**MEMORANDUM**

**TO**: Executive Secretary

**FROM**: Leonard Chanin, Deputy to the Chairman

**DATE**: February 27, 2020

**SUNBECT**: Meeting with Representatives from the Consumer Bankers Association (CBA)

---

On February 26, 2020, Chairman McWilliams and FDIC staff met with representatives of the CBA. Representatives of the CBA shared their views on a Notice of Proposed Rulemaking on the Community Reinvestment Act, published in the Federal Register by the FDIC on January 9, 2020 (85 FR 1204). The Representatives discussed the issues in the attached documents.

A list of participants appears below.

---

| | |
|---|---|
| FDIC | Chairman, Jelena McWilliams<br>Chad Davis<br>Leonard Chanin |
| CBA | Richard Hunt<br>Stephen Congdon<br>Caroline Eisner |

BUCKLEY

# Consumer Bankers Association Presentation to the Federal Deposit Insurance Corporation

## Regarding the FDIC and OCC Joint Notice of Proposed Rulemaking on CRA Modernization

Washington, DC
February 26, 2020

# Proposed Rulemaking paves the way for CRA modernization

Bankers applaud the OCC & FDIC's vision

- Facilitating consistency and transparency regarding *what* counts, *where* it counts, and *how* it counts, including enhanced consideration for certain activities
- Formulating metrics to examine a bank's CRA compliance objectively and consistently, and provide presumptive ratings
- Articulating what CRA activities will receive consideration
- Incentivizing an outstanding CRA rating
- *Reviving an effort stalled since 2010*

# Rulemaking leads CRA into 21st Century

- Recognizes that consideration should be given for activities outside a bank's facility-based AAs

- Seizes the opportunity to reform CRA to "incentivize investment and lending to all communities served by the bank"

# Refined Assessment Area Metrics

- Facility-based AAs only; two metrics to determine a rating for each AA
  1. Metric applicable to all retail banks would measure assessment area qualified lending on an origination and purchase unit basis, with that sum compared to market lending and loan demand
  2. Metric applicable to large banks, wholesale banks, and limited purpose banks would measure the dollar volume of new and outstanding AA community development activity, with that sum compared to market activity

# Refined Bank-Wide Metric

- A bank must obtain at least a satisfactory grade in a majority of its facility-based AAs to obtain an overall satisfactory or outstanding rating
- A bank is then subject to a metric measuring the total qualified activities as a proportion of its total non-corporate, non-brokered domestic deposits
  - A bank's CRA responsibilities are set on a bank-wide deposit level
- Bank could receive consideration for qualified activities engaged in anywhere, including outside facility-based AAs, to obtain overall satisfactory or outstanding rating

Nontraditional banks would be more likely than traditional banks serving facility-based AAs to need additional activities to reach rating thresholds set at bank-level

# Refined metrics address 3 major CBA hot button topics

1. Retain origination-based approach for retail metrics
   - Significantly mitigates and simplifies Rulemaking's new data collection, recordkeeping, and reporting burdens
   - Originations more effectively measure the impact of CRA activities like LMI mortgages and small dollar lending
2. Preserve optional consumer loan reporting
   - Mandatory inclusion would constitute a *significant* expansion of a bank's affirmative CRA obligations
   - Collection would build an incomplete database of consumer lending information ripe for exploitation
3. Exclude corporate deposits from denominator
   - Corporate deposits are not necessarily related to residents or businesses within a particular geography

# Continued concern over presumptive rating thresholds

- Carefully developed rating thresholds are critical to ensure that Rulemaking has no unintended or unanticipated effects
  - Assumptions underlying thresholds should be rigorously tested and shared with banks prior to implementation
- Thresholds should be durable to ensure banks can appropriately plan their CRA activities
- CBA suggests that the Agencies reassess the Rulemaking's thresholds after collecting two years of bank data
  - This would also allow market data to be distributed to banks prior to application of any market benchmarks

# Community Reinvestment Act Modernization

## SUPPORTING THE NEEDS OF CHANGING COMMUNITIES & BANK MODELS

**Benefits of OCC-FDIC NPR**

- Certainty, Clarity and Transparency
- Presumptive Ratings
- Preapproved Activities
- Incentivizes Banks To Do More

**Areas for Additional Optimization**

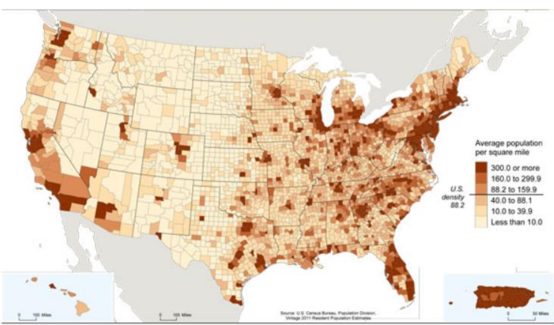
- Adapt Assessment Areas to Better Serve All Communities
- Refine Metrics to More Accurately Measure Number and Dollar Amount of Loans
- Preserve Optionality of Consumer Loans

### Proposals on Strengthening Existing NPR

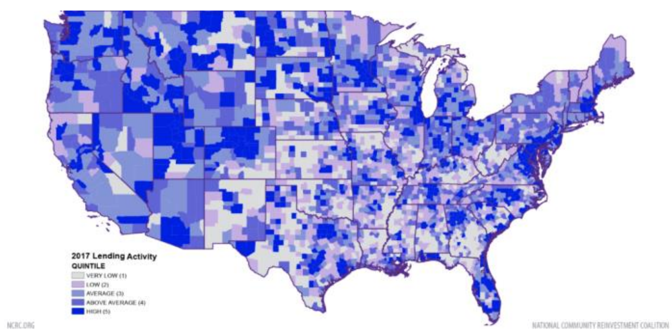
*Adapt Assessment Areas to Address Hot Spots & Deserts Through a "Facilities Plus" Assessment Area*

- Since the current NPR would largely keep traditional retail bank assessment areas the same, CBA recommends keeping a facilities-based assessment area for all banks while accounting for internet-based deposits in a nationwide CRA evaluation metric. For nontraditional banks, many internet deposits are not sourced from LMI communities.
- A purely deposit-based assessment area will not address deserts, as illustrated in the two maps below, comparing population density and current lending. Deposit concentrations will overlay population density, requiring the lending footprint at right to more closely resemble the population map on the left.

U.S. POPULATION DENSITY




MORTGAGE & SMALL BUSINESS LENDING




*Refine Metrics to More Accurately Measure CRA Investment Impact*

- As stated in the NPR, CBA agrees a bank must obtain at least a satisfactory grade in the majority of its assessment areas, and investment dollars would be based on bank-wide deposit level, including internet deposits.
- Once those standards are met, CBA proposes banks could receive consideration for qualified activities anywhere in the country to reach a bank-wide percentage for CRA ratings.
- As part of a retail lending assessment, CBA recommends CRA examinations should still consider the number of loans and not just the dollar amount of loans made, as lower-dollar loans are most likely utilized by LMI individuals. Dollar amounts are more feasible when assessing overall CRA activity.

*Preserve Optionality of Consumer Loans*

- Mandatory inclusion would build an incomplete database of consumer lending, information ripe for exploitation.