



February 12, 2021

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 Number(s): R-1723, RIN 7100-AF94

RE: Advanced Notice of Proposed Rulemaking – Community Reinvestment Act

In response to the Board of Governors of the Federal Reserve System's request, we respectfully present our comments on the suggested changes to the Community Reinvestment Act published in the Federal Register on October 19, 2020. The opportunity to provide comments to the proposed updates are welcomed and appreciated.

The initial observation we have made in reading the proposed changes is that credit unions remain excluded from the requirements of CRA. If the objective of the CRA is to ensure that low-to-moderate income individuals and communities are being serviced by the financial institutions operating in those communities, it seems almost negligent that an entire branch of an industry is omitted from these requirements. Additionally, we ask how fintech companies play into these suggested changes? They, too, operate in the same communities as banks and credit unions, but unless they are held to the same standards of the CRA, the regulatory burden of CRA continues to fall entirely on banks. How are credit unions and fintechs being held accountable for reinvesting in their communities? We understand that credit unions fall under different regulatory bodies, but the hope is that by creating conversation around this gap in CRA requirements for an entire sector of the financial industry that change will come that holds all financial institutions to the same standards of serving their most vulnerable communities.

Modifying the asset thresholds from the current model with multiple levels to a single threshold places a lot of smaller banks that are above that threshold up against the much larger "big banks." Both thresholds being considered, \$750 million or \$1 billion, result in a vast spectrum of asset-sizes competing against each other in the same service areas. The solution for streamlining how CRA activity and credit is quantified is not to eliminate multiple threshold levels. If the objective is to reduce the number of threshold levels down to only two in order to generate a simpler method of determining size and performance standards requirements, the threshold asset size should be higher than the currently proposed \$750 million/\$1 billion. We recommend raising the threshold to at least \$5 billion in assets. Banks less than \$5 billion in assets already operate as true community banks, serving individuals, families and businesses in those communities already as part of their established missions and core values.

The proposed methods for assessing a bank's CRA involvement and compliance, particularly for what will be considered a large bank that is responsible for all four subtests, will require increased data collection, recordkeeping and reporting requirements. The four subtests calculated under multiple metrics will result in banks needing to update their processes and procedures for data collecting and monitoring. These additional requirements will place further



economic and staff-based burden on smaller community banks where many employees already maintain multiple roles within their organizations in comparison to big banks that have the means to afford these increased operating costs.

We agree that the goal should be to simplify the rating process to allow banks to know exactly what is expected of them while removing the subjective nature of examination that has long been associated with the CRA exam. The concern lies in that the simplification will result both in increased costs to the bank as well as unfair comparisons to the activity of larger banks. A \$1 billion dollar bank simply cannot compete with a \$10 billion dollar bank in lending activity or economic reach. It is our hope that when adopting these metrics that those concerns are taken into account so lower asset threshold banks are still reviewed on their activity, and not compared to the much larger banks in the same large retail bank category.

To balance the concerns we have with the new proposal with what we feel are promising changes, utilizing the major product line approach for home mortgage, small business and small farm loans and the substantial majority threshold for consumer loans for the retail lending subtest do further clarify what is expected of banks in more specific terms. Removing the guess work from the current framework for testing is beneficial for all parties. Additionally, we appreciate the increase in the loan threshold amounts for small business and small farms.

We realize that modernizing the Community Reinvestment Act is a colossal undertaking and is not without struggle to determine what is fair, equitable, and in the best interest of those served by the CRA. As a community bank leader, seeing the financial literacy program component extended to all individuals is welcome news. Community banks operate not just in their branches or on their websites, but deep within their communities. We are in our schools, libraries, charities, non-profits and businesses every day. This will only serve to increase the level of service we provide outside of standard retail business as community banks will continue to do what they've always done – reinvest in all their communities.

Updating the CRA is imperative, and there is no doubt that it must be done strategically and methodically to ensure the best possible outcome for all involved. The current proposal is a move in the right direction. Still, we worry that without addressing the concerns, the opportunity to truly update the regulation will be lost in the haste of pushing through changes for the sake of change alone.

Once again, we appreciate the opportunity to present comment on this matter.

Respectfully,

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