April 8, 2020

Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429
Attention: Comments
Re: Community Reinvestment Act Regulations – FDIC RIN 3064-AF22

Dear Mr. Feldman:

I am submitting comments regarding the Notice of Proposed Rulemaking for the Community Reinvestment Act. Southside Bank supports some of the proposed changes and also opposes some of those that could be burdensome to the banking industry.

Southside Bank is a $6.7 Billion bank operating 60 offices throughout the state of Texas. We offer a wide array of consumer, commercial, and mortgage products. We pride ourselves on earning seven consecutive “Outstanding” Performance Evaluation ratings. We are proven leaders within our communities by responding to the CRA needs and providing innovating products and services.

Southside Bank (SSB) agrees that the Community Reinvestment Act is in need of updating. Numerous industry changes have impacted how bank’s operate during the past 25 years. The primary change is centered on vast technology improvements and the preferences of consumers. The changes impact how we do business, where we do business and what avenues customers use to do their banking.

We recognize that the agencies received more than 1,500 comments from the OCC’s ANPR which prompted proposed changes to the CRA that are robust. The proposal attempted to clarify CRA qualifications, where CRA activities count, create a more objective method for measuring CRA performance and providing transparency.

It is concerning that the agencies are not unified in the CRA Modernization proposal. Regulatory actions with broad support will mitigate the risk of being taken apart by Congress. Also, by not acting together, it will increase confusion and inconsistency throughout the banking industry and with community groups.

SSB supports the revising of CRA to include quantifiable measures that are clear. We encourage additional testing by using beta bank’s data to provide more reliable results before implementing sweeping changes to a majority of the nation’s banks. Currently, the CRA Q&As provide

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significant guidance to bankers and examiners. We encourage the agencies to develop similar guidance to assist in making our way through the areas that are not clear.

Qualifying Activities

1. *Are the proposed criteria for determining which activities would qualify for credit under the CRA sufficiently clear and consistent with the CRA's objective of encouraging banks to conduct CRA activities in the communities they serve?*

   The proposed criteria for determining which activities would receive CRA credit appear to be clear and consistent with the CRA's objective. Since the opportunities to qualify for credit has increased, it should reduce the time spent for bank personnel to document/qualify activities. As mentioned before, it is suggested that guidance be issued similar to the current CRA Q&As to provide clarifications.

2. *Are there other criteria for determining which activities would qualify for CRA credit that the agencies should consider?*

   Clarification is needed in regards to classifying small business loans as either small business or community development. Since the minimum loan amount has increased to $2 million, it could make a significant impact to community banks if we are not able to receive CRA credit for any of the business loans with origination amounts greater than $1 million and up to $2 million.

   Additional guidance is requested on whether the Community Development Minimum includes donations. The two percent threshold at the bank and assessment area levels includes only community development loans and investments. This does not currently include qualified donations. However, the current regulation, interprets the process to include qualified donations in the total qualified investment values. Excluding donations from the CD investments would be a significant change and consideration is requested to allow them to remain in the investments category or have a category on their own.

   The bank would like to continue to receive community development credit for financing small businesses that promote job creation, retention, and/or improvement for LMI and LMI communities. These "economic development" provisions should be added back into the proposal in their entirety, both in the regulation and in the list of qualifying activities. The loans that fell below the SBA size standards and were not considered a small business are always considered for economic development. These loans often provided

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funding for retail businesses that primarily employed LMI. This will be particularly important as we recover from the COVID impacts.
SSB is pleased to see the financial education programs would receive credit regardless of the income levels of those who are receiving the courses. We also appreciate that the proposal would no longer limit community development services to those that are utilizing their specific job expertise.

3. *Under the proposal, CD activities conducted in targeted areas, such as Indian country or distressed areas, would qualify for CRA credit. Should there be any additional criteria applicable to the types of CD activities that qualify for CRA credit in these areas? If so, what should those criteria be?*

   SSB strongly supports the inclusion of disaster areas in the definition of qualifying CRA activities. Under the proposed rule, we would receive credit for loans, investments, and services involving essential infrastructure and essential community facilities that benefit or service disaster areas consistent with a disaster recovery plan.

   We support the approach of receiving CRA credit for investments in Opportunity Zones that benefit LMI individuals. Such investments must demonstrably benefit LMI individuals and credit should be apportioned appropriately.

   SSB appreciates the intent to address gentrification concerns; however, we do not agree that activities in these particular areas will receive zero CRA credit. It is important, if possible, to have mixed-income neighborhoods. The proposal does state indicate a two-prong test to ensure credit is not given if a high-income individual is in a LMI census tract.

   The proposal mentions that distressed areas could also be located in metropolitan areas. The bank agrees with this reasoning since distressed areas could definitely be located in larger cities and banks should receive credit for reaching out to these areas.

4. *Under the proposal, the small business and small farm revenue thresholds and the size thresholds for a small loan to a business and a small loan to a farm would increase to $2 million. Do these increases appropriately incentivize banks to engage in small business and small farm lending activities, or should other changes be made to the revenue and loan size thresholds?*

   We support the increase in the loan amount cap and the increase in the GAR limit. The changes are needed to reflect inflationary changes since these dollar amounts were set, and to more accurately capture our support for small businesses in the

bank's CRA evaluation. However, we have the following concerns related to small business lending:

- We would like to see adjustments for inflation less frequently than annually – for example, adjustments for inflation should be every five years. Annual adjustments for inflation are too frequent. Adjustments should also be made in increments of $500,000.

- Provide clarification in the final rule that banks have a choice to count a small business loan either in the bank's retail lending distribution test or in the community development activities.

- We have some concerns about the overlapping between the definition of a small business loan for CRA purposes and a definition for purposes of Dodd Frank Act Section 1071. This will require banks to collect and report data on lending to women-owned and minority-owned businesses. The CFPB has communicated that they intend to begin rulemaking soon. The banking agencies are also considering changing the definition of a small business loan in the Call Report. The inconsistent definitions of a small business loan is concerning because they overlap in the various regulations. We encourage the agencies to coordinate closely with the CFPB and to coordinate CRA reform with any revisions to the Call Report definition of a small business loan.

5. *The agencies plan to publish the illustrative list on their websites and to update the list both on an ongoing basis and through a notice and comment process. Should the list instead be published as an Appendix to the final rule or be otherwise published in the Federal Register? In addition, how often should the list be updated?*

   It is our opinion that the list should be published as an Appendix and to each of the agencies' websites. We believe that by publishing it in the Federal Register and allowing public comment to slow the process. The list should be updated at least every three months.

6. *The proposal includes a process for updating the illustrative list on an ongoing basis through submission of a form to seek agency confirmation. The agencies considered an alternative process where an agency would accept all requests from banks for confirmation that an activity is a qualifying activity, aggregate these requests, publish the list of requested items in the Federal Register for public comment and feedback, and update the list following this process once every six months. What process,*

including any alternative process, should the agencies adopt to update the illustrative list of qualifying activities?

Southside Bank strongly supports the establishment of a publicly available, non-exhaustive, illustrative list of CRA-qualified activities as well as a list of activities that do not meet the regulation's criteria for being CRA eligible.

- The list should be maintained on an interagency basis.
- The agencies should make clear that examiners should not view CRA eligible activities as being limited to those that are on the list.
- The agencies should specify that a bank holding a loan or investment that is removed from the qualified activities list will continue to receive CRA credit as long as that loan or investment is held on the bank's books.
- The agencies should clearly document the activities that have been removed from the illustrative list.
- The agencies should develop a list that is searchable and organized by topic.

7. *Are certain types of retail loans more valuable to LMI individuals and geographies than other types? If so, which types? Should the regulations recognize those differences? If so, how? For example, could multipliers be used to recognize those differences and provide incentives for banks to engage in activities that are scarce but highly needed?*

Consumer and mortgage loans are more valuable to LMI individuals and geographies. While all lending to LMI is important, consumer loans play a vital role in helping those that could be stuck in a predatory loan cycle. Mortgage loans help LMI establish their own home and get out of the rent race. It allows them to make an investment and better their future.

The proposal of not allowing full credit for mortgage loans sold within 90 days should be eliminated. Mortgage loans made to borrowers in LMI areas should count toward a bank's CRA efforts regardless of whether the loan is held or sold. Banks spend a considerable amount of time processing a mortgage loan that could be sold on the secondary market within 90 days. The originating lender ensures compliance, accuracy, underwriting, processing and funding. As we are aware, time is money; therefore, the banks are investing in a product that is needed by those in their communities. This would definitely affect those that are unable to service FHA, VA, and USDA mortgage loans. This change has the ability to impact the economy during a time where recovery will be crucial.

8. *The use of multipliers is intended to incentivize banks to engage in activities that benefit LMI individuals and areas and to other areas of need; however, multipliers may*

cause banks to conduct a smaller dollar value of impactful activities because they will receive additional credit for those activities. Are there ways the agencies can ensure that multipliers encourage activities that benefit LMI individuals and areas while limiting or preventing the potential for decreasing the dollar volume of activities (e.g., establishing a minimum floor for activities before a multiplier would be applied)?

Southside Bank encourages the agencies to provide clear examples of how multipliers would be used and how it would affect the bank's performance. Our suggestion would be to provide a different weight (multiplier) to various activities and adjust it as the economy changes and different needs are identified.

9. *The proposal quantifies the value of CD services based on the compensation for the type of work engaged in by the employees providing the services as reflected in the Bureau of Labor Statistics calculation of the hourly wage for that type of work. Alternatively, CD services could be valued based on a standardized compensation value for the banking industry or occupation type. For example, the median hourly compensation value for the banking industry is approximately $36, when calculated using Bureau of Labor Statistics data. Would using standardized compensation values reduce the burden associated with tracking CD services while still appropriately valuing CD services? If so, how should the agencies establish the standardized compensation values?*

   By placing a dollar value on community development services in order to compute the CRA Evaluation Measure, it would not portray the true value of services. This could result in banks reducing volunteerism, which in some areas is critical. Instead, the agencies should incorporate guidance around performance context with the total impact. This could be done with quantifying the total number of hours for CRA services then adding performance context where applicable. If it is determined that a dollar value is necessary, we would definitely support the agencies identifying a flat hourly rate to minimize the data collection burden.

Assessment Areas

10. *Should the range of retail banking services provided—such as checking accounts, savings accounts, and certificates of deposit—be considered under this proposal? If so, how could retail banking services be quantified? For example, could the types of checking and savings accounts that are offered by a bank (e.g., no fee, fixed fee, low interest-bearing, high interest-bearing) be considered in performance context?*

Consider providing examples that would explain how performance context would be factored into the CRA ratings for retail banking services. It seem reasonable to continue considering retail banking services in the bank's performance evaluation and including performance context where necessary.

11. *Are the proposed methods for delineating assessment areas clear, simple, and transparent?*

The proposed methods are clear; however, we are suggesting some changes in how they are delineated.

12. *The proposal would allow banks to choose how broadly to delineate their facility-based assessment areas, but it would require banks with a significant portion, such as 50 percent or more, of their retail domestic deposits outside of their facility-based assessment areas to delineate their deposit-based assessment areas at the smallest geographic area where they receive five percent or more of their retail domestic deposits. The requirement to designate deposit-based assessment areas would impact Internet banks that do not rely on branches or ATM facilities to collect deposits as well as traditional banks that, in addition to their branches and ATM facilities, collect a significant portion of their deposits online outside of their branch and ATM footprint. Do these approaches strike the right balance between allowing flexibility and ensuring that banks serve their communities? If not 50 percent, what threshold should be used to determine if a bank has a significant portion of its deposits outside of its facility-based assessment areas and why? In addition, is receiving at least five percent of domestic retail deposits from a given area the appropriate threshold for requiring a bank to delineate a deposit-based assessment in that area, or should some other threshold be implemented? If so, why?*

Concerns are noted regarding the collection and maintenance of the required deposit data. The requirements to geocode addresses may not be simple since some older accounts could only have the P.O. Box available. Also, when geocoding to the census tract level, more errors occur when tools are unable to locate an accurate census tract. The manual process of identifying census tracts can be very time consuming especially if you are working with a large number of records. Based on the likely volume of records needing accurate geocoding, it would be unreasonable to expect a full scrub of geocoding deposit data. We would recommend that the records are sampled and the results are documented.

The proposal would require that facility-based and deposit-based assessment areas to be no smaller than a county. This appears to curtail the ability of banks to adjust their Assessment Areas based on the area that they can reasonably serve. The preamble

does not discuss why this change would be required. Although, presumably, the agencies proposed this approach with the goal of standardizing CRA performance evaluation. We encourage the agencies to continue to allow banks to select partial counties for their assessment area. If a bank has limited branching in a metropolitan area and required to select the entire county to serve, it could cause the bank to exit that market completely.

Concerns are not noted with determining if more than half of the deposit accounts are outside of the delineated assessment area; however, it is recommended that the smallest geographic area concentration is increased from five percent to at least ten percent. Another suggestion would be to pick the top three areas outside of the facility based assessment area based on deposit volume.

The bank agrees that the approach does offer a good balance for traditional and nontraditional banks. It allows internet or specialty banks to go outside the areas of their headquarters while also allowing more traditional banks to continue serving the footprint where they are taking most of their deposits.

13. *The deposit-based assessment area delineation requirements are intended to ensure that banks serve the communities in which they operate. However, under the proposed regulation, it is possible that few banks would be required to delineate a deposit-based assessment area in less populous areas or states, despite having a significant market share in those areas (although banks with branches in those areas would be required to delineate facility-based assessment areas and banks may receive credit for qualifying activities outside of their assessment areas conducted in these areas or states). Does this framework provide sufficient incentives for banks to conduct qualifying activities in these less populous areas? Alternatively, should banks be required to delineate separate, on-overlapping assessment areas in each state, MSA, MD, or county or county equivalent in which they have at least a certain percentage of the deposit market share—regardless of what percentage of the bank's retail domestic deposits are derived from a given area—and, if so, what should the percentage of the deposit market share be?*

Deposit-based assessment area delineation should not be based on the market share. It is our opinion that in order to stay with the spirit and the intent of the regulation, banks should be making loans where they take a majority of their deposits. This seems to be satisfied with the deposit-based assessment area. Banks should be reviewing each of their assessment areas, and if one appears to be weak, this is where performance context would be applicable.

In addition, if an assessment area, such as a multi-state MSA, overlaps a state boundary, it should be designated as one assessment area and not broken up into two.

Objective Method to Measure CRA Performance

14. *The proposed rule would define retail domestic deposits as total domestic deposits of individuals, partnerships, and corporations, as reported on Schedule RC-E, item 1, of the Call Report, excluding brokered deposits. Is there another definition that would better reflect a bank's capacity to engage in CRA qualifying activities?*

    We agree with using this calculation to obtain the domestic deposits for analysis purposes.

15. *The proposal focuses on quantifying qualifying activities that benefit LMI individuals and areas and quantifies a bank's distribution of branches by increasing a bank's quantified value of qualifying activities divided by retail domestic deposits (a bank's CRA evaluation measure), expressed as a percentage, by up to one percentage point based on the percent of a bank's branches that are in specified areas of need. Banks with no branches in these areas will not receive any CRA credit for their branch distribution under this method, even if there are very few specified areas of need in the areas they serve. Does this appropriately incentivize banks to place or retain branches in specified areas of need, including LMI areas? Does it appropriately account for the value of branches in these areas?*

    While it is important to avoid causing a financial desert, we don't agree with the multiplier. So many factors go into where a bank determines to operate a branch. It is our recommendation that the .01 multiplier for branches located in LMI areas be removed for the CRA Evaluation Measure calculation. We would suggest continuing to review the open and closed branches as is currently done in performance evaluations.

    When drafting the final regulation, please consider providing several examples of how the CRA Evaluation Measure would work. In addition, it would be useful to have electronic copies of all formulas/calculators that are to be used by banks and the examiners.

16. *Under the retail lending distribution tests, the proposal would consider the borrower distribution of any consumer loan product line that is a major retail lending product line for the bank. The agencies defined a major retail lending product line as a retail lending product line that comprises at least 15 percent of the bank-level dollar volume of total retail loan origination during the evaluation period, but also considered setting the*

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threshold between 10 and 30 percent. Should the agencies consider a different threshold? Additionally, applying the retail lending distribution test to only major retail lending product lines means that not all retail lending product lines will be evaluated for every bank. Are there any circumstances in which applying the retail lending distribution test to a consumer lending product line should be mandatory, even if it is not a major retail lending product line (e.g., if the consumer lending product line constitutes the majority of a bank's retail lending in number of originations)? Additionally, the proposal would only apply the retail lending distribution tests in assessment areas with at least 20 loans from a major product line. Is 20 loans the appropriate threshold, or should a different threshold, such as 50 loans, be used?

The proposal to add consumer loans and collect data for these loans is something that would take a significant amount of time, particularly for community banks. It is our opinion and recommendation that the collection of data for consumer loans should be optional and not mandatory. The proposal does not describe a policy basis for such an expansion of CRA, nor does it cite research to show that banks are not providing these types of loans to LMI individuals or areas.

We would recommend changing the definition of a major retail lending product line to 25 percent of the bank-level dollar volume of total retail loan originations during the evaluation period. The 15 percent threshold seems too low in order for this to be something reasonable for all financial institutions.

An instance where it would seem reasonable to include a retail lending product line as a major product would be if it fell below the dollar threshold set by the agencies but comprised more than 50 percent of retail loans by number volume.

The peer comparator threshold would compare banks that are not actual peers. Community banks will be unfairly compared to the performance of much larger banks with far more capacity. We would also like to add that the peer comparator for the business loan calculation should be adjusted down. If banks are expected to use D&B data, then it's a good starting point but it's not reliable for exact comparison.

How often would banks receive the peer data? Would they have it at the start of the exam cycle and would it remain constant throughout? There is risk that the data could change over time and banks would be in the same position they are in today – not knowing the regulatory expectations.

The proposal is unclear as to whether each of the product lines listed under the definition of Consumer Lending Product Line should be considered separately

(automobile loan product line, credit card product line, other revolving credit plan product line, or other consumer loan product line) for purposes of determining what constitutes a Major Retail Lending Product Line. Is each product line considered desperately in the Retail Lending Distribution Test?

The 20 loan threshold per exam cycle to apply the retail lending distribution test should be increased to 50 loans per exam cycle.

The Retail Lending Distribution Test should not be pass or fail, nor should poor performance result in an automatic Needs to Improve. Rather, poor performance on the Retail Lending Distribution test should be able to offset by strong performance in other areas. If a bank fails one geographic test for only one retail loan type, the bank should not fail the entire examination in that Assessment Area.

Regulators should provide multiple examples of how the Retail Lending Distribution Test would work in practice. Regulators should also provide electronic copies/calculators on all formulas to be used by banks and examiners.

17. *Under the proposal, a bank evaluated under the general performance standards could not receive a satisfactory or an outstanding presumptive bank-level rating unless it also received that rating in a significant portion of its assessment areas and in those assessment areas where it holds a significant amount of deposit. Should 50 percent be the threshold used to determine "significant portion of a bank's assessment area" and "significant amount of deposits" for purposes of determining whether a bank has received a rating in a significant portion of its assessment area or should another threshold, such as 80 percent, be used?*

    Southside Bank agrees with the opinion that the 50 percent threshold should be used to determine a "significant portion of a bank's assessment area" and does not agree with the 80 percent threshold. Additional clarification is needed and consideration should be taken for giving the most weight to assessment areas with the largest concentration of deposits.

18. *Under the proposal, banks that had assets of $500 million or less in each of the previous our calendar quarters would be considered small banks and evaluated under the small bank performance standards, unless these banks opted into being evaluated under the general performance standards. Is $500 million the appropriate threshold for these banks? If not, what is the appropriate threshold? Should the threshold be $1 billion instead?*

Since SSB is already a Large Bank, we will only provide an opinion. It does seem that by adding significant reporting requirements to banks that don't currently report CRA information to the regulators could be an enormous undertaking and include significant costs with reporting required and closer monitoring of community development activities.

19. *Under the proposal, small banks (i.e., banks with $500 million or less in assets in each of the previous four calendar quarters) may choose to exercise an opt into and a one-time opt out of the general performance standards. Should small banks that opt in to the general performance standards be permitted to opt out and be examined under the small bank performance standards for future evaluations and, if so, how frequently should this be permitted?*

   Southside Bank agrees with the ability to opt out of the general performance standards for a small bank. It would be best to only allow one opt out every eight years and it should be done within one year of an examination. It would be a courtesy for the regulator to contact the small banks that have opted in at least one year prior to discuss how they would like to proceed.

Data Collection, Recordkeeping and Reporting

20. *As discussed above, the proposal would require banks to collect and report additional data to support the proposed rule. Although most of this data is already collected and maintained in some form, some additional data collection may be required. For example, banks may need to gather additional data to determine whether existing on-balance sheet loans and investments are qualifying activities. Are there impediments to acquiring this data? If so, what are they?*

   The CRA Evaluation Measure relies too heavily on a bank's balance sheet for purposes of measuring CRA activity. Banks should continue to be given credit for originations and purchases as opposed to using the amounts on a balance sheet at the end of the month.

   We strongly encourage the agencies to take another look at the burden of data collection and consider using the data that is already reported to regulatory agencies. A majority of mortgage data is collected in the HMDA Loan Application Register and the small business/small farm data is collected in the CRA Loan Register. This would alleviate many of the issues identified in regards to data collection and reporting.

This approach would allow the use of already reported small farm/small business data. In addition, it would allow using HMDA data instead of retrieving data elsewhere and possibly duplicating processes. This request would reduce a significant burden on bank's data collection.

The proposal does not state when banks must report data to the agencies. The current rules require CRA data reporting by March 1 of the calendar year following the year the data were collected. This three-month lag gives banks time to scrub data before submitting it.

21. *What burdens, if any, would be added by the proposed data collection, recordkeeping, and reporting requirements?*
    a. *What system changes would be needed to implement these requirements?*
    b. *What are the estimated costs of implementing these requirements?*

The proposal does not take into account that the necessary data is not residing in a single system within a bank. Some of the required data resides in core systems; other in loan origination and servicing systems, and most banks have multiple loan origination system for different products. In addition, banks generally use different systems to service different types of loans. In order to integrate the data, it would require significant efforts and likely costs from the service providers.

The agencies did not provide an estimate of the one-time costs of the data collection burden. It would be beneficial if the agencies could provide detail on how the estimated costs and hours were determined.

Impediments would be locating CRA book balances and documenting the data such as income. We would need to be documenting those with originations between $1 million and $2 million. Consumer loans also make an impact with a higher volume of loans requiring data collection. Income on non-HMDA loans could take a significant amount of time to gather, verify and report.

Estimated costs are hard to quantify at this point, but it appears they would make a substantial impact. We are anticipating the soft costs to be at least $10,000. In addition, staff would need to be added and trained. If we add one to two full time employees that could easily take costs in the first year of implementation to $100,000.

22. *The proposal would require small banks to collect and maintain certain deposit based assessment area data. Are there other ways the agencies can limit the recordkeeping burden associated with the designation of deposit-based assessment areas, including other ways for banks to differentiate between traditional and internet type business models?*

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The process of using deposits to determine where assessment areas should be seems to align with the CRA regulation.

Additional Considerations

CRA Evaluation Measure

The CRA Evaluation Measure needs adjustments. The primary concern is the reliance on the balance sheet. Banks should receive credit for originations and purchases instead of end-of-month balance sheet amounts.
The Community Development Minimum of 2% should not be an automatic rating of Needs to Improve if the minimum threshold is not met. Different areas of the country have different community development opportunities. In addition, some areas experience inflated competition for community development loans and investments, the terms of which can price local lenders out of the markets in their own geographies.

Qualifying community development activities that partially benefit an area receiving pro rata credit seems to complicate the process. Making qualifications pro-rata credit seems to complicate the qualification process. We suggest staying with the current procedures of either it qualifies or it doesn't.

Donations should be measured differently and not with a multiplier. They should be kept as an investment and measured back as a percentage of net income. Donations come from the bank's bottom line and should receive more weight, but not through a multiplier, through a different comparison.

Performance Context

It appears that the proposal is an opportunity to turn the table and put the onus to the banks. We feel it's important for examiners to evaluate the bank's performance context and do not agree with submitting a form on a periodic basis to highlight the performance context. Banks do not fit into a box and it would be extremely difficult to try and put each of us into one.

Agree that documenting the volume of customers using electronic/alternative services is good, but this should be on the banks to document and present to examiners as performance context and not something that is required.

The regulators keep summaries of their visits with local representatives called community contacts. We request that in order to build on the transparency initiatives in this proposal, that the Community Contact Database be made searchable by banks.

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Assessment Areas

Encourage agencies to remain with current procedures to evaluate the assessment areas based on full scope and limited scope procedures. This would be based on branch locations, lending volume and deposit volume in the areas.

Allocate qualified activities funding to assessment areas primarily benefitting or receiving the biggest impact. If a majority does not fall within an assessment area, it should go to bankwide. We need to avoid being too granular. CRA should not be an automated process and does require some discernment. We do not encourage the pro-rata approach.

Some investments do not have a "location" that is as easily identified like a borrower's address or collateral location. Investments may serve a broad geographic area; therefore, should those types of investments be captured under the bankwide performance?

Banks should be able to evaluate and revise their assessment area on an as needed basis or allow at least once per year. The bank could branch or merge causing a need to expand. The bank could also determine they are unable to reasonably serve an area and reduce the assessment area.

Data Collection

SSB does not agree with the thought process of purchasing access to datasets and allowing smaller banks to use proxy data. We suggest that the required data be made available to all banks by the agencies that are requiring the use or available through the CFPB.

Please provide clarification on reporting mortgage and consumer loans. Would renewals, refinances and modifications be counted in the items we need to collect data on or does it only apply to new originations?

Balance Sheet Items

If the Qualifying Activities metric looks at "qualifying loans and investments" on the balance sheet, is there a "start date" for qualifying for a loan or investments. For example, after implementation, would a loan/investment remaining on the balance sheet from 2014 and continue to qualify in 2022? Once implementation occurs, how far back can or should a bank go within on-balance sheet loans and investments to

identify qualifying activities? Should banks re-assess their entire portfolio, including activates that do not count for CRA credit under the existing regulatory framework?

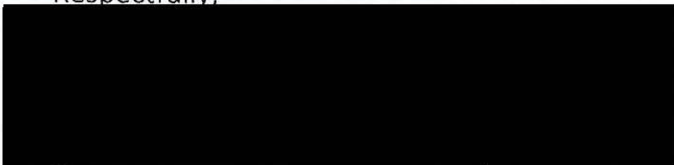
Miscellaneous

Southside Bank supports bank's being acknowledge for "Outstanding" CRA performance through a certificate or seal that can be placed in the bank's lobbies.
The transition period for banks to implement these changes will need to be significant. We would encourage you to provide examples of how the transition period would be implemented. We also encourage the agencies to do the following:

- Provide training and outreach to banks and community groups.
- Conduct examiner training on an interagency basis.
- Consider the constraints that COVID has put on the banking industry when setting the transition period.
- Establish a performance evaluation template and examination procedures that are used by examiners on an interagency basis.

In closing, we look forward to the robust changes made to the CRA proposal and sincerely encourage each of the agencies to work together during this monumental change.

Respectfully,



Brooke Mott
Fair & Responsible Banking Officer
Southside Bank