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July 19, 2000

The National Training and Information Center, NTIC, has been monitoring Federal housing programs for nearly thirty years. NTIC maintains that preserving homeownership, particularly in low-income neighborhoods, is key to sustaining safe and vital communities. **NTIC spearheaded efforts to secure passage of the Home Mortgage Disclosure Act and the Community Reinvestment Act**. In addition, NTIC has worked with community organizations around the country to stop fraud and abuse of the Federal Housing Administrations single-family loan program. NTIC's work has also included efforts to reverse neighborhood blight by reducing abandonment, promoting homeownership and housing rehabilitation, and building strong community organizations.

The impending "sunshine" regulations on the Community Reinvestment Act must be changed before they become official regulations. In their current state they impede the efficiency and effectiveness of a program that has, for the most part, been successful and profitable for all involved. Specific problems to be noted with the regulations that have been proposed include, but are not necessarily limited to, the following:

The regulations unfairly target community development organizations that are involved with CRA agreements. The regulations require them to do more paper work than other institutions that are involved in the CRA process, including: 1. Investment banks that assist other banks in meeting CRA in order to merge or acquire another institution; 2. Mortgage brokers who do CRA qualified lending and are paid fees by the lender (including contract loan officers) in order to purchase or originate the loans that are a factor in CRA performance; 3. CRA and banking consultants who assist banks in meeting the CRA performance requirements or assist a bank in gaining approval for mergers/acquisition activity through CRA activity/compliance; and 4. Law firms who assist banks in the merger/acquisition process and as part of this process participate in activities for the purpose of meeting CRA regulations.

We understand that all of these private NGEs are working in the interest of furthering CRA and making the program even more successful than it has already been, and we do not want to hinder them in this effort. The "sunshine" regulations, however, would hinder these fore stated institutions in their work if the requirements were applied to them. This is clearly not the intent of the legislation, and, it is not the intent of the legislation to penalize the legitimate business and public purpose activities of banks and community development organizations. We have read the recommendations submitted by Neighborhood Housing Services of Chicago (NHS), and agree that they are the very least of the changes that must be made to the proposed "sunshine" regulations. The changes proposed by NHS are the following:

Definition of "covered" CRA agreements- The proposed rule would require disclosure of any CRA agreement above the thresholds. The definition of a covered agreement should be narrowed to encompass only those agreements that would substantially weigh on an institution's application/merger activity or CRA rating. Because both lenders and non-profits can be involved in up to hundreds of CRA-related transactions annually, the compliance and reporting burden would be onerous. Community reinvestment activities have increasingly become a part of normal, business transactions. To require that all such activities be reported as a CRA agreement will be burdensome and provides a negative consequence for positive transactions.

Scope and Definition of " CRA Contact"- The proposed rule requires disclosure of CRA agreements as a result of a CRA contact(s). CRA contacts as defined in the draft regulations are made each and every day, through regular business transactions that are an integral part of community development work. Many of these contacts lead to community development transactions such as investment in loan funds or program support for home ownership counseling programs. This would require non-profits and lenders to report almost every transaction. The intent of the Sunshine requirement was to prevent community groups from using CRA to "extort" agreements from lenders. To minimize the reporting burden, only contacts made with an explicit "quid pro quo" agreement (either verbal or written) on a pending merger/acquisition or made to explicitly influence a CRA rating should trigger reporting.

The reason it is necessary to limit reporting requirements to those agreements that are directly tied to a specific merger/acquisition activity or tied to the CRA performance of an institution is that in the majority of cases, a NGE may be soliciting investment in a particular loan fund or seeking operating funds for a specific program without any knowledge of a proposed merger/acquisition or bank examination. Such requests and follow-up activities are normal, everyday, business transactions that are done without any knowledge of merger/acquisition or examinations.

Material Impact- The proposed rule specifies "factors" which have "material impact" on the regulator's decision on an application or to assign a CRA rating. While the factors are important for evaluating a bank's performance, it should not be the responsibility of an NGE to report on all of its activities that regulators have defined as "factors" that may be taken into account for the evaluation of a bank's performance. NGEs should only be required to report as described in the previous section on an agreement that was made with the explicit intent to influence a bank's CRA rating or during the course of a merger or acquisition with a "quid pro quo" arrangement. Without this change, an undue burden will be placed on NGEs and banks, which would produce onerous reporting.

Simplified Disclosure and Reporting by NGEs-A properly completed IRS 990 form should be the sole requirement for annual reporting requirements for general-purpose funds. This would limit reporting burden. To require a NGE to submit reports to individual lenders would be an onerous burden and to supply individual lenders with aggregate reports would pose serious privacy issues for both financial institutions and

NGEs. The final rule should afford CRA transactions the same privacy treatment available to bank and their customers in non-CRA related business.

Imposing a separate reporting requirement for specific-purpose funds will increase reporting burden for NGE. If regulators still deem this necessary, a brief description of the amount of funds and a general program purpose should be sufficient and will still add a substantial reporting burden. If a dollar amount is not available in the agreement, a brief description of the service or loan product agreed upon should provide the regulators with sufficient information.

To reduce reporting burden, NGE should be able to elect to submit annual reports by calendar year or by its fiscal year. NGE should also be able to submit a consolidated annual report to the regulators if they are party to two or more agreements. It is also burdensome to require a NGE to submit an annual report in years that it did not receive any funds under a covered agreement.

Non-negotiating parties should not be required to report agreements in which they may benefit but did not have input into the agreement or realize that their transaction with the bank is a result of an agreement. Many times an advocacy or national organization may negotiate a large CRA agreement with a financial institution that includes a lending goal for a low- and- moderate income neighborhood without specifying organizations who would get the money or how it should be lent out. It is only at a later date that specific activities would be determined. However, the NGE should not be responsible for reporting such transactions.

Thank you for your consideration of these comments, and we sincerely hope that they will affect a change in the eventual regulations.

Sincerely,