



April 8, 2019

Via Electronic Submission

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20129
Attention: Comments, RIN 3064-AF22
Via email: Comments@fdic.gov

Chief Counsel's Office
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219
Docket ID OCC-1018-0008
Attention: Comment Processing
Via email: cra.reg@occ.treas.gov

RE: Community Reinvestment Act Regulations

Dear Madam and Sirs:

Bank of Utah is a community bank that is located in Ogden, Utah. Bank of Utah is a commercial bank with current assets of \$1.4 billion. The bank has 17 branches located within seven (7) counties all located in the state of Utah. Beginning January 2020, the bank moved to large bank reporting status, but will be evaluated as an intermediate small bank for CRA purposes in the next compliance exam which is expected to be in summer 2020. The bank is regulated by the Federal Reserve Bank of San Francisco.

Thank you for taking the time and implementing changes to the current CRA rules that have not been changed in years, with the ongoing changes to the existing banking structure. The changes are vast and for a community bank our size will be costly. As we continue to read and learn about the new proposal for CRA Modernization, it is overwhelming the changes that are expected to go into effect. Everything that we currently use for monitoring, reporting, and validation purposes will change. Along with interpretation of the new rules and understanding how each test works, and the factors that apply to each test will have a major impact in our overall performance for CRA and in our existing CRA program.

The bank is encouraged by the idea of having a bright line test, to model our p CRA program and to know where we stand at any given time, and not having to wait until exam time to see what our overall rating will be. The idea of having to collect geo coding for all our deposit accounts as well as reporting for all consumer loans is big for a community bank. The bank does not currently collect and monitor geo coding or any of the other reporting fields for these products as well as the complex changes associated with all existing reporting requirements.

The proposed Performance Measures evaluating the bank in each of its assessment areas as well as the bank as a whole does cause concern because of the understanding that if you don't pass all tests in all categories that the overall CRA Rating will be a "Needs to Improve" or "Substantial Non-Compliance" rating. The bank's Performance Context will come into play, but it is left to the interpretation of the examiner and the purpose of the new and better "bright line" test is lost in the overall purpose of the proposed rule. The complexity and understanding of the rules as proposed will be an ongoing challenge, especially at this time only having one (1) full time employee assigned to manage and monitor CRA performance.

Bank of Utah continues to be committed to serving and giving back to the communities we serve, and to the people that keep us in business. It is difficult to understand with the proposed rule as presented, if all of the changes, and if all the effort that will go into providing the new and improved results, if banks as a whole will be doing a better job at serving our communities and in satisfying the overall intended purpose of CRA?

Bank of Utah being regulated by the Federal Reserve is in support of all three (3) agencies the OCC, FDIC and Federal Reserve joining and coming together in agreement with one (1) CRA Modernization proposal. By the three (3) agencies considering the suggestions and recommendations received from the response to the NPR from many banks that vary in size and business model and to provide consideration for all with some changes in making this CRA Modernization proposal a reality.

Proposal Includes Four Key Areas:

1. Qualifying Activities:

The idea of having a detailed listing of activities is welcome, but as the list has been reviewed, it is still somewhat vague and left to interpretation.

The idea of submitting a Community Development idea to the agencies to determine if the activity qualifies is a great idea, except for the 6 month response time is extremely slow, and determination to move forward would have to be considered prior to the 6 month time period as described in the proposal. Requests for qualified CD loans, investments, donations and service hours are constant and fluid and will not be placed on hold for a 6 month waiting period; this time frame should be re-evaluated to accommodate customer and borrower requests.

Another concern is with the qualifying factors is that many of the activities listed are not activities that are located within the bank's market or assessment area for credit. The state of Utah has had a very good economy, with solid employment numbers. The state

is also unique with its low minority population, and does not have access to some of the criteria listed such as distressed or underserved areas or Indian Country.

Bank of Utah’s assessment area includes five (5) MSA’s with seven (7) counties. In each of these counties there are not any tracts for the current year or the prior year that are located in a designated “distressed” or “underserved” census tract. The census tracts for each county within the bank’s assessment area are listed as follows:

County Name	Total Census Tracts	Low Census Tracts	Moderate Census Tracts
Cache	26	2	5
Box Elder	11	0	4
Weber	50	5	16
Davis	64	0	10
Salt Lake	212	7	51
Utah	128	10	17
Wasatch	5	0	0
Total:	496	24	103

Only 2.5% of our census tracts are located within a low or moderate tract income area. With these facts, and with the high population of banks located within the state of Utah, it can make it challenging and very competitive in our market area to target the changes in qualifying activities as proposed. The assumption is this is where the performance context would play a key role, but as stated previously would be left to the interpretation of the examiner, and takes away from the “bright line” test.

Affordable housing is a hot topic all across the United States as well as within the state of Utah. We are concerned that the NPR is limiting efficient tools currently in place to assist banks in serving this dire need.

Under the NPR the calculation of the value of qualifying activities includes a doubling of the dollar value of certain community development activities, including for some investments and loans. However, community development investments in mortgage-backed securities (MBS) and community development investment in municipal bonds would not be subject to the multiplier. This has the effect of discounting the value of these CRA-qualified activities by 50 percent.

No longer including economic development as part of the Community Development (CD) Test, will affect our bank’s CD qualified loans significantly. For example, in this exam cycle which is almost a 3 year period, we have 50 loans identified to qualify for Community Development purposes categorized as follows: *(numbers may be included in more than 1 category)*:

- Economic Development – 28 loans
- Job Creation/Job Retention – 17 loans
- SBA 504 – 14 loans

The definition of Economic Development is the process by which a nation improves the economic, political, and social well-being of its people within a community according to targeted goals and objectives. That is the exact purpose of what CRA is and what the community development test provides by including "Economic Development" in its qualified activity list.

The idea of receiving credit for all community services that the bank provides is exciting. Removing the requirement that CD services must be related to the provision for financial services to receive CD credit is a bonus. Thank you for this consideration. Bank of Utah is involved in the community and provides many hours of service that is not currently receiving CRA credit because of the 3 part test, and the "provision for financial services" requirement.

Calculating Qualifying Activities:

The proposal suggests banks evaluated under the general performance standards would determine their "presumptive ratings" at both the bank level and in each assessment area. The hair cut provided by the retail loans originated and sold within 90 days, only 25% of the value of the loan at origination is included; this will have a significant impact for the bank to meet the presumptive rating test in each assessment area. A preliminary calculation was completed for this test and the suggested haircut does not affect the bank at the bank level as a whole, but it has a negative impact in each assessment area because if the test in each assessment area is not passed every time it results in an overall negative CRA rating. Please consider re-evaluating this portion of the proposal, and allow for more credit.

2. Assessment Area

Bank of Utah has evaluated our deposit base and have determined based on our domestic retail deposits that the bank will continue with reporting as a facility-based assessment area model. This standard will continue to work well with our business model and the way we are structured to do business within the state of Utah.

We are appreciative of the flexibility within the proposal that while still meeting the local community needs, providing the bank the opportunity to serve other communities with distinct needs that are conducted outside of our assessment area. This addition will definitely have a positive impact for our bank.

3. CRA Performance Measurement

The CRA Measurement will have a significant impact on the Bank of Utah's CRA performance moving forward. With the changes the way data is collected i.e., from the call reports, average month-end balances, and not including 100% of mortgage loans originated if sold before 90 days; instead of the existing HMDA reporting data, and loan origination reports will create a significant learning curve and adjustment for our bank to implement all of the controls and reporting requirements that are to be tracked and monitored monthly, quarterly and annually by each assessment area and for the bank as a whole.

In reading the proposal, it appears the agencies took some time in understanding the effort it would take to implement the new requirements and with both the geographic test, and borrower distribution test the end results will be positive. The challenge is getting there. With all the multiple calculations and multipliers and when items do qualify and don't qualify is hard. Interpretation of the rule for the bankers will be ongoing and ever changing.

4. Data Collection, Record Keeping and Reporting

The reporting requirements associated with the CRA proposal are huge. To have to gather and compile the detailed information on a monthly basis for each assessment area is a big deal. Especially where the rule as written has no similarities to the way we collect and maintain CRA data now.

It has been stated many times in the proposed rule that the agency "understands" that the proposed data collection, recordkeeping, and reporting requirements would require upfront changes that will result in increased costs, particularly for smaller banks. The impact is significant for a community bank our size with only one (1) FTE that manages and runs the CRA program as it is today. Employees in a community bank wear multiple hats, with the proposed rules implemented as stated it will have significant cost impact in the following categories:

- Additional employees
- Systems – Software – IT
- Reporting
- Monitoring
- Validating
- Training

Every report that is currently used for tracking will have to be adjusted or re-written to meet the new requirements. The bank is not currently collecting any of the data points required for domestic deposit accounts and consumer lending products. Making these changes and validating the data for accuracy is huge.

The current CRA program as written has been difficult and is still difficult to train and have employees gain an understanding and to receive buy in for what is and is not required and when. Adding the new calculation measurements will be an additional hardship to train and teach employees how CRA works if the proposed rule is put into effect without additional clarification.

Conclusion

Bank of Utah is in full support of the comments made by the American Bankers Association (ABA) and the Utah Bankers Association (UBA). Both associations have spent numerous hours and put tremendous effort in working with the bankers and understanding the issues and bringing our opinions to the table.

Many factors and opinions will go in to making the final decision with CRA modernization. Your time and efforts in listening to our thoughts and comments are appreciated. Bank of Utah is looking forward to the improved up to date CRA implementation and it keeping up with the many changes in the banking industry and in the agencies assisting our efforts in reaching out and providing service and products to all of our customers, and having a positive impact on LMI individuals and families in the communities we serve.

Sincerely,



Liz Warner
Vice President
CRA/Lending Compliance Officer