COMMUNITY BANK

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EXECUTIVE SECRETARY

Thursday, February 20, 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:

Thank you for your leadership and foresight concerning Community Reinvestment and the need to update the regulation's oversight process for the 21st Century. We at Community Bank of Mississippi strongly feel that to best serve our communities in the changing banking and technological environment, we need to adapt our products and services as well as the tools we use to deliver them on a continuous basis. We are excited to see that you share the same type of vision for adapting the regulatory oversight process.

Community Bank of Mississippi is a $3.3 billion commercial bank operating from over 50 offices in four states throughout the Southeastern U.S. We offer a wide variety of consumer, housing and commercial products. We pride ourselves on being a leader in community development and were recently recognized as such in our FDIC CRA examination. Our extensive community development efforts have given us insight in the most productive ways we can serve the needs to low- and moderate-income people and families in our communities and how we can promote small business creation and economic development.

The need to modernize and update CRA regulation and supervision is evident. These two areas have become overly complex and have not kept up with the way consumers expect to use technology to access financial products and services. The need to update and adapt will only increase as technology and consumer expectations continue to change. We appreciate the agencies efforts to both update and adapt the CRA regulation and performance context.

In this process, we applaud the agencies' recognition of the variety of ways we strive to promote community development. Thank you for the proposed expansion of qualifying activities that better reflect the ways we promote small business development, affordable housing, economic recovery and expansion, and the growth of minority and women-owned businesses and farms.

In reviewing the proposed CRA regulation changes, there was one particular area that we would like to voice our recommendation for. We strongly appreciate the agencies' efforts to better quantify the assessment of CRA performance and to reduce subjectivity. However, we believe that applying one threshold for performance to all banks will not provide an accurate measure of each bank's true performance. While it may be fair to assume that a well-established bank in a market which sources a large volume of deposits from that market will "pass" if the number of its loans to low/mod census tracts is equal to 55% of more of the market's demographic data in low/mod tracts, that benchmark does not seem fair to a newly-established bank in the market, particularly one that has a very small share of the market's deposit base.

In addition to establishing lesser thresholds for newer banks, we also suggest the agencies define time frames for expanded thresholds. For example, a bank with an office in a particular assessment area may only be expected to reach 5% of demographic data in the first year, 10% in the second and so on. We feel that a comparison to "peer" in this case is flawed by definition since there can be no true peer of a newly-entered institution into a market. No two institutions new to a market face the same challenges with staffing, finding suitable office locations, and making contacts in the community.

Furthermore, we feel that defining a bank's "peer" group needs attention. Currently, for many comparisons, regulators use all lending institutions originating between 50% and 200% of a bank's number of loans. A peer group defined like this can include institutions with 30 or more offices in an assessment area down to an internet lending institution with no offices and no deposits. How can these types of lenders be true <u>peers</u>?

We understand that the agencies are adapting the performance criteria to expect an internet bank to fulfill CRA responsibilities in areas where it may not have physical branches but from which it may gather deposits, is it not also logical to apply a high level of importance to geographic source of deposits even in areas where a bank has a physical location? If a bank has not been successful in gather a significant percentage of the area's deposits, why should it be held to a similar standard as other banks who may hold a much larger percentage of the area's deposits and/or have many more offices?

Again, we thank you for the considerable time and effort you are expending on improving the CRA regulation and performance criteria. And we thank you for the opportunity to comment. We understand the challenge of tailoring the performance criteria to reflect the wide array of financial institutions subject to the regulation. Please accept our suggestions as an attempt to help with that process.

Sincerely,

[redacted]

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