August 4, 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/Docket ID OCC-2022-0002

Dear Madam or Sir:

City Holding Company is a $6.2 billion bank holding company headquartered in Charleston, West Virginia, and is regulated by the OCC. Operating under the holding company as City National Bank of West Virginia ("City"), City has been delivering innovative, superior financial solutions for over 60 years by proudly serving business and retail customers across West Virginia, Kentucky, Virginia and Ohio. City's commitment to personalized service and community support has earned it a spot as one of the most highly rated community banks in the country. Our commitment to our customers goes well beyond serving their financial needs. We serve our communities through many charitable contributions, volunteerism, financial education efforts and developing special products that meet the needs of those in all of our communities.

We are committed to the goals of CRA and to meeting the credit and financial services needs of our customers and communities. City supports hundreds of charities annually, including social service agencies, community and economic development groups, cultural and arts organizations, and other programs that address the specific needs of the communities in which our customers and employees live and work. Additionally, many of our employees serve in our communities by giving of their time and talent each year. Many of City's employees volunteer for a variety of organizations and community events. They serve as trustees, directors and advisors on boards for local organizations, many of which serve low-to moderate income families. We believe it is our responsibility to play a role in the financial education of children and adults throughout our communities. Our employees spend time in classrooms of children of all ages through various banking education programs such as Teach Children to Save and Get Smart About Credit. Over the past decade, City employees have taught over 76,000 children and adults about banking, good savings habits, and identity theft protection.

We appreciate your leadership and hard work towards drafting a joint Proposal on which stakeholders can provide feedback on the proposed changes to the Community Reinvestment Act ("CRA"). With very few changes made to the regulation in over 40 years, it is long overdue to include more modernized considerations. We support the NPR's ("Proposal") focus on transparency, objectivity and clarity. The current CRA regulation has not kept up with the way the consumers expect to use technology when accessing financial products and services. The language and terms used in the current regulation have specific meanings that often are not consistent with the generic definitions. Moreover, there are frequent exceptions to the rules. Many times, examiners refer to their own policy that fills in areas of ambiguity, but is not made available to bankers for future reference and use. There is also much ambiguity in terminology, which causes much confusion. The reality is that understanding CRA really requires regulatory expertise beyond the realm of the ordinary community banker.

In the NPR, the agencies solicit input on a number of issues related to the proposed CRA evaluation measures, retail distribution tests and Community Development ("CD") minimums. While we are broadly supportive of the NPR proposed strategy, there are specific components of the Proposal that we feel must be modified to ensure low- and moderate-income ("LMI") community access to credit and banking services, maintaining flexibility for individual banks, and help reduce compliance costs and burden associated with the Proposal. Listed below are several of our concerns within the Proposal that we believe need to be redesigned or modified prior to final rule implementation.

<u>Qualifying Activities</u>
We appreciate the agencies' focus on providing transparency and clarity on what activities qualify for CRA evaluation, as well as the commitment to provide a mechanism to validate new activities and updating a list of qualified activities on an ongoing basis. We also appreciate if the agencies will allow a qualified activity to remain qualified for the duration of the exam cycle. Most importantly, the approval time to determine whether an activity will receive credit must be made as quickly as possible. Six months would be far too long to wait. A thirty-day turnaround timeframe is more reasonable to receive a response, so that a decision can be made to include, or exclude, a particular activity within the bank's current exam period.

We support the agencies in being open to considering activities that are not specifically listed in the Proposal. There are often opportunities for banks to positively impact their communities that do not necessarily fall within traditional lending expertise, products and measurements. For example, employees who serve as an officer, committee member or board member could receive CRA consideration without providing financial expertise if the organization serves LMI persons, communities and/or small businesses. Another example is employees assisting with a Habitat build, which serves LMI families. Again, we support a <u>timely</u> and effective response system for evaluating such activities and believe that these activities could have a tremendous impact on communities of all sizes.

<u>Retail Lending Assessment Areas for Large Banks</u>
The Proposal generally retains the current approach of delineating assessment areas around a bank's branches and deposit-taking facilities, referred to as Facilities Based Assessment Areas (FBAAs). However, reflecting the changes in how banking services are delivered, the Proposal would require Large Banks also to delineate a new type of assessment area, known as a Retail Lending Assessment

Area (RLAA). As we understand it, a bank would be required to delineate a RLAA in any MSA, or combined non-MSA areas of a state, where the bank has originated at least 100 home mortgage loans in each of the two preceding calendar years, or at least 250 small business loans in each of the two preceding calendar years, outside of the bank's FBAAs. Once a bank meets one or both of these triggers, they must delineate an RLAA. The bank would then be evaluated for its CRA performance for **all** of its "major product lines" in the RLAA (closed-end home mortgage; open-end home mortgage; multifamily; and small business loans.)

This is a complex task to monitor, especially in our state, which is predominately rural in nature and scattered with isolated residents throughout. Taking the entire state of WV as our RLAA would not only be difficult to manage, but could tend to lower our scores during examinations as it would not be feasible for our current FBAAs to market such a broad-based rural RLAA. If our bank originates 4,000 home mortgage loans a year, 100 loans is not a material number to measure to compare with. We strongly support raising the loan triggers to a higher minimum, or consider basing it on a percentage measurement, such as 50%.

Another concern is the large bank category. The agencies have proposed that certain provisions of the Retail Services and Products Test and Community Development Services Test would apply only to large banks that had average quarterly assets, computed annually, of over $10 billion in both of the prior two calendar years. We believe this threshold to be too low. It will be difficult for banks on the lower end of the over $10 billion large bank threshold to meet the added requirements, when the added requirements would be more suited for measuring the "mega" banks. Larger "mega" banks would have more resources and would be better able to comply with the expanded data collection requirements. Consider creating a totally separate large bank test structure for a modified class of large banks. For example, amend the large bank threshold to be "large bank with assets of $100 billion or less", and "large mega bank with assets of over $100 billion".

Ratings and Benchmarks for Retail Lending Test for Large Banks

The Proposal as defined in the NPR would raise the bar for performance on the Retail Lending Test for Large Banks. As a Large Bank, we would have to exceed our past performance in order to attain the same CRA rating that we have received in prior exams. Our concern is that the proposed performance benchmarks for the Retail Lending Test will be unachievable. Even the Proposal states that 34% of banks would fail the Retail Lending Test in their RLAAs and another 39% would receive a low satisfactory rating on the test. Based on the proposed weights, a Large Bank could not achieve an overall rating of outstanding unless it receives an outstanding rating on the Retail Lending Test, regardless of how well the bank performs on the Community Development Financing Test.

Although we concur with the agencies' goal of increasing service to LMI families and communities, we feel that the unintended consequences of placing so much weight on the Retail Lending Test will result in a less than satisfactory rating, making a satisfactory or outstanding rating unattainable based upon our unique geography in which we serve. The proposed benchmarks could lead banks in taking excessive risk by trying to manipulate the banks' lending strategies just to achieve a satisfactory rating under the new Proposal. It is crucial to our communities to have opportunities to grow and expand services, which could be negatively affected due to an examination structure that does not fit into the nature of our geography.

Implementation Period

The Proposal has defined a transition period that is comprised of multiple "applicability dates." For the most burdensome aspects of the Proposal (including RLAAs, new performance tests, standards, and ratings, and data collection and reporting requirements), a transition period of **one year** is totally insufficient to implement the proposed changes for a rulemaking that is so comprehensive and complex. Currently our bank has one person that manages all CRA matters. Based upon the requirements of the new Proposal, our bank would clearly need to expand FTEs to handle the complexity of the new Proposal, which would also require training **after** our third-party vendors have adapted their systems to accommodate the changes. It would be necessary for our bank to implement major data collection, recordkeeping, and reporting mechanisms that significantly exceed existing CRA requirements, including the establishment of data integrity procedures and controls. It would be necessary for our bank to evaluate the cost-benefit of certain business lines and geographic markets in light of the burden that the new RLAAs and performance metrics create.

The Proposal is quite complicated and there are many unknowns as well as some items in the text that require clarification. We believe that the agencies should conduct a pilot program in which the new Proposal methods are implemented and tested against different sized banks. The pilot program tests should run concurrently with an evaluation of these banks under the current rule. At the end of the pilot program, the agencies might determine that some aspects of the Proposal need to be changed. A public report should be provided along with a comment period before any additional revisions would be finalized. We believe the agencies should share results of tests that have already been completed, including any spreadsheet models or other tools used by the agencies, to banks so they can replicate agency tests. Provide examples of how the transition period would be implemented. Discuss what type, if any, of support that will be provided to banks during the transition period as they grapple with any new assessment areas, new substantive data collection, while also being evaluated under the current CRA regulation. At a minimum, the agencies should provide outreach and training that would demonstrate how the revised rule would be applied an implemented, while keeping the comment period open. Any retroactive data collection would be impossible to implement.

Thank you for considering our suggestions.

Sincerely,

Clara Mullins

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