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March 30, 2020

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

Re: FDIC RIN 3064-AF22 Proposed Changes to Community Reinvestment Act

Dear Mr. Feldman;

I am submitting comments regarding the Notice of Proposed Rulemaking regarding the Community Reinvestment Act. While our bank is in support of some of the changes, we are opposed to several others because they represent a drastic shift from a qualitative evaluation to a quantitative evaluation measure. Dollar amounts certainly are important, but not to the exclusion of the qualitative measurements that demonstrate the impact of the dollars spent on the low and moderate or economically disadvantaged populations we serve.

The discord between the agencies regarding the proposed changes for CRA is disturbing and creates a fragmented CRA environment that could also bring about regulatory chaos for not only the banks, but for those individuals that the CRA regulation was implemented to protect. It is critical for the agencies to be in full agreement of the changes to the CRA regulation before they are implemented.

The proposed changes have many flaws and there are several parts that are not clearly defined. It has been our experience that when interpretation is left up to the judgment or discretion of the examiner, it poses problems for banks. This in turn poses problems for low and moderate income individuals and small businesses or small farms because it delays or hampers the banks in understanding clearly what qualifies and what doesn't. Examiner judgment is based on their own personal opinion or experience, which does not always concur with the judgment of other examiners. The proposed changes will include a listing of qualified activities, which is good, but it may not be timely enough to add clarity to an exam. If transparency is the goal of reforming CRA, then leaving judgment up to the subjective option of the examiner will not achieve that goal.

We are concerned with the proposed changes that actually penalize a bank for not having a branch located in a low or moderate income census tract. This is an unrealistic approach. We have some instances in our footprint where there are no low or moderate income census tracts and others where the low or moderate income census tracts are located in a residential area that is not zoned to allow for the construction of a branch.



Member
FDIC

Those circumstances are beyond the bank's control, so why should banks be penalized for not having a branch located in a low or moderate income census tract? If the branch is located near a low and moderate income census tract and provides good convenience for the low and moderate income individuals to access the branch services, hours and products, the bank should not be penalized for not having the branch located directly in a low or moderate income census tract. Isn't the real intent and measurement to see whether the bank provides convenient access to low and moderate income individuals?

In some of our areas, there are higher pockets of people living below the poverty line but they live in middle or upper income census tracts because those are the only designations of the tracts in those areas. We make concerted efforts to reach those individuals, but we would still be penalized under the proposed changes because we don't have a branch located in a non-existent low or moderate income census tract area.

As for the list of qualified activities, that would be extremely helpful, but we question whether the agencies have sufficient staffing to manage such a list on a timely basis, or to answer questions we may have on certain activities in a timely manner. The proposal indicates that this list would be reviewed every 3 years or so, but that may not help when something was on the list but taken off. How will banks receive credit for those activities that were once on the "approved list" but are later not included if revisions to the list fall between exams?

The process for updating of the illustrative list should be consistent across all agencies and should be published on each agency's website, not the Federal Register. Again, our concern is that there would be insufficient staffing and resources to maintain a list relatively current.

Perhaps a formal training program on CRA for CRA Officers and regulators should be considered. Compliance Officers receive training for CRCM or CCBCO titles, but there really isn't a school or program for CRA certification. Sometimes examiners have admitted to us that they are asked to do a CRA exam but they usually don't get too involved with CRA itself so they are not up to date on CRA requirements either. There needs to be uniformity with regulators and CRA Officers alike and perhaps a formal schooling or program certification would help address that weakness.

Expanding broadband into rural areas that have low and moderate populations or who are underserved is included in CRA consideration, but technological efforts that are used to help stabilize communities and their workforce should also be considered. In one of our more rural areas, a major employer shut down, leaving most of the residents out of a job. While there were some low and moderate income individuals impacted by the closure of this employer, the majority of the employees who lost their jobs were middle income individuals. It was difficult for the area to attract new businesses because there was a lack of technological education among this population. An organization sought funding to provide new training to all the individuals who lost their jobs so they could find work in another field, and thus stabilize the community. However, we were not allowed to count our funding for this program in our CRA exam because it did not target low and moderate income individuals. It had a huge impact on the community. Sometimes it seems like "community" impact is left out of the "Community" Reinvestment Act. Technology is the future, so helping to fund incubators that foster technology training should be considered for CRA credit because it builds the employability of individuals within the community, which helps to stabilize the economic base of the community and provide jobs. It attracts new businesses, new residents, and helps to promote entrepreneurial activities. All of these things strengthens communities and makes them healthier and more stable.

Additional activities that should be included in consideration for CRA include housing that is specifically designated as “student housing”. Although there are clearly some students attending institutions of higher learning that are not low and moderate income, there are many studies that show the majority of students do fit that category. Many of our assessment areas have universities or colleges and our bank makes a considerable amount of loans to developers who strictly develop student housing for the universities or colleges. These apartment complexes are specifically designated as student housing and approved by the universities and colleges as such. As a general rule, we cannot count these units unless they are construction loans or specifically part of a city’s plans to revitalize or stabilize a low or moderate income area that is in close proximity to the campus. Most of these students work low wage jobs, but they play a vital role in the economy of the community. The apartment complexes and housing usually do not track income; only whether the students are registered at the university or college. The intent is that this housing is offered primarily to students, although to prevent discrimination, they are open to others as well. However, in most instances, it is college students living there.

We do a lot of mortgage lending and are opposed to the proposal that we would only get partial credit for the loans we sell. We understand the purpose for the agencies wanting to restrict the selling of loans from receiving multiple credits for making loans and selling loans, and for multiple banks receiving credit for the same transaction. However, when we sell loans on the secondary market, it frees up additional capital to make additional loans to low and moderate income individuals. We utilize several loan programs that target low and moderate income individuals and provide us a safe and sound means to extend them credit. Penalizing the banks for selling these loans by only giving the banks partial credit would dissuade banks from offering the programs. Perhaps there should be more incentive, including the compensation weight for the lenders, for making these types of loan rather than penalizing the bank for making the loan.

Our bank prides itself on community service – and we agree that the requirement to provide “financial expertise” in the community service we provide should be removed from the regulation. Many of the activities we do in the community benefit the low and moderate income individuals, but we have not been able to count those activities in our CRA exam because they did not lend “financial expertise”. However, building a Habitat for Humanity home and providing the manual labor for that project still benefitted low and moderate income individuals.

Additionally, we are heavily involved in helping grade school children learn to read because statistics clearly evidence that if a child cannot read very well by third grade, they fall further and further behind in school and are more likely not to graduate from High School or go on to college. That equates to having low or moderate income jobs because they cannot qualify for higher paying jobs. Efforts to *prevent* low and moderate income issues, such as teaching children to read, do not currently count in CRA exams because they do not lend “financial expertise”.

We therefore applaud the opportunity to include all activities that impact the economic outcome of the children in our community to help them have higher income and self-sustaining employment opportunity. This would include helping to provide financial support for activities that expose children to technology based employment. Financial literacy is an important building block for stable communities – regardless of income. Everyone needs to be better prepared for emergencies, learn how to save, learn how to budget, learn how to use credit wisely, and learn how to build their assets and self-sufficiency.

Finally, we do not think all banks are created equally, so one size does not fit all banks over \$500 million. Our products and services are different from institution to institution and are tailored to the needs of our communities. Certainly customers have some similar basic needs, but they also have different needs from area to area. Not every community is the same, and neither is every bank.

Please consider our comments in your proposal for changing CRA. It is imperative that any changes made to CRA remain true to the heart and the letter of the regulation to help the low and moderate income and economically distressed individuals of our communities, regardless of whether they actually live in a low or moderate income census tract.

Respectfully,



Amy Rhoads
President & CEO, Citizens Community Bank, a Division of Glacier Bank