USAA FEDERAL SAVINGS BANK

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July 19, 2000

Manager, Dissemination Branch
Information Management & Services Division
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

Attention: Docket No. 2000-44

2000 JUL 21 A 11:58

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Attention: Comments/OES

Dear Sirs:

USAA Federal Savings Bank and USAA Savings Bank ("USAA") submit these comments in response to the proposed joint regulations implementing provisions of the Gramm-Leach-Bliley Act ("GLB") relating to Disclosure and Reporting of CRA-Related Agreements. USAA Federal Savings Bank, located in San Antonio, Texas, is a federally chartered savings association with consolidated assets of $9.7 billion as of June 30, 2000. USAA Savings Bank, located in Las Vegas, Nevada, is a Nevada chartered thrift and a wholly owned subsidiary of USAA Federal Savings Bank. USAA serves the military community in all 50 states and focuses its CRA-qualified services and investments in the San Antonio (Bexar County), Texas and Las Vegas (Clark County), Nevada assessment areas.

Our concerns about the proposed regulation are as follows:

- USAA has enjoyed a favorable relationship with various community groups as a leading corporate citizen. USAA's CRA activity has not been motivated by coercive practices of CRA activist organizations. Although USAA is in support of the overall intent of the GLB, it is USAA's position that the proposed joint regulation implementing the CRA Sunshine provisions of the GLB creates yet another regulatory burden for financial institutions and does not accomplish the CRA intent of the GLB.

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- USAA has a history of providing significant support to community organizations. Most of USAA's contributions are made with the caveat that the organizations do not disclose the amount of USAA's contribution, and at times, with a request that USAA remain anonymous. These requests are made for various reasons. The most obvious being USAA's desire to maintain the confidential nature of the gift. Public disclosures of all corporate contributions may make USAA the target for the coercive practices that the GLB seeks to mitigate.

- The proposed regulation, while imposing increased reporting and record keeping requirements for the community groups, places even greater compliance responsibilities on the financial institution. The effect will be increased staffing levels and its accompanying expenses for financial institutions to comply with reporting requirements and to provide training for community groups regarding their compliance responsibilities and annual reporting requirements. A review of USAA's "covered agreements" from November 12, 1999 through June 30, 2000 would result in 42 covered agreements with 38 community groups under the proposed regulation.

- The lack of detail in the proposed regulation creates uncertainty on its impact. The reporting format is not detailed nor is information provided on how the reported information will be used. It is unclear from the proposal whether periodic audits or examinations of financial institutions and community groups will be done, or whether compliance will be reviewed during the financial institution's CRA examination. This will place an additional burden on the financial institution.

- Annual reporting requirements for the community groups require significant detail regarding the use of funds, including when funds are used for general or operating expense purposes. Specifically, the proposal requires that community groups disclose the total amount of resources used for compensation of officers, directors, and employees; administrative expenses; travel expenses; entertainment expenses; consulting and professional fees; and other expenses or uses. The proposed regulation assumes that the community groups' regular reporting activities include a detailed description of the use of funds. It is our experience that this is usually not the case. The effect will be an increased administrative burden for the community group in order to comply with the GLB. Additionally, the GLB's allowance of the community groups to fulfill their annual reporting requirements by sending their annual reports to the financial institution increases the financial institution's administrative burden. Specifically, the financial institution would be placed in the position of reviewing the community groups annual reports to ensure that the appropriate level of detail regarding use of funds is provided, and that the report are submitted in a timely manner.

- The proposed regulation states that the annual report must include information concerning the disbursement, receipt and use of funds or other resources under the agreement. It is unclear what is meant by "other resources." Clarification needs to be provided on exactly what type of resources would be contemplated. Does this include volunteer hours as a board member, volunteer or technical service provider? Are in-kind donations of equipment or supplies included in the definition of "other resources?"

- The proposed regulation broadly defines written agreements. For example, a financial institution may make a charitable contribution to an organization by sending a check and a cover letter

explaining the contribution. Unless otherwise exempt, the cover letter becomes a written agreement, which is subject to reporting. However, if the financial institution simply sends a check and no cover letter, then a written agreement has not been made and it would appear that any reporting responsibilities are circumvented.

- Written agreements may be exempt if they are not made pursuant to, or in connection with, the fulfillment of CRA. In theory, this exemption seems appropriate. However, in practice, financial institutions are motivated to document as many of their charitable contributions as CRA-qualified as possible. In order to do so, it is quite common for a financial institution to contact the community group and ask for additional information regarding the group's clients or service area demographics. Additionally, over the past several years financial institutions have actively trained community groups regarding the requirements of CRA so that the groups are aware of the types of charitable contributions available and the information and documentation required by financial institutions. The proposed regulation indicates that these communications and resulting inquiries qualify as CRA contacts. However, "CRA contacts" are not narrowly defined to give certainty as to classification of other types of community contacts. Further, the proposed regulation does not impose a specified period of time during which a community contact would be considered a CRA contact. It is recommended that the final regulation adopt language that specifically exempts community contacts that are made as part of a financial institution's regular business dealings, or are otherwise outside the intended scope of the CRA Sunshine provision of the GLB.

- The proposed regulation seeks comment regarding the appropriate time period for which a CRA contact should be applicable. USAA urges consideration of one year as most appropriate and practical.

Overall, the broadly defined proposed regulation has the effect of increasing the regulatory burden of financial institutions in an attempt to regulate the practice of certain CRA activist organizations. USAA strongly suggests that the proposed regulation be revised to limit the definition of a true CRA agreement as opposed to clearly exempt corporate philanthropic activities that may be CRA-qualified investments. Further, USAA recommends only those donations that are made as a result of a merger, branch opening or closing, or to correct deficient lending results, as defined by the CRA regulation, be included in the definition of a CRA agreement.

Sincerely,

Judy K. McCormick
Vice President
Compliance and Community Investment