



March 4, 2015

Janet Yellen
Chair, Board of Governors
Federal Reserve System
20th Street and Constitution Ave., NW
Washington, DC 20551
SENT VIA EMAIL

Thomas Curry
Comptroller
Office of the Comptroller of the Currency
Independence Square, 250 E St., SW
Washington, DC 20219

Maintaining the Integrity of the Public Participation Process

Dear Chair Yellen and Comptroller Curry,

Thank you for holding a public meeting in Los Angeles on the proposed OneWest Bank and CIT merger. We are concerned with Mr. Joseph Otting's apparent efforts to buy community support for this merger. These efforts destroy the credibility of the public participation system that we cherish. We request a formal investigation into Mr. Otting's practices within the next 30 days, and before further deliberation on the proposed merger.

Sounding the Alarm: Greenlining's October 10, 2014 Opposition Letter

Greenlining's October 10, 2014 opposition letter¹ on the proposed transaction reported threats made against Greenlining, its coalition members, and community organizations by Mr. Otting. As stated, on Saturday, October 4, 2014, in a follow up conversation with Greenlining, Mr. Otting stated that community-based organizations in opposition to the merger would not receive financial assistance from OneWest Bank. After attending the public hearing on this proposed transaction, we fear these threats have in fact increased public support and muted public opposition to the proposed merger.

Unusual Behavior: OneWest Bank's Robo-Letter Against Hearing

Taking an approach that is uncommon among banks but quite common among political groups creating "astroturf" —phony grassroots movements' —Mr. Otting attempted to block the public from having an opportunity to raise concerns on the merger by using an online form letter template with the following message:

Dear Chair Yellen, President Dudley and Comptroller Curry,

I am writing to offer my support for the pending OneWest Bank and CIT merger. OneWest Bank serves as a strong source of capital and banking services to the Southern California community. This merger will retain and create new jobs in California. I believe the management team and OneWest Bank have demonstrated its commitment to our community to our community and to serving the needs of not only their clients but the community at large and due to this, I do not believe there is a need for a public hearing.

¹ Orson, A. "Strong Opposition to CIT Group application to Acquire IMB and OneWest Bank—Southern California Doesn't Need Another Bank for the 1%". October 10, 2014.

Greenlining Coalition:

4C Council of Santa Clara County
Allen Temple Baptist Church
American G.I. Forum
AnewAmerica
API SBP
Asian Business Association
Asian Inc.
Asian Journal
BBA-LA
Brightline Defense Project
CAABA-CAL
California Black Chamber
California Hispanic Chambers

California Journal for FilAm
California Rural Legal Assistance
Chicana/Latina Foundation
CHOC
Community Resource Project, Inc.
El Concilio of San Mateo County
Ella Baker Center for Human Rights
FAME Renaissance
Fresno Metro Black Chamber
Greater Phoenix Urban League
HAGA
Hispanic Chamber of Commerce - Alameda Co.
Hispanic Chamber of Commerce - Orange Co.

KHEIR Center
Korean Churches for Comm. Development
La Maestra Family Clinic
MAPA
Mentoring in Medicine & Science, Inc.
Mission Housing Development Corporation
Mission Language & Vocational School
NaFFAA
NAMCO
OCCUR
Our Weekly
Precinct Reporter Group
Rising Sun Energy Center

Sacramento Observer
San Francisco African American Chamber
Search to Involve Filipino-Americans
Southeast Asia Community Center
TELACU
The Unity Council
Time for Change Foundation
Vision y Compromiso
WAGES
Ward EDC
West Angeles CDC
West Coast Black Publishers Association

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Those in agreement with the statement needed only to attach their names to the above message through an automated system.

It seems odd that a bank CEO would invest so much time and resources in not only garnering support for its proposed merger, but in blocking members of the public from having a voice and a seat at the table. What is more concerning is the appearance that, having failed to block the hearing, Mr. Otting used the bank's financial largesse to pack the proceedings.

Exaggeration Personified: One Merger Can Alleviate L.A. Poverty?

As the public record will reflect, numerous supporters and opponents of the proposed transaction attended the public hearing held in Los Angeles. In Greenlining's 20-plus years of participating in bank mergers and acquisitions, we have never witnessed such an exaggerated level of support for a transaction from a cohort of nonprofit leaders. OneWest Bank supporters made extreme claims that give us pause and raise further questions.

From grandiose statements that the merger would exceed community benefit expectations to claims of the merger singlehandedly alleviating poverty in L.A.'s poorest neighborhoods, most claims were tenuous at best. These statements by supporters seemed unfounded when compared to the data-driven evidence offered by those in opposition. In fact, testimony in support of the merger mostly reflected character statements about Mr. Otting, saying little about antitrust issues, safety and soundness, or true public benefit.

The bombastic nature of supporters' testimony may be linked to promises of assistance by OneWest Bank executives, as highlighted by the *Los Angeles Times*² the day of the hearing: "The critics were countered by numerous representatives from minority, church and community groups, who said they have been promised substantial assistance and welcomed it."

Pay to Play: Can CEOs Buy Public Support?

Do regulators support CEOs promising monetary assistance to groups to gain support for mergers? We hope not.

Given the aforementioned sequence of events, and the scale of this proposed merger in the L.A. area, we request that the Fed and the OCC investigate what OneWest Bank has given or promised to community groups who testified in support of the merger, especially if new support resulted from these transactions. If left unchecked, more CEOs will use corporate dollars to skew public participation and render the entire public comment process a sham.

To ensure that our communities cannot be bought out of the public participation process, we request that the Fed, OCC, and other appropriate regulatory agencies conduct a formal investigation within 30 days that includes the following:

1. Request a list of nonprofit groups that OneWest Bank solicited in support of the merger. This includes nonprofit groups that received Mr. Otting's email during the public meeting prevention campaign, and groups who were asked to testify at the hearing itself.
2. Request a list of current, pending and planned grants to nonprofit organizations made by OneWest Bank. Have the bank clearly identify, of those organizations, which supported the merger. Investigators should cross-check supporters and grant recipients to confirm all reported information.

2 Reckard, E. Scott. "CIT Group, OneWest Bank Say Merger Would Be Good for Poor Neighborhoods." Los Angeles Times. Los Angeles Times, 20 Feb. 2015. Web. 05 Mar. 2015. <http://www.latimes.com/business/la-fi-onewest-cit-20150227-story.html>

3. Determine what overall percentage of the Bank's 2014 and 2015 philanthropy is pledged to groups that support the merger, and whether there is a pattern of such support being skewed toward backers of the deal. Inquire specifically as to whether highly effective nonprofit groups that did not publicly support the merger are now at a disadvantage when applying for funding due to the substantial percentage already committed.
4. Conduct a confidential survey of nonprofit organizations to assess their honest feelings when a funder requests a favor. The goal would be to obtain an honest assessment of how nonprofit leaders react when powerful CEOs ask them to support their business efforts. For example, does it put nonprofit leaders in a position where it is nearly impossible to say no?
5. Given OneWest Bank's data-driven philanthropy, determine if major grants to organizations that supported the merger lack data-driven proposals, a typical bank requirement for funds.
6. Require Mr. Otting to sign a formal statement pledging not to punish groups who opposed the merger or who did not comply with his request for public support.

The Fed and the OCC have a history of discouraging banks from making tax-exempt grants used for political purposes. The Fed and the OCC must determine whether the explicit or implied promise of charitable grants by OneWest Bank directly led to nonprofit support for this proposed merger.

Greenlining is not implying that nonprofit groups solely supported the merger in order to obtain funding for their organizations or specific causes. However, the great recession of 2007 produced major declines in donations³ to nonprofit groups, leaving organizations to fight growing wealth inequity with fewer resources. Given the dire circumstances in many of L.A.'s neighborhoods, a meeting with a "nice" CEO with funds to distribute can be very convincing.

The public participation process during mergers is a key component of our democracy. Thank you again for holding the public meeting and for working to maintain integrity in the regulatory public participation process.

Sincerely,



Orson Aguilar
Executive Director
The Greenlining Institute

CC: FDIC Chairman Martin Gruenberg
Mark Pearce
Anna Alvarez-Boyd
Joseph Firschein
Barry Wides
Grovetta Gardineer
The Greenlining Coalition
California Reinvestment Coalition
National Community Reinvestment Coalition

³ Morreale, Joseph C. PhD, "The Impact of the "Great Recession" on the Financial Resources of Nonprofit Organizations" (2011). Wilson Center for Social Entrepreneurship. Paper 5. <http://digitalcommons.pace.edu/wilson/5>