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Manufacturers
BANK

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August 24, 2000

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

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

Communications Division
Office of the Comptroller of the Currency
250 E Street, SW
Washington, DC 20219
Docket No. 00-11

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

Dear Ladies and Gentlemen:

The following comments are provided on behalf of Manufacturers Bank, a $1.3 billion bank with offices in the Chicago metropolitan market.

Manufacturers Bank is committed to the neighborhoods and communities in which it operates and is committed to fulfilling the letter and spirit of the Community Reinvestment Act (CRA). Manufacturers Bank also understands and appreciates the spirit of proposed Regulation G. Manufacturers Bank's believes that this regulation far exceeds the intent of the CRA Sunshine Requirements (the "proposed rule") incorporated in the Gramm-Leach-Bliley Act (the "Act"). Additionally the proposed rule, in effect, creates duplicative documentation and reporting requirements to the CRA, thus creating undue regulatory burden for insured depository institutions.

§ Sec. ___.2 Definition of a covered agreement

(a)(2)(ii) The parties to the agreement include a non-governmental entity or person

Comments: It is Manufacturers Bank's belief that the intent of the Act was to disclose and report agreements between insured depository institutions and community based organizations (*CBOs*) which were contracted based on the *CBO's* ability to protest an insured depository institution's CRA performance during the application process. While we agree that the review of CRA performance should be separate from the application process, the proposed rule goes far beyond the intent of the Act. As proposed in the rule, the following would be considered contacts/discussions and thus, trigger the disclosure and reporting requirements of the Act:

- the numerous companies and individuals which contact Manufacturers Bank marketing products or services that promote their CRA benefit,
- organizations in which Manufacturers Bank invests in low-income housing tax credit investments, mortgage-backed security investments, municipal bond investments and loan participation agreements for the provision of affordable housing, and
- organizations with which Manufacturers Bank works to provide retail services and access to deposit facilities throughout its markets including leases for branches, ATMs, direct customer contact, and
- the myriad non-profit organizations to which Manufacturers Bank contributes and/or to which it provides services such as the provision of employees for board/committee involvement,

The very nature of these business transactions trigger the criteria that the agreement must be in writing as most of these transactions require leases or contracts.

In reference to contributions, most are required to be confirmed in writing for tax purposes and, in fact, many agencies require CRA-qualified contributions be confirmed in writing in order to be considered as a factor in CRA investment test performance. Requiring that all such business transactions be considered "CRA-related" agreements and be subject to the requirements of the proposed rule exceeds the intent of the Act and reporting such transactions

(a)(3)(i) Value

Comments: The calculations for determining the dollar thresholds for an eligible agreement should be reported based on the insured depository institution's fiscal year to facilitate reporting.

With regard to multiple year agreements, the dollar threshold should be determined based on the total commitment amount. The dollar threshold should not be calculated based on how much of the commitment was disbursed during any specific year. If an agreement provides that an insured depository institution will make $20,000 in grants over five years, the commitment amount of $20,000 should make this agreement eligible for reporting over the five years, no matter how the funds were dispersed each year of the commitment

The proposed rule is far too broad and goes beyond the intent of the Act. This is evidenced by the agencies'

requests to the industry for comment on how to determine the value of an agreement that does not specify the amount of payments, grants or other consideration such as an agreement for an insured depository institution to open a branch or to offer a new product. These situations should be considered by the agencies during the CRA examination process and evaluated based on the impact on the community and the ability to deliver credit and products and services throughout the Assessment Area of the institution. These situations should not constitute an agreement as proposed. In addition, the disclosure of the financial commitment should not be required.

(b)(1)(i) Qualifying loans

Comments: The agencies request comment in the preamble regarding the how mortgage loans should be defined. The definition should be the same as that in the Community Reinvestment Act.

(b)(2)(ii) Examples of CRA contact

Comments: Manufacturers Bank's believes that the intent of the Sunshine Requirements of the Act was to disclose and report agreements between insured depository institutions and *community based organizations* which were entered based on the community based organizations' ability to protest an insured depository institution's CRA performance during the application process. The definition of **contact** as proposed in the rule goes far beyond the intent of the Act by including the numerous entities with which insured depository institutions do business with on a regular basis. In the case of Manufacturers Bank, CRA has become a part of our Strategic Plan and our Business Plan, where we routinely employ community based organizations to lever local capital from state and municipal resources to help reduce credit and collateral risk, while reaching new business and consumer markets. Consequently, the benefit to CRA is included in many of Manufacturers Bank's discussions regarding its business strategies including the many companies with which Manufacturers Bank works to provide retail services, to generate loans and through which to make investments. Many of these discussions constitute a "contact" under the proposed rule. It is the opinion of Manufacturers Bank that the definition of contact to community based organizations should be narrowed.

In response to the agencies request for comment in the preamble regarding the scope of the definition of contact, firms marketing products and services to insured depository institutions that may include a statement that relates to the CRA benefit should not be considered a contact in the final rule.

In the preamble, the agencies request comment on whether the agencies should require that a CRA contact occur within a specified period before and after the parties entered into the agreement. To reduce the burden and confusion in complying with the regulation, contacts should be limited to only those contacts 30 days prior to the agreement.

(c)(2) List of factors

Comments: The list of factors to be considered an agreement should not be expanded beyond those factors that have been determined to have a material impact on the agencies' decision to approve or disapprove an application for a depository facility or to assign a CRA rating.

§ ___.3 Related agreements considered a single agreement

(b) Substantively related contracts

Comments: As part of its commitment to the many communities in which it operates, Manufacturers Bank has constituted and meets on a regular basis with several community advisory committees. Additionally, Manufacturers Bank's chairman and the President of Manufacturers Community Development Corporation regularly meets with community, civic and government leaders. In addition to ensuring that Manufacturers Bank has a clear understanding of the financial needs of its communities, many business opportunities result from these meetings. However, these business opportunities may develop over a period of time. To try to track and document business opportunities with multiple partners, and/or those that may have developed through a partnership, would be a drain on resources and a reporting burden. The requirements of the proposed rule provide a disincentive to insured depository institutions from reaching out into its communities as a matter of business practice.

§ ___.4 Disclosure of covered agreements

(a) Effective date

Comments: The requirement that the disclosure and reporting of covered documents have two different effective dates just adds to the burden and confusion in implementing the proposed rule. In particular, the fact that the proposed rule defines "agreement" very broadly and requires disclosure of historical agreements will require immeasurable backtracking to determine of all the business transactions that occurred since November 12, 1999 and which would qualify as an agreement. Rather than trying to document actions considered as reportable under this new rule, it would be a far better use of limited resources to set an effective date subsequent to the effective date of the final rule.

The effective date for the disclosure and reporting of covered documents should be the same date. These comments also apply to the agencies' request for comment in the preamble regarding how the parties to covered agreements entered into after these dates, but before issuance of the final rule should be required to comply with the requirements of the final rule. The parties should not be required to comply until a date after the agreement is final.

(b) Disclosure of covered agreements to the public

Comments: Again due to the broad definition of "agreement" as outlined in the proposed rule, virtually all business agreements as discussed in Manufacturers Bank's comments regarding § ___.2 (a)(2)(ii) would be required to be disclosed. This includes numerous leases and contacts that, while they may not be exempt from disclosure under the Freedom of Information Act, most certainly contain financial information which should not be disclosed to the public for competitive reasons and may violate SEC rules for publicly held corporations. The need to narrow the definition of "non-governmental entity or person" related to the definition of CRA-related agreements is paramount when you consider the situations that we would likely

(e)(1)(vi) Persons not party to the agreement

Comments: Manufacturers Bank contends that the requirement that the aggregate amount and number of loans, investments and services provided under the agreement to any individual or entity not a party to the agreement be disclosed by the depository institution, exceeds the intent of the Act. The Act states that insured depository institutions disclose and report agreements with non-governmental entities. The Act does not include any reference to any "third parties".

(f)(2) Alternate method of fulfilling annual reporting requirement for a person

Comments: The proposed rule states that a person may choose to submit the required information to the insured depository institution for reporting. Manufacturers Bank seeks to ensure that insured depository institutions should not be held accountable for insuring that those "persons" submit the required information according to the timetable noted in the proposed rule. The agencies should insure that all parties to an agreement disclose and report as provided in the rule.

§ ___.7 Compliance provisions

(a)(3) Failure to comply with disclosure and reporting obligations

Comments: Manufacturers Bank does not believe that this provision belongs in the final rule. In no way should an insured depository institution be put in the position of policing the parties with which it enters into any agreement in any situation. In the event that a person, as defined by the rule, fails to comply with the disclosure and reporting obligations as outlined in the proposed rule, the agreement should become unenforceable as noted in § ___.7 (a)(2).

Manufacturers Bank applauds the agencies' work in the development of the initial draft of the proposed Regulation G and appreciates the opportunity to comment on it. The multitude of essential elements of the proposed regulation that are open for comment, as well as the fact that the agencies have not fully determined the list of factors considered to be in "fulfillment" of CRA should allow the final regulation to be open for comment, as well.

Sincerely yours,

Thomas P. FitzGibbon, Jr.
President
Manufacturers Community Development Corporation
Senior Vice President
Manufacturers Bank