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Thomas J. Hollister
Chairman

Thomas Callahan
Vice Chairman

July 20, 2000

Ms. Jennifer J. Johnson
Board of Governors of the Federal Reserve System
20th and C Streets NW
Washington DC 20551

RE: Docket No. R-1069, CRA Sunshine Provision

Dear Ms. Johnson:

We appreciate the opportunity to submit comments on the regulations to Section 711 of the Gramm-Leach Bliley (GLB) Act, commonly referred to as the "CRA Sunshine Provision", that has been proposed by the regulatory agencies: the OTS, OCC, FDIC, and the Federal Reserve Board.

The Massachusetts Community & Banking Council (MCBC) was established in 1990 as a collaborative effort between community and bank representatives to encourage community investment in low- and moderate-income and minority neighborhoods. MCBC strives to promote a better understanding of the credit and financial needs in those neighborhoods and to provide assistance and direction to banks and community groups in addressing those needs. It has been instrumental in creating programs that provide low- and moderate-income and minority communities with greater access to banking services. MCBC has also served as a significant forum where bankers and community representatives can discuss issues relevant to constituencies of both groups. Its board consists of nine bank representatives and nine representatives from community organizations.

We write to express our concerns with the proposed CRA Sunshine Provision. We appreciate that the regulatory agencies have attempted to capture the letter and the spirit of the statute by setting criteria and methodology by which disclosure and annual reports will be required of parties to CRA agreements. However, we believe that, if promulgated, substantial and costly new reporting and monitoring requirements will be placed on regulated financial institutions, further placing these institutions at a competitive disadvantage with unregulated institutions. In addition, the broad coverage and complexity of the proposed regulations will impose an undue burden on community

organizations and other private businesses with whom banks partner for the delivery of services and to support valuable community development activities.

Further, we believe that there exists the strong potential for inadvertent non-compliance. Since the scope of the regulation is focused on small amounts and is so broad that it may cover the majority of community development related transactions, we are concerned that technical compliance will be difficult to determine and follow. We anticipate that the extensive new array of compliance and reporting requirements that will be generated will ultimately also result in a significant increase in compliance audit findings by both internal bank auditors and the regulatory agencies.

We do not believe that the purpose of the regulations justifies the costs and burdens to be created by its implementation.

Further, we believe that promulgation will have the effect of discouraging community development lending, investments and services. Instead of encouraging more accessible lending to low- and moderate-income people and areas, as well as minority populations, we believe that it will have a harmful effect. Instead of encouraging community development related business to become more a part of standard business practice, this provision will have the opposite effect.

The Community Reinvestment Act has had an important and positive impact in the Commonwealth of Massachusetts and we believe that this provision does not serve either the banks or the community organizations in continuing the positive partnerships that have promoted our success.

Specifically we recommend the following. We strongly encourage that higher thresholds be established for required reporting and monitoring on CRA related agreements. We recommend that the minimum standards be $100,000 annually for grants and $10 million for aggregated loan funds. We recommend that the definition of below-market loan funds include that they are 300 basis points below market as determined by the financial institutions.

We also urge you not to focus the regulations on the nature or content of contact between banks and their existing or potential community partners. Rather, the standard for defining covered agreements should be more substantially defined, as recommended above. The focus on CRA related contact, which in the proposed regulations includes promises not to comment on a bank's CRA performance, will have the effect of distressing all discussions related to the needs of a bank's community.

Finally, to highlight only two examples of agreements we believe should be exempted from this regulation, we urge that business agreements such as partnerships with supermarket chains for in-store branches and contracts for homebuyer or small business counseling should not be covered. These business relationships comprise an integral part of the delivery of bank services and should not be targeted simply because they affect low- and moderate-income and minority communities.

Thank you again for this opportunity to comment on the proposed regulations.

Respectfully,

Thomas Hollister
MCBC Chairman
President, Citizens Bank of Massachusetts

Thomas Callahan
MCBC Vice-Chairman
Executive Director, Massachusetts
Affordable Housing Alliance