



February 1, 2021

VIA EMAIL regs.comments@federalreserve.gov

Mrs. Ann E. Misback
Secretary
Board of Governors
Federal Reserve Bank
20th Street and Constitution Avenue NW
Washington, DC 20551

**RE: REGULATION BB, DOCKET R-1723 AND RIN 7100-AF94:
ADVANCED NOTICE OF PROPOSED RULEMAKING TO MODERNIZE THE
COMMUNITY REINVESTMENT ACT**

Dear Mrs. Misback:

The Puerto Rico Bankers Association is a non-profit organization that groups commercial banking on the Island. Its main objectives include stimulate and protect the integrity and well-being of our financial system and contribute to the development and progress of the different economic sectors of Puerto Rico.

As it has been discussed before, the Commonwealth of Puerto Rico is composed of over 903 census tracts located within the 78 municipalities. In contrast with the major cities and states in the continental EEUU, the composition of its neighborhoods and communities in most cases is not as homogeneous. For the most part, is not as clearly define by its ethnicity, race, nationality, or income level making our country more intertwined and, therefore, more diverse within each census tract. This factor is mostly represented by number of people living under the poverty levels which represents approximately 52% of the population, while the numbers of census tract designated as LMI represent only a 30.50% across the Island.

Puerto Rico continues to struggle to emerge from a prolonged recession and fiscal crisis. The Island's recession started in late 2006. The loss of manufacturing tax credits reduced local government spending, a shrinking labor force, population decline, and intense competition from other markets are all contributing factors to the island's poor economic conditions.

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Additionally, Hurricanes María and Irma struck the island in September 2017, causing significant infrastructure damage and further hindering recovery efforts. While real gross domestic product will fully recover, and briefly rise above pre-2017 hurricane levels, federal disaster funding was the primary source of job and output growth through 2018 and 2019.

Since January 2020, the Southwestern Region of Puerto Rico experienced a series or swarms of earthquakes. In response to this event, the Bank's developed Earthquake Relief Programs to support customers impacted by the earthquakes.

Meanwhile by March 2020 due to the COVID 19 Pandemic, the Government of Puerto Rico had declared a state of emergency and established various lockdown and curfew orders, causing the temporary closure of business and halting the economic overall.

The past events have tested the strength and resilience of our economy and our people.

This letter contains the comments of our bank members regarding the above-referenced proposal concerning the modernization of CRA, Regulation BB, Docket R-1723 and RIN 7100-AF94. We will address specifically the most relevant questions for our geography and performance context.

- **Question 24. In addition to the number of branches and the community and market quantitative benchmarks discussed above, how should examiners evaluate a bank's branch distribution?**

In the Commonwealth and by the reality of our market, we consider that branches and ATMs should be measure more than just by its physical location. One of the goals of CRA is to provide access to all people including the LMI, therefore it should consider other amenities provided by the particular location such as security, free accessible parking, drive through bank, among other. For example, in PR many shopping centers are located within middle or upper census tract but in the other hand these locations provide the amenities discussed prior that do not exist downtown.

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It is suggested that in addition to the agency proposed benchmarks using the market and geographies, branches located in medium and high-income tracts that are surrounded with a considerable number low and moderate income "LMI" census tracts, should also be considered. For banks located in limited a geographic area, as some US possessions subject to CRA located in islands, the distances between census tracts of different income levels typically are relatively short. Consequently, for our member banks it is not unusual to have customers whose income is low or moderate, that benefits from the services of these branches located in census tracts defined as medium or high income. Therefore, we suggest establishing metrics that would define:

1. the number of LMI tracts, and
 2. the distance from these tracts and a branch that is in a medium or upper tract, that would allow for consideration to determine if the products and services offered at these branches, may be considered as qualifying activity.
- **Question 27. Should a bank receive consideration for delivering services to LMI consumers from branches located in middle- and upper-income census tracts? What types of data could banks provide to demonstrate that branches located in middle- and upper-income tracts primarily serve LMI individuals or areas?**

To that end, we would like you to consider the inclusion branches and ATM's distribution and its proximity to LMI communities but as well the regulatory agency should consider the services provided and the uses of these by LMI clients. Not all the banks use the same systems but most of the banks could identify the clients who belong to a particular branch based on the customer data. In the other hand, clients also may be trace through the utilization of the services. For example, FirstBank a client that originated his account in one branch but use another branch to make his transactions can be identified in the branch were these clients go regularly and, therefore, see the branch access to individuals of all income levels.

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Currently, available geographic information from the census can be used to identify these areas that are being served by branches that are located in census tracts defined as medium or high. The distance between LMI tracts and branches can easily be verified with free tools available on the Internet. Banks that have products or services designed for LMI customers can also be accounted for and demonstrate that these beneficiaries represent a considerable part of the products / services that a branch is providing that is nevertheless located in a high- or middle-income tract. This quantity, as well as the type of products / services, can also be defined to create the metrics for the purposes of determine qualifying activities.

- **Question 42. Should the Board combine community development loans and investments under one subtest? Would the proposed approach provide incentives for stronger and more effective community development financing?**

In the Commonwealth, we believe that the Board should consider the opportunity of including more innovation in the investment test. To that end, the consideration of a particular type of community development loan to provide infrastructure, housing development for LMI individuals, the construction of public school or health care facilities, among other is crucial to improve the quality of life of the residence of the region or market. This investment should be measure in addition of the purpose by the type of collateral and/or repayment such as Sale Tax in the case of a Municipality/County. Otherwise, could be consider the loan structure.


We strongly support the position of the regulator of integrating both, the current Lending and Investments tests, defining the metrics to be used in the proposed integrated test, and providing credit for outstanding loans from previous periods, which is similar to that of the current Investments exam. We agree with the views expressed by the agencies, and the expected benefits for both the LMI beneficiaries, and the flexibility that will be provided to the banks. We understand that this approach will allow to tailor more appropriately the banks resources in the benefits of LMI areas. This approach would also provide more clarity and transparency in determining qualifying activities (and in our case, it should be favorable given the limited availability of investments). The PR

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Bankers Association respectfully suggest giving additional credit to the complexity that requires the structuring of investment vehicles in difficult geographies such as islands or other isolated assessment areas and bank deserts.

The PRBA appreciates the opportunity to participate in the process of considering the proposed rulemaking, and the Federal Reserve Bank's consideration of these comments in response to the request.

Sincerely,



Zóme Alvarez Rubio, Esq.
Executive Vice President