FIRST COMMUNITY BANK
Division of Glacier Bank

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Apr 2, 2020

Mr. Robert 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 proposed changes, we are opposed to several other changes because they represent a drastic shift from a qualitative evaluation to a quantitative one. In addition, many of the proposed changes will be a heavy burden for banks until technology is updated, so banks will have to spend additional resources on reporting requirements instead of on activities that will help low- and moderate-income people. We feel that many of the changes do not remain true to the heart of CRA. The primary intent of CRA was to combat the practice of redlining and discrimination that significantly inhibited low and moderate individuals and families from becoming homeowners and achieving other socioeconomic levels. Because redlining and discriminatory practices predominantly impacts minorities and poorer populations, such practices are a detriment to building strong, healthy and vibrant communities where there is equal opportunity to thrive. We feel that many of the proposed changes will work against the intent of CRA and be too much burden for banks.

Some of the proposed changes are needed because the regulation is seriously outdated. We agree that the thresholds for Small Businesses and Small Farms should be increased to $2 million to keep up with the economic environment we have.

We agree with the changes to the countable service activities. We applaud the removal of the requirement to lend "financial expertise" in our volunteer activities within the community. Our bank prides itself on community service. 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". Removing this barrier will improve our ability to serve and encourage more service throughout the community where it is needed.

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 selfsustaining employment opportunity. This would include helping to provide financial support for activities that expose children to technology-based employment.

We are also happy that all financial literacy activities will now count, not just those targeted to low- and moderate-income populations. Financial literacy is an important building block for stable communities – regardless of income. With Bankruptcies and foreclosures on the rise, the general public need more education and support in financial literacy in order to help prevent poverty. 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.

The NPR inquired about other activities that should be considered for CRA credit. Although disabilities are not restricted to the poorer individuals in our communities, disability should be qualifying criteria for CRA. The disabled communities are notoriously underserved by the financial industry. While the ABLE Act has improved this situation, there is still need and opportunity to do more. This is a highly vulnerable segment of the population that is twice as likely to live in poverty; therefore, supporting programs and services that target this segment of the population should always qualify for CRA credit.

Additionally, Creative Placemaking efforts that link a low- or moderate-income area or a distressed/underserved area to other areas that are more economically sound should be included in activities that qualify for CRA consideration. Creative Placemaking brings together partners from public, private, non-profit and community sectors to strategically shape the physical and social character of a neighborhood, town, city or region to include arts and cultural activities. This type of collaboration helps to revitalize areas, rejuvenate structures and streetscapes, and improve local business viability and public safety while bringing diverse populations together. By so doing, it fosters entrepreneurial opportunities and cultural industries that create jobs, income, new products and services, attracts and retains unrelated businesses and skilled workers. It is an important component to building communities where all people with different backgrounds, socioeconomic factors, race and cultures, and ideas can be brought together to share opportunities and promote community growth and awareness.

We agree that assessment area delineation needs to be updated to hold banks accountable for online activity, but we are concerned that the technology isn't available to measure accurately. We are also concerned that the current proposal penalizes banks with physical locations. Due to technology, many banks have a larger reach outside where their physical locations stand. We agree in theory that banks should be required to figure out the physical locations of their customers and provide services in the areas that they live. However, we currently lack the technology to do this effectively. We can print a list of our current customers, but we would have to manually look up each address individually in order to find the census tracts. This is already time consuming for home loans and qualified loans that already require geocoding. The distribution tests in this proposal would require geocoding for almost ALL loans and ALL deposit accounts. This would slow down the account opening process and create a lot of extra work for account maintenance when people move and would create a lot more work for data that may not be accurate. Though it is good to see where your depositors live to assess branch openings and assessment areas, it is difficult to keep track of their physical addresses and may not be very accurate. Every month we have hundreds of pieces of returned mail from our customers- even with multiple alerts on the accounts about verifying the address if the account holder comes into the branch. People often forget to change their address, and those who come from low- and moderate-income households often move more often due lease terms, evictions, moving between family members, etc. Since most people try to stay in the same areas to be near friends or family, the majority of low- and moderate-income people will also stay within the same areas. Without knowing it, most will stay in the same Metropolitan Statistical Area- some within the same census tract or to a nearby tract with a similar socio-economic make-up (because that is where they can afford). Of course, banks should make every effort to keep their records up to date, but the distribution test for deposit accounts should be at the county level only (not the census tract), and if reported, should only be reported annually (not quarterly).

In response to the assessment-area delineation, we agree that counties should usually be the ideal unit of assessment area delineation, but there should be exceptions. In one of our areas at First Community Bank, we have one small branch in Draper UT (which is at the south end of Salt Lake County). Salt Lake County is a large county with 211 census tracts. Our market share in Salt Lake County doesn't even round to 0.00%. We strategize our budget to make sure that each area receives donations and services according to the asset size of the branch(es) in each area, but how are we supposed to meet the needs of the whole county?

We agree that we need to hold banks accountable who do a significant amount of business using online methods. Due to technology, all banks are moving closer to an online model, and their reach can now be extended further than before since many people use mobile banking and online banking and they need to visit a branch less often. Using a set % of deposit activity (saying banks with 50% or 40% of depositors in outlying areas) is flawed and penalizes smaller banks who may not have the resources to claim additional assessment areas while larger online banks who are doing the same amount of business in the area will not have to claim the assessment area because their deposit threshold for outlying deposits doesn't reach the required %. Moving to a market share approach to assessment areas would help, but also comes with many flaws. The FDIC currently only measures market share by branch assets in physical locations, not by the locations of depositors. Even if they reported market share by the location of depositors, it would still be tricky to set a certain market share. Each county is different and the % would have a drastic effect. If you say that any bank with over 3% of the market share must claim that area, it penalizes banks who have a physical branch in an area with a market share lower than 3% (like our branch in Draper). It would encourage banks to close smaller branches and operate in those areas only online. Conversely, if you set the market share % at 0.0001496% (the smallest market share in Salt Lake County), it could have a drastic effect in other counties. For example, in Wasatch county any bank taking more than $4k in deposits would have to claim that area as an assessment area. In Weber county any bank taking more than $35k in deposits would be required to serve those areas. First Community Bank does not have a branch in Weber or Wasatch counties, but if a market share % of 0.0001496 was set, we'd be required to take both of those areas into our assessment areas because our deposits in those areas would exceed 0.0001496% of the market share. This would deplete our limited resources even further. Another approach would be that any bank without a branch in a certain area must claim that area as an assessment area if their deposits in the area are greater to or equal to the deposits at the bank with a physical branch that has the lowest market share in that area. For example, in Weber County UT, the physical bank with the lowest deposit share is DL Evans bank with 0.03% or $639K in deposits in Weber County. Any bank who collects more than $639k in deposits from depositors in Weber County should be required to take Weber County into their assessment area. This approach would hold banks with online activity accountable without penalizing banks with physical locations. All banks would have the responsibility to know where the deposits are coming from and assess whether to open another branch or expand their assessment areas. This might make more work for the FDIC because they would have to publish the market share report in two ways- by market share of the physical branches, and by market share based on depositor location. This would also require new technology to help banks measure their deposit activities relative to the account-holder's address. This technology is not yet available and could be expensive to produce. Or for ease, you could say that any bank holding more than $1 million in deposit assets from depositors in a county without a branch should be required to take that county into their assessment area. $1 million is a significant-enough amount that if a bank is holding that many deposits in that county, they should be accountable to in that area for CRA activities.

We are also opposed to how the recommended changes treat all banks over $500 million the same. The agencies are making the standards and ruling more complex and confusing with all their formulas and the additional reporting that will be required. There are vague generalities, such as the term "significantly" which is used extensively in the proposal but there is no definition of what "significant" is.

Measuring the quantitative factors alone while neglecting the qualitative factors will make banks look for large dollar opportunities that really don't impact very many low and moderate individuals at the expense of more of the smaller dollar opportunities that will have greater impact. We understand the intent to hold banks accountable based on their relative size, but theoretically, this method also assumes that if you originate enough qualified loans that you don't have any responsibility to do any service or give any donations. In addition, it would be almost impossible to make up for the lack of qualified loans with donation activity and services. For example, First Community Bank has roughly $600 mil in deposits. To achieve a Satisfactory rating, we would need $36 mil to $66 mil in qualified activities. Since qualified loans are subject to a 2x multiplier, we would need $18 mil to $33 million in qualified loans. If we were only able to originate $10 mil in qualified loans, we wouldn't have any hope of making up the other $16 mil in donations and service. Even if we were able to originate $15 mil in qualified loans, we still would not be able to spend $6 mil on donations and service.

Though it's nice that the banks will have to create their own presumptive rating so they can better understand the reasoning behind the scores, the proposal includes many "measurement tests" and requires more reporting, which will be burdensome for banks and seems unnecessary- especially considering that the test is flawed and doesn't seem to accurately measure a bank's ability to meet the credit needs of the community it serves. HMDA is already a word that creates fear and trembling in our loan department because of the amount of time it takes to collect and report on that data, and the proposal would expand the number and types of loans that would require similar reporting.

We are concerned about the mentioned activities in "Indian Country". We have a couple Indian Reservations near our footprint – and we are willing and able to provide services to those living on these reservations, but we are hampered by the restrictions of the tribal governments themselves. The reservations are a sovereign territory, and there are restrictions that inhibit our ability to lend. For example, we cannot perfect liens on collateral, if the collateral exists, in the reservation. Foreclosure and repossession are issues when a loan goes into default. We cannot make the loans unsecured because most of the applicants do not qualify for unsecured credit. Making unsecured loans on the premise that the borrowers live on an Indian Reservation would be a safety and soundness issue because they do not qualify and present a higher risk due to the restrictions imposed by the tribal governments; and it is a discriminatory issue because we don't make unsecured loans to other unqualified minorities just because they need a loan. The only way we can currently serve "Indian Country" is through donations, investments and service activities such as helping them set up their own CDFI and funding the CDFI with EQ2 investments or other donations. We will continue to provide these services – but until we are able to properly perfect liens and act when loans go into default (including foreclosure and repossession when no other remedy is available), lending activities cannot be safely conducted. Banks should not be penalized for not lending in "Indian Country" when these conditions exist. We must be able to make loans in a safe and sound manner and have access to the collateral in the event of default.

We are also opposed to the proposal regarding how selling loans on the secondary market will be treated. Government loans, such as FHA, USDA, and VA loans are important to our bank. They target low- and moderate-income individuals with opportunities to own their own homes. The intent of the proposed partial credit is to limit banks receiving multiple credits for making loans and selling them on the secondary market and to restrict multiple banks from receiving credit for the same transaction. However, if banks receive only partial credit for making and selling these types of loans, banks will likely be deterred from making them- especially because these types of loans are more time consuming to make and require manual underwriting. Selling the loans on the secondary market enables the bank to provide more loans in these programs because they are not carried on their books. The approach in the proposal would not incentivize a bank to engage in participating in these government loan programs.

The NPR requested to know what other loans should be subject to a multiplier. According to Habitat for Humanity some of the proven benefits of homeownership include better stability in the home and in the community, better health, better educational achievements, not to mention that owning a home helps generate wealth building and a pathway out of poverty. Homeownership is such a stabilizing force in the community that we feel home loans should be subject to a multiplier (if held in the portfolio), or if sold within 90 days, full credit to the originating bank and full credit to the secondary market buyer depending on the number of months held in the portfolio. This should help offset the reluctance of banks to participate in the loan programs that benefit low- and moderate-income individuals.

Another loan that should be subject to a multiplier is a credit builder loan. These are typically smaller-dollar loan amounts ($1000 or less), but they make a huge difference to someone who is building their credit and may not have another option except a payday loan, title loan, or other high-cost loan. Because of the small size of the loan, we feel that subjecting these loans to a 4x multiplier will help incentivize banks to offer and utilize programs like this that might normally be ignored because of the small dollar value. A $1000 loan would count for $4000 of credit, which would be almost comparable to financing for a cheap car to a low-income buyer.

Though we feel affordable housing is a major need, we are opposed to certain changes within the current proposal. For example, the current proposal indicates that banks could count rental housing as affordable housing if lower income individuals could afford to pay rent- without any verification that the individuals living in those units are truly low- or moderate-income individuals. If there is no verification of income or specific legal restriction regarding income to reside the housing unit, individuals with higher incomes could occupy the housing and cause a greater strain on available housing units for those who truly are low- and moderate-income individuals and families. We therefore urge you to only give affordable housing credit for the units that have been set aside and designated as affordable housing- subject to income restrictions.

Please consider our comments in your proposal for changing CRA. Any changes to CRA should maintain the focus of targeting low- and moderate-income individuals, small businesses and small farms, and strengthening our communities.

Respectfully,

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