American Community
BANK & TRUST

August 2, 2022

Mr. Robert E. Feldman
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

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

Re: Community Reinvestment Act Regulation

Dear Madam or Sir:

We are a $900 million community bank located about 50 miles northwest of Chicago with four branches in McHenry County, Illinois and a loan production office currently located in Elk Grove Village, IL. Our primary niche is lending to small and mid-sized businesses that are family-owned or privately held.

We are strongly committed to upholding the goals of CRA and meeting the credit and financial services needs of our clients and communities and we appreciate the opportunity to provide input. CRA regulation and supervision has been overly complex, unpredictable and have not kept up with the way customers use technology to access financial services today. The definitions and thresholds in this regulation have not been changed in over forty years while the world of banking has changed dramatically over the last four decades. The need to update CRA has existed for years and is even more pressing today as fintech companies, non-traditional banks and credit unions are competing even more aggressively with community banks.

1290 Lake Avenue ★ Post Office Box 1720 ★ Woodstock, Illinois 60098
Phone 815-338-2300 ★ Fax 815-338-9289

We are an intermediate small bank. If this proposal is approved, we appreciate that we will stay in the ISB category, and that the proposal allows for annual adjustments to the asset thresholds. We also appreciate that we will not have to collect and report the new data the proposal would require for Large Banks. We operate with appropriate resources for a bank our size, but new requirements would require additional staff and technology investments.

It appears that there are numerous ambiguities in the regulation, and examiners frequently interpret them differently. Interpretations are provided with the NPR infrequently and often lack the specificity needed. Different agencies and examiners within the same agency will reach different conclusions on the same issues. Terms such as "innovative", "responsive" or "flexible" for example, often require examiners to make subjective determinations on a case-by-case basis, making advanced planning by the bank problematic. Different examiners can reasonably reach different conclusions from the same evidence.

As far as the assessment area portion of the proposal, we support that reform needs to occur regarding assessment areas because of the explosion and consumer use of online and mobile delivery channels, but we do not feel that consideration has been adequately given for these changes. Consumers today are not bound by geography in securing financial services so how can community banks be contained by geographic boundaries? Internet access to both loan and deposit alternatives are readily available and more easily accessible than a traditional bank branch. It does not appear that the digital transformation and the changing preferences of consumers has truly been addressed. Modernization efforts should consider the transformation of the banking industry in both technology and customer preference. This digital transformation of banking needs to be more adequately evaluated in the CRA context.

In addition, our facility-based assessment area, McHenry County, where our deposit taking banks are located, contains only three moderate-income census tracts and no low-income census tracts. Without additional consideration for activities outside the facility-based assessment area, we will be hampered by the demographics of the county. We currently struggle with reaching those individuals in our designated assessment area because of the large number of banks located in the area, internet-based solutions provided by non-local players and other financial services available to individuals.

The new category, Retail Lending Test appears to be somewhat ambiguous. We believe that an ISB should have the option to remain with the current Community Development Test or comply with the new Retail Lending Test. The standardized retail lending evaluation through retail lending metrics and performance standards based on local and tailored benchmarks does not consider our market niche. The proposed thresholds would be set using a methodology that leverages local demographic and aggregate lending data. This does not consider that banks have different business models. This additional test may require that the bank offer products that it currently does not extend. In addition, it does not appear to consider lending outside of the facility-based assessment area in the ISB category. If banks will not receive credit for purchasing loans to fill gaps, it may reason banks may exit certain lending markets.

We applaud the regulators efforts to provide an illustrative list of qualifying community development activities. We believe there should be credit for loans to small businesses that create or sustain low to moderate-income jobs. We have provided lending solutions to family owned/ small businesses who provide job opportunities for unskilled or lower skilled workforce that allows them to earn income. These loans provide many benefits in a thriving community. We support the establishment of more criteria for the type of activities that will qualify for CRA community development credit, with the possibility of fewer geographic restrictions. We support the establishment of a process that would allow us to confirm with our regulator whether a proposed activity would receive CRA credit. However, that preapproval process needs to be timely. With competition and expectations from customers, we are required to respond to a customer request in a much shorter timeframe.

We are in favor or aligning the definition of a small business loan to the proposed $5M threshold for purposes of 1071. This is a much-needed change. In addition, banks should have the option to classify multifamily loans as small business loans or community development loans with the emphasis on affordability instead of the location of the loan.

The proposal's rating system appears to be overly complicated and may be unachievable for some banks. Further testing of these proposed changes on actual banks needs to occur prior to implementation as there appears to be too many unknowns. To already assess that many banks will either fall in the substantial noncompliance or needs to improve categories appears to be setting this change up for failure.

The implementation period of one year is insufficient to implement this large change in the regulation. In addition to attending trainings and understanding these changes, the bank will be implementing additional data collection, recordkeeping and reporting mechanisms that significantly exceed the current CRA requirements. Software companies will need time to factor these changes into their software and banks will need to learn and train on the software. We anticipate that we will need to add to staff to handle this change to CRA in addition to the pending small business data collection (1071) implementation. These combined changes would also necessitate the purchase of software. We ask for a minimum of twenty-four months for implementation to account for these factors. In addition, examinations should not involve multiple, overlapping regulatory rules. Attempting to report under both rules would be incredibly time consuming in addition to extremely confusing for any bank.

Finally, again we stress the need for all financial service providers, including credit unions, fintech companies and any financial firm that serves consumers and small businesses should be required to follow the Community Reinvestment Act requirements. The requirement to meet the financial services needs of all income demographics should apply to all federally insured depository institutions, including credit unions. Credit unions receive significant benefits from the federal government to serve LMI individuals and should be held to the same consistent standards as community banks.

Once again, we thank you for the opportunity to provide insight and comments on the CRA NPR. We appreciate your serious review of our comments in the context of today's digital banking world.

Sincerely,

Rick Francois
President