NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

November 1, 1999

Dear Member of Congress:

On behalf of our 700 member community organizations, the National Community Reinvestment Coalition (NCRC) urges you to vote against the Gramm-Leach-Bliley Financial Services Modernization Act of 1999. NCRC believes the Gramm-Leach-Bliley bill will undermine progress in neighborhood revitalization by chipping away at major provisions of CRA (Community Reinvestment Act). It also misses a vital opportunity to greatly expand access to credit and capital to America's working class and minority communities by modernizing CRA as Congress modernizes the financial services industry.

During the 1990's, a strengthened Community Reinvestment Act (CRA) has played a major role in increasing access to loans and investments for working class and minority communities. Federal Reserve Governor Edward Gramlich recently estimated that CRA-related home, small business, and economic development loans total $117 billion annually.

Contrary to what is being said, this bill will have a negative impact on CRA and the considerable progress of lending to low- and moderate-income communities made by our nation. By stretching out small bank CRA exams to five years for an "Outstanding" rating and four years for a "Satisfactory" rating, this bill will reduce the effectiveness of CRA as a tool in rural and small town America. Small banks (under $250 million in assets) will become adept at gaming the CRA process. They will relax their CRA lending in underserved communities for three or four years, and then hustle to make loans the last year before a 'twice in a decade' CRA exam. The current practice of CRA exams occurring once every two years keeps small banks on their toes since they know that the next exam is just around the corner.

In addition, NCRC objects to the so-called "sunshine" provisions of this legislation. While no one can argue with the concept of sunshine, the provisions in this bill provide no real sunshine and are aimed instead at chilling the First Amendment rights of advocates. By requiring special reporting requirements only of those groups which comment on applications and the CRA records of banks, this bill provides a disincentive for community groups to participate in the CRA process. Additionally this bill prevents banking agencies from monitoring the level of loans and investments made under CRA agreements during CRA exams and merger applications. These provisions are bad public policy designed solely to restrict the ability of communities to demand accountability and continued reinvestment from their financial institutions.

NCRC understands the symbolic importance of the "have and maintain" CRA rating clause in this bill. We believe that the requirement that financial holding companies have at least a "Satisfactory" CRA rating in order to merge or engage in new non-banking financial activities is useful because it will give the industry even more incentive to avoid failing CRA ratings. On a practical level, however, this so-called "extension of CRA" is largely illusory. By not requiring applications and public comment periods when financial holding companies merge or engage in the new insurance, securities, and other non-banking

NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

activities, this bill eliminates the most effective tool communities have to insure the accountability of financial holding companies to their community.

We also hasten to point out that the "have and maintain" provision is unlikely to have any practical effect. Due to the bank regulators' rampant grade inflation, none of the largest holding companies that would most likely be affected by this clause have any depository institutions with a less than Satisfactory CRA rating. Satisfactory CRA ratings have become so automatic that recently the OCC granted a 'Satisfactory" rating to a Mississippi institution and the Federal Reserve approved a major merger of that institution at the same time that the Department of Justice was in the process of finding that the bank was in violation of the nation's fair lending laws.

Meanwhile, the most important issues confronting the continued progress of reinvestment are not addressed by this legislation. Because of the current link of CRA to depository institutions, some holding companies whose depository institutions are covered by CRA are simultaneously engaging in predatory, subprime lending through affiliates not covered by CRA. Other non-depository affiliates that will be making considerable number of loans will simply overlook low- and moderate-income communities. The financial modernization bill misses an important opportunity to extend CRA and fair lending laws to non-depository affiliates of holding companies that make significant amounts of loans.

The explosion of internet banking is muddling the significance of what are called "service areas" in the Community Reinvestment Act. A large institution which takes deposits and makes loans throughout the nation can nonetheless restrict its "service area" to one small locale if it operates without the traditional bricks and mortar branch structure. These and other fundamental issues relating to the updating and modernizing of CRA should have been dealt with in a financial modernization bill and were not.

Finally, we want to be sure that you are clearly aware that the vast majority of community groups do not support this bill despite claims to the contrary. While we know of one high profile group that has endorsed this bill, we are unaware of any others. Almost all of our members, who represent the heart of the community reinvestment industry in this country, have been expressing their profound disappointment in this legislation.

Millions of low-and moderate-income and minority individuals and families have become homeowners and small business owners because of a strong Community Reinvestment Act. We urge you to vote against this bill because of its failure to adequately update and protect CRA. Attached, please find a list of NCRC's 700 community organization and local public agency members organized by state.

Sincerely,

John Taylor
President and CEO

NATIONAL COMMUNITY REINVESTMENT COALITION

NCRC

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October 29, 1999

The Honorable William Jefferson Clinton
President of the United States of America
The White House
Washington DC 20500

Dear Mr. President:

On behalf of our 700 member community organizations, the National Community Reinvestment Coalition (NCRC) respectfully urges you to veto the Gramm-Leach-Bliley Financial Services Modernization Act of 1999 when it comes before you. We appreciate this Administration's strong commitment to the Community Reinvestment Act. The development of the new CRA regulations early in your Administration and the Department of Justice's focus on fair lending issues has made a significant difference in the ability of residents of low- and moderate-income communities to gain access to credit. We also appreciate your Administration's commitment to fighting off the most anti-CRA aspects of the Senate version of financial modernization.

We believe the Gramm-Leach-Bliley bill as proposed will undermine progress in reinvestment and misses a vital opportunity to greatly expand access to credit and capital to America's traditionally underserved communities. NCRC thought that the financial modernization bill offered an ideal opportunity for this Administration to put its stamp on the evolution of the financial services industry by updating and modernizing CRA so that it would continue to be relevant to the evolving financial services industry in the 21st century. Unfortunately, the bill that is about to be passed fails to do that in any significant way, while at the same time chipping away major provisions of the current law.

NCRC understands the symbolic importance of the "have and maintain" CRA rating clause in this bill. We believe that the requirement that financial holding companies have at least a "Satisfactory" CRA rating in order to merge or engage in new activities is useful because it will give the industry even more incentive to avoid failing CRA ratings. On a practical level, however, this so-called "extension of CRA" is largely illusory. By not requiring applications and public comment periods when financial holding companies merge or engage in these new activities, this bill eliminates the most effective tool communities have to insure the accountability of financial institutions to their community.

We also hasten to point out that the "have and maintain" provision is unlikely to have any practical effect. Due to the bank regulators' rampant grade inflation, none of the largest holding companies that would most likely be affected by this clause have any depository institutions with a less than Satisfactory CRA rating. Satisfactory CRA ratings have become so automatic that recently the OCC granted a 'Satisfactory" rating to a Mississippi institution and the Federal Reserve approved a major merger of that institution at the same time that the Department of Justice was in the process of finding that the bank was in violation of the nation's fair lending laws.

NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

Also we would note that contrary to what is being said, this bill does have a negative impact on current CRA law. By stretching out small bank CRA ratings to five years for an "Outstanding" rating and four years for a "Satisfactory" rating this bill will reduce the effectiveness of CRA as a tool in rural America. Earlier in your Administration, these institutions were already given a greatly simplified CRA evaluation system that addressed the regulatory relief concerns of small banks. The extension of the examination cycle only serves to make CRA more difficult to enforce for small banks.

We also object to the so-called "sunshine" provisions of this law. While no one can argue with the concept of sunshine, the provisions in this bill provide no real sunshine and are aimed instead at chilling the First Amendment rights of advocates. By requiring special reporting requirements only of those groups which comment on applications and the CRA records of banks, this bill provides a disincentive for community groups to participate in the CRA process. Additionally this bill prevents banking agencies from monitoring the level of loans and investments made under CRA agreements during CRA exams and merger applications. These provisions are bad public policy designed solely to restrict the ability of communities to demand accountability from their financial institutions.

Meanwhile the most important issues facing the reinvestment community remain un-addressed by this legislation. Because of the current link of CRA to depository institutions, some holding companies whose depository institutions are covered by CRA are simultaneously engaging in predatory, subprime lending through affiliates not covered by CRA. Other non-depository affiliates that will be making considerable number of loans will simply overlook low- and moderate-income communities. The finanical modernization bill missed an important opportunity to extend CRA and fair lending laws to non-depository affiliates of holding companies that make significant amounts of loans.

The explosion of internet banking is muddling the significance of what are called "service areas" in the Community Reinvestment Act. A large institution which takes deposits and makes loans throughout the nation can nonetheless restrict its "service area" to one small locale if it operates without the traditional bricks and mortar branch structure. These and other fundamental issues relating to the updating and modernizing of CRA should have been dealt with in a financial modernization bill and were not.

Finally we want to be sure that you are clearly aware that the vast majority of community groups do not support this bill for the reasons we have outlined above. We have heard some members of this Administration making the claim that "community groups support this bill." While we know of two high profile groups that have endorsed this bill, we are unaware of any others. Almost all of our members, who represent the heart of the community reinvestment industry in this country, have been expressing their disappointment in this bill.

Millions of low-and moderate-income and minority individuals and families have become homeowners because of the strong economy and because of your Administration's commitment to improving the access to credit and capital for Americans of modest means. We urge you to continue to strengthen that commitment by vetoing this bill because of its failure to adequately strengthen and protect CRA. As always we stand ready to work with you to continue to improve the Community Reinvestment Act.

Sincerely,

John Taylor

John Taylor
President and CEO

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National Conference of State Legislatures
National Conference of Insurance Legislators

October 28, 1999

Dear Representatives:

We write today to express our opposition to the Conference Committee Report on the Gramm-Leach-Bliley Financial Modernization Act. We are dismayed at the inclusion in the legislation of Subtitle B, *the Redomestication of Mutual Insurers*. **We submit that Subtitle B is not in the public interest, rather it is anti-consumer.** This provision would circumvent well-designed and thought-out state policy regarding the redomestication of mutual insurance companies. Subtitle B has little to do with financial services modernization. Rather it serves to undermine state law, which seeks to protect our constituents for the benefit of a few. **Gramm-Leach-Bliley could place as many as 35 million policyholders, many of your constituents, at risk of losing $ 94.7 Billion in equity.** Should this occur, it would amount to a Congressionally approved takings of consumers' personal property.

Subtitle B would allow mutual insurers domiciled in states whose legislatures have elected not to allow mutual insurers to form mutual holding companies to escape that legislative determination. It would allow mutual insurers to move simply because a state, **through its duly elected legislative branch of government**, has determined that formation of mutual holding companies is not in the best interest of the state or its mutual insurance policyholders who are, after all, the owners of the company. **Gramm-Leach-Bliley will preempt the anti-demutualization laws in 30 states: Alabama, Alaska, Arizona, Arkansas, Colorado, Connecticut, Delaware, Georgia, Hawaii, Idaho, Illinois, Indiana, Maine, Maryland, Michigan, Montana, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Oklahoma, South Dakota, Tennessee, Utah, Virginia, Washington, West Virginia, and Wyoming.**

We support the overall intent of S. 900/H.R. 10, which is to modernize financial services regulation and to make the U.S. financial services industry competitive with its overseas counterparts. However, not one supporter of redomestication has come forward to prove that the Subtitle B is indeed vital to financial services modernization or even to defend its inclusion in the legislation. There were no hearings on this Subtitle by any of the House or Senate Committees. Subtitle B was added to H.R. 10 by attaching it to an amendment on domestic violence because such an onerous provision could not stand-alone.

The National Conference of State Legislatures is the bipartisan national organization representing every state legislator and the National Conference of Insurance Legislators is the national conference of state legislators who are involved in the regulation of the business of insurance within their respective states. Both of our organizations have unanimously adopted resolutions opposing Subtitle B and supporting its deletion from any financial services modernization legislation.

On behalf of our colleagues across the country and especially our millions of constituents who will wonder why Congress gave away their hard-earned equity, **we respectfully ask you vote NO on Gramm-Leach-Bliley.**

We thank you for your consideration.

Very truly yours,

Representative David Counts, Texas
NCOIL President

Senator Joanne Emmons, Michigan
Chair, NCSL Commerce &
Communications Committee

TO SEE HOW POLICYHOLDERS IN YOUR STATE WOULD FARE IF THE GRAMM-LEACH-BLILEY FINANCIAL MODERNIZATION ACT IS APPROVED WITH SUBTITLE B OF TITLE III, *REDOMESTICATION OF MUTUAL INSURERS*, INCLUDED LOOK BELOW:

According to the Center for Insurance Research, if all the major mutual life insurers* took advantage of the provisions in Subtitle B of Gramm-Leach the equity loss to consumers in each state:

State	# of Policies in State	Policyholder Equity/Equity per Policy
Alabama	247,666	$ 449,895,848 /$1,817
Alaska	48,208	$ 98,061,387 /$2,034
Arizona	48,208	$ 98,061,387 /$2,034
Arkansas	116,906	$ 207,701,616 /$1,777
California	2,713,352	$4,960,251,308 /$1,828
Colorado	758,110	$1,307,009,088 /$1,724
Connecticut	739,154	$1,176,333,479 /$1,591
Delaware	326,315	$ 549,292,374 /$1,683
District of Columbia	239,447	$ 408,029,322 /$1,704
Florida	1,164,719	$2,121,274,692 /$1,821
Georgia	636,580	$1,179,107,023 /$1,852
Hawaii	96,275	$ 169,195,580 /$1,757
Idaho	100,587	$ 193,715,897 /$1,926
Illinois	2,397,312	$3,960,690,446 /$1,652
Indiana	541,558	$ 962,599,522 /$1,777
Iowa	431,090	$1,338,632,792 /$3,105
Kansas	269,657	$ 470,714,158 /$1,746
Kentucky	277,135	$ 480,640,500 /$1,734
Louisiana	316,315	$ 591,448,499 /$1,870
Maine	111,933	$ 192,199,433 /$1,717

State	# of Policies in State	Policy Holder Equity/Equity Per Policy
Maryland	636,883	$1,082,119,697 /$1,699
Massachusetts	1,981,266	$3,261,185,133 /$1,646
Michigan	1,110,156	$1,860,412,511 /$1,676
Minnesota	588,441	$1,111,376,308 /$1,889
Mississippi	139,868	$ 254,615,010 /$1,820
Missouri	577,461	$1,095,410,874 /$1,897
Montana	56,782	$ 115,774,249 /$2,039
Nebraska	264,216	$ 699,369,591 /$2,647
Nevada	111,221	$ 214,805,432 /$1,931
New Hampshire	278,240	$ 489,566,776 /$1,760
New Jersey	1,699,347	$2,728,633,207 /$1,606
New Mexico	95,171	$ 174,583,939 /$1,834
New York	5,880,112	$9,266,505,199 /$1,576
North Carolina	794,164	$1,444,262,155 /$1,819
North Dakota	59,880	$ 101,470,302 /$1,695
Ohio	1,211,900	$2,003,778,838 /$1,653
Oklahoma	207,112	$ 388,637,200 /$1,876
Oregon	221,649	$ 469,571,008 /$2,119
Pennsylvania	1,718,176	$2,833,890,186 /$1,649
Rhode Island	155,127	$ 247,360,868 /$1,595
South Carolina	299,696	$ 512,172,351 /$ 1,709
South Dakota	76,699	$ 140,116,016 /$1,827
Tennessee	435,647	$ 780,407,441 /$1,791
Texas	1,364,196	$2,349,322,551 /$1,722
Utah	127,730	$ 244,256,886 /$1,912
Vermont	90,174	$ 139,448,870 /$1,546
Virginia	621,314	$1,229,173,697 /$1,978
Washington	371,381	$ 755,995,423 /$2,036
West Virginia	136,532	$ 243,900,505 /$1,786
Wisconsin	635,856	$1,194,889,155 /$1,879
Wyoming	30,643	$ 63,201,358 /$2,062

**This list is only for Life Mutuals, additional equity at risk for Health Mutuals and Property/Casualty Mutuals. Center for Insurance Research - 617 367-1040.*

The list above includes some states that may have passed demutualization legislation. However, the laws of the state of domicile of the mutual insurer apply to policyholders even in those states that have decided to permit demutualization.