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July 20, 2000

Celia Winter
Dissemination Branch
Information Management and Services Division
Office of Thrift Supervision
1700 G Street N.W
Washington, DC 20552
Re: Docket No. 2000-44

Dear Ms. Winter:

I am writing as the President of the National Neighborhood Housing Network (NNHN) to register our concern over the proposed "CRA sunshine" regulations and urge that changes be made to the rule before it is made final.

As the President of NNHN, I represent a network of more than 100 community-based organizations including my own Pocatello Neighborhood Housing Services, Inc. in Pocatello, Idaho. NNHN is a non-profit organization that advocates for better neighborhoods and housing for low to moderate income Americans. NNHN is made up of NeighborWorks Organizations (NWOs) who use federal funds to leverage private dollars to create new homeowners, revitalize distressed communities, and build single family and multi-family housing for moderate to low income families.

As currently drafted, the proposed regulation would put an unfair burden on NWOs and threaten our ability to work cooperatively with financial institutions. The CRA is critical to our work and has effectively enabled collaboration between NWOs and financial institutions for the purpose of revitalizing neighborhoods. I would like to stress that these collaborations have benefitted both low and moderate-income communities as well as our partner financial institutions. The proposed rule on sunshine, as drafted, would effectively cut off many of the relationships we have cultivated with banking and other financial institutions.

I find it particularly troublesome that NWOs, as private sector organizations, would be required to disclose our contracts with such institutions and provide the details on how grant or loan dollars are spent under that contract. Banks, community development organizations, and a large number of other parties would be required, under the rule, to disclose all private contracts to federal regulatory agencies if the parties engage in so-called CRA "contacts" or discussions about how to help the bank increase lending and investment in low- and moderate-income communities.

National Neighborhood Housing Network

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In addition to putting overly burdensome reporting and disclosure requirements on my organization and other NNHN members, I am concerned about the unnecessary burden that the rule will place on the financial institutions we work with. Again, I believe that this rule will act as a disincentive for banks to engage in business as usual with NWOs.

Many private sector organizations will simply do less CRA-related business in order to avoid these far reaching disclosure requirements. The result will be fewer loans and investments reaching the low and moderate-income communities we work in.

We have begun to hear of cases where banks are shying away from doing business with community groups, business that could under the sunshine rule be considered CRA related, due to the anticipation of an increased paperwork burden. The sunshine requirement has the potential to quickly become a deterrent for banks interested in partnering with NWO's to improve their communities.

Also, it is not uncommon that an agreement could be reached between an NWO and a financial institution without ever discussing the CRA ramifications, but these agreements would still fall under the proposed regulation and require sunshine documentation. This type of requirement could potentially jeopardize current and future agreements between financial institutions and NWO's.

Material Impact

NNHN believes that the material impact standard in the regulation is troublesome. We believe 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 draft regulation would require that agreements be 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.

This broad interpretation of material impact will result in an unwieldy regulation that would require NWOs to disclose thousands of contracts with banks many of which were negotiated as part of a normal business and had nothing to do with any CRA negotiation. Recently, a national bank, with a history of annual contributions to the Pocatello NHS operating budget, approached the organization about forming a partnership to provide mortgage financing to LMI first time homebuyers. This partnership, utilizing the banks financial resources and the NHS' service delivery method, will allow the bank to expand into a market here-to-fore untapped and allows the NHS to offer a mortgage financing product to compliment the down payment and closing cost assistance currently offered. If the material impact standard is not changed, federal banking agencies will be deluged with thousands of letters, or contracts about these types of loans and/or grants made to nonprofit organizations and for-profit companies working in low- and moderate-income communities.

Pocatello NHS did not receive this opportunity as a result of a CRA negotiation or agreement. We received the financing because the bank wanted to do business with us and saw the value of the partnership.

To make the sunshine regulation more reasonable and to stay within the spirit of CRA, we suggest that it should focus on agreements made during the public comment period on a merger application or during the time period when a CRA exam is announced and when the exam occurs.

Means of Disclosure

We ask that you specify in the final regulation that the use of IRS Form 990 is an acceptable means of disclosure. The preamble to the draft regulation states that the Form 990 provides more than enough detail for satisfying disclosure requirements. Use of 990 forms would simplify reporting requirements and significantly

reduce the burden on NWOs that are familiar with the form.

In addition, if an NWO 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

We agree with the draft regulation 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 an 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.

While it may be impossible for the so-called sunshine provision to be a non-meddlesome regulation, we believe that our suggestions would serve to reduce the burden and the potential damage that this provision of law will have on NWOs and our colleagues in the community development field. We urge you and your colleagues within the other federal bank regulatory agencies to adopt our suggestions for streamlining the sunshine regulation.

Sincerely,

Richard Stallings
President
National Neighborhood Housing Network