

April 7, 2020

Robert Feldman, Executive Secretary  
Federal Deposit Insurance Corporation  
Attention: Comments, Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street NW  
Washington, DC 20429  
Submitted Via Email: [Comments@FDIC.gov](mailto:Comments@FDIC.gov)



Re: Comment – RIN 3064 – AF22

To Whom It May Concern;

*Introduction and Description of the Ohio Banking Industry*

The Ohio Bankers League [“OBL”] is a non-profit trade association that represents the interests of Ohio’s commercial banks, savings banks, savings associations as well as their holding companies and affiliated organizations. The Ohio Bankers League has over 170 members, which represents the overwhelming majority of all depository institutions doing business in this state. OBL membership represents the full spectrum of FDIC insured depository institutions from small mutual savings associations owned by their depositors, community banks that are the quintessential locally owned and operated businesses, up to large regional and multistate holding companies that have several bank and non-bank affiliates and conduct business from coast to coast. Ohio depository institutions directly employ more than 70,000 people in Ohio.

It is this diversity that makes input from stakeholders in Ohio especially relevant to this rulemaking process. Our state has three metropolitan areas exceeding two million in population and four additional metropolitan areas, each exceeding 200,000. Ohio has a long history as a center of manufacturing, but we also have a strong agricultural sector and large areas of our state remain rural. In those smaller rural communities, the local banks are an important driver of prosperity and economic development. Any revision to the Community Reinvestment Act must consider the impact on all segments of our economy.

*The Ohio Bankers League Applauds the Comptroller and the FDIC for Proposing this Update to the Community Reinvestment Act*

The Ohio Bankers League strongly supports the initiative of the regulators to update and modernize the Community Reinvestment Act. This effort is long overdue since this is a 43 year old provision and the last modest revision was over 20 years ago. Bankers realize that this was an enormous undertaking by all the regulatory agencies and we appreciate the effort.

Given how difficult it is to build consensus for change, it is important that the final regulation be both sustainable and comprehensive. We are hopeful that before this process concludes that the Federal Reserve can be persuaded to support CRA reform, making this an interagency standard.

As a word of caution however the recordkeeping, data collection and reporting requirements of the proposed regulation are enormous and could potentially be quite costly. First, data will be required that is not currently being gathered and maintained by community banks. This is particularly the case for banks that are not currently HMDA reporting entities. Second, the data that is required is not currently maintained at a single location or within the same software. Some will be retained on the core operating system, but others will be stored on more specialized loan origination and servicing systems. None of these systems are integrated making it difficult to extract and combine into a single usable database. Finally, it is not yet clear that all of the data required related to geocoding can be captured from existing information. As one example of the hidden complexity in this proposal, businesses may be serving multiple locations, so identifying a single location for purposes of geocoding may not be feasible. The same can be said for community development loans. Similarly, investments often do not have a single location that can be easily defined like a borrower's place of business.

Banks that are intermediate small banks do not currently collect and report data under CRA. These banks are not collecting and reporting data on small business and small farm loans, so they will not have the systems and software to needed to collect and maintain these data. They will have higher one-time costs than other banks, and these costs will not be insignificant.

#### *The Ohio Bankers League Supports Expanding Activities that Qualify for CRA Credit*

The OBL strongly supports expanding on the current list of permissible CRA activities. In particular banks in Ohio support investment in affordable rental housing that benefits LMI individuals or families and investment in supporting key community social services such as child care or health services.

The OBL also supports the collaboration encouraged by the proposal through participation with another bank's community development loan, investment or service. The Ohio banking industry supports as well CRA credit for investment in Qualified Opportunity Funds that benefit LMI opportunity zones and investment in an SBA Certified Development Company, Small Business Investment Company, New Markets Venture Capital Company or a US Department of Agriculture Rural Business Investment Company, as well as technical assistance and support services provided to small businesses or small farms.

In particular, the OBL supports expanding CRA qualified activities to include infrastructure projects that benefit low and moderate income areas. Just one example in Ohio of where this proposal would be particularly beneficial is accelerating the goal of expanding broadband, high-speed internet to rural areas of our state, particularly in the southern half of Ohio.

The OBL also supports adding investments in financial literacy as qualified for CRA credit. Providing everyone with the tools to manage scarce financial resources will accrue benefits in the community for years to come.

*The Ohio Banking Industry Supports More Transparency In Determining the Activities that are Acceptable for CRA Credit*

One of the most beneficial issues addressed in the NPR is simply the transparency the OCC and the FDIC have proposed.

The OBL strongly endorses the creation of a regularly updated, public, non-exhaustive list of CRA-qualified activities. This step will increase efficiency and lower the cost of CRA activities for all banks, but particularly smaller community banks. The certainty and consistency this list creates will encourage banks to undertake more CRA activities and to commit more financial resources to the populations and areas that need them most.

In implementing this proposal, the OBL recommends that the agencies coordinate on a single list that is updated periodically based both on public comment as well as activities that are approved as a part of the preapproval process discussed below.

The OBL also supports the process permitting banks to confirm with their regulator whether a proposed activity would be CRA eligible. Our only recommendation would be that the six-month timeframe provided for the regulator to respond is much too long.

*The Ohio Bankers League Supports the Creation of the new Deposit-Based Assessment Area*

We support the regulators for recognizing that the way consumers access financial services is changing. Physical branch locations are no longer the primary way many consumers conduct business with their bank. This trend toward online and mobile delivery will continue and may accelerate, so it is appropriate to add the additional assessment area based on deposits to the existing assessment area based on physical facilities.

We are uncertain however the data or rationale behind establishing the “50%/5% threshold” for creating the new deposit-based assessment areas. While we support the principle of extending assessment areas to include areas where deposits are sourced beyond traditional branches, we cannot determine if it will create any new assessment areas in Ohio. We have read that it is the Comptroller’s opinion that only ten to fifteen banks will be impacted by the new assessment areas at the outset, but do not have the data to determine if any Ohio based banks will be impacted. We would caution however that the financial services landscape is changing rapidly and many more banks and markets could soon be impacted.

One final word of caution: we do not have any hard data but anecdotal evidence would lead us to believe that it is customers in metropolitan areas that are more likely to open accounts and conduct their financial business online; and within metropolitan areas it is the most affluent zip codes and census tracts where consumers are most comfortable with technology. If data subsequently proves that these observations are true, then creating new assessment areas will have the perverse impact of attracting CRA activity where it is not needed and there is already sufficient lending and investment activity.

*The Ohio Bankers League Can Offer No Input or Support for the New Metrics Measuring CRA Performance*

As a general rule, providing objective quantifiable metrics to evaluate compliance with regulatory requirements is useful. Unfortunately, we can provide no input to the performance measurements suggested in the NPR. Due to the unique data collection requirements of the proposal that we commented on elsewhere in this letter, none of our members could adequately evaluate the standards recommended in the proposal or evaluate whether the “11%/6%” standards are reasonable and further the purposes of the Community Reinvestment Act.

Rather than holding up the other important reforms suggested in the proposal, we suggest that the OCC and FDIC withdraw this section of the regulation and work on it separately. More work remains to be done on this concept, through a pilot program with banks willing to devote the resources to a more thorough analysis, or a task force of bankers, regulators and systems experts.

*The Ohio Banking Industry Opposes the CRA Discount for Loans Originated and Sold within 90 Days*

A section of this proposal that the Ohio Bankers League opposes and objects to is withdrawing 75% of the CRA credit for loans that are originated and sold into the secondary market within 90 days. Ohio has a rich history of savings and loans and mutual savings banks formed decades ago to serve immigrant communities in metropolitan areas. Many of those institutions still thrive today and continue to serve their inner-city communities. These institutions have of course evolved and built a successful business model of originating loans for sale into the secondary market, whether through Fannie, Freddie or the Federal Home Loan Bank of Cincinnati. Attracting new capital for housing and other real estate to Ohio's inner cities is a valuable service. *We see no good policy reason for undermining a business model that successfully attracts new capital to areas that desperately need it.*

We are also deeply concerned that this section of the NPR will adversely impact the safety and soundness of those insured depositories that have a business model built around the origination and sale of real estate loans. Artificially requiring depository institutions to maintain millions of dollars of real estate loans on their books just to maintain a satisfactory CRA rating is counterproductive and will unnecessarily create concentration risks. Also, adding long term fixed rate mortgages to these banks' balance sheets will also create additional interest rate risk.

The OBL requests that the Agencies withdraw the portion of the proposed rule that would only give 25% CRA credit for LMI loans that are originated and sold in the secondary market.

*The Ohio Bankers League Supports Permitting Small Banks to Opt Out of the New CRA Scheme*

The OBL and our member institutions support many of the new ideas that the OCC and the FDIC published for comment. It will however be a major undertaking for banks, requiring major investments in systems, new data collection and professional education. This reallocation of resources and changing the way our members have been doing business would have been a challenge even before the

coronavirus pandemic. Smaller banks are now focused primarily on helping their communities recover financially and restarting economic activity after the current public health crisis.

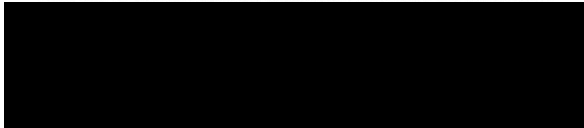
The OBL supports permitting smaller banks to opt out of the new CRA standards. We suspect many community banks may adopt a new, modernized CRA at a later time, when key third party vendors are better prepared to assist and after larger banks with greater resources have already worked through the process.

*We urge you however to expand the number of community banks that will have this option available to them. Any increase in the threshold is justified and would be welcome. As an upper boundary for your consideration however, the \$10 Billion threshold already introduced in Dodd Frank is well accepted by bankers, regulators and other stakeholders and could also be utilized for this CRA transition.*

The Ohio Bankers League also requests that smaller institutions that elect out of the new CRA regime be exempted from the data collection and reporting requirements of the proposed regulation. As mentioned in the initial section of this comment, the proposal contemplates new and potentially costly data collection and reporting. For smaller institutions this could be a significant burden. We urge the regulatory agencies to also permit smaller banks to opt out of these costs for at least a period of years.

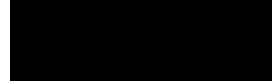
Respectfully Submitted,

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