STATE OF CONNECTICUT
DEPARTMENT OF BANKING
260 CONSTITUTION PLAZA – HARTFORD, CT 06103

Jorge L. Perez
Commissioner

April 7, 2020

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street, SW
Suite 3E-218
Washington, DC 20219

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

Re: Connecticut Department of Banking Comments on Proposed Rule – Community Reinvestment Act Regulations (RIN 1557-AE34/RIN 3064-AF22)

To whom it may concern:

The Connecticut Department of Banking (the "Department")[1] submits the following comments in response to the Office of the Comptroller of the Currency's and Federal Deposit Insurance Corporation's (together, the "Agencies'") request for comments on proposed changes to the Agencies' Community Reinvestment Act ("CRA") regulations.

We applaud the Agencies' attempts to clarify CRA compliance requirements through the proposed rule. We also urge the Agencies to consider broadening the scope of CRA coverage to include certain socially beneficial activities that may not have a direct connection to low- and moderate-income ("LMI") communities, but would indirectly benefit those communities. Moreover, the Agencies should broaden the carve-out in CRA regulations to

[1] We note that the Department is an agency accredited by both the Conference of State Bank Supervisors (CSBS) and National Association of State Credit Union Supervisors (NASCUS). The accreditations issued by CSBS and NASCUS afford the Department with the ability to conduct alternating and joint examinations with our federal agency counterparts, signaling a recognition of the Department's strong examination program. The Department's examiners' and managers' significant regulatory experience also includes the supervision of systemically important financial institutions.

allow state banking regulators to continue to independently examine and evaluate state-chartered institutions for CRA compliance and should develop a formal mechanism for the identification of CRA eligible loans and activities agreed jointly by the relevant state and federal supervisory authorities. Finally, we encourage the Agencies to also coordinate with the Federal Reserve so that a uniform CRA standard is developed applicable to all banks.

Publishing a non-exhaustive list of qualifying activities and confirming that an activity qualifies for CRA credit will provide clarification and ease compliance burdens.

The Agencies' efforts to clarify what types of activities qualify for CRA credit are a positive aspect of the proposed rule and will ease CRA-related compliance burdens for financial institutions, particularly community banks. We support the sections of the proposal that more clearly delineate the CRA treatment of certain activities. Of particular significance, we believe that requiring the Agencies to periodically publish a non-exhaustive list of examples of qualifying activities and establishing a process for banks to seek agency confirmation that an activity is a qualifying activity will provide much-needed relief and guidance for financial institutions. The list of examples of qualifying activities should be created in consultation and coordination with the Agencies' state regulatory counterparts. State input will help ensure consistent application of CRA standards.

These changes will remove much of the guess work that financial institutions must currently undertake to figure out whether an activity would qualify for CRA credit. Reducing this uncertainty will ease compliance burdens on financial institutions and allow them to focus more resources on actually engaging in CRA-qualifying activities.

Socially beneficial activities should also count as CRA-qualifying activities.

In order to more fully achieve CRA's fundamental purpose of encouraging banks to serve LMI communities, we believe the scope of CRA-qualifying activities should be expanded to include those activities that are still socially beneficial for LMI communities even if such transactions do not directly involve a LMI party.

By way of example, at present, certain investments by banks in broad environmental initiatives or green technology do not qualify for CRA credit. However, such socially beneficial investments could have a significant impact on LMI communities, which are particularly vulnerable to the adverse effects of climate change, and higher energy costs.[2]

We believe this is yet another opportunity for the Agencies to coordinate with their state regulatory counterparts. Such collaboration will allow states to provide useful input regarding the

[2] *See* Fourth National Climate Assessment, *available at* https://nca2018.globalchange.gov/. ("Impacts [of climate change] within and across regions will not be distributed equally. People who are already vulnerable, including lower-income and other marginalized communities, have lower capacity to prepare for and cope with extreme weather and climate-related events and are expected to experience greater impacts. Prioritizing adaptation actions for the most vulnerable populations would contribute to a more equitable future within and across communities.")

types of socially beneficial activities that should qualify for CRA credit. This will also allow for more consistent application of CRA standards.

We encourage the Agencies to consider such socially beneficial activities within the scope of activities for which financial institutions receive CRA credit.

State ability to independently examine and evaluate CRA performance should be preserved and coordination between state and federal regulators should be improved.

At present, Connecticut is one of a handful of states that also retains the authority to examine and evaluate state-chartered financial institutions for CRA compliance.[3] The Department has decades of experience evaluating the CRA performance of state-chartered financial institutions.[4] We believe that our ability to continue to independently evaluate state-chartered institutions' CRA activities strengthens financial institution commitment to the underlying principles of CRA and has a positive impact on LMI communities in Connecticut. Accordingly, any changes to the CRA regulations should preserve states' ability to independently examine and evaluate the CRA performance of state-chartered financial institutions.

Additionally, we believe additional coordination between federal and state regulators can be achieved to further the mission of CRA. A joint body comprised of representatives from both federal and state agencies should be established to vet and accept activities that qualify for CRA credit to ensure consistency throughout exam cycles. It is also worth exploring the possibility of state and federal agreement to an alternating CRA examination schedule similar to that used for coordination of safety and soundness examinations. Under such an alternating examination schedule, federal agencies would accept state ratings and vice versa, similar to the current state of affairs regarding safety and soundness examinations. This coordinated approach will provide greater clarity to regulated institutions and allow for efficiencies that will reduce regulatory burden.

The Agencies should also coordinate with the Federal Reserve to create a uniform standard of CRA review.

We believe any modernization of CRA standards should be conducted through a coordinated effort of the Agencies and the Federal Reserve so that a uniform standard is created. Absent such a uniform standard, there is increased likelihood that Federal Reserve member banks will be treated differently and evaluated under different standards than non-member banks. We believe such a piecemeal approach does a disservice to all supervised institutions and creates more confusion in the industry. CRA reform should create more certainty for industry and regulators alike. Any changes that create multiple regulatory standards will have the opposite effect. Confusion about regulatory expectations could actually hinder CRA's goal of having a positive impact on LMI communities.

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[3] Conn. Gen. Stat. §§ 36a-30 through 36a-37e. Moreover, Connecticut's CRA authority also includes examinations and evaluations of state-chartered credit unions for CRA compliance.

[4] We note that state CRA examinations are conducted concurrently with federal CRA examinations and involve collection of similar data from the financial institutions, effectively resulting in no additional regulatory burden on state-chartered financial institutions.

We thank you for the opportunity to comment on the Agencies' proposed rule-making and are available to answer any questions and work with the Agencies in modernizing CRA regulations.

Sincerely,

JORGE L. PEREZ
BANKING COMMISSIONER

cc: U.S. Senator Richard Blumenthal
U.S. Senator Christopher Murphy
Congressman John Larson
Congressman Joseph Courtney
Congresswoman Rosa DeLauro
Congressman Jim Himes
Congresswoman Jahana Hayes
Dan DeSimone, Director of the Governor's Washington D.C. Office