April 2, 2020

Mr. Robert Feldman, Executive Secretary
Comments, FDIC
550 17th Street NW
Washington DC 20429

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

Dear Mr. Feldman,

I am writing you as a banking compliance officer who specializes in CRA and as an advocate for individuals with disabilities through inclusive community solutions.

The list of qualifying community development activities is very helpful and much appreciated. In my mind not the lack of clarify and conflicting approaches between examiners as to what qualifies as Community Development and what does not, has been the greatest source of frustration in CRA. Having a more extensive list along with the ability to confirm qualification of specific scenarios will go a long way to provide transparency. The list should be same between all three agencies and posted online.

I strongly believe that providing any type of support to individuals with disabilities and those caring for them should always qualify for credit without the need to specify low or moderate income. Services for this segment of the population are scares and often involve lengthy wait lists especially in more rural communities. Statistics show that individuals with disabilities are twice as likely to live in poverty. There is also research indicating that the cost of raising a special needs child can be more then four times as much as raising a typically developing child yet families do not receive four times the support for doing so and in many cases this does not stop when they reach age of maturity, because intellectually they remain children. In relation to financial services, one of the largest segments of unserved and underserved individuals are those with disabilities. The ABLE Act of 2014 has provided some help with this, however these is a lot more that can still be done.

I do not believe it to be fair to only provide extra credit when a branch facility in located in a low or moderate income tract. Any bank facility that is conveniently located for easy access from low and moderate income tracts as well as underserved and distressed areas should also receive credit. To help with the determination of the conveniently located bank facilities, it should be addressed in the performance context allowing the bank to identify them and provide support.

I fear that only providing partial credit for all loans that a sold on the secondary market will actually discourage lenders from making more loans to low and moderate income individuals. I understand the need to limit multiple lenders/investors from claiming credit for the same transaction, so here is how I propose to resolve it: If the purchasing investor is not going to claim credit for it such as Fannie and Freddie, allow the originating lender to claim credit for most of the loan (75% - 80%) and be allowed to claim for the entire amount (100%) of the loan if they retain servicing. Loans that are originated through special programs designed to help lower income borrowers such as VA and FHA loans, but also state sponsored loan programs with similar goals, should be weighted more heavily maybe by use of a multiplier.

If the intent of the additional data collection and reporting requirements is to help with consistency and transparency, yet a significant portion of the CRA exams are still going to be based on examiner judgement which can be very subjective, then it defeats the purpose.

While I agree that deposit based assessment areas are necessary to establish, I disagree with all banks needing to compile and report this data, especially when there is no system in place to support it. If it is clear from banks business model and

activities that it is highly unlikely for 50% or more of their deposits to fall outside of their facility based assessment areas, then they should not be required to collect and report this data.
I feel the use of HMDA data for the lending test remains appropriate and there is no need to use different data. I agree with the proposal to only look at borrower income distribution. I also understand the desire to include construction loans, so I would propose allowing banks to put those forth separately for low and moderate income borrowers.

Regarding CRA Small Business Small Farm data, the increase to $2 million for both the loan amount and for gross annual revenue has been long overdue so I was glad to see that included in the proposal.

I have concerns regarding the retail lending distribution test and evaluating based on major product lines. I am not in favor of consumer loan data collection; however allowing banks to put forth consumer loans made to low and moderate income borrowers for CRA consideration could be a reasonable alternative. I also disagree with only evaluating banks based on their major product lines. If a bank has 5 assessment areas, but only one of those areas have agriculture as part of the local economy, than it is unlikely that bank will meet the threshold to be evaluated for their small farm lending practices. The spirit of CRA is to serve all of the communities a bank operates in, so even if a bank only has one agricultural assessment area, they should be providing products and services to meet the needs of that community which would include small farm loans. The bank I currently work for operates in multiple states and several assessment areas. A number of those assessment areas are in rural agricultural communities though our agricultural lending would not constitute a major product line on a bank level. On an assessment area level, in some of those rural communities, we are considered a market leader for our small farm lending, which we are very proud of and would like to continue to be acknowledged for. If banks only get evaluated based on their major product lines, I worry that hardly any of the bank will be evaluated for their small farm lending activities, in which case why bother collecting small farm data.

I strongly believe that the only area of CRA that really need more clarity and transparency is Community Development, which this proposal addresses very well with the list of qualifying activities, expansion of eligible service hours and ability to prorate. I would request to have guidance provided for situations where an organization does not collect income data from the people they service either because they are a really small organization or because they service vast rural areas.

Banks that primarily operate online also need to be held to CRA standards of serving all communities where they take deposits from, which is also address in the proposal, though putting it into effect will need additional systems and data.

The main challenge that banks have when it come to self evaluating their performance prior to an exam, is not knowing which peers they will be compared to. If that data was made available to them there would be no need for the presumptive rating system, because banks could effectively complete their own analysis.

As far as small bank designation for CRA, either leave the currently system in place allowing for small-intermediate banks or consider all banks small banks that are under $1 billion in assets.

Thank you for your hard work on this issue and your consideration of my comments.

[redacted]

Kat Patterson, CRCM
Bozeman, MT