

February 9, 2021

Via Electronic Submission

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
Docket No. R-1723 and RIN 7100-AF94**

Dear Madam or Sir:

Univest Financial Corporation (UVSP), including its wholly-owned subsidiary Univest Bank and Trust Co., Member FDIC, (“Bank”) has approximately \$6.1 billion in assets and \$3.6 billion in assets under management and supervision through its wealth management lines of business at June 30, 2020. Headquartered in Souderton, Pa. and founded in 1876, the Corporation and its subsidiaries provide a full range of financial solutions for individuals, businesses, municipalities and nonprofit organizations in the Mid-Atlantic Region. Univest delivers these services through a network of more than 50 offices in southeastern Pennsylvania extending to the Lehigh Valley and Lancaster, as well as in New Jersey and Maryland and online at www.univest.net. The Bank is a Pennsylvania state-chartered bank and trust company. As a state-chartered member bank of the Federal Reserve System, the Bank is regulated primarily by the Pennsylvania Department of Banking and Securities and the Federal Reserve Bank of Philadelphia. As of December 31, 2019, the Corporation has three reportable business segments: Banking, Wealth Management, and Insurance. The Corporation determines its segments based primarily upon product and service offerings, through the types of income generated and the regulatory environment. This is strategically how the Corporation operates and has positioned itself in the marketplace.

Thank you for your leadership in soliciting input on ways to update the CRA regulatory and supervisory framework.

We are committed to the goals of CRA and to meeting the credit and financial services needs of our customers and communities. Univest is a community and employee-centric organization that believes in putting core values into action while delivering an excellent customer experience. We firmly believe in giving back to the local communities we serve. In bringing this spirit of service to life, we offer strong leadership, employee volunteerism and financial support to organizations whose programs and services complement our brand and mission. Arts and culture, youth and education, health and social services and community and economic development are the areas we focus our giving. This is our way of making a difference each day, through helping to improve the quality of life for our local friends and neighbors in the community. In 2019, we educated more than 3,000 students and community members through a variety of programs and partnerships. In the past year, our team members committed over 1,500 hours of CRA qualified

service and Univest has contributed over \$18 million in CRA qualified investments for the communities we serve.

We take pride in being engines of economic growth. But, CRA regulation and supervision have become overly complex, unpredictable, and they have not kept up with the way the consumers expect to use technology to access financial products and services. The need to update CRA has existed for years and will grow more pressing as technology and the financial services industry continue to evolve.

We urge the Federal Reserve to develop a proposed rule based on comments received in response to the CRA ANPR.

Unspecified Expectations. Regulators seem to have adopted unofficial CRA goals (e.g. CRA activities should total a certain percentage of assets or Tier 1 capital). There is also a lack of predictability regarding activities that count for CRA credit.

1. Community Development Lending
 - a. When a bank originates a community development loan within a state it has minimum presence or the state of its headquarters, where the majority of activity takes place, it should be able to get credit even though the loan(s) is not adjacent to or benefits the bank's AA. It is possible other opportunities within the Bank's assessment area are limited.
2. Mergers and Acquisitions
 - a. Providing guidance for what regulators' expectations are in relation to CRA activity when a bank is going through a merger and/or acquisition would be helpful. Due to back-to-back acquisitions during a bank's last exam and limited activity in a newly expanded assessment area, a bank's lending rating was decreased. This is not a true picture of what the bank does on a regular basis as can be seen in previous exams.
3. Service Activity
 - a. Habitat for Humanity projects and the service hours cannot be counted since they do not relate to a financial service as defined by the regulation. However, bank employees are volunteering their time and resources to assist members of the community; saving the homeowner's money and time, which should count towards CRA service.
 - b. Food bank activity is subjective since it also does not relate to financial service. Any activity where a bank is providing assistance to a non-profit that benefits an area considered over 50% LMI should be counted as CRA eligible service hours since they are ultimately assisting the individual with something that they otherwise would not have been able to afford.
4. CRA Eligible Activities
 - a. Providing clearer guidance in what is expected of a bank would be helpful to ensure a bank is meeting the needs of its communities and surrounding areas so it

can spend more time developing programs, products and/or services to assist those that may be unbanked or underserved. Investments and service opportunities can be somewhat subjective from one examiner to the next.

- b. It would be helpful to have regular meetings with regulatory agencies; at least annually, to review and discuss potential ways to enhance CRA for banks, especially if a bank is in an area where it must compete with the nation's largest financial institutions.

What Counts?

Overview Regulators should provide clarity regarding activities that receive positive CRA consideration. Challenges arise when: an activity qualifies for CRA credit during one exam, but not the next; a bank believes that an activity will receive CRA credit, but does not, and a bank is unable to obtain confirmation in advance that an activity will receive credit.

List of Qualifying Activities. Regulators should provide an illustrative list of approved CRA activities. This list should not be exclusive, and activities on the list should not be viewed as an expectation. Examples include: loan modifications, assets held in portfolio (not just what was originated during the exam cycle), community development renewals and refinances, loans and investments in Opportunity Zones, small-dollar loans, etc.

Advance Confirmation. To encourage community development activities and support bank engagement in innovative projects, regulators should establish a process whereby banks may request confirmation of community development eligibility in advance. The timelines of the regulatory response will be critical to the success of this process.

Examples of Pain Points

1. **Community Benefit.** Many opportunities to participate in community development initiatives that would benefit a bank's *entire* community do not receive community development credit. That is because current regulatory practices only recognize such initiatives if they are "targeted to" LMI individuals or have benefits of revitalizing or stabilizing disaster areas or underserved or distressed middle-income areas. Policymakers should revisit the definitions of community and economic development to recognize bank efforts to fund projects that benefit the entire community, including LMI individuals and neighborhoods. Examples: workforce development, financing the construction of infrastructure and community service establishments, such as hospitals.
2. **Non-Profit Donations.** Banks should not be expected to micromanage nonprofits and document the precise area to which every dollar goes. If a nonprofit's mission is to serve an area that includes the bank's Assessment Area, the bank should not have to provide additional documentation regarding the specific geographies benefitted by particular funds.

3. Volunteer Service. In addition to meeting the definition of “community development”, community development services must be related to the provision of financial services. Volunteer activities that do not involve employees’ financial or job-related expertise are not a community development service. These restrictions artificially limit a bank’s options for addressing needs in its community. For example, banks are unable to receive positive CRA consideration for volunteer hours to construct a home sponsored by Habitat for Humanity. Positive CRA consideration should be provided for volunteer service with a community development purpose; credit should not be limited to providing technical assistance or financial education. This approach would broaden the scope of benefits that banks provide and would empower them to deploy CRA resources to meet the unique community development needs of their communities.

Documentation Expectations. Examiners have inconsistent expectations regarding documentation standards. In addition, these unofficial standards are ever-changing.

1. Any list of “pre-approved” CRA activities should provide streamlined documentation standards. Regulators should also provide an optional template for banks to use in documenting their community development activities.

Sincerely,



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