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July 7, 2000

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

To Whom It May Concern:

On behalf of Coastal Enterprises, Inc. (CEI), I am writing to urge you to make significant changes in the proposed "sunshine" regulations of the Gramm-Leach-Bliley Act. CEI is a 22-year old community development corporation and Community Development Financial Institution serving the state of Maine. In partnership with banks and other financial institutions, CEI has helped mobilize $270 million in capital to over 1,000 businesses, creating or sustaining some 10,000 jobs.

CEI is committed to improving the lives of all Mainers. As a Community Development Corporation (CDC) and Community Development Financial Institution (CDFI), Coastal Enterprises, Inc. is dedicated to helping low-income families and businesses create wealth. CEI has a history of strong and productive relationships with banks and we value these ties very highly. The CRA is an important tool in our work, and has a proven track record of creating more equal access to capital for all citizens in our society. We want to ensure that these relationships and successes continue.

We are concerned that the sunshine statute strikes at the heart of the Community Reinvestment Act (CRA). The essence of the Community Reinvestment Act is encouraging members of the general public to articulate credit needs and engage in dialogue with banks and federal banking agencies. The CRA stimulates collaboration for the purpose of revitalizing inner city and rural communities. The sunshine statute, by making CRA-related speech suspect, threatens to reverse more than twenty years of bank-community partnerships and progress. Please see our specific concerns and recommendations in the attached document. The National Community Reinvestment Coalition (NCRC) is working diligently on these issues and we would like to refer you to them for guidance as well. I have attached a fact sheet that offers more perspectives on the issue.

The CRA has been and remains an important tool in maintaining an inherent structure of accountability in our financial system. We urge the federal banking agencies to adopt our suggestions and those of NCRC for streamlining the sunshine regulation and ensuring that this structure of accountability is not damaged or weakened.

Thank you very much for your consideration of our concerns.

Sincerely,

Ronald L. Phillips
President

RLP:krb
Cc: National Community Reinvestment Coalition, Attn. Josh Silver

Celebrating ~ 22 Years of Creating Opportunities for Maine People

A private, nonprofit community development corporation founded in 1977
to provide financial and technical assistance to the people, businesses and communities of Maine.

FACT SHEET ON THE SUNSHINE REGULATIONS OF THE GRAMM-LEACH-BLILEY ACT

CRA Contacts

Because of the potential damage the CRA contact portion of the sunshine provision will cause, the federal banking agencies should refrain from implementing the CRA contact rules until they have sought an opinion from the Department of Justice's Office of Legal Counsel regarding its constitutionality. In addition, the Federal Reserve Board has the discretionary authority to exempt agreements or contracts from disclosure based on CRA contacts. As NCRC asks, the Federal Reserve should eliminate all CRA contacts as a trigger for disclosure.

Material Impact

Instead of using CRA contacts as a trigger for disclosure, the federal banking agencies should revise their material impact standard. NCRC recommends that a CRA agreement or contract should not be required to be disclosed unless it requires a bank to make a greater number of loans, investments, and services in more than one of its markets. The federal banking agencies have proposed that agreements are subject to disclosure if they specify any level of CRA-related loans, investments, and services. But only a higher number of loans and investments in more than one market is likely to have a material impact on a CRA rating or a decision on a merger application.

Means of Disclosure

Under the procedures of general operating grants, the Federal agencies can specify in the final regulation that the use of IRS Form 990 is an acceptable means of disclosure. In their preamble to the draft regulation, the federal agencies state that the 990 form provides more than enough detail for satisfying disclosure requirements. Codifying the use of 990 forms would simplify reporting requirements and reduce burdens for nonprofit organizations that are very familiar with the 990.

The public record from Congressional deliberations over the Gramm-Leach-Bliley Act support the use of the IRS 990 form. The Manager's report accompanying the legislation states that a Federal income tax return is an acceptable means of disclosure. In addition, Representatives Jim Leach (R-IA) and John LaFalce (D-NY) emphasized the use of Federal income tax returns as satisfying the disclosure requirements.

The proposed reporting procedures for specific grants is satisfactory: if a nonprofit organization received grants or loans for a specific purpose such as purchasing computers or providing financial literacy counseling, the nonprofit organization should be able to comply with the disclosure requirement by describing the specific activity in a few sentences.

Who Must Report

The Federal agencies are correct in their suggestion that non-governmental parties should not be required to submit annual reports during the years in which they did not receive grants or loans under the agreement. While other organizations may have received grants and loans under the agreement, it would be logistically impractical for the negotiating party to report on how the grants and loans were used by the other parties. In many cases, large banks may be making relatively small grants to hundreds of community groups over a multi-state area. It is also unreasonable for the non-negotiating parties to be required to report since they may not even be aware that they received grants or loans because of a CRA agreement.