



Maryland Bankers Association

November 10, 2014

Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue, NW
Washington, DC 20551
Docket No. OP-1497

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
Mail Stop 9W-11
400 17th Street
Washington, DC 20219
Docket No. OCC-2014-0021

**Re: Docket ID OP-1497 and Docket ID OCC-2014-0021
Interagency Questions & Answers Regarding Community Reinvestment Act**

Dear Sir or Madam:

On behalf of our members, the Maryland Bankers Association (MBA) respectfully submits this comment letter on the proposal (Docket ID OCC-2014-0021) to clarify and supplement the existing *Interagency Questions and Answers (Q&A) Regarding Community Reinvestment Act (CRA)*. The purpose of the proposed changes is to clarify and supplement the Interagency Q&A to address questions raised by bankers, community organizations, etc. regarding the Agencies' CRA regulations.

The proposal addresses alternative delivery systems for banking products and services and provides additional examples of innovative or flexible lending practices. The proposal also clarifies existing guidance and adds new examples on community development and offers additional information about how examiners assess if activities are innovative or responsive to community needs.

Founded in 1896, MBA is the only Maryland-based trade group representing banks in the state. The 120 banks operating in Maryland hold in excess of \$120 billion in FDIC-insured deposits in about 1,800 branches across the state. The banking industry employs more than 45,000 banking professionals in Maryland. MBA's members include banks of all sizes and charter types including: Maryland state-chartered banks, national banks and thrifts, and state banks chartered outside of Maryland. MBA appreciates the opportunity to comment on this important change. MBA's comments and recommendations are outlined on the following pages.

- **General Recommendation – Comprehensive Interagency Examiner Training**

Feedback from MBA members indicates that there is significant inconsistency in how examiners approach CRA. This inconsistency can result in different CRA standards being applied by examiners to identical programs and products, which in turn creates confusion and uncertainty for financial service institutions. Concerns around the sheer amount of documentation being required for favorable CRA consideration have also been raised. While MBA supports adequate documentation and understands the type of documentation needed may vary depending on the product or service involved, unnecessary and/or excessive documentation simply adds to costs of offering the related product or service.

MBA recommends coordinated and comprehensive interagency examiner training be conducted by the agencies. In particular with the sizable regulatory changes over the past few years and innovations in technology, comprehensive interagency training would be very valuable in helping understand how these changes impact CRA. It would also be helpful if the training sessions would be available to financial institution representatives so that the greatest consistency can be achieved.

- **Access to Banking Services**

The proposal would eliminate language that requires examiners to consider that performance standards place primary emphasis on full service branches. Specific references to ATMs would also be deleted. The proposal would highlight the use of alternative delivery systems to help meet the needs of low- and moderate-income individuals and regions. MBA appreciates this needed flexibility, especially with the increased relevance of mobile banking and other alternative channels of reaching low- and moderate income customers. However, it is important that examiners also consider there are generational differences in how individuals utilize technology and that mobile banking is a method of reaching customers and is not necessarily a silver bullet for individual financial difficulties.

MBA supports the proposed change to access to banking services, but believes differences in how customers access banking services must also be considered by examiners.

- **Access to Branches**

The proposal would update the existing language so that while convenient access to full-service branches and effective alternative systems are important factors, institutions will not be required to expand branch network or operate branches if doing so is unprofitable. In addition, the proposal states that examiners will consider the availability and effectiveness of an institution's alternative systems and consumer accessibility of those systems.

MBA supports this change.

- **Factors Considered by Examiners**

The proposal would also clarify the factors examiners will consider when assessing the availability and effectiveness of alternative delivery systems. Factors to be considered include: cost to consumers, range of services, ease of use, rate of adoption, and reliability of the system.

MBA supports this change but strongly recommends examiners recognize the impact regulatory changes and restrictions can have on an institution's ability to offer products and services.

- **Community Development**

The proposal would adopt a number of changes and add two new examples. Based on the current Q&A, bankers have noted that examiners interpret the current Q&A to mean a community development activity only qualifies for CRA credit if it supports jobs for *currently* low- to-moderate income individuals – rather than any activity that promotes job creation. New examples that reflect this change would also be provided. MBA supports the proposed change that will recognize *any* activity that promotes permanent job creation or retention for low- or moderate-income individuals. It would also be helpful to provide examples or information qualifying programs on the agencies' websites and in related training materials.

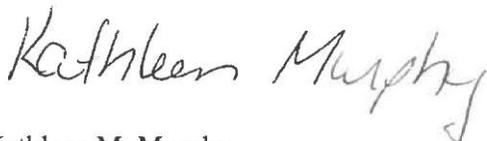
- **Innovative or Flexible Lending Practices**

The proposal adds two new examples of innovative or flexible lending practices – one is an example of a small dollar loan program combined with a financial literacy or outreach program. The second example is an lending program that considers alternative credit histories.

MBA supports the addition of the new examples – however, it is critical to recognize that with the significant regulatory reform and mortgage parameters and restrictions (e.g. Qualified Mortgage and Ability to Repay rules), innovative and flexible lending practices can be very difficult. Regulatory restrictions and resulting uncertainty have real impacts to a bank's ability to innovate or offer flexible lending practices. MBA strongly recommends examiners recognize impact regulatory changes and restrictions can have on an institution's ability to offer innovative products and services

Thank you for your consideration of MBA's comments and recommendations. Please contact me if you have questions or would like to discuss MBA's concerns in greater detail. Thank you for your consideration of MBA's position and for the opportunity to comment on this critical proposal.

Sincerely,



Kathleen M. Murphy
President and CEO
Maryland Bankers Association