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July 7, 2000

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National Asian Pacific Publishers Association
National Black Business Council, Inc.
National Black Chambers of Commerce
National Federation of Filipino American Associations
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Oakland Citizens Committee for Urban Renewal (OCCUR)
Phoenix Urban League
San Francisco Black Chamber of Commerce
San Francisco Business & Professional Women, Inc.
Search to Involve Filipino-Americans
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Chairman Alan Greenspan
Chairman
Federal Reserve System
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Washington, D.C. 20551

Mr. Jerry D. Hawke
Comptroller of the Currency
Office of the Comptroller
250 E St., SW
Washington, D.C. 20219

Ms. Ellen Seidman
Director
Office of Thrift Supervision
1700 G. St., NW
Washington, D.C. 20552

Ms. Donna Tanoue
Chairperson
FDIC
550 17th St., NW
Washington, D.C. 20249

Proposed Section 711 Sunshine Regulations May Require a New Federal Agency, the Sunshine Enforcement Agency (S.E.A.)

Dear Chairman Greenspan, Comptroller Hawke, OTS Director Seidman, and FDIC Chair Tanoue,

These comments should be considered as the comments of thirty-eight separate community organizations including California's major African American, Hispanic and Asian American business associations, California's largest African American churches engaged in economic development and California's largest Hispanic and Southeast Asian service organizations. (The names of the organizations are included at the end of the letter.)

In summary, your proposed CRA Sunshine Regulations are unworkable, violate First Amendment rights, do not have the support of the banking industry, reach the wrong target and are likely to create the need for a new super enforcement bureaucracy, the Sunshine Enforcement Agency (S.E.A.).

All of the undersigned strongly support the purpose of the Sunshine Provisions: all CRA agreements and their terms should be made public. That purpose was what secured the overwhelming majority vote for the Sunshine Provisions. The remainder of the provisions, which are the subject of these comments, is unlikely, if ever put to a vote, to secure

Executive Staff:

John C. Gamboa, Executive Director
Robert L. Gnaizda, Policy Director & General Counsel
Haydee Diaz, Academy Director

Congressional support. These provisions are largely driven by Senator Gramm and are likely to be the undoing of CRA and the primary purpose of the Sunshine Provisions (disclosure of CRA agreements).

Regulators Not in Compliance with Senator Gramm

Although the proposed Sunshine Provisions, except for disclosure of CRA agreements, are largely unworkable and likely to impose hundreds of millions of dollars per year, it should be noted that Senator Gramm believes that the regulations are flawed because they do not go far enough and do not cover every potential violation.¹

In fact, should you as regulators impose the Gramm standard, it is unlikely that you will have the cooperation of any major bank, or even secure bipartisan Congressional support, much less withstand judicial scrutiny.

Outline of Objections and Concerns

The proposed Sunshine regulations violate First Amendment rights to petition the government and for banks and community groups to associate with whomever they please without punitive governmental action. It is a certainty that the provisions will be challenged on these grounds and there is a high certainty that they will swiftly be declared unconstitutional.

The proposed Sunshine regulations are in direct violation of the spirit of the Paperwork Reduction Act of 1995. It appears that literally billions of pages of new reporting from banks and community groups will be required.

The proposed Sunshine regulations violate the Unfunded Mandate Reform Act of 1995 since they are likely to cost the private sector \$100 million a year or more. At a minimum, a budgetary impact statement must be prepared.

The proposed Sunshine regulations could require 100,000 or more non-profits to hire outside CPA firms should they receive grants of \$10,000 a year or more. The reporting mechanism, particularly under Senator Gramm's interpretation, appears to eliminate the possibility of merely filing the present IRS 990 disclosure form. It is estimated that on the average it will cost each non-profit receiving a bank grant "tainted" with CRA at least \$3,000 additional dollars a year in paperwork and accounting/bookkeeping costs, or an aggregate of 300 million dollars.

¹ "Phil Gramm's Top Five Grips on Sunshine." American Banker. June 9, 2000.

The proposed Sunshine regulations are likely to either dry up the banking industry's annual \$1 billion in philanthropy or distort philanthropy in a fashion that harms the bank's bottom line. That is, banks can only safely give grants that are clearly not CRA-related if they wish to avoid the Sunshine regulations. For example, there would be no grants for affordable housing and lavish grants for the opera and ballet.

The proposed Sunshine regulations are likely to discourage banks from meeting with community groups or engaging in written exchanges with anyone on CRA.

The proposed Sunshine regulations, particularly if they are to meet the Gramm standard, could require at least 500 additional government workers and require the employment of at least 5,000 additional bank employees, especially if they are to be effectively enforced as Senator Gramm demands.²

Lastly, the proposed Sunshine regulations are a ludicrous intrusion³ on free enterprise and free speech and antithetical to the free market approach favored by Federal Reserve Chairman Alan Greenspan and the overwhelming majority of Republicans who supported the Financial Services Modernization Act of 1999.

Two Alternatives

One approach would be to literally carry out Senator Gramm's intent as set forth in his recent highly critical comments of the proposed Sunshine regulations.⁴ One advantage of this approach is that it will secure immediate court scrutiny and the likelihood of early Supreme Court review.

An alternative is to abandon all so-called Sunshine Provisions except the real Sunshine Provision. That is, rigorously require any CRA agreement, whether written or oral, to be filed with the appropriate federal

² "Phil Gramm's Top Five Gripes on Sunshine." American Banker. June 9, 2000.

³ For example, under Senator Gramm's standard:

- A handshake in Texas with a CEO on CRA could be a reported written agreement since handshakes are the equivalent of written agreements in Texas.
- A greeting of hospitality to the CEO of Bank of America by a CRA community group could be required to be reportable since the Bank of America is always involved in a CRA activity such as CRA exams, branch closures or mergers.
- A failure to oppose a merger by a CRA group that frequently opposes mergers, such as Greenlining, could be a reportable "event" since non-comment may be as significant as actual comment.

⁴ "Phil Gramm's Top Five Gripes on Sunshine." American Banker. June 9, 2000.

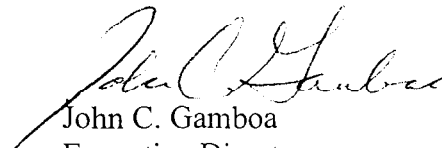
regulatory body within fifteen days of execution and require the bank to give notice of such CRA agreement to appropriate governmental and non-profit organizations. This is doable. This has the full support of the banking industry, the full support of over 99% of community groups, will be unanimously supported by Congress, whether controlled by Democrats or Republicans, and will withstand any court attacks.

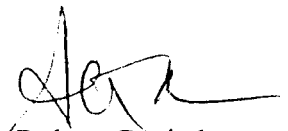
Greenlining Institute has entered into approximately a dozen CRA agreements. Its *modus operandi* is to immediately require such CRA agreements to be filed with both the Federal Reserve and the appropriate other federal regulatory agency and to issue a press release detailing its provisions.

And in general, Greenlining also requires that the CEO issue a press release announcing the terms of the agreement. Further, most such financial institutions soon thereafter issue thousands of copies of their CRA commitment to local governments and community groups.

As one critic of Gramm's blunderbuss enforcement approach said, "Senator Gramm's approach is the equivalent of a drive-by gang slaying. Innocent bystanders are killed and the intended victim rarely touched."

Sincerely,


John C. Gamboa
Executive Director
Greenlining Institute


Robert Gnaizda
Policy Director
Greenlining Institute

Individual support from all of the following:

Allen Temple Baptist Church
American GI Forum
Asian Business Association
Black Business Association
California Black Chambers of Commerce
California Hispanic Chambers of Commerce
California Journal for Filipino Americans
California Rural Legal Assistance
Chicano Federation
Council of Asian American Business Associations
Filipino-American Political Association
First AME Church, Los Angeles
Greater Phoenix Area Urban League

Hermandad Mexicana Nacional
Hispanic Chamber of Commerce
Hmong-Am Political Association
Japan Pacific Resources Network
Latin Business Association
Latino Issues Forum
Mexican American Grocers Association
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Minority Business Council Orange County
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National Black Business Council, Inc.
National Black Chambers of Commerce
National Federation of Filipino American Associations
Oakland Citizens Committee for Urban Renewal (OCCUR)
Observer Newspapers
San Francisco Black Chamber of Commerce
San Francisco Business and Professional Women
Search to Involve Filipino-Americans
Southeast Asian Community Center
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West Angeles Church of God in Christ
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