



February 16, 2021

*Via Electronic Submission*

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

Docket No. R-1723; RIN: 7100-AF94

Re: Regulation BB: Community Reinvestment Act

Dear Sir or Madam:

Columbia Bank (the Bank) is a Northwest community bank headquartered in Tacoma, Washington with assets as of December 31, 2020 totaling \$16.58 billion. The Bank has grown both organically and through acquisition, in cases where we recognized the benefits of a strong fiscal and cultural fit. In the process, we have leveraged our community-minded, locally committed way of doing business from a single branch to a 140+ branch regional footprint throughout Washington, Oregon and Idaho.

Columbia Bank participated in both the Office of the Comptroller of the Currency's Advance Notice of Proposed Rulemaking (ANPR) in 2018 and Notice of Proposed Rulemaking (NPR) in 2020. The Bank is pleased to provide the following commentary on the Federal Reserve' ANPR that would modernize the regulations that implement the Community Reinvestment Act (CRA).

**American Bankers Association (ABA) letter**

The ABA has assembled a comment letter based on the input from financial institutions across the nation, which Columbia Bank generally supports. The Bank would like to highlight the following themes from the ABA letter:

- A modernized CRA regulatory framework must be long-lasting and durable.
- A one-size-fits-all approach to CRA would not be practical, sustainable, or desirable. Tailoring should continue to be part of the CRA regulatory framework and should take into account bank business models, areas of specialization, and community characteristics.
- A modernized regulatory framework should aim to refine and improve existing CRA regulations with the goal of improving transparency, consistency, and overall effectiveness. A complete regulatory re-write is unnecessary.
- In regards to Assessment Areas, CRA cannot be truly modernized without addressing the digital revolution and reframing how and where banks are evaluated for CRA compliance. A revised framework should also facilitate and incentivize the flow of CRA capital to underserved communities outside of a bank's assessment areas.



- Quantitative performance metrics would provide much-needed transparency and certainty to the CRA evaluation process and assignment of ratings. However, to have a full understanding of a bank's CRA performance, regulators must also take qualitative factors into account. Updated CRA regulations should provide transparent standards for drawing ratings conclusions, including how examiners make judgments, the data that they use to inform those judgments, and the weight of other factors that examiners consider in determining a bank's CRA rating.
- In an effort to address complexity and develop transparent performance standards, regulators should work to develop a framework that is clear, understandable, and not overly complicated. Overly granular data analysis runs the risk of not improving community outcomes or improving the examination process.
- In regards to data burden, quantitative performance measures will likely result in new data reporting requirements. However, a revised framework should not result in massive new data collection and reporting requirements simply for the sake of adopting a metrics-based approach. Rather, any new burdens must be offset by corresponding improvements to and efficiencies in the administration of bank CRA programs and regulatory examination.

### **Additional Themes**

The following additional themes are of particular importance to the Bank and its communities:

#### Retail Lending Subtest

- Combining low- and moderate-income (LMI) categories when calculating the retail lending distribution performance stands to reduce complexity and reporting burden on financial institutions.

#### Retail Services Subtest

- Banking deserts should be defined in a way that is flexible and adaptable to changing market dynamics, and takes into account differences in urban and rural areas.
- The weight of deposit product responsiveness should be increased in performance ratings. Further clarity is needed on supporting information that will be relied upon. Information to determine whether an individual is LMI is not collected for deposit accounts, therefore requiring banks to report this is impracticable. Instead, the Agencies should use income proxies such as penetration into LMI tracts, and products designed for LMI persons such as Individual Development Accounts.

#### Community Development Financing

- Combining community development loans and investments would reduce complexity and reporting burden on financial institutions.
- Standardizing use of ratios that measure community development financing activities to deposits would reduce subjectivity in performance ratings.

#### Community Development Services

- Quantitative metrics such as the tracking of individual activities, volunteer employee salary and hours should be considered in the development of a Community Development Services performance framework.



- Due to the unique nature of rural communities and low number of community organizations typically present, banks should receive consideration for volunteer activities unrelated to the provision of financial services in any rural assessment areas.

#### Impact Scores

- Incorporating impact scores into the assessing of performance in Community Development Financing, Services and any other areas where it is appropriate would incent impactful activities.

#### Qualifying Activities

- The Bank strongly supports the creation of a publicly available, non-exhaustive, illustrative list of CRA-qualified activities.
- Banks should continue to receive credit for Economic Development, Workforce Development, and Job Creation activities. The means by which banks receive credit for these activities should be reexamined and fully incorporated into the CRA performance framework.
- Loans to nonprofits should be covered in the regulatory text as well as in the list of qualifying activities.
- The Bank strongly supports the addition of activities with Community Development Financial Institutions, Minority Depository Institutions, and Women-Owned Financial Institutions as an explicit qualified activity.
- The Bank strongly supports the addition of activities in Indian Country as an explicit qualified activity.

#### Ratings

- Eliminating limited-scope assessment areas and using an assessment area weighted average approach would provide greater transparency and provide a more holistic evaluation of CRA performance.

#### Overarching Themes

- The Bank recommends that the Federal Reserve work with the Consumer Financial Protection Bureau to align CRA modernization efforts with Home Mortgage Disclosure Act and 1071 Small Business Data Collection Rulemaking where applicable. Efforts in this area could reduce unnecessary complexity and burden.

### **Continue to Pursue an Interagency Final Rule**

“We strongly support the Federal Reserve’s efforts to update the regulations that implement the CRA. The Federal Reserve’s ANPR is an important step forward, and we are grateful for the Federal Reserve’s considerable research, analysis, and outreach to date. We especially appreciate public statements by individual members of the Board of Governors noting that the ANPR seeks to lay the foundation on which the banking agencies can build a shared, modernized CRA framework that has broad support. We urge the Federal Reserve to work with leadership and staff of the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) to craft a modernized regulatory framework that can be adopted by all three agencies. Failure to act in coordination would yield undesirable results—including perpetuating confusion and inconsistency—which would be contrary to the objectives of the modernization effort.” - ABA Federal Reserve ANPR CRA Comment Letter



The Bank firmly believes CRA modernization must have the support of all prudential regulators and appreciates the continued efforts underway to modernize the CRA.

Sincerely,

2/16/2021

X Adam Stein

Adam Stein

Signed by: Adam Stein

VP, CRA & HMDA Compliance Manager, CRCM  
Compliance  
Columbia Bank