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:

Celtic Bank is pleased to comment on the Notice of Proposed Rulemaking that would modernize regulations that implement the Community Reinvestment Act. We are grateful for interagency efforts to create a framework that is more objective, clear and consistent. We appreciate measures in the proposed rule that give banks CRA credit for the important work they do in originating loans to small businesses and in LMI areas nationwide (not just in their assessment areas).

Celtic Bank is a privately-owned industrial bank chartered by the State of Utah. The Bank specializes in small business finance, helping business owners with working capital, expansion, acquisition, construction, equipment financing, renewable energy finance, and real estate purchase/refinance. Celtic is one of the largest SBA lenders nationally. We maintain one main office in Salt Lake City, with no branches or ATMs.

Celtic Bank generally agrees with the comments contained in the American Bankers Association (ABA), the National Association of Industrial Bankers (NAIB), and the Utah Bankers Association (UBA) response letters. In addition, we want to emphasize the following points:

1. Reduce the complexity of data collection and reporting:
We believe this new data collection and reporting program will require extensive time and money to implement—time and money that would otherwise be directly invested into the community. To understand the true impact of the proposed rules on Celtic Bank, we pulled 2019 bank data from multiple systems and manipulated it extensively to generate each calculation required under the proposed framework (as far as data exists). While some efficiency and

technology gains are expected over time, we can accurately predict (having completed the process) that the proposed level of data collection, validation, and reporting will unduly divert resources away from actual CRA activity on an ongoing basis. We appreciate the idea of data insight at this level, but we believe it will be obtained at an unreasonable cost. We agree with the ABA comment letter suggestion that "regulators form an interagency taskforce of regulators and bankers with specialized, in-depth expertise in bank data systems…to minimize unnecessary data costs to banks."

2. Provide ALL data sets necessary to complete required calculations in the final rule:
The proposed rule mentions a potential need to purchase private data sets to complete required reporting calculations. This was true in our analysis, and our experience showed that private data sets are incorrect in several instances and require extensive manipulation. They expose us to the risk that regulators, community groups and others would be using different data sets than ours (some of which may also include errors) when evaluating our CRA performance. We would also be at risk of interpreting and manipulating private data sets incorrectly. All this would add new layers of inconsistency to CRA. Also, in some cases, the private data sets needed do not seem to exist—for example, in trying to calculate Retail Lending Distribution Tests for the Small Loan to a Business Product Line, we were not able to find reliable/current data on the number of businesses in LMI tracts in the assessment areas or the number of businesses in the assessment areas (Geographic Demographic Comparator). Nor were we able to find the number of small loans to businesses in LMI tracts in the assessment areas originated by all banks over $500MM in assets and regulated by the FDIC or OCC, or the number of small loans to businesses in the assessment areas originated by all banks over $500MM in assets and regulated by the FDIC or OCC (Geographic Peer Comparator). To make a rule that is objective, clear and consistent, all data sets necessary to complete required calculations in the final rule need to be published by regulators for each census tract, county, and county equivalent.

3. Add a times 10+ multiplier to service hours and donations:
Applying a dollar value based on the average wage for the type of service performed and adding that value into the overall CRA Evaluation Measure almost eliminates any CRA credit for service hours. Small dollar donations (often made alongside service hours and other collaborative efforts with community groups) are also valued almost at zero in context of the larger CRA Evaluation Measure. We are concerned about the potential impact on communities of removing CRA incentives for these smaller-dollar and more effort-intensive activities. We believe rather than minimizing credit for these activities, the calculations need to be adjusted to reflect their larger impact on LMI individuals and communities (though even a times 10 multiplier would likely be insufficient).

4. Add "job creation, retention, and/or improvement" and "workforce development" back into qualifying activities criteria for Community Development credit:
Most of our focus in Community Development lending is on creating, retaining, and improving jobs, which we think is potentially the most valuable service we can offer LMI individuals and communities as a small business lender. We also have collaborated with several community groups on workforce development initiatives for LMI high school students that they have praised as being very responsive to the needs of their community members. We believe removing these two criteria from Community Development would substantially change and weaken CRA.

5. Give full credit for loans sold within 90 days (as opposed to 25%):
As is well outlined in the ABA's comment letter, when banks sell loans, they free up capital—this provides additional opportunities to lend and will lead to increased CRA activity.

6. Keep treatment of affiliate activity as optional:
The proposed rule states that "all activities conducted by the bank—including those engaged in by another party, such as an affiliate—would be considered." We agree with the ABA's recommendation that regulators maintain the current treatment of affiliates, which provides that affiliate activity may be considered at the bank's option. Regulators should not impose a strict requirement that a bank must report all qualifying activities from all affiliates, particularly in light of the new complexity introduced in data collection, certification, validation and reporting.

7. Improve provisions for strategic plans:
The proposed rule appears to require banks under strategic plans to adhere to the general framework established by proposed performance standards with the same data collection and reporting obligations. Celtic Bank is operating under its second strategic plan, and we feel the strategic plan option should be maintained with sufficient flexibility to accommodate unique business models. Strategic plans enable banks to customize their CRA responsibilities to better reflect their communities, product offerings, business strategy, and expertise—we believe this leads to maximized CRA impact. We also believe the approval timeframe outlined in the proposed rule is unreasonable and agree with the ABA's suggestion that it be shortened to 90 days to reduce uncertainty to banks.

We appreciate the willingness of the FDIC and OCC to consider our comments and we would be happy to discuss them further. For any questions, please contact Dan Archibald at darchibald@celticbank.com.

Respectfully,

Dan Archibald
CRA Officer