



Julius Robinson
Managing Director
Corporate Social Responsibility

BY Electronic submission

The Honorable Joseph Otting
Comptroller of the Currency
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219

April 8, 2020

The Honorable Jelena McWilliams
Chair, Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

RE: Community Reinvestment Act ("CRA") Regulations
Notice of Proposed Rulemaking (NPR) ("Proposal"),
Docket ID OCC-2018-0008

Dear Comptroller Otting and Chair McWilliams,

MUFG Union Bank, N.A. ("MUB") is a \$ 148 billion regional bank operating primarily in the States of California, Washington State and Oregon, and is wholly owned by MUFG Americas Holdings Corporation, which, in turn, is ninety-six percent owned by MUFG Bank, Ltd, a Japanese bank. As a bank whose CRA performance is currently rated "Outstanding", MUB is committed to the goals of CRA and to meeting the credit and financial services needs of our customers and the communities we serve.

MUB appreciates the opportunity to provide select substantive and constructive comments to assist the agencies in crafting a CRA rule that improves transparency while not weakening its primary purpose of helping low- and moderate-income (LMI) customers and communities access to credit in a safe and sound manner. We would like to provide comments on one significant aspect of the CRA Notice of Proposed Rulemaking (NPR) that we believe will result in unintended consequences for banks and communities.

MUB has participated in the development of, and we broadly support, the comment letters on the NPR from the Institute of International Bankers, the Consumer Bankers Association, and the National Association of Affordable Housing Lenders. By this letter, however, we wish to expand on and emphasize concerns that are especially important to MUB as a regional bank that provides national corporate deposit and cash management services.

The preamble of the NPR identifies "retail domestic deposits" as a major component within the proposed regulation, including but not limited to, inclusion in the general performance standards¹,

¹ New general performance standards would assess two fundamental components of a bank's CRA performance: (1) the distribution of qualifying retail loans to LMI individuals, small farms, small businesses, and LMI geographies and (2) the impact

deposit-based branches², community development minimums³, and other provisions of the NPR. Since retail domestic deposits will be used, in part, as one of the evaluation measures to reflect a bank's ongoing commitment to CRA, MUB recommends that the definition of retail domestic deposits should exclude corporate deposits.

The NPR proposes to re-define retail domestic deposits to include only those of individuals, partnerships, and corporations, as reported on Schedule RC-E, item 1, of the Call Report, but to exclude brokered deposits. This proposed definition would also omit municipal deposits and deposits from foreign governments or entities, and thus would be more reflective of a bank's capacity to engage in CRA-qualifying activities. By further excluding brokered deposits, which are not associated with any individual or community, this would refine the Call Report definition to more accurately reflect the deposits a bank collects from identifiable individuals and communities.

MUB supports the concept of developing more objective CRA performance measures, specifically to reflect deposits a bank receives from individuals and communities. As noted above, the NPR defines retail domestic deposits to better realize this goal. We believe the objectives of the NPR will also be furthered by excluding corporate deposits from the definition.

MUB's corporate deposits are primarily generated from larger urban geographic areas, including Los Angeles and New York City. These metropolitan areas are the very same geographies that are considered "hotspots" under the current regulation. The CRA hotspots are also where large concentrations of banks who have the same CRA obligations are located. CRA deserts are created in geographic areas where banks do not engage in or only engage in limited CRA activities.

The NPR suggests it will limit CRA hotspots and reduce CRA deserts⁴, which have been identified as low- or moderate- income needs in rural areas and those areas targeted by federal, state, local, or tribal government for development. However, our view is that the inclusion of corporate deposits in the retail domestic deposit definition will result in a greater emphasis being placed on the CRA needs of large metropolitan geographic areas and will intensify the deprivation of the areas identified as CRA deserts. Should the definition of retail domestic deposits remain the same (including corporate deposits), MUB will have to seek out CRA/community development activities outside of our larger assessment areas even though those markets may already be well served by other banks. MUB foresees the following challenges for itself and all similarly sized banks:

of a bank's qualifying activities, measured by the value of a bank's qualifying activities relative to its retail domestic deposits (85 Fed. Reg. 1209 January 6, 2020).

² The proposed rule would require banks to delineate additional, non-overlapping "deposit-based" assessment areas where they have significant concentrations of retail domestic deposits.

³ The general performance standards would establish minimums for a bank's quantified value of CD lending and investment as compared to retail domestic deposits at both the assessment area and bank level to achieve a satisfactory or an outstanding rating

⁴ 85 Federal Register at page 1207

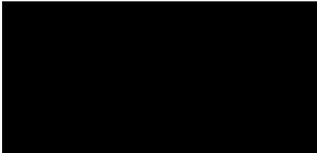
1. Proving to a regulatory examination team that an assessment area needs have been addressed in a hotspot such as Los Angeles; and
2. Finding the capacity and allocating resources available to venture outside of their assessment areas to meet our CRA goals.

Demands will also be increased on resources by the additional CRA compliance obligations and activities that MUB will need to perform if corporate deposits are included in the qualifying ratio. MUB's preliminary analysis has confirmed that the additional compliance burdens will be significant.

Volatility associated with corporate deposits is impacted by the state of the economy and by day-to-day operations of commercial or corporate entities. MUB's experience in the current COVID-19 pandemic provides a striking example of how an economic event could unduly inflate CRA obligations. As with many commercial lenders in the last weeks, MUB has seen corporate borrowers drawing down their available revolving credit facilities and then depositing those proceeds into the bank. The expected duration of many of these deposits is short or unknown. The addition of these deposits to MUB's deposit base artificially inflates MUB's quantitative obligations under CRA requirements and necessitates a distorted adjustment of its CRA goals. Compelling banks to adjust their CRA goals due to such an event will artificially inflate a bank's quantitative obligations, and in our view is unwarranted.

We appreciate your consideration of our concerns on the CRA NPR and would welcome the opportunity to discuss them or provide further information. Please contact the undersigned at (510) 817-6184 or by email at Julius.Robinson@unionbank.com or Roger Blissett, Head of Government and Regulatory Affairs for the Americas, at (212) 782-4704 or by email at rblissett@us.mufg.jp with any questions you may have.

Very truly yours,



Julius Robinson
Head of Corporate Responsibility