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Via Electronic Mail

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Re: Community Reinvestment Act: Joint Notice of Proposed Rulemaking; Request for Comment
OCC: Docket No. ID OCC-2022-0002; RIN 1557-AF15
Board: Docket No. R-1769; RIN 7100-AG29
FDIC: RIN 3064-AF81

Mr. McDonough, Ms. Misback, and Mr. Sheesley:

Discover Bank (“Discover”) appreciates the opportunity to respond to the Joint Agency Notice of Proposed Rulemaking¹ (“Proposal”) issued by the Board of Governors of the Federal Reserve System (“Board”), Office of the Comptroller of the Currency (“OCC”), and Federal Deposit Insurance Corporation (“FDIC”) (jointly “the Agencies”) to amend the Community Reinvestment Act (“CRA”) regulatory framework. Discover is committed to fulfilling the objectives of the CRA and recognizes the meaningful impacts CRA activities and contributions can have on communities. Through our dedication to community reinvestment, we have received multiple “Outstanding” ratings for our CRA performance covering over a decade of activity.

Throughout our comments, we ask the Agencies to:

- I. Maintain the current Strategic Plan framework as it exists today with goals and objectives that meet community needs and conforms to a bank’s business model and capabilities due to the superior community benefit and creation of innovative investments, while promoting regulatory and public engagement; and

¹ Community Reinvestment Act: Joint Notice of Proposed Rulemaking; Request for Comment (OCC: Docket No. ID OCC-2022-0002; RIN 1557-AF15); (Board: Docket No. R-1769; RIN 7100-AG29); (FDIC: RIN 3064-AF81).



- II. Expand the limited purpose definition to allow banks whose current business model does not include participation in the proposed six major product lines² or only participates on a limited basis.

We would also like to echo and support comments that have been provided separately by the digital bank group, which we are a part of, the American Bankers Association, the Consumer Bankers Association, and the Bank Policy Institute, especially the recommendations on the Strategic Plan, limited purpose definition, retail lending assessment areas (“RLAAs”), data collection and reporting requirements, deposit ATM treatment, and implementation timeline.

Discover is Committed to our Communities and the Spirit of the CRA

Discover is one of the leading direct banks in the United States and, as such, offers a unique perspective on the CRA regulatory framework that ensures the most meaningful beneficial impacts to underserved communities in accordance with the intent of the CRA. As a direct bank, Discover provides financial services to consumers nationwide primarily through the internet, mail, and telephone. We also operate a single retail branch in a predominately rural community in Delaware, which is our only brick and mortar consumer-facing facility. Our financial services products are predominantly offered to consumers and include credit cards, personal loans, student loans, home equity loans, and deposit accounts. At Discover, we believe financial institutions have an obligation to help enrich the communities they serve. With this strong community-focused foundation, Discover places a high priority on community engagement, corporate giving, community development, and of course, our CRA activities. Discover has demonstrated “Outstanding” CRA performance since 2007 and has done so under a Strategic Plan since 2013.

- I. **Maintain the current Strategic Plan framework as it exists today with goals and objectives that meet community needs and conforms to a bank’s business model and capabilities due to the superior community benefit and creation of innovative investments, while promoting regulatory and public engagement.**
 - a. **Strategic Plans in the current form provide the objectivity, certainty, flexibility, public input, and timeliness sought by regulators, communities, and banks.**

Crafting a Strategic Plan with our regulators and community has enabled Discover and other institutions, to achieve the important objectives of the CRA and to have an enormous positive, direct impact in the communities we serve. The Strategic Plan option also provides more objectivity and certainty in examinations, facilitates the timeliness of Performance Evaluations (“PEs”), and most importantly, provides an efficient and effective means for compliance by recognizing the challenges faced by various banks, each with a unique business model. The benefits afforded to institutions and communities alike under the existing framework include but are not limited to:

- **Objectivity:** Strategic Plans in their current form provide for objective CRA evaluation using metrics tailored to banks’ unique business models, size and capabilities, past performance, and needs of the communities served. The necessary objectivity and quantifiable metrics are

² *Id* at 503.

developed in collaboration with our regulators and the community as we work together under the current framework to develop our Strategic Plan's measurable goals.

- **Certainty:** Strategic Plans facilitate certainty by affording banks an opportunity to explicitly identify the geographical areas to be served and the community needs to be addressed, with input from community leaders and the appropriate federal banking agency. The certainty already provided by the Strategic Plan framework could be enhanced, however, by the federal banking agencies developing an illustrative list of activities eligible for CRA credit. Additionally, the Agencies should develop a pre-approval process for new initiatives that are not on the illustrative list, but seek to meet the community development definition and/or the financial services needs of LMI consumers and communities and small businesses.
- **Flexibility:** Each Strategic Plan is agreed to between the individual bank and its primary federal regulator, which means that each plan will appropriately account for differences in business models, geographies, and most importantly, community needs through public comment and engagement on important components of Strategic Plan development.
- **Public input in development:** One of the most critical and meaningful aspects of the Strategic Plan that it is customized to reflect unique circumstances of diverse neighborhoods. Each Strategic Plan is developed with input from the communities served and, as required by the applicable regulations and to the benefit of all involved, subject to a public comment period. We support the proposed publication of the Strategic Plan on the bank's website to foster additional public engagement, however, we ask that the Agencies give banks the opportunity to respond to and place greater weight on comments from groups serving or located in regions represented within the Strategic Plan.
- **Timeliness:** During the development of the plans, Strategic Plan banks and their respective regulators agree on goals against which CRA performance should be measured, which in our case, has ensured timely PEs. This is not always the case across the industry. Receiving PEs in a timely manner is critical to make any necessary changes to CRA activities early in the next examination cycle and better meet the needs of the communities served. With the Strategic Plan process, input received from the public and from the federal banking agencies can be considered by banks in a manner that streamlines future Strategic Plan development and filing.

b. Innovative approaches best serve communities' unique needs.

Through our Strategic Plan, we have established innovative programs that have had considerable deep impacts on the communities we serve. We are concerned that instituting strict metrics would have unintended consequences of disincentivizing these types of innovative approaches because we would be forced to divert attention away from the community surrounding our branch. In the Appendix, we have provided a list of some of our most impactful and innovative investments and wanted to highlight a few below.

- **Stepping Stones Community Federal Credit Union (SSCFCU):** Our CRA Officer is the Chairman of the Board and devotes countless hours to the organization, including having assisted its nonprofit sponsor organization to craft the credit union's business plan and obtain its charter. We also helped SSCFCU launch the Bank on Wheels program to enable it to open deposit accounts in community settings and immediately provide consumers with ATM cards to demonstrate the commitment of the organization and immediacy of opportunity to the program



participant. Associated with that program is the “Don’t Pay to Get Paid” initiative that enables consumers who live, work, worship, or study in Wilmington, Delaware to obtain a federally insured deposit account and conduct ATM transactions at no cost.

- **Reskilling Workers:** In 2020 and 2021, Discover supported workforce development initiatives that provide opportunities for low-skilled workers to quickly learn a trade that could increase their household income. This included a grant to the Veterans Watchmakers Association to hire an additional instructor to teach underemployed disabled veterans the watchmaking trade; a grant that enabled NERDiT Recycling and the NERDiT Foundation to increase their capacity to reskill workers in technology recycling and computer/phone repair; an ongoing service initiative to create a training program for members of the Nanticoke Tribe and other native peoples to learn oyster farming in Delaware’s Indian River Bay; and supporting the development of a student loan product in Wilmington’s coding program, Zip Code.
- **University of Delaware FinTech Project:** The New Market Tax Credit (“NMTC”) program was infrequently utilized in Delaware until 2019, when the Bank and its partner, the Delaware Technology Park (“DTP”), were able to attract a \$18 million in allocations from Delaware-based Community Development Financial Institutions (“CDFI”) to support the Fintech project at University of Delaware’s Science, Technology, and Advanced Research Campus. Bank representatives serve on the NMTC Advisory Committees for both Community Development Entities (“CDEs”) that allocated credits in Delaware, and the Bank purchased the NMTCs for all the Delaware projects at favorable rates. Bank representatives actively seek to identify and put forth NMTC projects in the statewide area that includes the Bank’s Assessment Area (“AA”) for the Discover Economic Development Investment Fund to invest in.
- **Supporting Immigration Services and Formerly Incarcerated Individuals:** Discover developed a loan product in partnership with a CDFI to finance immigration legal services for legal resident aliens to take out small loans to pay for the cost of achieving citizenship. Through an additional investment in the same CDFI, Discover is also helping formerly incarcerated citizens get back on their feet with a micro reentry loan (\$25 to \$250) to buy basic necessities such as work boots, a bicycle for transportation, and reinstatement fees for their drivers’ licenses. SSCFCU is now banking those on work release in order to allow them to save money while they prepare for life outside the prison system.
- **Start-up and Small Business:** Discover deployed multiple strategies to support startups and new small business owners, including by providing \$100,000 in annual grants to the Delaware Small Business Development Center to support Starting a Business classes, help small businesses obtain state and federal contracts, and guide entrepreneurs on how to protect their intellectual property rights. Discover was also a founding sponsor of Start Up 302, a pitch competition for underrepresented founders organized by the Delaware Prosperity Partnership (“DPP”). Bank representatives worked with the DPP to create a category for Fintech startups that focus on the financial health of LMI people and families. In addition to sponsoring the activity, Bank representatives served as interviewers and judges and an employee from the Discover Network (part of DFS, LLC) continues to provide technical assistance to at least one of the founders. Discover is also the partner of all three of its County Governments and the State of Delaware to offer below market fixed rate and long-term SBA 7a Loans through its ongoing relationship with



the National Development Council, which is one of the oldest community development organizations and CDFIs in the United States.

- **Homeless Shelter Assistance:** The pandemic brought to light a significant shortage of housing options for the homeless in Discover's AA. Through the COVID-19 relief funds, many individuals and families were able to secure hotel vouchers in early 2020, but fewer options were available to them at the start of the cold weather season at the end of that year. The Community Resource Center and Love INC that operate cold weather overnight shelters at churches and community centers throughout Sussex County, Delaware had high demand for their services but limited volunteers. A Discover representative worked with the organization to develop a funding plan to support the shelters on an immediate basis, helping them secure funding from other banks, corporations, and foundations to pay for part time staffing. The representative also helped them prepare a business case and pitch-deck for the donation of a surplus state building to be utilized as a permanent shelter and recruited a volunteer financial professional to help them prepare their financial projections for the project.

As these examples illustrate, we are committed to truly knowing our communities, then shaping investments that best meet their unique needs. We are concerned that Discover will not have the same capacity to continue these innovative investments and deep community engagement if the Proposal is finalized in its current form. If a one-size-fits all approach with generic metrics replaces the current Strategic Plan, Discover will likely be forced to shift our focus to meet the strict tests and lose the bandwidth to partner with local entities and serve the unique needs of our communities.

c. The proposed tests simply do not work for Strategic Plan banks with different business models.

i. RLAAAs divert lending to the most populous areas.

The Proposal's RLAAAs, which are tied to geographic regions, do not account for the changing, digital way of banking, and will result in unintended, negative consequences for communities due to the resulting concentration in the most populous areas. Like the previously proposed OCC deposit-based AAs, we are concerned that tying AAs to geographies with greater loans or investments will inherently be in locations that have the most people, thus leaving rural or smaller areas behind. Based on our assessment, these arbitrary RLAAAs will be mostly concentrated in major cities and divert lending from other areas. For years, regulators, banks, community groups, and other CRA stakeholders have debated how best to serve "banking deserts" and underinvested communities. The creation of RLAAAs is diametrically opposed to fulfilling this goal and, instead, forces lending to the most populous areas that are already saturated with banks and non-bank lenders.

Additionally, the RLAAAs would force banks to make investments in locations where they lack familiarity or experience, which may give rise to safety and soundness concerns and limit innovation. Requiring banks to adopt deposit- or lending-based AAs would create unintended consequences of shifting meaningful community engagement to "check the box" type investments, simply so the bank is able to meet the challenging tests. The facility-based AA framework, on the other hand, allows Discover and banks across the country to become pillars of our respective communities and focus on meeting those specific needs.



When determining how to define “community” for purposes of delineating AAs, Discover believes it is necessary to balance the purpose of the CRA—meeting the credit needs of the communities where banks are chartered to do business—with banks’ ability to carry out this purpose. Discover believes that facility-based AAs best balances these two interests. The existing guidance already allows for more expansive activities using the concept of a “broader statewide or regional area that includes the institution’s assessment area(s).” This affords banks the opportunity to deploy resources in an area that is larger than, and includes the institution’s AA, but is still within a geographic community where the bank has the resources to identify community needs and develop innovative approaches to effectively meet those needs.

If, in the interest of flexibility, the Agencies ultimately adopt a framework for AA delineation that differs from what exists today, we encourage the Agencies to refrain from making deposit- or lending-based AAs mandatory and instead look at the bank as a whole by creating an “institution level” test.

ii. The Retail Products and Services Test (“RPST”) does not adequately account for banks with limited or no branches.

Due to the changing and digital way of banking, branches may become less prevalent and banks may reduce their physical presence. Consumer demand has forced greater adoption of digital services across banking and the entire economy, which was further accelerated by the COVID-19 pandemic. As a direct bank, we only have one branch in Greenwood, Delaware. The RPST is an unsuitable and unworkable requirement for direct or digital banks due to the limited branch networks, thus we ask for flexibility in the RPST to account for banks like Discover that only have one or a limited number of branches.

iii. Community Development (“CD”) Financing Test dilutes investments.

The proposed CD Financing Test will inevitably water down investments across the country, especially in markets that are already heavily invested in by other institutions. We are concerned the unintended consequences of these proposed changes will simply amplify competition in over-heated markets with other banks instead of focusing on meaningful investments in the communities we currently serve. While the proposed revisions would increase compliance costs, it will not necessarily increase impactful investments and may divert us away from some of the innovative, more complicated investments that we currently implement with profound benefits in LMI neighborhoods.

iv. CD Service Test does not account for quality of service.

While we appreciate the Proposal’s intent to broaden the CD Service Test, there are unintended challenges. Specifically, it will be difficult to track service hours across the company so we would need a simpler reporting system. Additionally, we are concerned the incentives are only focused on hours, not the type or quality of the volunteering. Currently, we focus on the quality of volunteer hours, such as our CRA team sitting on community boards to provide robust advice and guidance, and we are concerned the focus on quality has been diminished.

II. Expand the limited purpose definition to allow banks whose current business model does not include participation in the proposed six major product lines³ or only participates on a limited basis.

Additionally, we respectfully ask that the Agencies permit banks like ours with limited “major product lines”⁴ to be designated as a Limited Purpose Bank. Discover’s home lending business, which is comprised of only closed-end home equity loans, is less than 3 percent of our entire assets. However, under the Proposal, we would be judged entirely by this lending and compared to other banks that have not only a full, primary mortgage business, but also some or all the other five major product lines. Looking at our book of business, it is clear we are simply not comparable to those organizations because our product is a fraction of one major product line, and we are not in the primary mortgage business or other businesses. Thus, we should be evaluated as a Limited Purpose Bank due to our lack of major product lines as defined by the Proposal.

The Proposal defines a Limited Purpose Bank as “a bank that offers only a narrow retail product line (such as credit cards, other revolving consumer credit plans, other consumer loans, or other non-reported commercial and farm loans) to a regional or broader market and for which a designation as a limited purpose bank is in effect, in accordance with _____.⁵ To provide an illustration of why we fit under this definition, we rank 157th out of 160 banks over \$10 billion in assets when measuring percentage of assets geared towards mortgage, auto, multi-family, small business and small farm lending. We can hardly be described as “peers” to the organizations that engage in the six major product lines due to the differences in business models and products offered, yet the Proposal mandates peer benchmarking. Moreover, if the Limited Purpose definition does not capture banks with minimal other product lines, banks may be disincentivized to get into other types of lending, even if it would only comprise an immaterial portion of lending.

The OCC guidance on Limited Purpose Bank designation could be used as a framework for delineating banks like ours with limited other products. Specifically, the OCC Guidance states it will consider: “1. The types of activities and the conditions or circumstances under which the bank offers the product or service. For example, if the bank engages in mortgage lending, explain whether such loans are offered to the general public or offered only to a limited group such as corporate customers or employees of the bank.; 2. The percentage of the bank's assets and income that each activity represents. 3. How any retail or other lending activity relates to the bank's assessment area(s). 4. Whether the volume of incidental lending activity would be sufficient to allow for a reasonable evaluation of the bank's performance under the lending test.”⁶ The last factor accurately encapsulates our issue – due to our small fraction of a “major product line”, our lending would not be sufficient to allow for a reasonable evaluation. Therefore, we respectfully ask the Agencies to confirm that the Limited Purpose definition applies to banks that have one main product line, such as credit cards, and other loan products that are not material to assets and/or revenue.

³ *Id* at 503.

⁴ Proposal pg. 503.

⁵ Proposal pg. 473.

⁶ Community Reinvestment Act: Guidelines for Requesting Designation as a Wholesale, Limited Purpose, or Special Purpose Bank, OCC Bulletin 2019-40 (July 31, 2019) <https://www.occ.gov/news-issuances/bulletins/2019/bulletin-2019-40.html>



Conclusion

We appreciate the chance to comment on the Proposal and welcome the opportunity to work with the Agencies throughout their CRA modernization efforts. If you have any questions or would like to further discuss our comments, please contact me at JamesRoszkowski@discover.com or Kate Prochaska, Head of Regulatory Policy, at KateProchaska@discover.com.

Sincerely,

James Roszkowski
Discover Bank President



APPENDIX

Delaware State Housing Authority (DSHA) Mortgage-Backed Security Program

Since the program's inception in 2013, the Bank has financed over \$385 million in mortgages for 2,300 LMI families. Based upon data provided by the National Community Reinvestment Coalition (NCRC) — an association that performs research and promotes access to basic banking services, affordable housing, entrepreneurship, job creation, and vibrant communities for America's working families—there were 1,762 mortgages provided in years 2018 to 2020 to LMI consumers from all Delaware-based financial institutions combined. Of these mortgages, 26% were provided to Black and Hispanic borrowers. For comparison purposes, the Bank/DSHA relationship alone led to the origination of 1,059 mortgages to LMI families over the same time and the Bank/DSHA program provided, over the life of the program, 36% of its mortgages to Black and Hispanic borrowers. These results demonstrate the innovative solutions and continued leadership position the Bank has in providing affordable homeownership finance.

Examples of the Bank's Responsiveness to Community Needs

The Bank achieved its "Outstanding" goals by maintaining a constant focus on the lending, investment, and service needs of the community. In 2020 and 2021, the Bank focused on the following community needs: 1) Affordable Housing, 2) Small Business and Economic Development, 3) Financial Literacy and Consumer Financial Health, and 4) COVID-19 Response and Recovery. The following are highlights of the Bank's accomplishments:

- Obtaining safe, clean, and affordable housing continues to be a challenge for many Americans, including those residing in the Bank's AA and the greater statewide and regional area that includes the AA. To address the affordable housing needs of the community, the Bank took a multi-faceted approach to address the scarcity and livability of housing units accessible to LMI households. The Bank considered the need to preserve existing affordable housing stock while increasing the supply of units available for emergency shelter, rent or purchase. The Bank also focused on the need for homeownership that requires both conventional and unconventional mortgage financing to help build wealth, especially for low- and moderate-income (LMI) people of color. Some key initiatives where the Bank took a leadership role in this area include:
 - The Bank appreciates the stabilizing effect that homeownership can have on LMI communities and as an asset building tool for families. Unfortunately, the City of Wilmington saw an increase in property sales over the exam period that resulted in an increase in rental properties and absentee investors. To increase homeownership opportunities within the city and investment among its LMI residents, the Bank engaged with multiple interested parties. First, the nonprofit ReManned Project, which helps Black men realize their potential and transform their lives, provided information about the housing desires of their clients to create community through homeownership. This was met with research by the University of Delaware's Biden School for Public Policy that helped to identify residential blocks within the city that could more easily be shifted from largely investor-owned to largely homeownership with some strategic purchases. Bank representatives provided financial and credit analysis of clients and identified a basic credit profile that could be utilized to underwrite affordable mortgages. Stepping Stones Community Federal Credit Union (SSFCU) was engaged to work with Bank representatives to build the product. As an active Board member of SSFCU, a Bank representative actively engaged with the National Credit Union Administration (NCUA)



to seek approval for SSCFCU's non-conventional mortgage product offering. Bank representatives also helped SSCFCU prepare funding requests to the State of Delaware to support the capital requirements of the product. Concurrently, the ReManned Project and another partner, the Community Education Building, are working with SSCFCU to provide financial education and homeownership readiness education to their clients and employees.

- The Bank's Mortgage-Backed Security (MBS) purchase program with the Delaware State Housing Authority (DSHA) continued to grow. The program provides first mortgage loans to LMI families coupled with down payment and settlement assistance and pre-purchase financial coaching for people who need additional support prior to entering the home buying market. The program enables DSHA and, in turn, its borrowers to realize the benefits of favorable pre-commitment pricing and MBS sales that, in other structures, would typically only benefit the loan originators and/or broker-dealers. The program model has the added benefit of offering excellent rates and terms to LMI families, particularly those of color.
- The Low-Income Housing Tax Credit Program (LIHTC) continues to be a tool for the preservation and creation of affordable housing for LMI households. In 2020 and 2021, the Bank increased its funding authorization in the Discover Affordable Housing Investment Fund (DAHIF) by \$150 million for a total of \$516 million and worked closely with nonprofits, developers, and syndicators to bring projects to fruition. This included connecting the nonprofit Delaware Center for Homeless Veterans with developers to prepare a LIHTC application to revitalize a vacant motel as an affordable housing and social service center for veterans, including providing a grant to the nonprofit to help them secure site-control. The Bank also worked with a syndicator to increase its pricing to offset construction cost increases by more than \$300,000 because of pandemic-related cost escalations and made an additional LIHTC investment in Caguas, Puerto Rico to support the Hurricane Maria recovery through the development of 91 affordable rental units.
- Delaware, like many areas, has experienced a decline in manufacturing and departure of legacy companies that were once staples of the local economy. This has resulted in an employment shift to small and medium-sized businesses. The Bank took a leadership role to provide the State's economic development authorities and small business support agencies with additional tools to grow and retain businesses that provide quality jobs.

Some examples include:

- Building upon the success of the Grow Wilmington and Grow Delaware SBA 7(a) small business loan funds launched by the Bank and the National Development Council (NDC), a nonprofit Community Development Financial Institution (CDFI), the Bank expanded its government partners to include Sussex and Kent Counties. The \$4 million ExciteSussex loan program was launched in 2019 and expanded to \$16 million in 2021 with funding from Sussex County, NDC, and the Bank. The loan program is designed to provide capital to light manufacturing businesses in strategic areas targeted for investment by the county. Kent County approved the funding of their own (yet to be named), program in December 2021, which is expected to launch in 2022 with \$4 million of County and Bank financing. To date, the Bank has committed to funding \$21.825 million of a growing \$29 million small business loan fund with the most favorable terms and pricing available for Delaware small businesses.

- In 2020 and 2021, the Bank supported workforce development initiatives that provide opportunities for low-skilled workers to quickly learn a trade that could increase their household income. This included a grant to the Veterans Watchmakers Association to hire an additional instructor to teach underemployed disabled veterans the watchmaking trade; a grant and New Markets Tax Credit (NMTC) investment that enabled NERDiT Recycling and the NERDiT Foundation to increase their capacity to reskill workers in technology recycling and computer/phone repair; an ongoing service initiative to create a training program for members of the Nanticoke Tribe and other native peoples to learn oyster farming in the Indian River Bay; and supporting the development of a student loan product in Zip Code Wilmington's coding program.
- The NMTC program was infrequently utilized in Delaware until 2019, when the Bank and its partner, the Delaware Technology Park (DTP), were able to attract a \$9 million allocation from a Delaware-based CDFI to support the Fintech project at University of Delaware's Science, Technology, and Advanced Research (STAR) Campus. In 2020, another Delaware-based CDFI, the National Council on Agricultural Life and Labor (NCALL) received its first ever NMTC allocation of \$20 million and provided an additional \$9 million allocation to the project. Bank representatives serve on the NMTC Advisory Committees for both Community Development Entities (CDEs) that allocated credits in Delaware, and the Bank purchased the NMTCs for all the Delaware projects at favorable rates. Bank representatives actively seek to identify and put forth projects in the statewide area that includes the Bank's AA for the Discover Economic Development Investment Fund (DEDIF), which was increased by \$150 million during the exam period bringing the total funding capacity to \$200 million. One such new NMTC project a Bank representative is working on in Delaware is the East Side Charter School, which the Bank has introduced to multiple CDEs for potential allocations in 2022.
- The Bank deployed multiple strategies to support startups and new small business owners, including by providing \$100,000 in annual grants to the Delaware Small Business Development Center to support Starting a Business classes, help small businesses obtain state and federal contracts, and guide entrepreneurs on how to protect their intellectual property rights. The Bank was also a founding sponsor of Start Up 302, a pitch competition for underrepresented founders that was organized by the Delaware Prosperity Partnership (DPP). The Bank worked with the DPP to create a category for Fintech startups that focus on the financial health of LMI people and families. In addition to sponsoring the activity, Bank representatives served as interviewers and judges and an employee from the Discover Network (part of DFS Services LLC) continues to provide technical assistance to at least one of the founders.
- Financial literacy and consumer financial health continue to be critical needs for many households throughout the United States. However, financial literacy programs alone cannot improve the financial health of LMI consumers. Access to products and services that meet the needs of specific populations and credit profiles are essential components of becoming a financially healthy consumer. The Bank supports financial literacy efforts within its AA and the greater statewide and regional area that includes the AA and invests in the creation and delivery of affordable consumer loans and financial products that meet the credit needs of LMI consumers. Some specific examples where the Bank took a leadership role in the creation and delivery of financial education and accessible and responsible financial products to improve consumer financial health for LMI households are as follows:

○ To meet the needs of unbanked and underbanked LMI households, the Bank continues to take a leadership role in the development and growth of the minority-owned SSCFCU. As a small financial institution with a mission to provide affordable and accessible products to members of the community, SSCFCU provides unique opportunity to test and learn what works and what does not, and what consumers need and what they do not. Throughout the exam period, the Bank worked with SSCFCU to identify gaps in the marketplace and develop products and services to fill them. Some examples include:

- Working with the Delaware Department of Corrections to create share (deposit) accounts for incarcerated individuals who are earning wages through a work-release program or institutional work assignments. Bank representatives learned that a national bank was exiting the market for these types of accounts, and the Bank representatives facilitated conversations between SSCFCU and the Department of Corrections. To date, SSCFCU has opened share accounts for over 250 inmates, enabling them to save for their future after release.
- After meeting with Zip Code Wilmington, a nonprofit that provides a 12-week training program to help people reskill and launch careers in data engineering and software development, Bank representatives connected the nonprofit with SSCFCU and worked collectively to develop a student loan product for their trainees, as Zip Code's program does not qualify for a standard student loan product. SSCFCU's new product will offer a low 3% interest rate and allow participants to defer payments until they begin working. The loans also free up Zip Code's balance sheet, enabling them to focus on training rather than lending. For students who may have otherwise used credit cards or other high-cost financial products to pay for their tuition, the product is an affordable alternative. Grant funding from the Bank to Zip Code is set aside as collateral for the loans, enabling all students to access the product regardless of credit profile.
- Recognizing the low-income profile of SSCFCU's members, Bank representatives helped the Delaware Community Reinvestment Action Council (DCRAC), the founding entity of the credit union, develop and implement a strategy to reduce household expenses, thereby improving the financial condition of SSCFCU's members. First, Bank representatives helped DCRAC obtain a grant from a Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") fund to purchase computers and laptops for distribution for members, thereby enabling them to access online banking services in addition to other benefits of having a computer in the home. Next, Bank representatives helped SSCFCU obtain an agreement to become a Comcast community internet provider. Members are now able to get their internet service directly through SSCFCU for just \$10 a month, regardless of their past payment history or delinquencies owed by the household.
- The Bank engaged the Arkansas Venture Center (a leading Fintech accelerator that works in partnership with the Independent Community Bankers Association (ICBA)), and the University of Delaware to examine the utilization of electronic identification for verification in financial services to make it easier for smaller institutions, like SSCFCU and other similar situated credit unions, to utilize electronic drivers' licenses to verify customers. Delaware was one of the first states to issue an electronic driver's license; identifying use cases for LMI consumers and community organizations early in the technology development



will ensure access and utilization from the outset. Using a collaborative model, the Arkansas Venture Center, the University of Delaware and SSCFCU will examine the regulatory obstacles, community benefits and overall impact. The University of Delaware's engineering department will build applications for SSCFCU to pilot the use the digital drivers' licenses for account opening and providing notary services.

- The Bank worked on two initiatives aimed at helping LMI households maximize government benefits. Through the Social Impact Fund at the Delaware Community Foundation, Bank representatives helped to fund the development of a new benefit program that provides monetary rewards to Medicaid patients for making healthy choices. Bank representatives connected the initiative to SSCFCU to have a bank account option to save the rewards or obtain cash for household expenses. A debit card product that runs on the Discover Network will also be issued to participants to allow them to purchase items at select merchants. Bank representatives connected SSCFCU with the National Community Reinvestment Coalition's Supplemental Nutrition Assistance Program (SNAP) Committee (the Bank is a member of the SNAP Committee) regarding the development of a product that will enable SNAP recipients to earn discounts for select food purchases that can be used for non-covered necessities.

- The Bank participated in the FDIC's Tech Sprint, Breaking Down Barriers: Reaching the Last Mile of the Unbanked, with Wellthi, a woman/minority-owned venture-backed fintech social enterprise that uses social networking tools, machine learning, and behavioral sciences to help users reach their financial goals faster. The Bank's goal for the Tech Sprint was to demonstrate how the Bank is helping Wellthi develop and offer a suite of open social banking application programming interfaces that any community bank can white label and license to provide simple savings accounts and digital wallets online nationwide to unbanked and underbanked customers and savings groups that are culturally appropriate as well as safe and compliant. The Bank introduced Wellthi to SSCFCU, and SSCFCU will be the first financial institution to white-label Wellthi's product with a debit card issued on the Discover Network.

- The Bank is working closely with the DTP and the Financial Health Network (FHN) on the development of a Financial Services Technology (FinTech) Building at the University of Delaware and the associated programming. Delaware is uniquely positioned to serve as a laboratory to understand and address the financial health of LMI consumers. Programming at the building seeks to leverage Delaware's existing talent and resources while engaging new partners who are also committed to developing solutions that build wealth and credit in LMI and minority communities, support and invest in historically underrepresented founders, develop educational pathways to fintech jobs, and improve the financial and physical health of the region. In support of this effort, the Bank took a leadership role in the financing of the FinTech Building and the submission of programmatic and research funding requests to multiple entities. The partners have begun the work to:

- Develop a Financial Health Improvement Fund for early-stage technology company investments;



- Develop actionable equity and inclusion initiatives that enhance innovation and safe access to financial services for underserved populations;
 - Facilitate collaborations that include government agencies, non-profits, academic institutions, and members of the financial services industry to enable education and training of a fintech workforce (including the digital sciences of artificial intelligence, cybersecurity, machine learning, virtual and augmented reality, and big data analysis);
 - Conduct non-profit and academic led research that will inform policy and enhance innovation that improves financial inclusion; and
 - Convene conversations to raise awareness, educate key stakeholders, and share learnings and best practices while growing the impact of the fintech sector.
- Financial insecurity was exacerbated in 2020 and 2021 because of the COVID-19 pandemic, and the Bank took specific steps to help our customers and the community respond to the unique challenges the pandemic created. Some specific examples where the Bank took a leadership role in COVID-19 response and recovery are as follows:
 - Across all lending businesses, the Bank helped thousands of customers deal with the economic challenges created by the pandemic. Prior to 2020, the Bank had a strategy to eliminate all fees for customers with a checking, savings, money market, or certificate of deposit (CD) account. This included eliminating monthly fees for any account, minimum balance requirements, student loan origination or late fees, insufficient funds or overdraft fees, ATM fees, and origination fees on Discover Personal Loans. The Bank continued to execute on this strategy throughout the exam review period. In addition, Bank customers are provided with free personal checks and cashier's checks. For customers impacted by the pandemic who had difficulty making minimum payments, the Bank suspended payments and extended loan terms, providing more time to pay. Additionally, the Bank provided stimulus check cashing services at no charge to non-customers at the Bank's branch in Greenwood, Delaware.
 - In October 2020, a Discover-led philanthropic collaborative earned the James H. Sills, Jr. CRA Leadership Award given by the DCRAC. The collaborative effort came together in just two weeks to deploy more than \$10 million in Paycheck Protection Program (PPP) loans to Delaware nonprofits. After learning that many nonprofits were shut-out of the first round of PPP, the Bank joined three Delaware-based foundations to provide grant funding to the NDC, a CDFI operating in Delaware. The grants enabled NDC to distribute \$10 million in loans to nonprofits addressing critical needs. An additional grant of \$25,000 to the Delaware Alliance for Nonprofit Advancement ensured that small nonprofits with limited capacity could receive free consulting support to prepare their loan applications. Furthermore, Bank representatives connected NDC with SSCFCU to facilitate referrals of applicants from NDC to SSCFCU. NDC also provided technical assistance to SSCFCU to obtain its Small Business Administration (SBA) lending license and process applications. The partnership ultimately provided \$3 million in additional PPP loans to nonprofits and minority-owned small businesses.
 - Bank representatives volunteered in a leadership capacity for a Delaware-based COVID-19 relief fund launched in March 2020 by the Delaware Community Foundation and Philanthropy Delaware. Bank representatives served on the Governing Council that

helped form and govern the fund's priorities and direction, served on the weekly grant review committees for the Community Needs Grants and Vision Council, and participated as weekly financial reviewers, providing succinct financial reports for all applicants to the grant reviewers. Funds were deployed on a weekly basis beginning in April 2020 and within the first eight weeks, 94 benefiting nonprofit organizations served 343,738 meals, provided aid to 23,190 families, provided housing assistance to 14,945 people, gave emergency shelter to 685 people, and provided counseling services to 18,052 people. The Bank provided \$100,000 in grants directly to the relief fund and \$175,000 in matching grants to seven nonprofit Vision Grant recipients.

Examples of the Bank's Responsive CRA Grants

- The bank provided The Ministry of Caring, an organization serving low- and moderate-income individuals, with a \$100,000 grant for the renovation of a vacant home in the Quaker Hill Community. The property will provide long-term housing assistance to people who meet the Department of Housing and Urban Development's definition of chronically homeless. These individuals have at least one member of the household with a disability that affects their housing stability. Residents will face no minimum income requirement, pay 30 percent of their income for housing, and receive supportive services.
- The bank provided the Delaware Community Reinvestment Action Council (DCRAC) a grant of \$250,000 to support technology improvements at Stepping Stones Community Federal Credit Union (SSCFU). The credit union serves low-income communities in Wilmington, DE and provides services at no cost. The grant will enable the credit union to offer a debit card and a social banking app to its members. Furthermore, the bank facilitated a relationship between SSCFU and a minority- and women-owned FinTech company, Wellthi Technologies, Inc., to provide technology for the debit card product.
- The Bank provided the Community Legal Aid Society with a \$25,000 grant to increase the capacity to provide eviction defense counsel for low-income renters. These free services include legal defense and connecting clients to resources available from the DSHA (for example, the DEHAP to pay delinquent rent). Additionally, the organization counsels those facing eviction due to the COVID-19 pandemic.
- The bank afforded low- and moderate-income households access to technology and remote services through partnerships with NERDiT NOW and public libraries. In 2020, the bank provided the NERDiT Foundation with a \$75,000 grant to purchase and deploy computers for nonprofits that had to transition staff to a work-from-home environment at the start of the COVID-19 pandemic. The Foundation, which refurbishes used computers, deployed over 150 computers to 29 nonprofit organizations. The computers enabled the nonprofits to continue operations and avoid costly capital purchases when office supply stores were sold out of these items. In 2021, the bank provided the Seaford library, in partnership with the Laurel and Frankford libraries in Sussex County, with a \$25,000 grant for technology upgrades and support for residents of low- and moderate-income communities. The libraries will install telehealth kiosks and offer insurance access assistance through a partnership with the Delaware Department of Health and Social Services. Additionally, the libraries will create a technology lending service for laptops and hot spots, provide soundproof tutor rooms for virtual meetings, and help low-income individuals obtain free or low-cost device repair services.



- The bank provided several grants to support individuals and families impacted by the COVID19 pandemic. First, the bank provided Delaware State University with a \$25,000 grant for a student relief fund that provided shelter, food, and healthcare for over 100 low- and moderate-income students who had no safe home to return to while the campus was shut down. Next, the bank provided Network Delaware with a \$10,000 grant for low- and moderate-income LatinX community members, who were both unable to benefit from federal direct- assistance programs and highly impacted by the pandemic. The organization gave funds to these families to assist with rent, utilities, food, and medical expenses. Finally, the bank provided Jewish Family Services with a \$25,000 grant to support mental health services, job coaching, and internships for the recently unemployed.
- The bank provided two organizations with crowd-funding technology platforms to solicit donations for nonprofits and small businesses. During the evaluation period, the bank donated \$45,000 to the Spur Impact Association in support of Delaware Gives Day. The bank engaged in broad marketing efforts for the event, provided nonprofits with training and free consulting on social media campaigns, and offered cash prizes and matching dollars for funds raised. Lastly, the bank provided the West End Neighborhood House with a \$50,000 donation to license a crowd-funding application for DE small businesses. Crowd-funding donations support small-dollar loan offerings to small businesses that may not otherwise have access to capital.
- The bank provided Children & Families First with a \$25,000 grant to pilot the Community of Hope Program. The program aims to stabilize families, with an overarching goal to reduce child abuse, neglect, and referral into the child welfare system. Employing another place-based strategy, the bank provided REACH Riverside with a \$25,000 grant in support of the Poverty to Prosperity Initiative. REACH's areas of focus for the Riverside neighborhood include redevelopment, education, and community health. The program supports REACH housing residents in Wilmington by offering tools to increase economic independence, reducing neighborhood unemployment and poverty, and providing opportunities for families to move to new housing in the community. Additionally, the initiative will increase retention of Riverside residents in the new development, improve community health, and create a mixed-income community.

Examples of the Bank's Responsive CRA Services

- Delaware Community Foundation (DCF) – In partnership with the DCF, three bank representatives oversee a Social Impact Fund. In 2020, Discover Bank and DCF worked with Reciprocity Health (a FinTech startup) and the Christiana Care Hospital System (the largest healthcare provider in DE) to create a pilot program for Medicaid patients. The program provides Medicaid patients with health conditions including diabetes, hypertension, and others where diet can positively affect their health, with debit cards that provide cash rewards for healthy choices. The pilot tracks the health outcomes of low- and moderate-income patients over time with a goal of improving the health of participants and reducing the financial burden of the hospital for repeat visits to the emergency room.
- Philanthropy Delaware/DCF COVID-19 Relief Fund – Bank representatives participated in the development and operation of this fund. A bank representative served on the Governing Council and review committee for the Vision Grant Program. As a board member of Philanthropy Delaware, the representative helped negotiate with the State of DE an additional \$25 million in CARES Act funds. Other bank representatives served separately as a weekly grant reviewer and an application financial reviewer for the Emergency Grant Loan Program.



- National Council on Agricultural Life and Labor Research, Inc. (NCALL) – NCALL, a nonprofit organization that specializes in affordable housing development, education, and lending, received its first allocation of \$20 million in NMTCs from the U.S. Department of the Treasury’s CDFI Fund in 2020. A bank representative who serves on the Board of Directors and chairs the NCALL Loan Fund was instrumental in the application process, identifying a pipeline of projects, and served as the chairperson of the NMTC Finance and Advisory Committees.
- Milford Housing Development Corporation (MHDC) – A bank representative who serves on its Board of Directors, provided financial services to the nonprofit housing organization in 2020 and 2021. The representative assisted in MHDC’s affordable housing initiatives including homeownership, home repair, and the development of multifamily rental housing. The representative also participated in the organization’s budget and financial review, including reviewing the annual audit and tax return.
- True Access Capital – True Access Capital is a CDFI that educates, empowers, and elevates business owners and entrepreneurs by providing technical expertise and increased access to capital to stimulate business growth throughout DE and Southeastern Pennsylvania. During 2020 and 2021, a bank representative served on the Board of Directors helping to set the organization’s strategic direction, review its financial statements, and review the annual audit.
- Community Resource Center (CRC) / Love INC – The CRC and Love INC operate cold weather overnight shelters at participating churches and community centers throughout Sussex County. During the COVID-19 pandemic, there was a significant shortage of housing options for the homeless. In 2020 and 2021, a bank representative worked with the organizations to develop a funding plan to support the shelters, including securing funding from other banks, corporations, and foundations to finance staffing expenses. The representative was also instrumental in the organizations’ process in acquiring a permanent shelter that was a surplus state building, along with recruiting a volunteer professional to assist in the project’s financial forecasts.
- Jobs for Delaware Graduates (JDG) – JDG is a nonprofit organization that provides a school to work transitional program for middle and high school students. In 2021, bank representatives met twice monthly with JDG to create a workforce development internship program for low- and moderate-income students attending William Penn High School. The 10-week internship instructed 13 students about goal setting, conflict resolution, financial literacy, and job opportunities in the financial services sector.
- Delaware Council on Economic Education – In response to COVID-19 restrictions for in person volunteer opportunities, the bank provided multiple virtual learning activities through the Delaware Council on Economic Education. In 2021, nine bank representatives participated in Teach Children to Save Day, a nationwide financial literacy program geared towards elementary school students, particularly those from low- and moderate-income communities. The bank provided financial education lessons at four elementary schools located in low- and moderate-income areas in DE. Furthermore, bank representatives provided soft-skill training to low- and moderate-income students and young adults at West End Neighborhood House and the Police Athletic League of Wilmington.
- National Community Reinvestment Coalition (NCRC) – A bank representative served on the NCRC’s Supplemental Nutrition Assistance Program (SNAP) Committee in 2021. The committee is dedicated to identifying ways to help low- and moderate-income families to easily access and stretch food and nutrition benefits. In addition, the committee is developing a product

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that will enable SNAP recipients to earn discounts for select food purchases to use for non-covered necessities.