



ion BANK™

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August 2, 2022

James P. Sheesley
Assistant Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429
Attention: Comments RIN 3064–AF81

Chief Counsel's Office
Office of the Comptroller of the Currency
400 7th Street SW
Suite 3E–218
Washington, DC 20219
Attention: Comment Processing, Docket ID OCC—2022-0002

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551
Attention: Comments Docket R-1769; RIN 7100-AG29

Re: Community Reinvestment Act Regulations

Dear Madam or Sir:

Ion Bank (or “Ion”), thanks the banking agencies for their leadership and hard work in drafting the 2022 joint CRA proposal on an interagency basis and welcomes the opportunity to provide feedback.

Ion Bank is a stock form Connecticut-chartered savings bank headquartered in Naugatuck, Connecticut with more than \$2.0 billion in assets. Ion is regulated by the FDIC and the State of Connecticut Department of Banking and operates 21 full-service branches in Connecticut and 2 full-service branches in New Jersey. As a local, independent, ***mutual community bank*** not owned by shareholders, Ion offers personalized services for its customers and the communities it serves. Ion is engaged principally in the business of attracting deposits from the public and investing those deposits in various types of loans, including commercial real estate, land



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development activities, construction activities, and a variety of other commercial, residential and consumer loans. Founded in 1870, Ion has always focused its services on the community it serves. As a leading corporate citizen and community bank, Ion believes that identifying community needs and reinvesting in the communities served is one of its most important duties and is a fundamental part of its mission. Ion remains fully committed to the goals of CRA and in meeting the credit and financial services needs of its customers and communities.

In addition, Ion Bank Foundation (established in 1998), partners with local non-profit organizations by providing direct financial support to help improve and enrich the lives of local citizens to make a positive impact in local communities.

Ion is supportive of the efforts of the agencies to modernize the CRA regulations that have become overly complex and have not kept up with the way the consumers use technology to access financial products and services. The need for modernization has become more pressing as technology and the financial services industry continue to evolve.

Ion offers the following comments on the aspects of the proposed rule that would have the most direct impact on our bank.

1. Increased Certainty Regarding Community Development

Ion is supportive of the requirement for the agencies to publish a list of qualifying activities for community development and the agencies proposal to include a process for modifying the illustrative list of activities periodically.

Ion also supports the agencies proposal for a process by which banks can confirm the eligibility of qualifying community development activities, which would involve banks submitting the details of a potential loan or investment to their regulator and receiving back a binding decision about whether the loan or investment would be eligible for CRA credit. In this regard, we recommend that a reasonable response timeframe for the regulators be included within the rule.

The combination of the list of qualifying activities and the proposed preapproval process would provide much-needed increased specificity and certainty regarding community development activities.



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2. Tailoring of the Proposed Rule

Ion appreciates and supports the use of a tailored approach with respect to the proposed rule. Ion Bank recently surpassed an asset size of just over \$2 billion and thus would be considered a “Large Bank” under the rule. We recognize that under the proposed rule, Ion would not be subject to certain new requirements that will apply only to very Large Banks with assets of \$10 billion or more, such as an evaluation of digital and other delivery systems and deposit products.

However, while we appreciate using a tailored approach, as noted in our comments below Ion strongly believes further tailoring of the rule is needed to avoid the potential for dangerously misleading examination results. Additionally, as the depositors are ultimately the members/owners of the bank, specific consideration should be given for banks of mutual holding companies.

3. Threshold for a “Large Bank”

As noted above, Ion Bank recently surpassed the \$2 billion asset size threshold. Under the proposed rule, Ion would thus be considered a “Large Bank” and would be subject to four performance tests – a Retail Lending Test, a Retail Services and Products Test, a Community Development Financing Test, and a Community Development Services Test.

Of particular concern to Ion Bank, the Retail Lending Test includes highly complex performance metrics that we assert should only be applied to Large Banks of a much higher asset size than the \$2 billion threshold in the proposal. Ion Bank simply does not possess the level of resources in the form of personnel and systems needed to effectively monitor and respond to the results of a Retail Lending Test. The Retail Lending Test should be more appropriately applied only to very Large Banks of a much greater asset size than the \$2 billion threshold currently proposed. In other words, it would be unfair to hold banks such as Ion Bank to the same performance standards as much larger institutions that have much greater capacity in this regard in terms of systems and financial and human resources. Again, additional specific consideration should be given for banks of mutual holding companies.

4. Delineation of CRA Assessment Areas

The proposed would require that the delineated CRA Assessment Area (AA) for a “Large Bank” be no smaller than a county. As noted previously, Ion Bank currently operates a total of 21 full-service branches in Connecticut and 2 full-service branches in New Jersey. The Bank’s CRA AA, which was developed after careful analysis of the Bank’s branch locations and CRA



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capacity, currently includes portions of 6 counties in the 2 states. The regulatory flexibility afforded to Ion in this regard under the current rule has resulted in a reasonable CRA AA for our Bank.

However, the requirement for a “Large Bank’s” AA to include geographic areas no smaller than a county would put Ion Bank at a tremendous disadvantage. An artificially derived AA encompassing whole counties under the proposed rule would produce dangerously misleading results. Specifically, the comparisons that will be done to market benchmarks would not reflect the fact that a bank of Ion’s size does not possess the capacity in terms of its branch network and other resources to effectively serve entire counties when compared to much larger institutions. Thus, Ion strongly recommends that any requirement to include an entire county in a bank’s AA be applied only to “Large Banks” of a much greater asset size. Note: although some states utilize county lines to create different rules, regulations, tax assessments, enforcement etc., some states, Connecticut in particular, have almost no differentiation from county to county. The majority of citizens and communities have little or no knowledge of any of the very few differences.

5. Lending Outside of a CRA Assessment Area

Ion Bank is also very concerned with the requirement that a bank’s CRA lending activity include not only activity within a bank’s CRA AA (in accordance with the long history of the CRA rule) but also its lending outside of its AA that will be compared to nationwide lending statistics.

Ion believes that this requirement is unreasonable and is inconsistent with the legislative intent and history of CRA that has been focused on assessing a bank’s performance with respect to meeting the lending and other needs of its local community (i.e., its CRA AA). Banks such as Ion do not have the branch network outside of its AA and the CRA-related capacity in such areas. For this reason, we recommend that the requirement to evaluate a bank’s lending performance outside of its delineated AA be removed from the rule.

6. Ratings and Benchmarks for Retail Lending Test for Large Banks

Ion has several concerns with the proposed ratings and benchmarks for Large Banks under the Retail Lending Test, including the following:

- Under the proposal, the market data against which Large Banks will be evaluated in connection with mortgage lending would include not only bank lenders, which we believe is appropriate, but also non-bank lenders such as mortgage lenders. The inclusion of non-bank lenders, who are not subject to the same rules and supervision as regulated



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banks, would inflate the resulting performance standards and would not present a proper comparison of a bank to its peer group. Thus, we recommend that the market data include bank lenders only.

- We noted that the benchmark calibrations under the proposed rule would result in a situation in which a bank that meets 100% of the market benchmark would only receive a “Low Satisfactory” score under the rule. This seems both counter intuitive and unfair for the bank in question. As a result, we request that this be revised to ensure that an institution that meets 100% of the market benchmark receive a full “Satisfactory” score.
- We understand that based on the agencies estimates a much higher percentage of banks are expected to receive less than satisfactory ratings on CRA examinations under the proposed rule. Ion believes that this may be attributable at least in part to the 2 issues noted above as well as the requirement regarding lending outside of a bank’s AA (comment 5). We request that the agencies re-assess these issues to ensure that the CRA rule continues to encourage banks to meet the needs of their communities rather than resulting in a more punitive approach with respect to the examination process. As noted above, Ion views CRA as not only good for its local communities but also as good business and the right thing for a bank to do.

7. Implementation Period

Lastly, Ion wishes to comment on the length of the proposed implementation period for the new rule. We understand that the agencies propose to incorporate a transition period comprised of multiple “applicability dates.” For the most burdensome aspects of the proposal (including RLAAAs, new performance tests, standards, and ratings, and data collection and reporting requirements), the agencies would provide a transition period of one year.

However, Ion Bank views a twelve-month timeframe as insufficient to implement the proposed changes for a rulemaking this comprehensive and complex. As the proposal is currently written, Ion will need substantial time to effectively deal with the new rule, including the following:

- Hiring additional resources and/or third-party vendors to monitor and assess our Bank’s performance under the new rule;
- Procuring additional software and systems;



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- Reassessing our Bank's CRA AA and measuring performance in these areas to the newly established performance benchmarks;
- Implementing major data collection, recordkeeping, and reporting mechanisms that significantly exceed existing CRA requirements, including the establishment of data integrity procedures and controls; and
- Evaluating the cost-benefit of certain business lines and geographic markets in light of the burden that the new performance metrics create.

As a result, Ion advocates a twenty-four-month implementation period for the most burdensome aspects of the proposal.

Ion Bank appreciates the opportunity to offer comments on the proposed rule and we thank the agencies in advance for their consideration of our comments.

Respectfully Submitted,



David Rotatori
President and CEO