



February 2, 2021
Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

FRB CRA ANPR Comments: Docket R-1723, RIN 7100-AF94

Bank of Eastern Oregon is pleased to comment on the Advance Notice of Proposed Rulemaking for the Community Reinvestment Act as offered by the Board of Governors of the Federal Reserve System. In general the Bank finds the proposal to be well considered and looks forward to the implementation of a new evaluation framework. In particular, the Bank finds valuable the proposed guidance on Community Reinvestment Act qualification as presented in the discussions on Dashboards.

Bank of Eastern Oregon believes that indirect community development activities that receive CRA credit (deposits at qualifying institutions, investment securities, etc.) should not be given the same weight as direct activities (loans, donations, services). A community-focused bank should be lending in its markets, not investing in government secured paper. Also, when certain markets lack direct investment opportunities, a bank should not be forced to invest outside its markets simply to check a box on the CRA exam.

Below find Bank of Eastern Oregon's specific commentary on the questions raised by the Federal Reserve Bank in the ANPR.

Assessment Areas:

Bank of Eastern Oregon is primarily situated in rural agricultural markets, providing a full suite of banking services to farmers, ranchers, main street, local government, industry, and local communities as-a-whole. Though we agree that Branch based assessment areas are appropriate, we believe that smaller institutions should not be subject to multiple CRA evaluations simply because the Bank has a presence in multiple assessment area or states.

Currently classified as an Intermediate Small Bank for CRA examination purposes, Bank of Eastern Oregon is subject to three separate CRA ratings in two states, even though our presence in two of the assessment areas is limited in terms of locations and staff compared to the rest of the Bank and these represent a fraction of the total deposits held by all banks in those same assessment areas. To illustrate:

Assessment Area	# Offices	# Staff	BEO Deposits \$000*	AA Deposits \$000*	BEO %
1	18	135	454,449	2,978,530	15.3
2	1	7	29,244	950,151	3.1
3	4	14	43,503	995,705	4.4

*From SOD 6/30/20

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It is very difficult for a small staff to meet examination expectations in all measured areas when being compared against larger banks in the same markets.

Branch Focused Assessment Areas:

Banks should be nearly 100% evaluated on where they do business and their business model. We would include LPOs in this definition. The basis of these parameters are determined during the branching process and reviewed regularly during an institutions normal regulatory exams. Bank's should be able to **reasonably** dissect their "normal" assessment area to partition out tracts which do not fit their model. For example, an agricultural lender should not be evaluated on tracts within their assessment area which are primarily urban or industrial; these are outside of its model. Finally, the practice of allowing CRA credit for purposes external to its markets dilutes a bank's commitments to those markets.

What about LPOs and deposit taking ATMs

Yes, we agree, though local circumstances may make this difficult and examiner flexibility is requested.

Deposit based assessment areas? / Lending based assessment areas?

Link these together. We are a community bank. We believe in lending where you raise deposits. Often local lending may mean regional, but that should be an issue with demand, not marketing.

Nationwide assessment areas for internet banks?

If CRA's goal is to give back to your communities, then the assessment needs to be linked to the sources of deposits and loans. Are you lending to the same people you gather deposits from? I would lean towards these institutions providing an internet-based solution to serve their internet-based clients; perhaps a proactive financial literacy or wealth management program built into the product line. Hmm... not a bad idea for everyone...

Evaluation Framework:

Bank of Eastern Oregon strongly favors a Small Retail Bank examination structure (lending test only) to any bank under the \$1 Billion in assets threshold. Secondly, we believe that this examination structure should extend beyond the \$1 Billion asset threshold for banks that serve only local markets and maintain a simple business model.

RLS Dashboard Concept

In general, we really like the Dashboard concept, but the data has to be relevant for the tool to be useful. We can't have a situation where the model says you are doing well, but you then have a poor examination experience.

Bank of Eastern Oregon thanks the Board of Governors in advance for its consideration of our comments. We look forward to a more constructive CRA examination process.

Sincerely,



Gary Propheter
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