



April 8, 2020

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Attention: Comments, RIN 3064–AF22

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E–218
Washington, DC 20219
Docket ID OCC–2018–0008

Re: Community Reinvestment Act Regulations

Dear Madam or Sir:

City Holding Company is a \$5 billion bank holding company headquartered in Charleston, West Virginia, and is regulated by the OCC. Operating under the holding company as City National Bank of West Virginia ("City"), City has been delivering innovative, superior financial solutions for 60 years by proudly serving business and retail customers across West Virginia, Kentucky, Virginia and Ohio. City's commitment to personalized service and community support has earned it a spot as one of the most highly-rated community banks in the country. Our commitment to our customers goes well beyond serving their financial needs. We serve our communities through many charitable contributions, volunteerism, financial education efforts and developing special products that meet the needs of those in all of our communities.

We appreciate your leadership and hard work towards drafting a proposal on which stakeholders can provide feedback on the proposed changes to the Community Reinvestment Act ("CRA"). With very few changes made to the regulation in over 40 years, it is long overdue to include more modernized considerations. However, we urge all three banking agencies, the OCC, FDIC, and Federal Reserve to develop a final CRA rule that is issued on an interagency basis in order to create a more transparent and synchronized set of rules.

We are committed to the goals of CRA and to meeting the credit and financial services needs of our customers and communities. City supports hundreds of charities annually, including social service agencies, community and economic development groups, cultural and arts organizations, and other programs that address the specific needs of the communities in which our customers and employees live and work. Additionally, many of our employees serve in our communities by giving of their time and talent each year. City employees volunteer for a variety of organizations and community events, and many serve as trustees, directors and advisors on boards for local organizations, many of which serve

low-to moderate income families. We believe it is our responsibility to play a role in the financial education of children and adults throughout our communities. Our employees spend time in classrooms of children of all ages through various banking education programs such as Teach Children to Save and Get Smart About Credit. Over the past decade, City employees have taught over 76,000 children and adults about banking, good savings habits, and identity theft protection.

We support the NPR's ("Proposal") focus on transparency, objectivity and clarity. The need to update the CRA has existed for quite a while. The current CRA regulation has not kept up with the way the consumers expect to use technology when accessing financial products and services. The language and terms used in the current regulation have specific meanings that often are not consistent with the generic definitions. Moreover, there are frequent exception to the rules. Many times, examiners make reference to their own policy that fills in areas of ambiguity, but is not made available to bankers for future reference and use. There is also much ambiguity in terminology, which causes much confusion. The reality is that understanding CRA really requires regulatory expertise beyond the realm of the ordinary community banker.

In the NPR, the agencies solicit input on a number of issues related to the proposed CRA evaluation measures, retail distribution tests and Community Development ("CD") minimums. While we are broadly supportive of the NPR proposed strategy, there are specific components of the Proposal that we feel must be modified to ensure low- and moderate-income ("LMI") community access to credit and banking services, maintaining flexibility for individual banks, and help reduce compliance costs and burden associated with the Proposal. Listed below are several of our concerns within the Proposal that we believe need to be redesigned or modified prior to final rule implementation.

Assessment Area Delineation

The NPR makes four major modifications to the regulations regarding assessment area configuration. First, the NPR mandates what it calls a "deposit-based" assessment area in addition to the existing "facility-based" assessment area definition. Second, the NPR proposes restricting the smallest assessment area configuration for deposit-based and facility-based areas to counties, MSA's, MD's, statewide non-MSA's or states. Third, the NPR proposes restricting the changes of assessment area configuration to no more than once during an evaluation period. Fourth, the NPR, by restricting assessment area configurations to "whole" MSA's, MD's, etc., implicitly would change the flexibility inherent in the prevailing regulation that forbids only substantial overlap of an MSA, MD or non-MSA to MSA boundary.

The mandate in situations where a bank has more than 50% of its domestic deposits outside its facility-based assessment areas for banks to delineate assessment areas based on the smallest geographic area where it has 5% of its deposits could theoretically lead to the annexation of extremely large defined communities, which could never be less than an entire county, but in some situations may embrace an entire MSA or statewide non-MSA, or even an entire state, even though the bank would not have a single deposit-taking facility in any of those areas. The "distribution" measurements under those circumstances could be driven by enormously wide demographic and loan markets that would precipitate completely unrealistic benchmarks for the distribution tests. Another problem with deposit-based assessment areas is it would place banks at a potentially serious disadvantage compared to banks with deposit-accepting facilities in the community. There is nothing in the proposed regulation to recognize those serious disadvantages when the performance standards are applied to the CRA "distribution" tests for deposit-based assessment areas.

It is imperative that the regulations allow more flexibility in delineating assessment areas for CRA evaluations. Financial institutions should be expected, however, to maintain a consistent assessment area format, such as customer base and/or geographic base, throughout their evaluation period to allow for more efficient analyses and better planning for CRA banking professionals as well as examination staff. Financial institutions should also be expected to continue to serve the credit and CD needs of their local communities that is consistent with safe and sound banking practices.

Performance Benchmarks and Metrics

The adoption of an overall “metric” that would somehow measure and represent an institution’s overall CRA performance is not recommended. Such a metric system would be hard-pressed to allow for performance context consideration and qualitative factors that impact CRA performance, which could result in an unnecessary and complicated overlay to an institution’s CRA performance measurement. In addition to data considerations for tracking CRA performance, which presently are not required for many institutions, weights for CRA-related activities would have to take into consideration local economic conditions, loan demand, loan sizes, the existence of CD opportunities, etc.

Given the multitude of the different sized communities served by our bank, it would be a daunting exercise to establish precise metric requirements that would also be fair. Instead, the regulations should be expanded to include specific performance goals, including lending activity compared to demographic data; qualified investments compared to tier one capital or total assets; CD loans to tier one capital or total assets; and a measure of required CD services. Examiners typically use such benchmarks in their analyses, but the agencies have not revealed those benchmarks or even acknowledged that they exist. A proposal to include such benchmarks could establish ranges of activity to be considered as evidence of satisfactory and outstanding performance. These performance goals should continue to include flexibility for performance context constraints. Finally, these goals should not change during an evaluation period.

Qualifying Activities

We appreciate the agencies’ focus on providing transparency and clarity on what activities qualify for CRA evaluation, as well as the commitment to provide a mechanism to validate new activities and updating a list of qualified activities on an ongoing basis. We also appreciate the agencies’ acknowledgement that if an activity is qualified, it will remain qualified for the duration of the exam cycle. However, the approval time of six months to determine whether an activity will receive credit is far too long. We believe that this time frame should be adjusted to thirty days, and no longer than sixty days to receive a response, so that a decision can be made to include, or exclude, a particular activity within the bank’s current exam period.

We support the agencies in being open to considering activities that are not specifically listed in the Proposal. There are often opportunities for banks to impact their communities that do not necessarily fall within traditional lending products and measurements. Again, we support a timely (less than sixty days) and effective response system for evaluating such activities and believes that these activities could have a tremendous impact on communities of all sizes.

Recordkeeping

The data capture and reporting requirements necessitated by the Proposal are significant. As the agencies have acknowledged, most of the information required by the Proposal to evaluate an institution’s CRA performance is not currently captured or reported by financial institutions. To accommodate the Proposal, financial institutions will be required to make modifications and

enhancements to all of their loan origination systems in order to designate a loans' CRA status , and maintain those designations through the life of the loans. The costs associated with the development of the capabilities to capture the information and maintain quality of the data will be significant, and we do not believe these added costs and reporting complexity will result in any incremental benefits to the communities. We believe that the agencies can accomplish their stated objectives of providing transparency and clarity to the exam process and increase lending and investments in LMI communities by focusing on origination volume for the purposes of calculating the CRA Evaluation Measure. This would largely eliminate all new reporting requirements for the industry, reducing costs, complexity, and compliance burden, which the majority of the information is already collected and reported.

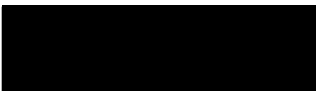
Reporting

Lastly, Section 25.3 (b) of the NPR would require banks to annually report their self-calculated presumptive rating. We do not believe this requirement meets the agencies objective of clarity and transparency. In fact, we feel that interim presumptive ratings will lead to confusion and frustration. The Proposal envisions a 3- to 5-year exam cycle and the CRA evaluation measure, and ultimate rating, is based on the average of performance over the exam cycle. Given the varying nature of some of the activities that will be included in the CRA Evaluation process, the annual volume could fluctuate significantly. Calculation and reporting of presumptive ratings should be based on the entire exam cycle performance, not a partial period during the evaluation period.

The proposed rule is quite complicated and there are a lot of unknowns as well as some items in the text that require clarification. We believe that the agencies should conduct a pilot program in which the proposed rule is implemented and tested against some banks, alongside an evaluation of these banks under the current rule. At the end of the pilot program, the agencies might determine that some aspects need to be changed. A public report should be provided along with a comment period before any additional revisions would be finalized. We believe the agencies should share results of tests that have already been completed, including any spreadsheet models or other tools used by the agencies, to banks so they can replicate agency tests. Include the sharing of data that was used to make changes to the size of small business loans and small farm loans. Provide examples of how the transition period would be implemented. Discuss what type, if any, of support that will be provided to banks during the transition period as they grapple with new assessment areas, new substantive data collection, while also being evaluated under the current CRA regulation. At a minimum, the agencies should provide outreach and training that would demonstrate how the revised rule would be applied an implemented, while keeping the comment period open.

Thank you for considering our suggestions.

Sincerely,



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City National Bank of WV
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