



February 16, 2020

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

**Re: Reforming the Community Reinvestment Act Regulatory Framework –
Comments, Docket Citation 85 FR 66410**

Dear Ms. Misback:

Coastal Heritage Bank (hereinafter “Coastal” or “Bank”) appreciates the opportunity to comment on the Advance Notice of Proposed Rulemaking (hereinafter “ANPR”) of the Board of the Governors of the Federal Reserve System (hereinafter “Board”) soliciting commentary for more comprehensive reform in building a new, consistent, and transparent regulatory framework under the Community Reinvestment Act (hereinafter “CRA”). As, our prudential regulator, we thank you for the opportunity to provide commentary on this new proposed rule.

Coastal is an intermediate small community bank headquartered in Weymouth, which is in the South Shore area of Massachusetts. Coastal today is the result of mergers, four independent community banks (Equitable Bank in 2016, as a result of a merger between Equitable Cooperative Bank and Weymouth Bank; Coastal Heritage Bank in 2015, as a result of a merger between S-Bank and Scituate Federal Savings Bank; and Coastal Heritage Bank in 2019, as a result of a merger between Coastal Heritage Bank and Equitable Bank). Coastal is a state-chartered, stock co-operative bank that is a wholly-owned subsidiary of Equitable Bankcorp Inc., which in turn is a wholly-owned subsidiary of Equitable Bancorp, MHC, a state-charted mutual holding company. As of the December 31, 2020, Call Report, the asset size of Coastal is approximately \$925 million.

As a result of the merger, the Bank has two non-contiguous assessment areas, the North Shore and the South Shore with the City of Boston, Massachusetts in between. The assessment areas represent 37 communities serving three counties; Essex, Norfolk, and Plymouth. The assessment area is comprised of 193 census tracts (hereinafter “CT”), which includes 20 low-income CTs, 40 moderate-income CTs, 93 middle-income CTs, 48 upper-income CTs and 2 non-applicable CTs. Coastal provides a full range of financial services to its retail and lending customers through a suite of deposit and lending products. These products are delivered through our network of 15 community banking centers with drive-up and interactive teller machines, and 4 ATM-only facilities. In 2020, Coastal introduced a new product, eOpen, an online deposit account opening platform. Having an online deposit account product prepares us for the future of banking.



Coastal is and will continue to be committed to the letter and spirit of CRA, to serve and fit the credit needs of the communities we serve. We serve our communities through donations, community volunteerism, and provide mortgage loans to low- to moderate-income (hereinafter “LMI”) borrowers in our twelve LMI communities. We offer our own first-time homebuyers’ program and have created partnerships with the Massachusetts Housing Partnership and Federal Home Loan Bank of Boston to further the mission of CRA.

As a state-chartered bank of Massachusetts, Coastal is regulated at the state level by the Massachusetts Division of Banks (hereinafter “DOB”) in addition to our federal regulator. Since we are regulated and examined by two different regulatory agencies, we have seen first-hand the inconsistencies in the examination process. We profoundly believe that there needs to be a commitment among all regulators to ensure consistency and transparency as the cornerstones of this reform. Below are our comments:

I. Assessment Area(s) Delineation

In understanding a bank’s geographical footprint, the delineation of its assessment area(s) serves as an integral tool in addressing fair lending and redlining risks. Given the arrival of mobile banking, customers now have a wide range of lending and deposit options online.

1. Would delineating facility-based assessment areas that surround Loan Production Offices (hereinafter “LPO”) support the policy objective of assessing CRA performance where banks conduct their business?

Bank Response: One of the core tenets of CRA is where banks are capturing deposits and where they are lending. The delineation of a facility-based assessment area should be retained, including deposit-taking ATMs. LPO continues to be a source of generating loans and serves as a way to test for new markets. We believe that including LPO in the assessment area delineation should be at the bank’s discretion.

2. Should delineation of new deposit- and lending-based assessment areas apply only to internet banks that do not have a physical location or should it apply more broadly?

Bank Response: With the decrease in foot traffic in the brick and motor branches, banks and other financial service companies are finding ways to deliver their products and services to customers from a click of a mouse or even better a touch on their smartphones. We just began offering deposit account opening online to capture the next generation of depositors. Over time, we believe geographical footprint will play less of a roll in not only deposit acquisition strategies but retention strategy as well because



technology allow customers to remain with their bank even if they move away from their assessment area. The establishment of a new assessment area related to deposit and lending is a good idea and stays true to the very nature of CRA, meeting the credit needs of the areas you serve while taking deposit. With that said, there should be a standardized threshold that triggers the establishment of an additional assessment area. That threshold should be a standard throughout the industry.

II. Evaluation Framework

One of the most expressed concern among bankers to regulators regarding CRA is the lack of consistency and clarity. The current approaches used to evaluate a bank's CRA performance relies heavily on the examiner's judgment and discretion. The change in the evaluation framework will increase transparency and allow locality differences to drive the performance rather than an examiner's discretion.

3. Is \$750 million or \$1 billion an appropriate asset threshold to distinguish between small and large retail banks? Or should the threshold be lowered?

Bank Response: Under the current regulatory framework, an "Immediate Small Bank" is classified by assets of at least \$326 million, but less than \$1.305 billion, while a "Large Bank" is classified by assets of \$1.305 billion or more for the prior two calendar years. Under the proposed rule, the "Immediate Small Bank" classification will be eliminated, leaving just three classifications: Small Retail Bank, Large Retail Bank, and Wholesale and Limited Purpose Bank. The new rule proposed two options for asset size between small and large retail banks - \$750 million or \$1 billion.

We believe the removal of the Intermediate Small Bank classification is a step in the right direction; however, the large threshold gap would create an undue burden for a bank of our size and increase compliance costs significantly, specifically, in terms of operations and resources. For example, a \$600 million-dollar bank should not be compared to a multi-billion-dollar bank. Billion-dollar banks have larger budgets and more resources; thus, they can allocate more resources, time, and staff. Moreover, under current standards, a \$600 million-dollar bank is not required to collect, record, or maintain a CRA Loan Application Registry (hereinafter "CRA LAR"). Maintaining a CRA LAR and other data collection requirements require a level of expertise and experience that most community banks don't have. We are proposing that the asset threshold be increased to at least the current inflation index of \$1.305 billion. Finally, that threshold should be adjusted with aggregate national inflation over time.



- **Qualifying Activities:**

Bank Response: The proposed metric-based system to evaluate large banks appears to be an appropriate approach. The number one concern is not the evaluation of lending numbers but the lack of consistency and ambiguity in community development, specifically, receiving CRA credit for one activity in one examination and not having it count in the next examination. Often, an activity may count for one institution and not for others. Some activities hit the very core of community development. The Board should create a list of activities that automatically “qualify” for community development. We believe this tool, having a preapproved list of qualifying activities would increase our opportunity to seek out new and innovative CRA activities. CRA examinations are on a set schedule (24 or 36-month time-frame depending on the rating), more often than not, a Bank would invest time, staff, and resources into a community development activity and later find out that the bank will not receive CRA credit for that activity. This preapproval approach will decrease the unnecessary resources and time that is allocated to an activity that will not qualify. This will allow financial institutions to be more efficient in seeking CRA qualified opportunities.

4. **Affordable housing – Should the Board include unsubsidized affordable housing for CRA consideration?**

Bank Response: Yes. Affordable housing continues to be a growing concern nationwide. Affordable housing is not only tied to subsidies. The Board should allow banks the flexibility to include unsubsidized affordable housing for CRA consideration. Currently, this method is used on the Boston region. Boston is home to a huge supply of multifamily properties, i.e. 2, 3, or 4 family properties, and is a source for many families for alternative affordable housing. We use HUD’s Fair Market Rent as a “qualifier” to determine if a loan is deemed community development and provide documentation, of course. For example, if the property’s rents are below HUD’s Fair Market rent indicator for a town and/or county, then that loan would be deemed community development. It should be incumbent upon the bank to provide documentation to justify their position.

Lastly, we would like to encourage the utmost importance of all regulatory agencies working together. Although the Board has not signed on to the Office of the Comptroller of the Currency’s (hereinafter “OCC”) Rule, we encourage the OCC and Federal Deposit Insurance Corporation (hereinafter “FDIC”) to work with the Board and have



them be included. For this rule to achieve its ultimate goal, and banker's greatest concern, regulatory consistency, all must agree on one universal rule.

Thank you for your time and consideration of our comments and recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read "Jamar Green". The signature is fluid and cursive, with a long, sweeping underline that extends to the left.

Jamar Green
VP CRA/Fair Lending Officer