting all loans in LMI tracts.

We support the state ratings and the full and limited scope areas that are currently utilized. Ratings based on each assessment area will be unbearably expensive and time intensive. According to FDIC estimates, the implementation of the Joint Notice of Proposed Rulemaking changes would add 7,361 hours at a cost of \$665,802.45 annually. In addition, there would be considerable costs associated with enhancing software to capture all required data. It is unclear what this impact will be and whether banks will be able to pass these intensive tests for each assessment area.

With the pending implementation of additional regulatory requirements for Section 1071 of Dodd Frank, it would be advisable to coordinate data collection provisions to coincide with CRA modernization to lessen the burden for financial institutions that must implement these costly revisions. Therefore, we recommend that this consideration be placed on hold until an agreement can be reached between the regulatory agencies and future Dodd Frank rulings.

IV. DATA COLLECTION, RECORDKEEPING & REPORTING

The proposal would focus on a bank's balance sheet in lieu of the CRA data reporting that exists today. It imposes significant recordkeeping requirements regarding the collection of increased volumes of data based on loan size and maintenance of new data supporting the bank's performance. Each year, a bank would need to report the following information for all qualifying retail loans (including consumer loans), including:

- A unique number or alpha-numeric symbol to identify the relevant loan file;
- Loan type;
- Date of (as applicable) origination, purchase, or sale if the loan is a retail loan and sold by the bank within 90 days of origination;
- An indicator of whether the loan was originated or purchased;
- Loan amount at origination or purchase;
- Outstanding dollar amount of the loan, as of the close of business on the last day of the month, for each month that the loan is on balance sheet;
- Loan location and associated FIPS code for the MSA, state, county or county equivalent, and census tract;
- Income or revenue of the borrower; and
- The qualifying activities criteria in the regulation that the loan satisfies or that it is on the illustrative list and whether it serves a particular assessment area, if applicable.

In addition, banks would be required to collect and maintain the following information on non-qualifying mortgage and consumer loan originations: a unique identification number of symbol, the loan type, the origination date, the loan amount at origination, the loan location and the income of the borrower.

BXS does not currently collect and maintain information on consumer loans for the purposes of reporting as such a process has been optional under the current CRA regulation. BXS would have to deploy significant resources to update infrastructure and incur additional expense to collect this information in the proper format in a standardized central location in order to verify data integrity of this information, as well as analyze the results. This would significantly increase staffing and programming costs for BXS and it is unclear why it is necessary (or beneficial) to collect and maintain information on non-qualifying loans.

Additionally, banks would be required to collect and maintain results for the borrower distribution and geographic distribution tests for major retail lending product lines and would be required to collect the value of each retail domestic deposit account and the physical address of each depositor as of the close of business on the last day of each quarter which is a substantial increase in data points and volume.

For each community development investment, a bank would be required to collect and maintain:

- A unique identification number or similar mechanism;
- Investment type;
- Date of investment;
- Outstanding dollar value of the investment as of the close of business on the last day of each month that the investment is on-balance sheet;
- The value of the monetary or in-kind donation;
- The investment location, and
- The qualifying criteria that the investment satisfies or that it is on the illustrative lists and whether it serves a particular assessment area, if applicable.

For each qualifying community development service activity, among other things, a bank would collect and maintain records of the dollar value of the activity, the activity location, how the activity satisfies the qualifying activities criteria, and whether it serves a particular assessment area. Requiring banks to quantify the dollar value of the activity will be burdensome for all financial institutions. If this is implemented, hopefully, third party vendors could automate this process so it will not be as burdensome. Otherwise, this would require additional time and documentation on the part of the CRA personnel.

V. CONCLUSION

Overall, we support the purpose of the CRA to encourage financial institutions to help meet the credit needs of the communities in which they operate, including LMI communities, consistent with safe and sound operations. We also support your efforts to enhance transparency, objectivity, and consistency in the measurement of CRA performance and award ratings. However, we have had difficulty assessing the overall impact the proposed regulations would have on financial institutions. Due to the complexity of these changes, we would support rolling out any new requirements in stages to allow banks time to absorb initial programming costs and training needs in a more manageable manner.

Further, in light of the current financial uncertainty for the banking industry due to the Covid-19 pandemic, it would seem that this type of major revision should be reconsidered. Consideration for banks efforts with the SBA should be a focus as are other activities that benefit the total community to help preserve financial stability. The current focus on LMI may have unintended consequences that may not provide the needed stability.

April 8, 2020
Page 7

Very truly yours,



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Executive Vice President &
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