National Federation of
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NFCDCU

July 21, 2000

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Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th and C Streets
Washington, DC 20551
RE: Docket No. R-1069

Communications Division
Office of the Comptroller of Currency
250 E Street, SW
Washington, DC 20019
RE: Docket No. 00-11

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

Manager, Dissemination Branch
Information Management & Services Division
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Docket No. 2000-44

Re: Comments on the Proposed "CRA Sunshine" Regulations

Dear Sir/Madam:

With this letter, I respectfully submit comments from the National Federation of Community Development Credit Unions (NFCDCU) on the proposed "sunshine provisions" promulgated under the Gramm-Leach-Bliley Act (GLB). Our primary concern with the proposed regulations and with the Act itself is the negative impact they will have on access to *affordable* credit and banking services in low-income communities by creating disincentives for partnerships between banks and community development financial institutions.

The National Federation of Community Development Credit Unions works to assure that the evolving financial system responds to the needs of low-income communities. We do this by organizing, strengthening and investing in locally-owned and controlled community development credit unions (CDCUs). With more than 190 members in 40 states, the National Federation has extended financial services to low-income communities throughout the nation through the provision of: savings accounts, direct deposit accounts for federal payments (EFT), Individual Development Accounts (IDAs), and loans for homeownership and home repair, microenterprise, education, debt consolidation, credit repair and personal purposes for low-income individuals and families. The CDCU movement reaches approximately 1 million residents of low-income and underserved communities across the nation. The National Federation submits these comments both as a national trade association and as a CDFI intermediary itself.

The Community Reinvestment Act (CRA) has been essential to the formation and growth of CDCUs in communities where the *only* other providers of financial services are check-cashing establishments, rent-to-own stores, pawn shops and other informal (and often usurious) lenders. With the assistance of CRA investments, CDCUs have been able to mobilize $625 million in local savings, with more than $500 million in loans outstanding. CRA investments in CDCUs enable banks to reach communities that they do not and can not serve otherwise.

We believe that the CRA sunshine provisions will create unnecessary and deleterious obstacles to bank investment in CDCUs that result in expanded availability of credit and banking services. We hope with these comments to minimize these obstacles.

Definitions

The regulations define a covered agreement as any written contract, arrangement or understanding entered into by a financial institution and a non-governmental entity that provides more than $10,000 in grants or $50,000 in loans. NFCDCU and its members frequently engage in partnership with banks unable to serve a low-income community because the bank either does not: a) have a physical presence or b) have adequate products and services to meet the credit needs of the community. By making investments (grants and loans) in CDCUs, the bank can extend its ability to reach more communities.

Because these arrangements, in effect, enable the bank to directly meet its community reinvestment obligations through increased lending or financial services, they should be exempt from the reporting requirements stipulated in this regulation.

In addition the regulations do not stipulate the treatment of a non-member deposit to a community development credit union (CDCU). NFCDCU recommends that the agencies specifically exclude deposits in a CDCU from the reporting requirements. Deposits in a CDCU are insured and therefore pose no risk to the principal of the bank depositor. In addition, deposits among financial institutions are commonplace. A requirement to segregate deposits based by 'CRA contact' would entail time and effort spent on tracking deposits.

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much-needed *affordable* capital to poor communities both the Act and its corresponding regulations appear to be punitive especially to poor communities.

At a time when poor communities are suffering from an influx of *unaffordable* credit through unscrupulous lenders these provisions will further isolate communities from mainstream channels to access credit. We all have a moral imperative to assure that low-income Americans benefit from the same economic and financial rights as all Americans. We urge you to exercise the greatest flexibility and openness when implementing the sunshine provisions. For further information, please contact Cathie Mahon, Director of Policy, at (212) 809-1850 x-220.

Sincerely,

Clifford Rosenthal

Clifford N. Rosenthal
Executive Director