August 4, 2022

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

Chief Counsel's Office
Office of the Comptroller of the Currency
400 7th Street SW
Suite 3E–218
Washington, DC 20219
Attention: Comment Processing, Docket ID OCC—2022-0002

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551
Attention: Comments Docket R-1769; RIN 7100-AG29

Re: Community Reinvestment Act Regulations

Dear Madam or Sir:

Celtic Bank is pleased to comment on the Joint Notice of Proposed Rulemaking that would modernize regulations that implement the Community Reinvestment Act. We are grateful for interagency efforts to create a unified and updated framework, and we appreciate proposals that give banks CRA credit for the important work they do in meeting credit needs nationwide.

Celtic Bank is a privately-owned industrial bank chartered by the State of Utah. The Bank specializes in small business finance, helping business owners with working capital, expansion, acquisition, construction, equipment financing, renewable energy finance, and real estate purchase/refinance. Celtic is one of the largest SBA lenders nationally. We maintain one main office in Salt Lake City, with no branches or ATMs.

Celtic Bank generally agrees with the comments contained in the National Association of Industrial Bankers (NAIB) and Utah Bankers Association (UBA) response letters. In addition, we want to comment on the following items:

Deposits as the Denominator of the Retail Lending and CD Financing Tests:
For banks with assets of $10 billion or less who do not collect and maintain deposit data, the denominators of the bank volume metric and bank community development financing metrics will be based on the FDIC's Summary of Deposits data. As we only have one office, all our bank wide deposits will be tied to our one Facility Based Assessment Area. We do most of our lending outside of our Facility Based Assessment Area, but we do not have sufficient loans in any MSA to trigger Retail Lending Assessment Areas. While there is insufficient data to determine benchmarks for comparison, it is unlikely that we would meet the retail lending volume threshold or compare well against community development financing benchmarks in our Facility Based Assessment Area due to the disproportionately large size of our denominators.

However, if we were to be evaluated under the Retail Lending Test, we would be rated outstanding in both our Facility Based Assessment Area and Outside Retail Lending Area (according to the Federal Reserve's Proposed Retail Lending Test Thresholds Search Tool). This is not surprising, as we perform well by current retail lending and community development financing measures, and our primary business is focused on helping meet the credit needs of small businesses. The proposed use of the FDIC's Summary of Deposits in the denominators of these tests does not accurately represent our high performance in meeting credit needs in our community.

As a result, we support the option of allowing banks with assets of $10 billion or less to collect and maintain their own deposit location data to use for Facility Based Assessment Area metrics (Q.72, Q.120, Q.124). It is also essential that Health Savings and other deposit types with unknown location data be used only for institution level metrics (Q.151). More clarification is also needed on the determination of acceptable vs. non-acceptable basis for a bank failing to meet the Retail Lending Volume Threshold in a Facility Based Assessment Area, as an automatic conclusion of "Needs to Improve" or "Substantial Noncompliance" could be entirely inappropriate (Q.73). Deposits will determine the majority of a bank's CRA rating under this proposal, and it is critical that the calculation methodology does not misrepresent a bank's actual performance, particularly for banks with non-traditional business models.

Strategic Plans:
We support the continuation of the strategic plan option for all banks and emphasize the need for this option to remain flexible for bank models that do not fit neatly into the proposed methodology (Q.134). We ask the agencies to elaborate further on the strong justification that will be required to use the strategic plan option under the proposed rule. Strategic plans provide a way to ensure clarity between banks and regulators, and transparency between banks in similar assessment areas. For this reason, we also support the publishing of final plans on bank and agency websites (Q.138).

Qualifying Activities Confirmation and Illustrative Lists:
We appreciate the inclusion of a process for banks to gain confirmation of CRA eligibility when planning activities. We suggest a portal-based process with visibility into the review timeline and a thirty-day turnaround to enable banks to be innovative/nimble in responding to community needs (Q.32). We also support the agencies maintaining a non-exhaustive list of activities that

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do not qualify, as both lists together would save significant amounts of time for banks and the agencies (Q.31).

Disaster Preparedness and Climate Resiliency:
We support the agencies in proposing community development credit for banks that help low- and moderate-income communities be more resilient in the face of climate related risks. Celtic Bank finances renewable energy projects (such as solar, battery storage, etc.) that can stabilize and lower power costs for those with fewer resources available to handle the fluctuations brought on by natural and market related events. We recommend the agencies include activities that promote energy efficiency as a component of the disaster preparedness and climate resiliency definition (Q.20). We also recommend they include utility-scale projects (such as solar) that would benefit residents in targeted census tracts as part of the disaster preparedness and climate resiliency definition (Q.22). For practical application, we recommend the agencies give community development credit for all renewable energy loans located in low- or moderate-income, distressed or underserved non-metro middle income census tracts.

Community Development Services:
We appreciate CRA credit being proposed for volunteer activities unrelated to the provision of financial services in nonmetropolitan areas, but we feel these activities should be considered in all areas (Q.127). Many employees who are not comfortable providing financial literacy training would gladly serve in other/equally impactful efforts that fall under the definition of community development. We also support giving CRA credit for financial literacy activities that benefit individuals and families of all income levels, including low- and moderate-income—having a mix of students from different backgrounds in courses typically results in the best discussions and information sharing (Q.27).

Loan Purchases:
We request that the agencies more fully define "inappropriately influencing" performance through loan purchases (Q.65). If a bank purchases the loans of a community organization (effectively doubling their lending capacity), that seems to be an "appropriate" way to influence retail lending performance and a valuable way to support the community. Unless there is churning (or an otherwise nefarious purpose), we feel loan purchases should equivalent to loan originations (Q.64).

Loss of Clarity, Consistency, and Transparency:
A significant amount of examiner discretion is built into almost every part of the proposed rule. Even the primarily quantitative Retail Lending Test includes a critical discretionary judgement by examiners on a bank's acceptable vs unacceptable basis if they fail the Retail Lending Volume Threshold. It appears that the less traditional a bank model is, the more examiner discretion will be applied in examination. The proposal is extremely complex, the information needed to determine benchmarks is unavailable, and the timeframe to review is insufficient. It is difficult to predict scoring or judge the full impact of the proposed rule on banks in either the short or long term. Even more concerning is the uncertainty of the impact of the proposed rule on communities. Uncertainty can lead to reduced investment. We hope the final rule for CRA modernization will focus on achieving clear outcomes for ever-evolving community needs and on setting clear paths for ever-innovating banks to make responsive impacts.

We appreciate the willingness of the agencies to consider our comments and we would be happy to discuss them further. For any questions, please contact Dan Archibald at darchibald@celticbank.com.

Respectfully,

Dan Archibald
CRA Officer