

Proposal: 1723 (AF94) Reg BB - Community Reinvestment Act

Description:

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From: Bank, Michael Latini

Proposal: 1723 (AF94) Reg BB - Community Reinvestment Act

Subject: R-1723 Community Reinvestment Act

Comments:

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Your comment: February 5, 2021 Board of Governors for the Federal Reserve System 20th Street and Constitution Ave. NW Washington, DC 20551 Re: Community Reinvestment Act: Docket No. R-1723 RIN 7100-AF Dear Federal Reserve: Sturdy Savings Bank appreciates the opportunity to comment regarding the ANPR CRA Modernization. Introduction Community banking can be described as a source to provide traditional banking services in their local communities. Core Deposits are typically obtained locally, and loans & consumer and business; are made locally. Community banking is considered to be relationship banking; not transactional. There is a specialized knowledge of the local community and customers. The above paragraph succinctly describes Sturdy Savings Bank. A true Community Bank, founded in 1922, and located in Cape May County, New Jersey. The geographic location runs along the eastern coastline of the Atlantic Ocean and the Delaware Bay to the west. It is most the southern region of New Jersey. Our network of 13 branches are located in Cape May County, which is the entire MSA 36140, and a small section of the most southern portion of MSA 12100/Atlantic County, that includes one branch location. Tourism is the major source of income, along with vacation destinations and hospitality, due to close location of the eastern shoreline and beaches. The fishing industry is another major sources of income. This information is offered to provide context to the comments on the following two pages, which are respectfully submitted regarding CRA Modernization. Delineated AA As a Community Bank, Sturdy Savings Bank opts to be examined as a "Large" bank. This enables the opportunity to validate how we reasonably and adequately serve our communities. This has been consistent and strong support both monetarily and through volunteerism from Directors, Management and Employees - to all of our communities within our delineated AA, which is all of Cape May County and the southern tip of Atlantic County which includes Somers Point. As a community bank, if CRA changes require inclusion of the entire adjacent county: The bank may be forced to evaluate the viability of one branch location in the most southern location of the adjacent county

Evaluate existing infrastructure to determine if we can reasonably and adequately provide services to this expanded area could be cost prohibitive. It's not an oversimplification that this implementation could result in a counterintuitive impact to a bank's CRA performance. Caution must be considered for CRA impact when: A bank must expand a delineated AA to provide a full range of products and services, with little to no recognition or presence to that area, and simply to meet the criterion of the rule "Knowing your customer" plays into a successful delineated AA which takes time to develop. Will have a profound impact on the bank's BSA staff. As a strong community bank, we are not in favor of "forcing" a change that may: Unrealistic and unattainable expectations may be set. Jeopardize a long established and very solid source of community support. Ultimately cause a negative impact to the bank and CRA. Deposit Based Alternative Approaches Again, as a Community Bank, Sturdy Savings Bank is very concerned about deposit based alternative approaches to determining a delineated AA. Emphasizing that Sturdy Savings Bank is located on the coastline of the Atlantic Ocean, a large portion of our customer base own secondary or investment real estate within the delineated AA. It is very common for that demographic to open an "ancillary" a deposit account for convenience when they are here, however, core accounts are where their primary residence is. IF a rule is implemented whereby a delineated AA is determined by a deposit base approach, the impact could be immense. Consider: IF a request is received to open a deposit account, and the primary mailing address of the requestor is outside of a bank's delineated AA, that request could be declined. What are the implications? Isn't that defeating the purpose of providing services to our customers? Internet Banking. It is our belief that, to be fair and equitable, and agree with the Federal Reserve's proposal that internet banks should be evaluated under a nationwide assessment system, rather than categorizing all banks under the same qualitative method. Because there is far greater opportunity for an internet bank to secure CRA qualified loans, CRA standards must be written to coincide with standards that are required for a traditional bank. General Comments Sturdy Savings Bank IS supportive of changes that: Would provide consistency in the evaluation process. Be tailored to the specific community needs and opportunities within the delineated AA. Inclusion/recognition of the community based efforts that support the entire community efforts e.g. & dollars spent/time devoted to financial literacy. A defined list and/or qualitative review by regulators for acceptable community development services. Inclusion of a monetary allowance for volunteer activities by employees. Inclusion of volunteer activities that promote community strength and support. Closing Comments As a deep rooted Community Bank, with 90% of the branch network serving one county/one MSA, there is valid concern that proposed changes are geared toward institutions with an asset size greater than \$10B, serving multiple MSA's and states. Concern is that key components of this proposal could result in a Community Bank, i.e. Sturdy Savings Bank and many like us, being held to much higher measures, rather than an equal playing field. Traditional community banking institutions, described in the first paragraph of this comment letter, are sought out to provide sustainability for their entire delineated AA. That includes supporting local and county chambers of commerce, service club organizations fostering business growth and mentorship programs for career development, realtor and builder groups, athletic and academic endeavors through local schools, local police and firefighter support. Although no CRA credit is recognized, Sturdy Savings Bank, and many like us, provide this support because it is the right thing to do to. The proposal does not appear to consider community banks with an asset size of under \$10B, and therefore, we strongly believe that the asset threshold for a large bank subject to such measurements be \$10B or more. Again, we appreciate the opportunity to communicate our comments. Please know that, as a community bank, we are a strong supporter and believe in CRA. The following comments are submitted to assist financial institutions to comply within a fair equitable and measurement system, and, lest we not forget, adequately serve the communities within our delineated AA. Yours truly,
Michael V. Latini, Executive VP Enterprise Quality Assurance Officer/Chief Risk Officer Sturdy Savings Bank