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L-1001 (2006)

U.S. House of Representatives
 Committee on Financial Services
 2129 Rayburn House Office Building
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September 11, 2007

The Honorable Ben S. Bernanke
 Chairman
 Board of Governors of the Federal Reserve
 20th and Constitution Avenue, NW
 Washington, DC 20551

The Honorable John C. Dugan
 Comptroller
 Office of the Comptroller of the Currency
 250 E Street, SW
 Washington, DC 20219

The Honorable Sheila Bair
 Chairman
 Federal Deposit Insurance Corporation
 550 17th Street, NW
 Washington, DC 20429

The Honorable John Reich
 Director
 Office of Thrift Supervision
 1700 G Street, NW
 Washington, DC 20552

Dear Chairman Bernanke, Comptroller Dugan, Chairman Bair, and Director Reich:

We are pleased with the direction that the Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve (Federal Reserve), Federal Deposit Insurance Corporation (FDIC), and Office of Thrift Supervision (OTS) is taking in the proposed Interagency Questions and Answers (Q&A) regarding the Community Reinvestment Act (CRA) addressing activities engaged in by majority-owned financial institutions with minority- or women-owned financial institutions or low-income credit unions.

As you note in the proposal, Section 804 of the CRA provides that when evaluating the CRA performance of a non-minority-owned and non-women-owned (majority-owned) financial institution the agencies may consider as a factor capital investment, loan participation and other ventures undertaken by the institution in cooperation with minority- and women-owned financial institutions and low-income credit unions provided that these activities help meet the credit needs of local communities in which such institutions are chartered. Unfortunately, there has been some confusion under Section 804 about whether a majority-owned financial institution's activity in conjunction with a minority-owned or women-owned financial institution or low-income credit union had to benefit the majority-owned financial institution's CRA assessment area for the majority-owned financial institution to receive favorable CRA consideration.

In the Government Accountability Office's (GAO) report entitled "MINORITY BANKS: Regulators Need to Better Assess Effectiveness of Support Efforts" which was issued in October 2006 at the request of several Financial Services Committee Democratic members, only about 18 percent of minority banks surveyed felt that the CRA had encouraged other institutions to invest in or form partnerships with their institutions. For this reason, some minority bank officials

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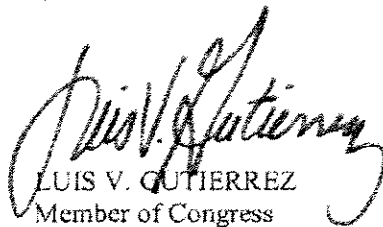
called upon the agencies to clarify that majority-owned financial institutions would receive favorable CRA consideration for investments in minority-owned financial institutions that operate in other parts of the country from the majority-owned financial institution. We are glad that the proposed Q&A for the CRA now attempts to give full effect to Section 804 by clarifying this.

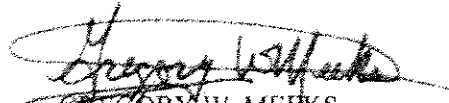
We also encourage the agencies to view the scope of the "other ventures" allowed under Section 804 broadly by including a wide range of activities, such as assistance provided by a majority-owned financial institution to help fund partnerships between minority-owned financial institutions and historically black colleges and universities to promote workforce diversity in the financial services industry and to enhance financial literacy education. However, we encourage the agencies to include the following additional language to insure that such majority-owned institutions do not neglect their assessment areas: "Activities engaged in by majority-owned financial institutions with a minority- or women-owned financial institution or low-income credit union that benefit areas outside the majority-owned institution's assessment area(s) will be considered only if the institution has adequately addressed the needs of its assessment area(s)."


We hope the clarification included in the proposed Q&A for the CRA will be sufficient to achieve the full intent of the Section 804. We will continue to monitor this matter to assess whether this issue needs to be specifically addressed in the agencies' CRA regulations, and not only in the Q&A, in order to achieve the full effect intended under the provision and we hope the agencies will also do so.

Sincerely,


BARNEY FRANK
Chairman


LUIS V. GUTIERREZ
Member of Congress


GREGORY W. MEEKS
Member of Congress


MELVIN L. WATT
Chairman
Subcommittee on Oversight and
Investigations


JULIA CARSON
Member of Congress


WILLIAM LACY CLAY
Member of Congress

