WESTERN SECURITY BANK
Division of Glacier Bank

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April 8, 2020

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

Re: FDIC RIN 3064-AF22 Proposed Changes to Community Reinvestment Act

Dear Mr. Feldman;

I am submitting comments regarding the Notice of Proposed Rulemaking regarding the Community Reinvestment Act. While our bank is in support of some of the proposed changes, we are opposed to other changes recommended in the proposal because we do not feel the changes remain true to the heart of CRA. The primary intent of CRA was to combat the practice of redlining and discrimination that significantly inhibited low and moderate individuals and families from becoming homeowners and achieving other socioeconomic levels. Because redlining and discriminatory practices predominantly impacts minorities and poorer populations, such practices are a detriment to building strong, healthy and vibrant communities where there is equal opportunity to thrive. We feel that many of the proposed changes will actually work against the intent of CRA.

Some of the proposed changes are needed, such as the inclusion of technology, because the regulation is seriously outdated. In addition to including the evolution of technology, the regulation should also have provisions for funding technological incubators that will help strengthen communities by increasing technological training and making it available to all segments of our communities to enhance opportunities to find employment or increase employment capacity. If the workforce of a community lacks the skills to help attract new businesses, or to improve the economic stability of the individuals within the community, the entire community suffers, including those who have low and moderate income jobs. Our world is becoming more and more technology based and our communities need to be able to keep up with that evolution.

We applaud the removal of the requirement to lend "financial expertise" in our volunteer activities within the community. We are heavily engaged in helping our communities by providing volunteer labor – but cannot count much of it because it does not lend "financial expertise". The communities, including the low and moderate income individuals and families, benefit nonetheless. Removing this barrier will improve our ability to serve and encourage more service throughout the community where it is needed.

The NPR inquired about other activities that should be considered for CRA credit. Although disabilities are not restricted to the poorer individuals in our communities, disability should be qualifying criteria for CRA. The disabled communities are notoriously underserved by the financial industry. While the ABLE Act has improved this situation, there is still need and opportunity to do more. This is a highly vulnerable segment of the population that is twice as likely to live in poverty; therefore supporting programs and services that target this segment of the population should always qualify for CRA credit.

Under the proposal, banks would in essence be penalized for not having branches located in low and moderate income census tracts. In some of our areas, there are no low or moderate income census tract areas. In some of our areas, the only low or moderate income census tract areas would prohibit a branch being built because they are zoned for residential property only. Isn't the true measurement whether the bank is providing convenient access to banking services and products to low and moderate income individuals? If our branch is near a low and moderate income census tract, and we have hours and services and products that target low and moderate income individuals, aren't we fulfilling what the CRA intent is? In areas where we don't have low and moderate income tracts, but we have higher pockets of people living below the poverty line, and we have products and programs to target these individuals, are we not fulfilling the intent of CRA? Using census tract designations is actually unreliable because they change from time to time – and a branch may have been located in a low or moderate income census tract when it was built, but the tract designation changed. Why then would we be penalized because we don't have a physical location in a low or moderate income census tract?

High poverty rates should also be considered, not just what the designation of a tract is when considering the activities a bank performs. If we have middle or even upper income census tracts that have poverty rates above the State or national rates, that should be a considered standard as well. Currently, the regulation only addresses low, moderate and distressed/underserved middle non-metropolitan census tracts. Poverty rates above the State or national level should also be included in the definitions.

We are opposed to how the recommended changes treat all banks over $500 million the same. We are not the same. Additionally, the agencies are making the standards and ruling more complex and confusing with all of their formulas and the additional reporting that will be required. There are vague generalities, such as the term "significantly" which is used extensively in the proposal but there is no definition of what "significant" is. Responses from the agencies have been that "significant" will be determined by the examiner. It has been our experience that examiners don't always agree and when things are not clearly defined in the regulation, and are left up to the subjectivity of the examiners, the banks suffer for it. What one examiner's opinion was for one exam was not shared be another examiner in the next exam and the bank suffered for it.

Measuring the quantitative factors alone while neglecting the qualitative factors will make banks look for fewer large dollar opportunities that really don't impact very many low and moderate individuals at the expense of more of the smaller dollar opportunities that will have greater impact. How can the qualitative factors not be a part of the exam?

We are also opposed to the proposal regarding how selling loans on the secondary market will be treated. Government loans, such as FHA, USDA, and VA loans are important to our bank. They target low and moderate income individuals with opportunities to own their own homes. The intent of the proposed partial credit is to limit banks receiving multiple credits for making loans and selling them on the secondary market and to restrict multiple banks from receiving credit for the same transaction. However, if banks receive only partial credit for making and selling these types of loans, banks will likely be deterred from making them. They are more time consuming to make. Selling the loans on the secondary market enables the bank to provide more loans in these programs because they are not carried on their books. The approach in the proposal would not incentivize a bank to engage in participating in these government loan programs.

Please consider our comments in your proposal for changing CRA. Any changes to CRA should maintain the focus of targeting low and moderate income individuals, small businesses and small farms, and strengthening our communities.

Respectfully,

[redacted]

Mike Seppala, President
Western Security Bank