



Independent Bankers Association of Texas

Ronnie Miller
IBAT Chairman
rmiller@cnbanktx.com
Community National Bank, Hondo

Richard F. Scanio
IBAT Chairman-Elect
rscanio@americanbank.com
American Bank, Corpus Christi

Bradley H. Tidwell
IBAT Secretary-Treasurer
btidwell@cnbtexas.com
Citizens National Bank, Henderson

Christy Hester
Leadership Division Chairman
chester@texasbankandtrust.com
Texas Bank and Trust, Longview

Thomas C. Sellers
IBAT Education Foundation Chairman
tsellers@alliancebank.com
Alliance Bank, Sulphur Springs

Joe Kim King
Immediate Past Chairman
jkk@bradynationalbank.com
Brady National Bank

Christopher L. Williston, CAE
President and CEO
cwilliston@ibat.org

Jane Holstien
Director-Board Relations/Events
jholstien@ibat.org

Ursula L. Jimenez, CAE
Chief Financial Officer
ujimenez@ibat.org

Stephen Y. Scurlock
Director-Government Relations/Public Policy
sscurlock@ibat.org

Christopher L. Williston, VI, CAE
Chief Operations Officer
clwilliston@ibat.org

Julie Courtney, CAE, CMP
IBAT Education Foundation President
jcourtney@ibat.org

Curt Nelson
IBAT Services Inc. President
cnelson@ibat.org

November 7, 2018

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street, SW, Suite 3E-218
Washington, DC 20219
Via E-mail: regs.comments@occ.treas.gov

Re: Docket ID OCC-2018-0008
Reforming the Community Reinvestment Act Regulatory Framework

Ladies and Gentlemen:

The following comments are submitted on behalf of the Independent Bankers Association of Texas ("IBAT"), a trade association representing nearly 400 independent, community banks domiciled in Texas.

Texas community bankers, like community bankers across the country, have a great deal to say about reforming the Community Reinvestment Act (CRA) regulatory framework. Community banks are committed to the goals of CRA and to meeting the credit and financial services needs of the communities they serve. CRA regulation and supervision needs to be revised as it has become overly complex, inconsistent, and unpredictable.

Qualified Investments

For small institutions that choose to have their investments considered during a CRA examination, the issue of what qualifies as an investment for CRA purposes is a major concern. One very knowledgeable regulatory compliance attorney noted that a qualified CRA investment is 'Whatever the examiner says it is. And that can change if it's raining outside!'

Qualified Community Development Loans

Like investments, there is a lack of predictability regarding what loans qualify as community development loans. Any reform should provide clarity regarding activities that qualify for CRA consideration.

Policymakers should revisit the definitions of community investment and economic development to recognize bank efforts to fund projects that benefit an entire community, including, but not limited to, low- and moderate-income individuals and areas.

Assessment Areas

Again, bankers see inconsistency from exam to exam and examiner to examiner on exactly what should qualify as a bank's assessment area. Examiners have suggested they must be entire counties, or that counties without a physical presence don't qualify for inclusion in an assessment area despite the fact the bank may be the only bank that serves that county. Additionally, if a community

bank establishes a branch in a large metropolitan area, is the bank expected to meet the needs of the entire metropolitan area?

REMA (Reasonably Expected Market Area)

The agencies need to reconcile the difference between CRA assessment areas and fair lending REMAs. The FFIEC Interagency Fair Lending Exam Procedures call upon examiners to identify additional areas that are of a racial or national origin minority character. The procedure adds this note:

The CRA assessment area can be a convenient unit for redlining analysis because information about it typically already is in hand. However, the CRA assessment area may be too limited. The redlining analysis focuses on the institution's decisions about how much access to credit to provide to different geographical areas. The areas for which those decisions can best be compared are areas where the institution actually marketed and provided credit and where it could reasonably be expected to have marketed and provided credit. Some of those areas might be beyond or otherwise different from the CRA assessment area.

Policymakers should revisit the definition of assessment area to recognize size, complexity, geographical boundaries, technology, and a bank's particular business model. Having two areas—CRA assessment areas and fair lending REMAs—is both expensive and confusing.

Technology

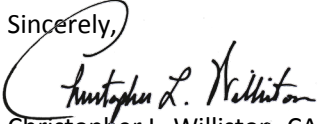
Financial Technology (FinTech) poses a considerable market challenge for community banks. How will the agencies assess FinTech's impact on a bank's assessment area when other financial service providers that operate nationally compete for deposit and loan volume within a community bank's assessment area?

Metric-Based Approach

Community bankers generally support a more objective and quantitative based approach to CRA performance. A metric-based system could be beneficial for both banks and examiners in helping manage objectives and could add much needed predictability and transparency. However, a universal metric-based system that does not consider bank business models, size, and market areas would not be supported. Any metric-based system should reflect demographics, local economies, and demographic changes for community banks. The agencies should conduct extensive testing of any proposed metric-based system including the release of the metrics, how banks are measured against the metrics, and the results. Banks should be allowed to test their own performance against any proposed metric-based system with ample time for comment before adoption.

Thank you for the opportunity to submit these comments—and questions—on behalf of Texas community bankers who wholeheartedly support reforming the Community Reinvestment Act regulatory framework.

Sincerely,


Christopher L. Williston, CAE
President and CEO