89

July 20, 2000

Communications Division
Office of the Comptroller of the Currency
250 E Street, SW
Washington, DC 20019
ATTENTION: Docket No. 00-11

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th and C Streets, NW
Washington, DC 20551
RE: Docket No. R-1069

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
ATTENTION: Comments/OES

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

RE: COMMENTS ON THE PROPOSED "CRA SUNSHINE" REGULATIONS

Dear Madam/Sir:

On behalf of the Massachusetts Affordable Housing Alliance (MAHA), we submit these comments on the proposed CRA "sunshine" regulations. We appreciate the steps taken by the regulatory agencies to reduce burden for neighborhood organizations, banks, and other parties interested in community development. We have several specific comments that we would like to see as part of the final regulations.

Since 1985, MAHA has carried out a comprehensive research, public education and organizing program to increase funding for affordable housing from public and private sources. MAHA is a statewide coalition of non-profit organizations and provides staff assistance to the Homebuyers Union, a Boston-based grassroots group made up of low and moderate income tenants who want to become first time homebuyers. Our mission is to organize for increases in public and private sector investment in affordable housing.

Our organization has sought to aggressively enforce the Community Reinvestment Act since 1989. In that time, we have signed more than a dozen CRA agreements with area lenders for well over $500 million in below market lending. We believe that the Community Reinvestment Act has been one of the most effective

laws concerning private sector investment in low income neighborhoods. The CRA has created countless partnerships between banks and community groups that have greatly benefited low income communities throughout the nation. We are not opposed to "sunshine" itself because, in general, we believe more disclosure is better than less. However, we remain concerned that the true goal of the sunshine language is not increased disclosure but rather to create enough of a burden for banks and community groups to be dissuaded from entering into CRA agreements at all. With this in mind, we offer the following comments.

CRA Contacts

MAHA believes that it is impossible to narrow the definition of a CRA contact and make that defintion simple, fair and effective. Thus, the better alternative is for the agencies to develop a broad definition for a "CRA contact," one that encompasses any partnerships a bank enters into that would be considered as part of its CRA performance. This would avoid the certain confusion that would arise for banks and community groups around which conversations, meetings, or agreements were considered a "CRA contact".

Material Impact

We believe that there are two directions, at opposite poles, in which the regulators may want to move in this area. On one hand, unless the exemption threshold of $50,000 in loans and $10,000 in grants is raised substantially, the agencies will be deluged with thousands of letters, written understandings, or contracts about these types of loans and grants made to nonprofit organizations and for-profit companies working in low- and moderate-income communities. One way to avoid this would be to substantially raise the exemption thresholds, further define material impact as an agreement that results in a higher number of loans and investments in more than one market, and only 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.

On the other hand, the above changes would result in a substantial number of CRA agreements being exempted which may or may not be consistent with the legislative intent of the statute. In general, MAHA believes that more disclosure is better when it comes to CRA but ONLY if the reporting burden, especially for community groups and smaller banks, is minimized. One direction for regulators to consider is to keep the current definition of what a CRA agreement is and eliminate the exemption for loans made at market rate (some CRA agreements focus more on other underwriting concessions rather than interest rate). While regulators would be inundated with agreements, the key to this approach would be to simplify the reporting requirements for banks and community groups. If this approach were adopted, the Congress, regulators, and the public would be able to view the overwhelming evidence of CRA being used appropriately as a tool for banks and community groups to work together to address the needs of low income communities. CRA has never been about extortion and the weight of the evidence would prove that point.

Disclosure

It is important that the procedures for disclosure not be complex, or both banks and non-governmental entities that are parties to agreements may inadvertently fail to comply with the disclosure requirements. Therefore, MAHA urges the agencies not to make any changes to these procedures that would make the compliance requirements more complicated.

MAHA asks the Federal agencies to specify in the final regulation that the use of IRS Form 990 is an acceptable means of disclosure for any and all funds

organization with a different fiscal year would be forced to go back through part of the previous fiscal year to collect and analyze records, and to essentially conduct a partial audit before the current fiscal year has been completed. This is likely to be an expensive and very time-consuming process, and will create substantial burden.

In Conclusion[a]
MAHA urges the federal banking regulators to develop regulations that are simple and straightforward, so as to create certainty for all involved. Further, we urge the agencies to be very careful not to take steps that would have an adverse affect on the willingness of banks and community organizations to enter into CRA partnerships. The sunshine regulation should not result in slowing the progress made by banks and community groups under the twenty-three year old Community Reinvestment Act. Thank you for the opportunity to submit these comments.

Sincerely,

Thomas Callahan
Executive Director

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