



Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429.

RE: RIN 3064-AF22 Reforming the Community Reinvestment Act Regulatory Framework

Dear Sir:

Inland Bank is a FDIC regulated community bank. Located in the following six counties of Illinois – Kane, Cook, Will, DuPage, McHenry and Lake. Our asset size is approximately \$1.14 billion, and we are a commercial bank. This letter is in response to the OCC and FDIC joint CRA related Notice of Proposed Rulemaking (NPR) published on January 9, 2020. The bank hopes this regulation continues as a joint effort with all regulators including the Federal Reserve and the National Credit Union Administration.

We have always been committed to meeting the needs of the community. For example, last year our organization completed more than 706 CRA qualified service hours and donated over \$60,000 to qualifying organizations targeted toward benefiting CRA needs. Our comments are focused on having the ability to give more to our community organizations, especially during these COVID-19 challenging times, through an improved Community Reinvestment Act.

All of our efforts are done with a great sense of pride; however, the complex CRA regulation focuses more on accomplishing number goals versus assessing and serving the needs of the areas we operate in. We also do not believe the regulation has kept current with the technological trends that can offer products and services to a variety of individuals throughout broader service areas.

The following are some specific examples of areas that can be improved within the NPR.

1 – As mentioned earlier, the focus is not on assessing and serving the needs of the community because financial institutions will be required to expand data collection and reporting. There will be challenges with a major increase in number of hours and extraction of data from a variety of systems combined into one report. There were estimates in the costs presented in the proposal that are not substantiated by actuals costs for initial and ongoing implementation.

- Our recommendations include:
 - Conduct a pilot program in which the proposed framework is implemented and tested against some banks, along with an evaluation of these banks under the current rule.
 - Forming an interagency taskforce of regulators and bankers with specialized, in-depth expertise in bank data systems, CRA regulations and reporting, and Call reporting to develop CRA data reporting requirements that support a more realistic regulatory framework.
 - Banks should be given credit for originations and purchases as opposed to the amounts on balance sheet at the end of each month. Use the CFPB HMDA and FFIEC CRA annual data versus call report numbers.

2 - Under the current rule, Section 345.26(b)(2), there is the evaluation of the percentage of loans and, as appropriate, other lending activities located within the banks assessment area. Further clarification is located within the 2016 Interagency Questions and Answers Regarding Community Reinvestment Act, that “if the percentage of loans is less than a majority then the institution does not meet the standards for satisfactory performance only under this criterion”. We realize that there are other factors considered within a satisfactory rating; however, the percentage of loans requirement is one of the pillars that sets the stage for the performance criteria.

With today’s high-tech environment, the 1974 definition of assessment area is no longer relevant for this evaluation. Individuals can open deposit accounts and apply for loans from anywhere within the digital universe. Our hope was a change to the assessment area would increase our opportunities nationwide, however with the proposed faculty based and deposit based assessment areas there appears to be no direct benefit to a community bank with a nationwide mortgage line of business.

The deposit based assessment areas which have an initial prerequisite of 50% of our deposits outside of our facilities and each area containing at least 5% of our retail domestic banking, make this model unobtainable for our bank. In the end all we will have is the same facility based assessment area that currently exists

- Our recommendation:
 - Rather than create a new format for assessment area or cause additional unnecessary analysis of the entire digital universe, the in/out ratio requirement should be eliminated from the performance criteria. In addition, there is a difference in the interpretation and importance placed upon this performance criteria between regulators, which makes it difficult from a competitive aspect.

3 – As part of the strategic plan, we evaluated peer banks within our areas and used similar products, counties, and asset size as our selection guideline. When meeting with the FDIC we were given peers that they felt were a closer comparison to our organization. Upon review, some of these organizations were almost 3 times our asset size at their last exam. The NPR took a similar approach as the FDIC and will compare us to all banks within our assessment area, without consideration to size or function. The peer comparator threshold would compare banks that are not true peers. Community banks will be unfairly compared to the performance of larger banks with far more capacity.

- Our recommendation:
 - Create a fair peer comparator for community banks by allowing the banks to define their competition based on the banks strategic plans and exam performance context of historical CRA data.
 - Currently any comparisons performed by the bank are on historical data, which is produced when the regulator publishes our peers’ exam reports. This method is more realistic than the real-time method proposed in the NPR.

4 - Mortgage loans made to borrowers in LMI areas should count toward a bank’s CRA efforts regardless of whether the loan is held or sold. We make those loans to benefit the community and then turn around and sell those loans in order to further benefit the community by making more loans. Making this cut will reduce the ability for community bank to fully serve their assessment area.

- Our recommendation:
 - Remove the proposed reduction in credit for loans sold within 90 days and give full credit to investments with mortgage back securities that are maintained on the banks books for one year and longer.

5 - Requiring banks to set a monetary value for community development services for purposes of computing the CRA Evaluation measure would be difficult and might not recognize the true value of the service to the organization.

- Our recommendation:
 - The agencies should incorporate volunteer service into the institution's performance context.

6 – Just as the CFPB did with TRID, examples of completed calculations and forms would be beneficial tools for banks during this transition period.

- Our recommendation:
 - Regulators should provide multiple examples of how the CRA Evaluation measure would work in practice. Regulators should also provide electronic copies of all formulas/calculators to be used by banks and examiners.

7 - We strongly support the creation of a publicly available, non-exhaustive, illustrative list of CRA-qualified activities, as well as a list of activities that do not meet the regulation's criteria for being CRA-eligible with the following improvements.

- Our recommendations include:
 - The list should be maintained on an interagency basis.
 - The agencies should make clear that examiners should not view CRA-eligible activities as being limited to those that are on the list.
 - Regulators should solicit public comment on the types of activities that would receive automatic credit.
 - The agencies should specify that a bank holding a loan or investment that is removed from the qualified activities list will continue to receive CRA credit as long as that loan or investment is held on the bank's books.
 - The list should be searchable and organized by topic.
 - We support the establishment of a process that would allow banks to confirm with their regulator whether a proposed activity would receive CRA credit. However, six months is too long of a turnaround time in the preapproval process.

8 - We generally support the increase in the loan amount cap to \$2 Million. However, there should be some further consideration given to the full impact of these change.

- Our recommendation:
 - The performance standards should count small business loans secured by residential real estate. The NPR continues to rely on specific Call Report lines that exclude loans to small businesses secured by personal real estate. Thus, the NPR would arbitrarily



exclude from a bank's CRA assessment loans to small businesses secured by personal real estate, unless the bank could show it took the real estate as collateral out of an abundance of caution.

- Currently a loan that meets the definition of a small business loan cannot be counted as a community development loan. Thus, banks currently count small business loans with originations over the \$1 million cap as community development loans, if they meet the size and purpose test. We are concerned that the NPR will prohibit counting a loan that meets the small business loan definition as a community development loan – and given the increase in the origination cap to \$2 million, banks may have difficulty meeting the 2% minimum community development requirement. Consider clarifying in the final rule that banks have the choice to count a small business loan either in the bank's retail lending distribution test or in their community development activities.

9 - While we appreciate the intent to address gentrification concerns we would like to think there is a better way to address this issue instead of granting no CRA credit for loans to non-LMI borrowers in LMI areas. Studies have shown that LMI individuals and families benefit from residing in mixed income neighborhoods so we believe that lending to all borrowers in an LMI designated zone provides benefit to the entire community.

- Our recommendation:
 - Remove the deletion of no CRA credit for loans to non-LMI individuals in LMI areas.

10 - Credit unions, which receive significant government benefits to serve LMI individuals, should be required to demonstrate through measurable standards that they are meeting their service obligations.

Sincerely,



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