1ST FAB&T
Member FDIC

Larry T. Wilson
Chairman,
President and
Chief Executive Officer

August 3, 2022

Via Electronic Submission

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

James P. Sheesley
Assistant Executive Secretary
Attention: Comments RIN 3064- AF81
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re:
Community Reinvestment Act Regulations
Comments in response to Notice of Proposed Rulemaking
OCC Docket ID OCC-2022-0002
FRB Docket No. R-1769; RIN 7100-AG29
FDIC RIN 3064-AF81

Ladies and Gentlemen:

I serve as Chairman and CEO of First Arkansas Bank & Trust, a $950 million dollar family-owned and managed community bank in Jacksonville, Arkansas. Our primary regulator is the FDIC. I have been in this bank for over 51 years. At over 680 pages, I don't recall a more onerous and complicated proposal for "improvements" to any law or regulation than this CRA NPR during my tenure at the bank.

While we applaud the change in asset thresholds, the burden placed on smaller banks is unwieldy at best. We are a community bank, not a national or regional bank. We do not have the expansive footprint or the resources that these larger banks have. Our success is built by serving our community. If we do not serve our communities, we do not survive. The intent of CRA was to ensure that all banks serve all the areas of their communities, especially the low- and moderate-income areas. Most banks have been satisfactory in their CRA efforts. I haven't heard of anything but very isolated incidents of banks not helping their communities grow. Those banks should be dealt with separately. However, now **all banks** are tasked to expend millions of dollars (collectively) to create new metrics upon which regulators will opine on each bank's efforts to serve their communities.

My cursory review of the 680-page explanation indicates that there will be at least two obviously negative results of putting this proposal into effect:

1. The complexity of the new ratings systems and the higher benchmark standards will confuse the public and generate efforts of the individual banks beyond what is generally understood to be 'reasonable' efforts in order to avoid a lower rating by the examiners. There are simply too many "gotchas" and highly subjective ratings that will hold the banks hostage to the whims of their examiners. The result will be that far too many bank ratings will be contested and valuable bank and regulator resources will be absolutely wasted arguing over the 'intent' of the regulation and the subjective opinions of the examiners. CRA and Fair Lending regulations are simply too subjective and actually invite the examiners to 'dig deep' to find something wrong with any bank's CRA efforts, no matter how hard the bank has worked to satisfy the intent of the regulation.

2. Compliance program expenses will skyrocket. The increased costs of additional staff, training, software systems, and data integrity reviews needed to comply with the proposed CRA will negatively impact bank earnings. The regulators will also have to employ significant additional staff members to enforce this proposed regulation. Regulatory assessments will surely be increased to cover the additional costs. The result will be that small banks like ours will have to live with lower earnings and, lower CAMELS ratings because of that fact. What would happen if those banks were able to put those same monies into loans and investments in their respective communities...wouldn't that be more productive than hiring additional staff to create reports which indicate that the individual banks (probably 99% of them) are all serving their markets well? A cost/benefit study should be completed on this regulation. The monies spent on person-hours expended by banks and regulators, and the costs involved in completing and reviewing LARs created by this new, expanded CRA regulation could be much better spent on programs and services that would benefit the very people that the CRA was designed to help.

While the CRA may be due some revisions, this NPR appears rushed, unwieldy, and cost prohibitive for community banks. It basically assumes that all banks are guilty of CRA violations until proven innocent. Further, the overall industry decline in ratings will discourage bankers who are trying to comply with the intent of the regulations. The bottom line is that this proposal has been cooked up in a vacuum without meaningful input from bankers on the 'front line'. I have no doubt that the persons who developed this proposal had good intentions, but they've never run a bank and faced the challenges that 'front line' bankers face every day.

I am confident of three things in connection with this proposal: 1.) that very little of the proposal will see any change at all (it's already a 'done deal') even though there will be numerous comments that will suggest several 'common sense' improvements that should be made; 2.) that the unintended consequences generated by enacting this proposed regulation will far exceed any benefit to the low to moderate income people who need help the most; and 3.) the community banks will bear the majority of the burden in complying with this proposal because the large banks will simply throw some money at a program that somehow 'fits' the 'letter of the law' of the CRA and the regulators will never dig into their lending practices in communities where the local banks will be examined in minute detail!

It's time to get a new task force together…one that includes bankers and regulators to develop some simple, easily understandable regulations by which banks may be objectively judged. Is that too much to ask? What's the hurry on this…a CRA update has been needed for years?

Sincerely,

[redacted]

Larry T. Wilson
Chairman, and CEO

Cc: Senator John Boozman
Senator Tom Cotton
Representative French Hill
Representative Rick Crawford
Representative Steve Womack
Representative Bruce Westerman
Rob Nichols, American Bankers Association
Lorrie Trogden, Arkansas Bankers Association
Steven Lepper, Association of Military Banks of America