April 8, 2020

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Attention: Comments, RIN 3064-AF22

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219
Docket ID OCC-2018-0008

Re: Community Reinvestment Act Regulations

Dear Madam or Sir:

Firstrust Savings Bank ("Firstrust") is a community bank founded in Philadelphia, Pennsylvania in 1934. A founding principle of Firstrust—and a principle that continues to drive decision-making today—is equal access to credit and deposit services for all individuals and communities. Today, Firstrust serves the greater Philadelphia area and the Lehigh Valley, with eighteen branches in Philadelphia, Montgomery, Bucks, and Lehigh Counties in Pennsylvania and in Camden County, New Jersey. Firstrust also received approval from the FDIC, the PA Department of Banking and Securities, and the Maryland Commissioner of Financial Regulation to establish a branch in Baltimore County, Maryland.

Firstrust's commitment to investing in the communities it serves includes supporting Ronald McDonald House Charities, Habitat for Humanity Philadelphia, City Year, Center for Literacy, Variety Club, and the Samuel A. Green Scholarship. The leaders of Firstrust's various business lines also regularly engage with leaders of local community and professional groups to determine how Firstrust can address the unique needs of diverse demographics and communities. Firstrust is committed to providing consumers and business with access to credit and insured deposits.

In order to be able to respond effectively to the credit needs of the communities it serves as well as comply with the requirements of the Community Reinvestment Act (the "Act"), Firstrust agrees with the FDIC and the OCC that the Act is long overdue for update and modernization and thanks the FDIC and the OCC for the extensive work the agencies have put into the proposed rule. Recognizing this fact, there are several aspects of the proposed rule that, if implemented, would fail to address the current shortcomings of the

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Act and make compliance with the Act confusing, overly burdensome, and inconsistent among financial institutions.

I. Disqualifying or discounting certain loans and activities would be a detriment to the community banking business model.

The proposal to discount by 75% qualifying retail loans sold within 90 days of their origination date would be detrimental to the community banking business model. Community banks make these loans and, in order to increase liquidity to make more such loans (and thereby make credit available to more consumers), sell portfolios of these loans to move them off the bank's balance sheet. Under the proposed regime, community banks would be punished for not retaining these loans on their balance sheets because the business models of larger banks do not depend as much on this movement of loans off their balance sheets. The sale of mortgage loans is a common practice for community banks and many loans are structured to be sold based on specific guidelines with programs like Home Ready (Fannie Mae), Home Possible (Freddie Mac), FHA, VA, and USDA. The proposal interferes with community banks' strategic plans of managing asset quality and risk and will result in the decline in community banks making such qualifying retail loans, and, by extension, consumers will have less access to credit. A financial instution must meet the credit needs of the entire community it serves, including low- and moderate-income neighborhoods, in a manner that is consistent with the safe and sound operation of the institution. The most important issue for fostering community reinvestment is not how long financial institutions retain qualifying loans on their balance sheets but rather that the consumer had access to the credit product in the first place.

Furthermore, the loan sale date currently is not a captured data point. Banks would have to alter their data collection and reporting methods in order to capture this information. Greater discussion of the effect data collection requirements would have on banks is in Section III of this letter.

With respect to the proposal to exclude loans made to middle- and upper-income individuals living in low- and moderate-income tracts, this also would reduce credit available to consumers and reduce home-ownership in low- and moderate-income tracts. All lending in low and and moderate-income tracts supports homeownership and stability. A total exclusion of these loans would not take in to account the unique factors attributable to certain individuals or the positive impact these loans may have on the community at large. Income level may not provide an accurate picture of that individual's ability to live in a higher-cost area. For example, a high-income individual could have significant amounts of student loan debt and/or credit card debt and multiple dependents, which render tracts with income levels matching the consumer's income level unaffordable.

II. The proposed method for calculating CRA performance would not benefit LMI borrowers or LMI census tracts served largely by community banks.

The proposed tests to calculate ratios and compare data for every type of CRA activity (i.e. the various proposed tests for geographic distribution of small loans to businesses, geographic distribution of small loans to farms, borrower distribution of home mortgage lending, and borrower distribution of consumer lending, and the community development minimum) rather than aggregating types of activities as is provided under the current regime will result in community banks potentially underperforming because every activity is tested. Underperformance in any one activity can skew a bank's rating to be less than satisfactory. The proposed framework does not allow banks the discretion to evaluate the needs of the communities they serve and therefore channel more resources into those activities that would be of most benefit to those communities.

III. The data collection and reporting requirements under the proposed rule are overly burdensome.

The proposed data reporting requirements would be especially burdensome for community banks because banks do not already collect many of the proposed data points and because community banks would have to invest significant resources into the new requirements. For example, banks would have to begin to collect data regarding loan sale dates (for purposes of the discount for loans sold within 90 days after origination) and retail deposit data at the account level (for purposes of the assessment area). This would require banks to change how they report accounts opened through branches. Customer deposit accounts are credited to the bank branch where the account was opened, even if the customer later notifies the bank of a change of address or begins to use another branch as their primary banking location. Under the proposed data collection regime, banks would have to change their record keeping to move the account to the next closest branch or other office, potentially having to reassess its deposit-based assessment area each time a customer changes its address.

The new data requirements would require numerous hours of training for branch personnel, audits of customer account records in addition to those already done for compliance and regulatory purposes, and determinations of how to classify accounts using P.O. Box addresses. These are just a few examples of the new processes banks would have to put in place in order to comply with only one aspect of the proposed rule.

IV. The Federal Reserve does not support the proposed rule.

The Federal Reserve did not join the proposed rule promulgated by the OCC and the FDIC. If the rule as proposed goes into effect without the support of the Federal Reserve, there will be conflicting authority pertaining to banks' lending activities and what constitutes community development activities. The lack of consistency among the regulatory agencies as to what is required under the Community Reinvestment Act will lead to confusion in the financial services industry as well as among borrowers. One cannot overemphasize the importance of unity among the regulatory agencies and consistency in interpretation and enforcement of banking laws. Firstrust urges the agencies to develop a rule to be issued by all three regulatory agencies—the FDIC, OCC, and Federal Reserve.

Thank you for considering Firstrust's comments related to CRA modernization. Firstrust looks forward to continuing to work with the agencies to provide the public with a strong financial system and access to quality deposit and credit products.

Sincerely,

Firstrust Savings Bank

Timothy J. Abell, President