Central Bancompany

February 16, 2021
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Re: Community Reinvestment Act Advanced Notice of Proposed Rulemaking
Docket No. R-1723; RIN 7100-AF94

Ladies and Gentlemen:

Central Bancompany appreciates the opportunity to comment on the Advance Notice of Proposed Rulemaking (the "ANPR") of the Board of Governors of the Federal Reserve System (the "Board") soliciting comments for updating and modernizing the framework of the Community Reinvestment Act of 1977 ("CRA"). We are pleased comments have been solicited from banks and the Board is considering bankers' perspectives on transforming this important regulation.

Central Bancompany is a $18 billion multi-bank holding company headquartered in Jefferson City, Missouri, with thirteen separately chartered banks. Our banks serve communities throughout both urban and rural areas in Missouri, as well as communities in Kansas, Illinois, Oklahoma, Colorado, North Carolina and Tennessee. Our banks are regulated by the Federal Reserve Banks of St. Louis and Kansas City. We support the stated purpose of CRA, which is to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income ("LMI") communities, consistent with safe and sound operations.

Our company is uniquely positioned with banks examined under the current structure in each the Small, Intermediate Small, and Large Bank tests. Our structure also allows us to provide community bank service with the products of a larger institution. Because of this, we are able to demonstrate CRA compliance in a relatively straightforward way, but regulations and examination practices under the current regulatory framework have evolved in a way that creates unnecessary difficulty in certain areas of CRA compliance for banks and examiners.

Due to our multiple charter environment, we receive CRA performance evaluations several times per year. We have seen firsthand the inconsistencies in the CRA examination process between different Federal Reserve examiners. Consistency and transparency in the examination process would greatly benefit bankers and examiners alike.

We feel any changes to the current CRA should be centered on streamlining the examination process and modernizing the requirements in certain areas. Metrics, where appropriate, will provide greater transparency and consistency in the examination process. A list of illustrative and previously qualified community development activities, paired with the ability to submit an activity for preapproval, will greatly improve the consistency in the examination process, while limiting the need for examiner judgment in evaluating activities. Our comments are focused on the following primary areas:

- Assessment Areas
- Deposit Data
- Data Format and Collection
- Retail Lending
- Retail Services
- Community Development Financing
- Community Development Services

Assessment Area (Questions 5, 6, 78, 79, 84, and 85)

5. *Should facility-based assessment area delineation requirements be tailored based on bank size, with large banks being required to delineate facility-based assessment areas as, at least, one or more contiguous counties and smaller banks being able to delineate smaller political subdivisions, such as portions of cities or townships, as long as they consist of whole census tracts?*

   We believe assessment area delineation should not differ based on the size of a bank. Both large and small banks should be able to delineate an assessment area based on the area the bank can reasonably serve with its market presence. This is particularly true in larger rural counties where it is not reasonable to expect a bank with a minor market share to serve all parts of the county, regardless of bank size. Similarly, banks with a minor market share in a larger urban area should not be required to delineate whole counties or MSAs when it is not realistic to serve the whole region, so long as the designated partial county or MSA does not arbitrarily exclude LMI or majority minority areas.

6. *Would delineating facility-based assessment areas that surround LPOs support the policy objective of assessing CRA performance where banks conduct their banking business?*

   While the current assessment area model accurately encompasses physical branch locations, an updated type of assessment area that encompasses the portion of a bank's lending which takes place through channels other than physical branches should be recognized. Internet lending and lending through LPOs should be captured through this secondary type of assessment area based on a lending threshold. The areas surrounding LPOs should not be required to become delineated assessment areas until they reach a defined threshold of lending activity. A threshold could be defined as a percentage of total loans originated in the area surrounding the LPO compared to the bank's total loan originations, or be evaluated on specific loan program to the total volume for that program.

78. *Would eliminating limited-scope assessment area examinations and using the assessment area weighted average approach provide greater transparency and give a more complete evaluation of a bank's CRA performance?*

A weighted average approach would have an effect similar to the current limited-scope model. It would also provide the added benefit of greater transparency and consistency in evaluating a bank's performance by providing a clear categorization of each assessment area.

79. *For a bank with multiple assessment areas in a state or multistate MSA, should the Board limit how high a rating can be for the state or multistate MSA if there is a pattern of persistently weaker performance in multiple assessment areas?*

If the weighted average approach is created in a way that properly weights assessment areas to reflect a bank's presence, we believe this method would accurately assess a bank's performance in all of its assessment areas and this overlay would not be necessary.

84. *Should the adjusted score approach be used to incorporate out-of-assessment area community development activities into state and institution ratings? What other options should the Board consider?*

We believe the adjusted score approach should be used to incorporate out-of-assessment area community development activities into state and institution ratings. Out-of-assessment area activities could be given lower impact scores than activities within a bank's assessment area. If, based on the data collected, it is determined there are inadequate opportunities in a bank's assessment area, banks could then receive a higher impact score for activities outside of their assessment area. Consideration of a higher impact score for out-of-state activities would be at the request of the bank and a formal vetting process at the Federal Reserve would determine if the higher score would be granted.

85. *Would the use of either the statewide community development financing metric or an impact score provide more transparency in the evaluation of activities outside of assessment areas? What options should the Board consider to consistently weight outside assessment area activities when deriving overall state or institution ratings for the Community Development test?*

The use of impact scores would provide greater transparency when evaluating activities outside of a bank's assessment area. The Board should detail the impact score of these activities in conjunction with the creation of an illustrative list of eligible CRA activities. This would provide greater clarity and consistency than relying on examiner judgment to assign impact scores.

The Board should have a consistent approach to weighing activities outside a bank's assessment area. A method for determining Community Development opportunities should be developed using data from examinations and feedback from community contacts. This should be vetted through an oversight committee to ensure consistency. Without a defined process for making this determination, CRA hotpots and deserts could be exacerbated by banks choosing to shift their investments to higher yielding opportunities without regard to location.

Deposit Data (Questions 90 and 91)

90. *Is it appropriate to rely on SOD data for all banks, a subset of large banks with multiple assessment areas based on business model or the share of deposits taking place outside of assessment areas, or only for small banks and large banks with one assessment area? What standards would be appropriate to set for business models or the appropriate share of deposits taking place outside of assessment areas, if such an approach is chosen?*

    Because all banks insured by the FDIC must report Summary of Deposits (SOD) data based on the geographic location of the deposits, it is logical to rely on this same data to determine the share of deposits in a given area. We believe this should be applied consistently across all size of banks, including those with multiple assessment areas.

91. *Is the certainty of accurate community development financing measures using bank collected retail deposits data a worthwhile tradeoff for the burden associated with collecting and reporting this data for all large banks with two or more assessment areas?*

    If the Board were to use SOD data as the deposit data used in evaluations, any increased burden would be negligible as systems already produce this data. Requiring the collection of additional data would be a significant burden on banks both small and large and would not offset the benefits. There are issues with the accuracy of SOD data including branch assignments for online accounts and address changes when depositors move that would need to be addressed. The Board should also consider additional requirements related to reporting SOD data to ensure consistent methods among its member banks. This would ensure banks would not shift deposits arbitrarily. The Board should incorporate SOD data to the extent possible, ensuring the industry will be able to implement updates under CRA in a timely and consistent manner.

Data Format and Collection (Questions 94, 95, 96, 97 and 98)

94. *What are the benefits and drawbacks of relying on examiners to sample home mortgage data for non-HMDA reporters and consumer loan data for all large banks, requiring banks to collect data in their own format, or requiring banks to collect data in a common Board prescribed format?*

    We believe sampling presents less burden on banks for data collection because there is currently not an expectation to provide the additional data fields required by CRA. Collecting a common set of consumer loan data would provide consistent data for comparison, as well as increase transparency. A Board prescribed format would assist both examiners and banks in streamlining the collection of this data. The drawback to collecting a full set of data is the possible increased burden depending on the format developed by the Board.

95. *Are the community development financing data points proposed for collection and reporting appropriate? Should others be considered?*

The community development financing data points proposed appear reasonable and are currently collected. Data points should be consistent with those needed for the CRA examination.

96. *Is collecting community development data at the loan or investment level and reporting that data at the county level or MSA level an appropriate way to gather and make information available to the public?*

To remain consistent, community development financing data points used for annual reporting should be the same data points and format used for exams. Collecting community development data at the loan or investment level to report at the county or MSA level would be a minimal burden for most banks as this data is often collected in this manner in preparation for CRA examinations.

97. *Is the burden associated with data collection and reporting justified to gain consistency in evaluations and provide greater certainty for banks in how their community development financing activity will be evaluated?*

As noted in our answer to question 96 above, collecting and reporting more detailed data would be a minimal burden for most banks.

98. *Would collecting information in a Board-provided standardized template under the Retail Services Subtest be an effective way of gathering consistent information, or is there a better alternative?*

The use of a Board-provided standardized template would assist both examiners and banks in streamlining the community development portion of an exam. Similarly, a Board-provided standardized template for community development services would also be useful. Board-provided templates for all community development activities would allow software companies to adopt these changes to further streamline the process for banks and provide additional transparency to all stakeholders involved with CRA.

Retail Lending (Questions 14, 16, 17, 18, 19, 20, and 22)

14. *Is the retail lending screen an appropriate metric for assessing the level of a bank's lending?*

The retail lending screen is an appropriate metric for assessing the level of a bank's lending, given the threshold remains at a reasonable level. However, there should be guidelines in place which would prevent deposits from being arbitrarily assigned away from a specific assessment area where a bank has low levels of lending. We recommend the Board use SOD data to provide a standard method of reporting deposits and their location with additional requirements that promote consistency in reporting.

16. *Should the presumption of "satisfactory" approach combine low- and moderate-income categories when calculating the retail lending distribution metrics in order to reduce overall complexity, or should they be reviewed separately to emphasize performance within each category?*

Combining the low- and moderate-income categories when calculating the retail lending distribution would simplify the retail lending screen. Banks would gain flexibility in markets with limited opportunities while still being encouraged to lend to LMI borrowers and in LMI census tracts.

17. *Is it preferable to retain the current approach of evaluating consumer lending levels without the use of standardized community and market benchmarks, or to use credit bureau data or other sources to create benchmarks for consumer lending?*

Because peer data is not publicly available for consumer loans, a benchmark based on a percentage of the LMI population should be developed and maintained. This will provide a more reasonable expectation for servicing this important demographic, rather than meeting or exceeding each portion of the population. There is little value in comparing loan originations to the population in a given area, as many factors contribute to the types and amounts of credit requests banks receive. Credit bureau data is dependent on reporting from banks and other creditors, which may produce inconsistencies in the data. The use of credit bureau data should be carefully considered to ensure this hurdle can be overcome.

18. *How can the Board mitigate concerns that the threshold for a presumption of "satisfactory" could be set too low in communities underserved by all lenders?*

We do not believe this will occur if the threshold is reviewed and updated on a periodic basis. If the Board utilizes impact scoring in markets underserved by banks, banks will be encouraged to conduct more CRA activities and the threshold will naturally increase over time.

19. *Would the proposed presumption of "satisfactory" approach for the Retail Lending Subtest be an appropriate way to increase clarity, consistency, and transparency?*

The proposed presumption of "satisfactory" approach would increase the clarity, consistency, and transparency of CRA examinations.

20. *Is the approach to setting the threshold levels and a potential threshold level set at 65 percent of the community benchmark and at 70 percent of the market benchmark appropriate?*

The proposed thresholds of 65 percent of the community benchmark and 70 percent of the market benchmark do seem reasonable. The Board should include language that allows the thresholds to be updated on a periodic basis to adjust for sudden changes in market or community conditions that would not be reflected in the current benchmarks.

22. *Does the performance ranges approach complement the use of a presumption of "satisfactory"? How should the Board determine the performance range for a "satisfactory" in conjunction with the threshold for a presumption of "satisfactory"? How should the Board also determine the performance ranges for "outstanding," "needs to improve," and "substantial noncompliance"?*

    The use of performance ranges would provide transparency in evaluating a bank's performance. However, combining performance in low- and moderate-income geographies but separating low- and moderate-income borrowers is an inconsistent approach. For consistency and clarity in the examination process, LMI geographies and LMI borrowers should be evaluated using the same approach, whether that be combining the low-and moderate-income categories or allowing them to remain separate. Using a combined approach for LMI geographies and LMI borrowers would simplify the examination process, while allowing some flexibility for banks in markets where there may be limited opportunities for LMI lending.

Retail Services (Questions 23, 26, 27, 28, 29, 30, 33, 34, 35, 36, and 37)

23. *Should adjustments to the recommended conclusion under the performance ranges approach be incorporated based on examiner judgment, a predetermined list of performance context factors, specific activities, or other means to ensure qualitative aspects and performance context are taken into account in a limited manner? If specific kinds of activities are listed as being related to "outstanding" performance, what activities should be included?*

    A predetermined list of performance context factors and specific activities would provide greater consistency and transparency to the examination process. A bank's performance context is vital in telling the story of a bank and its impact in its local community. Examiner judgment, particularly in areas where there is quantifiable data available, should be limited in order to ensure objective examinations. Impact scores should be incorporated in assigning a rating of "outstanding," demonstrating that a bank has made significant and meaningful contributions in its community.

26. *What are the appropriate data points to determine accessibility of delivery systems, including non-branch delivery channel usage data? Should the Board require certain specified information in order for a bank to receive consideration for non-branch delivery channels?*

    The appropriate data points are customer location and income coupled with the non-branch services used by the customer. Because there is currently no accurate data available or being collected to determine the income level of a deposit customer on a continuing basis, a reliable method would need to be developed. Reliable income data could be obtained by developing a process whereby banks could receive income data annually from the IRS through a tax identification number match. This would allow banks to then determine if a customer is LMI based on the income data and their physical location. As an alternative, the Board could enlist data aggregators that collect income information to assist banks in determining the income level of customers through a similar matching process. It would be important that the Board provide a list of approved vendors in this space to ensure consistency across banks.

Maintaining current customer location data would also pose additional challenges. With the advent of internet banking, a customer may not update their address if they receive all bank communications electronically. Customers may also use a post office box to receive their mail and the bank may not have their most current physical address. In addition, banks typically assign online account openings to an internet branch, rather than to a physical branch that may be near the customer's home address. We believe banks could periodically request address information as a "speed bump" within their non-branch delivery channels. Banks could geocode the customer's address if they have updated or confirmed their address within a reasonable time frame. If this has not occurred, the bank could rely on the location assigned for SOD as the customer's location.

We believe the Board should require specific data for non-branch delivery channels but should not create additional data collection requirements beyond what is customary in the industry. Additional data collection would be a heavy burden for banks that do not currently collect customer location or income data for deposit accounts.

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?*

We strongly feel banks should receive consideration for delivering services to LMI consumers through branches located in certain middle- and upper-income census tracts. It is reasonable to conclude that consumers of all income levels are likely to visit the branches most convenient to them, regardless of the income level of the tract. A reasonable proximity test could be used to determine if a branch serves LMI communities in neighboring tracts. If a branch is located, for example, on the same street as the dividing line between a middle- and a moderate-income tract, it would not be an inconvenience for the residents of the moderate-income tract to visit the branch. This is particularly important in urban areas, where census tracts are very small and residents frequently travel outside of their home tract for services such as banking. A defined, reasonable geographic distance should be established to determine if a branch may receive consideration for serving the residents of a nearby LMI tract.

28. *Would establishing quantitative benchmarks for evaluating non-branch delivery channels be beneficial? If so, what benchmarks would be appropriate?*

Establishing quantitative benchmarks for the impact of non-branch delivery channels on CRA performance would provide needed clarity and consistency in evaluations. The Board would need to determine how the non-branch information would supplement the branch information in impacting the overall rating as banks will have different levels of non-branch delivery. We believe an appropriate metric would be the number of non-branch services used by LMI customers per account.

29. *What types of data would be beneficial and readily available for determining whether deposit products are responsive to needs of LMI consumers and whether these products are used by LMI consumers?*

By first determining LMI customers through the methods discussed above, banks and examiners would then be able to determine if the products designed for those communities are responsive to their needs through the adoption of particular products. The Board should develop criteria for classifying particular accounts as responsive to LMI communities and use impact scores to differentiate qualifying products.

30. *Are large banks able to provide deposit product and usage data at the assessment area level or should this be reviewed only at the institution level?*

If address information can be collected as noted in question 27 and that does not significantly increase the data collection burden for banks, deposit product and usage data could be reviewed at the assessment area level. Otherwise, it would need to be reviewed at the institution level and appropriate benchmarks would need to be set.

33. *Should the Board establish a major product line approach with a 15 percent threshold in individual assessment areas for home mortgage, small business, and small farm loans?*

A 15 percent threshold in individual assessment areas for home mortgage, small business, and small farm loans is reasonable.

34. *Would it be more appropriate to set a threshold for a major product line determination based on the lesser of: (1) the product line's share of the bank's retail lending activity; or (2) an absolute threshold?*

It would be more appropriate to set a threshold for major product line determination based on the product line's share of a bank's retail lending activity as this would better align with a bank's business strategy.

35. *What standard should be used to determine the evaluation of consumer loans: (1) a substantial majority standard based on the number loans, dollar amount of loans, or a combination of the two; or (2) a major product line designation based on the dollar volume of consumer lending?*

The major product line designation should be applied to consumer loans. This would provide greater clarity and consistency than the current use of examiner judgment to determine if consumer loans constitute a "substantial majority," which leaves too much discretion to the individual examiner. The "substantial majority" approach is also difficult for banks to anticipate when a portfolio will definitively be included in its CRA examination.

36. *Should consumer loans be evaluated as a single aggregate product line or do the different characteristics, purposes, average loan amounts, and uses of the consumer loan categories (e.g., motor vehicle loans, credit cards) merit a separate evaluation for each?*

Consumer loan categories should be evaluated as separate product lines. The various categories of consumer loans are diverse and vary by bank business model. Further, indirect and direct consumer lending should be evaluated separately as they are substantially different types of lending. Banks have little to no control of the applications they receive from their dealer relationships. Furthermore, it is our experience that consumers are willing to travel outside their local market to purchase a motor vehicle which could contribute to a bank's indirect lending consisting of individuals outside their assessment area. Because the bank's relationship is with the dealer, we also believe it would be more appropriate to evaluate indirect lending production based on the dealer location rather than the location of the customer.

37. *Should the Board continue to define small business and small farm loans based on the Call Report definitions, or should Regulation BB define the small business and small farm loan thresholds independently? Should the Board likewise adjust the small business and small farm gross annual revenues thresholds? Should any or all of these thresholds be regularly revised to account for inflation? If so, at what intervals?*

The current thresholds for small business and small farm loans are too low to reflect modern lending, thus Regulation BB should be updated to increase the loan amount definition independent of the Call Report. We propose the definitions of small business and small farm loans be evaluated and updated every ten years in conjunction with the publication of US Census data. Revenue codes should also be updated to reflect modern standards. Banks typically use net income, rather than gross revenues, when making credit decisions. Net income amounts are also a more accurate portrayal of the size of a given business or farm. We propose the Board update the revenue codes to align with the SBA 7(a) program guideline for small businesses. This would translate to a revenue code of "1" being a business with an average net income of $5 million or less.

Community Development Financing (Questions 42, 43, 45, 46, 47, 53, 60, and 67)

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?*

The community development loan and investment tests should be combined under one subtest. Not all markets are equal in community development opportunities, and combining community development loans and investments into one subtest can help to direct the community development dollars to the most impactful projects. For example, in a growing market with new business development, loans may be in high demand. Conversely, in a stagnant market, long term investments may be the greatest need. Combining these tests would allow banks to place funds where they find the greatest need in their community. Opportunities lacking in either loans or investments could be bolstered by greater and more impactful opportunities in the other area.

In order to ensure banks are able to commit to long-term financing, loans should be qualified for the life of the loan including when the loan stretches across more than one exam cycle in a manner similar to the current treatment of certain investments. This would allow banks the flexibility to support community development projects with the greatest need, whether they be loans or investments.

43. *For large retail banks, should the Board use the ratio of dollars of community development financing activities to deposits to measure its level of community development financing activity relative to its capacity to lend and invest within an assessment area? Are there readily available alternative data sources that could measure a bank's capacity to finance community development?*

A metric is needed to measure a bank's level of community development financing relative to its capacity to lend and invest within an assessment area. However, there are similar concerns with data collection here as with the Retail Lending and Retail Services questions. The process of tying deposits to branches and attempting to measure deposits in a given assessment area is layered and complex. Collecting data points beyond what is available from the SOD would be a hefty burden in terms of time and resources for most small and mid-size banks. A possible alternative measurement could be the amount of community development financing activities relative to total loans and/or investments as a whole.

45. *Should the Board use local and national benchmarks in evaluating large bank community development financing performance to account for differences in community development needs and opportunities across assessment areas over time?*

The use of generalized local and national benchmarks in evaluating a large bank's community development financing performance would not account for the different market conditions across the country, or even in a specified region. For example, our company operates largely in the state of Missouri. The community development opportunities between our mid-Missouri markets and those in Kansas City or St. Louis are vastly different. Differences are further magnified when comparing the Midwest to other parts of the country such as densely populated areas of the east coast of the United States. It would be very difficult for banks in smaller metropolitan markets to meet a national benchmark of large, diverse metropolitan markets.

46. *How should the thresholds for the community development financing metric be calibrated to local conditions? What additional analysis should the Board conduct to set thresholds for the community development financing metric using the local and*

national benchmarks? How should those thresholds be used in determining conclusions for the Community Development Financing Subtest?

Thresholds for community development financing should be derived from previous qualified activities during CRA examinations. For the Board to account for differences in community development needs and opportunities across assessment areas, a local benchmark must be specified at the assessment area level. This benchmark should be calculated using information from each census tract to fully incorporate a bank's complete assessment area. To limit volatility while still encompassing changes over time, we recommend the Board use a methodology such as a three to five year rolling average of financing activities and deposits. This will help to provide consistency and manage expectations during an examination cycle.

47. *Should the Board use impact scores for qualitative considerations in the Community Development Financing Subtest? What supplementary metrics would help examiners evaluate the impact and responsiveness of community development financing activities?*

Impact scores should be used for consideration in the Community Development Financing Subtest and should be derived based on the needs of the activity within the market area plus the effectiveness of serving LMI individuals. The Board would use the preapproval process as well as discussions with community leaders during the examination process to determine what types of activities are most needed in different markets throughout the country. Effectiveness of a CRA activity could be evaluated using criteria such as number of LMI individuals served per dollar donated and/or the efforts of the activity to reach underserved LMI individuals. Activities outside a bank's assessment area could be scored lower, thereby giving greater weight to activities that serve the needs of a bank's immediate community within its assessment area.

53. *What data and calculations should the Board use to determine rental affordability? How should the Board determine affordability for single-family developments by for-profit entities?*

The use of HUD's Fair Market Rents (FMR) data should be the basis to determine affordability in both multi-family and single-family housing developments, by for-profit or non-profit entities. The use of FMR data is already in place and is readily available. It has been our experience that examiner judgment is used in determining whether below FMR is affordable, or if a different standard of a certain percentage below FMR is considered affordable. Using the metrics of FMR would lead to a definable and consistent definition of affordable housing. We propose rental affordability be defined as rents at 90 percent or less of HUD's Fair Market Rent value.

60. *Should the Board codify the types of activities that will be considered to help attract and retain existing and new residents and businesses? How should the Board ensure that these activities benefit LMI individuals and communities, as well as other underserved communities?*

The Board should codify the types of activities that will be considered to help attract and retain existing and new residents and businesses. However, codifying these activities should not layer additional data collection burdens upon banks. As discussed throughout our comments, we believe the use of impact scores will ensure these activities benefit LMI communities. The use of an illustrative list and preapproval process will further enhance transparency and allow banks to direct their resources appropriately.

67. *Should banks receive CRA consideration for loans, investments, or services in conjunction with a CDFI operating anywhere in the country?*

Allowing banks to receive CRA consideration for activities in conjunction with a CDFI anywhere in the country would give more options to banks with limited opportunities in their own assessment area. To further the goals of CRA, impact scores could be used to encourage banks to work with a CDFI in their assessment area. Activities inside a bank's assessment area should be considered as more impactful to ensure banks first focus on their own assessment area before exploring opportunities in other areas.

Community Development Services (49, 50, 51, 56, 71, and 72)

49. *Would an impact score approach for the Community Development Services Subtest be helpful? What types of information on a bank's activities would be beneficial for evaluating the impact of community development services?*

We propose the Board use impact scores to allow a broader range of community development services to receive CRA consideration. To further the mission and spirit of CRA, higher scores should be given to community development activities that directly serve LMI individuals and areas. Similarly, activities that serve the common good of the community, such as volunteering at a food bank or homeless shelter, could receive a lower score. An oversight committee, as discussed in our response to question 50, could assign the impact score for community development services.

50. *Should volunteer activities unrelated to the provision of financial services, or those without a primary purpose of community development, receive CRA consideration for banks in rural assessment areas? If so, should consideration be expanded to include all banks?*

The definition of qualified services should be expanded beyond the use of one's financial expertise. We believe certain activities that do not use financial expertise can be more impactful than, for example, serving on the board of a qualifying organization. Bank employees are frequently "boots on the ground" volunteers, providing invaluable time and skill to make tremendous and direct impacts on the lives of those assisted by service organizations in their communities. Our employees routinely help organizations build homes for the homeless, serve meals at homeless shelters, and pack weekend snacks for disadvantaged school children who may not otherwise get a meal at home.

They organize and collect items for clothing and food drives while being the face of our banks in their local communities. As bankers and good neighbors, we want to be involved in organizations that serve those most in need in our communities. By limiting the activities that qualify for the services test, CRA may be directing resources to activities that currently qualify but are not as impactful in LMI communities.

The definition should be expanded for all banks, not just those in rural areas. Urban communities have deep and numerous needs for community development services, and bank employees help fill that need. Differing standards for community development services based on geography would cause unnecessary confusion and lead to less clarity and predictability in this test.

51. Should financial literacy and housing counseling activities without regard to income levels be eligible for CRA credit?

Financial literacy and housing counseling activities should be qualified for CRA credit regardless of income level. The need for financial education and housing counseling does not stop at a particular income limit. However, we acknowledge CRA is primarily focused on LMI individuals and that should remain a focus. We propose the use of impact scores where financial literacy and housing counseling activities targeted to LMI individuals would receive a higher score, but some credit is given for activities with no income level focus. In keeping with CRA's focus on LMI individuals, a bank's rating should be limited to no higher than Satisfactory if they do not have a minimum of 50 percent of activities targeted to LMI individuals.

56. How should the Board determine whether a community services activity is targeted to low- or moderate-income individuals? Should a geographic proxy be considered for all community services or should there be additional criteria? Could other proxies be used?

A geographic proxy could be used to bolster the documentation used to determine if a community services activity is targeted to low- or moderate-income individuals, but should not be the only methodology. A geographic proxy would not be useful in areas with few or no LMI tracts, and banks would need other options to demonstrate their services target LMI individuals. Banks should continue to have the option to demonstrate that a community development services activity is targeted to LMI individuals by documenting the mission statement of the organization, or by gathering client data from the organization.

71. Would an illustrative, but non-exhaustive, list of CRA eligible activities provide greater clarity on activities that count for CRA purposes? How should such a list be developed and published and how frequently should it be amended?

We strongly support the creation of an illustrative list of CRA eligible activities that count for credit. This would provide increased transparency and consistency in CRA examinations. The creation of such a list should begin with a comprehensive, consolidated list of past activities that have received credit in prior CRA exams. We propose the Board create an oversight committee consisting of Federal Reserve examiners, bankers, and community leaders. This group would review the initial list of previously qualified activities and any additional activities submitted for preapproval by banks. Because exams occur throughout the year, there should also be a process for the submission of activities to receive preapproval for credit more frequently than annually. If there are changes to the list or activities become ineligible, banks should receive ample notice of such a change. If an activity that is deemed eligible for credit is later determined to not be eligible, banks should continue to receive credit for the activity until the end of their current exam cycle.

72. *Should a pre-approval process for community development activities focus on specific proposed transactions, or on more general categories of eligible activities? If more specific, what information should be provided about the transactions?*

    To pre-approve community development activities, banks or organizations could submit information regarding specific activities or an individual organization as a whole for qualification. To minimize the burden on the Board, transactions exceeding a defined threshold, such as $500,000, may be established for preapproval.

We believe the key to CRA modernization is a standardized approach that would increase transparency and consistency to key stakeholders and would provide much needed certainty in the examination process. The use of market data to understand the needs of each community will enhance the mission of CRA by focusing banks to the areas of most need through impact scores.

The creation of illustrative lists of CRA-eligible activities and a preapproval process will allow banks to direct their limited resources in a way that is most beneficial to the communities they serve. This will also provide a process where new organizations may be able to receive support sooner because of the certainty provided.

The proposed approach aims to limit examiner discretion. The proposed calculations, benchmarks and thresholds would allow banks to reasonably estimate their examination ratings at any point in the cycle between exams, providing greater clarity and transparency for CRA examinations.

We appreciate the opportunity to comment on the ANPR and look forward to working with the Board to improve the effectiveness of CRA. If you have any questions, please do not hesitate to contact me at shannon.thomason@centralbank.net or (417) 841-4238.

Sincerely,

Shannon Thomason

Shannon Thomason
Senior Vice President, Chief Compliance Officer
Central Bancompany