

120

From: Hurwitz, Evelyn S on behalf of Public Info
Sent: Thursday, July 20, 2000 4:11 PM
To: Gottlieb, Mary H
Subject: FW: Sunshine rule

-----Original Message-----

From: Susan Spang [mailto:actl@localnet.com]
Sent: Thursday, July 20, 2000 4:04 PM
To: regs.comments@federalreserve.gov; regs.comments@occ.treas.gov; comments@fdic.gov; public.info@ots.treas.gov
Subject: Sunshine rule

Dear Sir or Madam:

I am writing to object to the proposed regulations for implementation of the Community Reinvestment Act "Sunshine" rule. I recently attended a workshop on this topic conducted by the Federal Reserve Bank of New York, and I am appalled by the extraordinary amount of documentation, reporting and monitoring that will be required of non-profit community development organizations.

The Albany Community Land Trust has engaged in low-income housing development work for the past thirteen years. During this time, we have enjoyed a positive working relationship with several banks in Albany and look forward to expanding this cooperative effort in the immediate future. Albany Community Land Trust has received modest charitable donations from a number of banks, and the first time low-income homebuyers that we have assisted have obtained mortgages to purchase our rehabilitated houses from a local bank-community partnership. Undoubtedly, mutual awareness of CRA has helped create a climate in which banks are very willing to work with small-scale (3 – 5 buildings per year) neighborhood-based projects like ours.

The proposed "Sunshine" rule places an unnecessary burden of documenting and reporting all aspects of our work beyond what we currently do for the Internal Revenue Service, the NYS Bureau of Charities Registration and our internal and community accountability, simply because there is a presumed "CRA contract". Albany Community Land Trust is understaffed and, therefore, the administrative chores of complying with the open-ended reporting requirements of the proposed "Sunshine" rule will take away from acquisition and rehabilitation work, homebuyer education and case management efforts, community marketing and outreach activities, property management and maintenance, and organizational administrative work.

I recognize that bank regulators are necessarily concerned with accountability regarding contracts and business arrangements involving lending institutions, but this can be achieved without the extremes in the proposed "Sunshine" rule. I propose the following changes or clarifications to the rule:

- The CRA contract time period for "Sunshine" rule reporting and monitoring should be limited to contracts or contributions made during the CRA comment period for bank mergers or the CRA examination time frame. This should address the presumed misuse of CRA that seems to motivate the rule's sponsors while not overburdening banks or non-profit organizations with reporting requirements.
- The IRS Form 990 should be used as the reporting form under the "Sunshine" rule. This will eliminate confusion about what and how to report for non-profit organizations while providing sufficient information to ensure that CRA is not being misused.
- The thresholds for creating a reportable CRA contract are too low. Given the onerous level of reporting required by the rule, a limit of \$10,000 for grants will only encourage banks to keep their donations to non-profit organizations quite small. Also, there is no provision for raising this limit as the cost of living increases. As a housing organization, we receive contributions of property to rehab and sell to low-income homeowners. With such a low threshold, each such contribution would be reportable, making our acceptance of such contributions burdensome. We propose raising the

07/24/2000

threshold for grants to at least \$50,000.

- Finally, there is no end to the reporting requirements for any given contract. We acquire abandoned homes, rehab them, and sell them to low-income buyers for less than their development cost. Since many low-income families need time to fix credit problems, reduce debt, and save for a down payment, we lease our homes to prospective homebuyers for up to two years before sale. As the rule is now written, we would have to report on each project each year to each bank who gives us more than \$10,000 in grants in any year. This raises the cost of doing business to a prohibitive level. Any "CRA contracts" under the rule should be reported only once.

Unfortunately, the onerous documentation and reporting requirements of the proposed "Sunshine" rule will overburden both non-profit organizations and bank regulators and are more likely to produce negative reactions to banks and bank regulators. Changes such as those that I have outlined would enable bank regulators to monitor alleged abuses of CRA that are suspected by the "Sunshine" rule sponsors without undermining the good work being done in many of our communities through positive working relationships between banks and community-based organizations. This, after all, is the true intent and spirit of CRA.

In peace,
Susan E. Spang
Executive Director

07/24/2000