



April 27, 2020

Mr. Robert E. Feldman
Executive Secretary,
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20129

Attn: Comments

Re: 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

Attn: Comment Processing

Via email: cra.reg@occ.treas.gov

Re: Proposed rulemaking regarding the Community Reinvestment Act

Dear Sirs and Madam,

Central Bank supports the overall goals of the Community Reinvestment Act and appreciates the opportunity to submit the following comments on the proposed changes in the implementing rules and ways in which we believe the programs could be further improved.

We are a local community bank that is committed to serving our community to help meet their needs. Our institution, as all community banks, makes it a priority to put the needs of our community first and foremost. It is a lifeline to how our company runs. Central Bank's employees spend many hours each year participating in local programs, and we make it a point to donate to several educational and civic organizations throughout our county.

Before turning to our specific comments, we fully support and join the comment letter submitted by the American Bankers Association (ABA) and the Utah Bankers Association (UBA). The following comments are intended to supplement those letters.

Removal of the Intermediate Small Institution

As a current Intermediate Small Institution we don't agree with the restructure of intermediate small institution designation. The proposal states that a small bank is an institution that had assets of \$500 million or less in each of the previous four calendar quarters. In our opinion an institution that crosses that threshold does not have the resources, programs or time allocated to adequately collect and report the data that is expected of a larger

institution. The threshold asset range for a large institution would then be \$500 million and above. We do not feel that smaller institutions should be compared as a peer to a multi-trillion dollar institution. We feel that the threshold needs to be adjusted and raised to 1 billion at a minimum and propose that it be raised to 3 billion.

As stated prior we are one of the 139 intermediate small banks supervised by the FDIC. Our institution will be significantly affected by these proposed changes. In the proposal, they estimate that the annual cost will be hundreds of thousands of dollars, as well as thousands of additional hours of data collection for a small entity subject to the new general performance standards. In the bank we wear multiple hats and we would have to exponentially grow our staff to meet the requirements as proposed.

Under the proposed ruling, this would be a major change and challenge for our staffing, IT processes and programs with an enormous cost associated to it. For that reason, we strongly oppose eliminating the intermediate small institution designation and ask to reconsider the asset thresholds that are identified in the proposal.

Regulatory reporting and data gathering

As a community bank we do not understand or agree with the proposed data gathering and reporting requirements in the Notice of Proposed Rulemaking (NPRNPR) relating to the Community Reinvestment Act (CRA). Gathering and reporting this data will be very expensive and time consuming for an institution of our size.

As a bank, we feel that there is no added benefit to our community or to us as an institution. By focusing our current resource on major data collection and monitoring we will inadvertently be taking resource away from the community we serve. Although we as a bank already have some of the data currently, such as depositors' addresses, we do not have systems in place to select, compile, and report the data that the rule will require. In many cases this data is in a physical form and not compiled electronically. In some cases, data will need to be extracted from hundreds of records in several different programs.

The amount of resources a bank can devote to CRA is limited by simple economics. The cost will be significant for every bank, and it will be a cost that only banks incur. The costs that only banks incur which will increase the competitive cost advantages nonbank competitors, such as credit unions already enjoy. Regulators need to more carefully evaluate how a bank's ability to develop and maintain CRA programs is dependent on its ability to compete generally and how unique costs such as this will erode the viability of its business.

We respectfully suggest that data gathering and reporting should be required only to the extent necessary to validate that a bank's products and services qualify for CRA purposes.

Economic development and job creation

The proposed rule will eliminate job creation and other kinds of economic development that helps LMI people and communities. This is a key part of our current CRA program this

would represents a huge change in our program that has been well received and credited by examiners for many years.

Small businesses have traditionally been the largest creators of jobs in the US, and it would be contrary to the policy of CRA to eliminate to small businesses that promote job creation, retention, and/or improvement for LMI persons or in LMI areas.

For that reason, we as a community bank, strongly oppose eliminating job creation as a criterion for qualifying a community development loan. Creating jobs is perhaps the most impactful way to address the problems of LMI people in our community. Since one stated goal of the proposed new regulation is to expand what qualifies for CRA purposes, we believe eliminating job creation is counterproductive to that initiative.

Job creation is a key part of CRA programs among our community bank and our business model. Eliminating that category will essentially require us to terminate our current CRA program and develop an entirely new program from scratch. We do not understand the justification for such a significant change. The benefits to LMI communities are clear and examiners have found our program satisfactory or outstanding. Such a drastic change requires more consideration and justification.

For these reasons, we believe that banks should continue to receive CRA credit for (1) financing small businesses that promote job creation, retention, and/or improvement for LMI people and communities, and (2) by financing intermediaries that invest in or lend to start-ups or recently formed small businesses. These “economic development” provisions should be added back into the NPR in their entirety, both in the text of the regulation and also to the list of qualifying activities.

Community service hours

As a community bank, we are excited that the proposed rule is looking to be able to qualify more services than what has been considered in the past. However, we feel that it would be very difficult to calculate the “value” of compensation for the type of work performed in our community organizations. With respect to qualifying services, the current framework does not quantify their value, and the agencies undertake a qualitative analysis of the range of such services. Value is the quality of service given and not a qualitative calculation. When we as a financial institution document the type of service, how it qualifies, the location of service, and the hours of services that we are currently collecting, then the added value should be the report back from the ones who were served as to how the financial institution has helped them.

Measuring service under a “value calculation” will take away from the real purpose of CRA service. It sets up a type of class warfare, a board member service counts more than a committee member service and banks will place more executives in community service just to meet the service ratio needed to pass the service test. In reality, I can argue that committee service is more important than a board position. A board does set the direction of the organization; however, the committee service represents the “boots on the ground”. Committee service touches the lives of individuals, not the board service. You will end up with

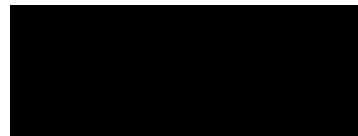
only a handful of executives directly serving people because their “value” on a board position will earn the bank significantly more points than a teller serving on a committee, where the real work is performed.

For these reasons, we recommend pulling out the CD services calculation of quantitative “value” from the equation. Let it stand alone as number of hours served by comparing the number of employees serving to the total number of full-time employees of the financial institution listed on their Call Report and compare those figures to the institutions peers.

Conclusion

We encourage you to seriously reconsider your proposal the way that it is currently written. We’ve pointed out some key areas that will majorly affect our CRA program with no added benefit to us as an institution or the community we serve. Community banks have also played a large role in recent efforts to alleviate some of the burdens that small businesses and employers are experiencing due to COVID-19. By our very nature we are community oriented and the life blood of our community by definition should not need to be subject to very expensive and time consuming requirements just to prove who we are intrinsically. We appreciate the opportunity to submit these comments and hope you find them useful.

Sincerely,



Mark W. Packard
CEO and President