

June 20, 2000

Manager
Dissemination Branch
Information Management and Services Division
Office of Thrift Supervision
1700 G Street NW
Washington, DC 20552

Attention: Docket No. 2000-44

Dear Mr. Manager:

As the CEO of a community development corporation, I urge you to make significant changes in the proposed "Sunshine" regulations. I appreciate that the federal banking agencies had a difficult task of developing regulations for a confusing and mean-spirited statute. And in fact, the regulatory agencies have taken steps to reduce burden for neighborhood organizations, banks, and other parties interested in community development.

I believe, however, that the sunshine statute strikes at the heart of the Community Reinvestment Act (CRA). The essence of the Community Reinvestment Act is encouraging members of the general public to articulate credit needs and engage in dialogue with banks and federal banking agencies. CRA stimulates collaboration for purpose of revitalizing inner city and rural communities. The sunshine statute, by making CRA-related speech suspect, threatens to reverse more than twenty years of bank-community partnerships and progress.

The sunshine statute requires banks, community development organizations, and a large number of other parties to disclose private contracts to federal agencies if the parties engage in so-called CRA "Contacts" or discussions about how to help the bank make more loans and investments in low- and moderate-income communities. As a private sector organization, I find it troublesome that I have to disclose a contract I have with a bank and provide detail on how I spent grant or loan dollars under the contract. Many private sector organizations will simply do less CRA-related business since they will not want to deal with the disclosure requirements. The result will be fewer loans and investments reaching the communities I work in. My job of revitalizing communities will become much harder.

CRA Contacts

Given the profound damage that the CRA contact portion of the sunshine provision will cause, Northern Cambria Community Development Corporation (NORCAM) asks that the federal banking agencies refrain from implementing the CRA contact rules until they have sought an opinion from the Department of Justice's Office of Legal Counsel regarding its constitutionality. In addition, the Federal Reserve board has the discretionary authority to exempt agreements or contracts from disclosure based on CRA contacts. Northern Cambria Community Development Corporation (NORCAM) asks the Federal Reserve to eliminate all CRA contacts as trigger for disclosure.

2000 JUN 21 P 2:53

Material Impact

Instead of using CRA contacts as trigger for disclosure, we believe the Federal Banking agencies should revise their material impact standard. Northern Cambria Community Development Corporation (NORCAM) believes that a CRA agreement or contract should not be required to be disclosed unless it requires a bank to make a greater number of loans, investments, and services in more than one of its markets. The Federal banking agencies have proposed that agreements are subject to disclosure if they specify any level of CRA-related loans, investments, and services. But only a higher number of loans and investments in more than one market is likely to have a material impact on a CRA rating or a decision on a merger application.

The agency of material impact will result in an unwieldy regulation. Simply put, hundreds, if not thousands of contracts with community development corporations and other organizations may have to be disclosed. Northern Cambria Community Development Corporation (NORCAM) recently received a construction loan or more than \$50,000 or a grant of more than \$10,000 from a bank to do elderly housing. If the material impact standard is not changed, 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.

Northern Cambria Community Development Corporation (NORCAM) did not receive our grant or loan as a result of an agreement made when a bank was merging or before a bank's CRA exam. We received the grant or loan because the banks want to business in my neighborhood. To make the sunshine regulation more reasonable, we suggest that it should 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. Senator Phil Gramm (R-TX), in a lengthy interview in the *American Banker* on June 9 suggests that disclosure requirements should apply to pledges that are made unilaterally by banks and that are not signed by non-governmental third parties. The Gramm-Leach-Bliley Act simply does not include unilateral pledges as contracts requiring disclosure. To make matters, worse, the Senator suggests, "any meeting between a community group and a bank about CRA investments should trigger disclosure requirements." An indefinite time period as the Senator suggests will result in enormous burdens by all parties in remembering and tracking any meetings or negotiations concerning loans, investments, and grants in traditionally underserved communities.

Means of Disclosure

Under the procedures of general operating grants, Northern Cambria Community Development Corporation (NORCAM) asks the Federal agencies to specify in the final regulation that the use of IRS Form 990 is an acceptable means of disclosure. In their preamble to the draft regulation, the federal agencies state the 990 forms would simplify reporting requirements and reduce burdens for nonprofit organizations that are very familiar with the 990.

The public record from the Congressional deliberations over the Gramm-Leach-Bliley Act support the use of the IRS 990 form. He Manager's report accompanying the legislation states that a Federal Income Tax Return is an acceptable means of disclosure. In addition, Representatives Jim Leach (R-IA) and John LaFalce (D-NY) engaged in a colloquy on the eve of the House vote on Gramm-Leach -Bliley in which they emphasized the use of Federal Income Tax returns as satisfying the disclosure requirements.

Northern Cambria Community Development Corporation also supports the proposed reporting procedures for specific grants. If a nonprofit organization received grants or loans for a specific purpose such as purchasing computers or providing financial literacy counseling, the nonprofit organization should be able to comply with the disclosure requirement by describing the specific activity in a few sentences.

Who Must Report

Northern Cambria Community Development Corporation (NORCAM) agrees with Federal agencies that non-governmental parties should not be required to submit annual reports during the years in which they did not receive grants or loans under the agreement, it would be logistically impractical for the negotiating party to report on how the grants and loans were used by the other parties. In many cases, large banks may be making relatively small grants to hundreds of community groups over a multi-state area. It is

also unreasonable for the non-negotiating parties to be required to report since they may not even be aware that they received grants or loans because of a CRA agreement.

In Conclusion

While it may be impossible for the so-called sunshine provision to be a non-meddlesome regulation, we believe that our suggestions reduce burden and the damage it causes to revitalizing inner city and rural communities. We urge the federal banking agencies to adopt our suggestions for streamlining the sunshine regulation. We must also add that we will be working with community organizations, local public agencies, banks, and other concerned parties to repeal this counter-productive statute so that the private sector will not be burdened with disclosure requirements simply because they want to do business in and help revitalize traditionally underserved neighborhoods.

Sincerely,

A handwritten signature in black ink, appearing to read 'Craig J. Rolish', written in a cursive style.

Craig J. Rolish,
CEO

CJR/csk