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DETROIT ALLIANCE FOR FAIR BANKING

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

Dear Thrift Manager:

As executive director of Detroit Alliance for Fair Banking, I urge you to make significant changes in the proposed "sunshine" regulations. I appreciate that the federal banking agencies had a difficult task of developing regulations for a confusing and mean-spirited statute. And in fact, the regulatory agencies have taken steps to reduce burden for neighborhood organizations, banks, and other parties interested in community development.

I believe, however, that the sunshine statue 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. 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.

The sunshine statute requires banks, community organizations, and a large number of other parties to disclose private contracts to federal agencies if the parties engage in so called CRA "contacts" or discussions about how to help the bank make more loans and investments in low-moderate income communities. As a private sector organization, I find it troublesome that I have to disclose a contract I have with a bank and provide details on how I spent grant or loan dollars under the contract. Many private sector organizations will simply do less CRA-related business since they will not want to deal with the disclosure requirements. The results will be fewer loans and investments reaching the communities I work in. My job of revitalizing communities will become much harder and would dismantle our existence.

Because of the profound damage that CRA contact portion of the sunshine provision will cause, Detroit Alliance for Fair Banking asks that the federal banking agencies 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 had the discretionary authority to exempt agreements or contracts from disclosure based on CRA contacts. We ask that the Federal Reserve eliminate all CRA contacts as a trigger for disclosure. Instead of using CRA contacts as a trigger for disclosure, we believe that the federal banking agencies should revise their material impact standard. We believe as a nonprofit organization tat 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, investment, 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. The agency interpretation of material impact will result in an unwieldy regulation. Simply put hundreds if not thousands of contracts with community development corporations and other organizations requiring disclosure of cumbersome paperwork.

If the material impact standard is not changed, the agencies will be deluged with thousands of letters, written understandings or contracts about the types of loans and grants made to nonprofit organizations and for profit companies working in and moderate income communities.

We did not receive a grant or loan as a result of an agreement made when a bank was merging or before a bank's CRA exam. We received the grant or loan because the bank wants to do business in my neighborhood.

Senator Phil Gramm (R-TX), in a lengthy interview in the American Banker on June 9 suggests that disclosure requirements should apply to pledges that are made unilaterally by banks and that are not signed by non-governmental third parties. The Gramm-Leach-Bliley Act simply does not include unilateral pledges as contracts requiring disclosure. To make matters worse, the Senator suggests that "any meeting between a community group and a bank about CRA investments should trigger disclosure requirements". An indefinite time period as the Senator suggests will result in enormous burdens by all parties in remembering and tracking any meetings or negotiations concerning loans, investments, and grants in traditionally under served communities. Therefore, an organization requiring loans and/or grants from a bank may not even know that it could be a CRA related transaction and find themselves being required to submit disclosure of any and all financials from present to past experiences with the bank(s). If a nonprofit organization receives grants and/or loans for counseling, computer purchase or anything else, the nonprofit should be able to comply with the disclosure requirement by simply describing the specific activity or purchase in one paragraph. Not have to submit financial documentation just because we received a loan or grant for XY or Z! We also agree 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 any part of the loan was negotiated in another organization's CRA agreement.

While it may be impossible for the so-called sunshine provision to be a non-meddlesome regulation, we believe that our suggestions reduce burden and the damage it causes to revitalizing inner city and rural communities. We urge the federal banking agencies to adopt our suggestions for streamlining the sunshine regulation. We must also add that we will be working with community organizations, local public agencies, banks, and other concerned parties to repeal this counter-productive statute so that the private sector will not be burdened with disclosure requirements simply because they want to do business in and help revitalize traditionally under served neighborhoods.

Sincerely,

Veronica Williams

Veronica Williams
Executive Director