Panel 13

ACORN Housing Corporation
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Philadelphia, PA 19130
(215) 765-0048

Testimony of George Butts
President of
ACORN Housing Corporation

In Support of the Proposed Acquisition
By NationsBank of BankAmerica

July 9, 1998

It is not the usual role of ACORN Housing Corporation to testify to the Federal Reserve Bank in favor of the merger of banks. We are living in a country where the homeownership rate for white households is 72%, but the homeownership rate for black households is 45% and Hispanic households is only 42%. Redlining and unfair barriers to credit have profoundly impacted our communities and we will continue to speak out on these issues.

We are here today because NationsBank stands out as a leader in the community reinvestment field. They are leaders for some very specific reasons.

First, NationsBank has recognized that community organizations are the vehicle for real access to the community. We have too many banks which believe that an occasional loan to a community development corporation and a small grant means a partnership. NationsBank has invested in building the infrastructure for nonprofit community organizations to grow and produce. For us that means that our housing counseling program has grown with Nations from five cities to now eleven cities across the country. We have expanded the housing staff working in Nations cities from ten to thirty two.

Second, NationsBank has produced. The ACORN Housing Corporation / NationsBank partnership alone has produced over $236 million in mortgages. Virtually all these loans were to lower income households, with small downpayments, with nontraditional credit, with cash on hand, and with older, urban housing stock. And these loans perform well with low delinquencies.

Third, NationsBank has been flexible. They were the first multistate lender to negotiate their mortgage underwriting standards with us. And their step forward did a lot to bring our kind of underwriting standards for low income people into the mainstream of the mortgage market. At the time these things were pretty radical, but today no one thinks twice about the appropriate use of low downpayments, nontraditional credit, food stamps as income, voluntary child support, cash on hand, or steady income rather than the same job for two years. In the early days, plenty of lenders talked the talk, but Nations rewrote their mortgage program and within a year we were doing 300 and 400 mortgages a year in cities like Houston and Dallas, Texas where other lenders told us low income people couldn't handle owning a house.

Fourth, NationsBank is innovative. We are now talking with them about providing significant predevelopment and interim financing. Nonprofits lose out on the bidding for affordable multifamily housing projects to wealthier for profit speculators, unless we can move quickly to evaluate and acquire. Nations is hammering out a 30 day, fast track development fund so that more multifamily properties around the country can be purchased, upgraded, and maintained as affordable housing by nonprofits.

And NationsBank views their commitment to our communities as part of their business. Many lenders view their community reinvestment as a legal obligation, rather than a core market. With their new $350 billion dollar commitment and their aggressive 50,000 unit target, we are seeing them view our communities as a market on their own.

For me, the single event that best illustrates the NationsBank commitment to our communities occurred a few years ago when the Community Reinvestment Act was under attack in Congress by radical right-wing Republicans. NationsBank was the only national bank that took a public stand in support of the CRA--and when I say public I'm not just talking about writing letters, either. Cathy Bessant sat next to me in front of a hostile House Banking Committee and told the Congressmen exactly what they didn't want to hear. She testified that NationsBank was against any effort to weaken the CRA. NationsBank was bucking the industry mainstream, but the message was clear: NationsBank saw the underserved markets covered by the Community Reinvestment Act as **their** market.

NationsBank's $350 billion, ten year community investment commitment is different from the commitments we see from other lenders. Nations senior management sat down for a day with us and the product of those discussions shows up in the single family, multifamily, and economic development commitments. We know NationsBank listened and responded and they have done the same with other groups. This is in contrast to the CitiBank/Travelers commitment, where they have yet to even agree to a meeting with us, where the NationsBank commitment in mortgage production alone equals the Citibank/Travelers total commitment, and where CitiBank/Travelers puffed up their numbers with credit card debt. The NationsBank commitment also contrasts favorably with the Bank One-First Chicago/NBD, which has made no corporate-wide CRA commitment to low and moderate income communities.

We have worked with NationsBank in projects like the Sweet Auburn Ave. project in the Martin Luther King District of Atlanta, where some said the property values were too low to make new construction work, and they made it work. We worked with them in the Cherry Hill project in Baltimore where some said the neighborhood was too rough for homeownership and they made it work. They did not do it just by themselves, but they figured out how to make it work with community partnerships and creative products. When a Mexican-American family wanted to buy a $28,000 house in Houston, Texas, Nations was the first lender who let us use cash on hand, who lets us stretch their ratios to match what they were already paying in rent, and let their church give a gift for their closing costs.

We support the NationsBank acquisition of BankAmerica because our experience with NationsBank is that they do more than talk. They will make credit work for low and moderate income people and they will work with the community institutions. The fight for affordable housing and fair access to credit is not over, not by a long shot, but NationsBank has been an ally and, among lenders, a leader in these struggles. We believe they will bring to the Bank America markets the same attitude of innovation, flexibility, and production.

Thank you.

NCLR
NATIONAL COUNCIL OF LA RAZA
Raul Yzaguirre, President

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Panel 13
Mark Van Brunt
7-9-98

July 2, 1998
(Via overnight carrier)

Mr. A. Linwood Gill, III
Vice President
Federal Reserve Board of Richmond
701 East Byrd Street
Richmond, VA 23261-4528

Reference: NationsBank-Bank of America Merger

Dear Mr. Gill:

I write, on behalf of the National Council of La Raza (NCLR), to inform you of our views regarding the proposed merger between NationsBank and Bank of America. NCLR is the nation's principal national Hispanic organization, representing more than 200 affiliated community-based organizations that together serve more than three million Latinos each year in 32 states, the District of Columbia, and Puerto Rico. As an organization committed to reducing poverty and discrimination against and improving life opportunities for the more than 30 million Americans of Hispanic descent, NCLR has a deep and profound interest in the outcome of this and other so-called "megamergers" taking place among the nation's financial institutions.

NCLR as a general rule does not take policy positions on mergers or financial industry consolidations *per se*. We have, however, addressed specific aspects of proposed "modernization" legislation and related rulemaking insofar as they may produce disparate impacts on Latinos and other low-income or ethnic minority communities. In this connection, we note below several aspects of the proposed merger that deserve considerable scrutiny by the Federal Reserve.

At the outset, we acknowledge that both NationsBank and Bank of America have Community Reinvestment Act (CRA) track records that are well above industry averages. Both received "outstanding" CRA ratings from the Office of the Comptroller of the Currency. In addition, NCLR has considerable direct experience with both of these institutions.

With respect to NationsBank, it has been a leader in a number of high profile national efforts focused on CRA and related activities. It sponsored the "Blueprint 2000" conference in 1992, which was something of a watershed in the history of the community reinvestment movement. Its Chief Executive Officer has been a highly-visible supporter of CRA and affirmative action. It has a strong and consistent record of direct support of national advocacy organizations and intermediaries involved in community reinvestment. Moreover, since its expansion from the deep south to areas of the country with significant Hispanic populations, NationsBank has supported a number of noteworthy affordable housing and homeownership programs, including several operated by NCLR affiliates. For the past year, NCLR and NationsBank have been engaged in highly promising discussions centered on facilitating pre-development or "recoverable grant" support to NCLR affiliates and the expansion of NCLR's community development subsidiary.

With respect to Bank of America, we note that the Hispanic Association for Corporate Responsibility has given it higher-than-industry-average ratings for its philanthropic efforts involving Hispanic organizations and its Latino employment record. We note further, in the interests of full disclosure, than a high-ranking Bank of America executive has served with distinction as a member of NCLR's Corporate Board of Advisors. We also note that NCLR and several of its affiliates have been in long-standing discussions with Bank of America regarding a partnership to support a major homeownership initiative. While these negotiations have yet to come to fruition, NCLR remains hopeful that successful partnership can be established.

Notwithstanding our considerable successful program experience with these institutions, NCLR believes that there are several broad policy issues that should be considered. First, we would request that the Federal Reserve carefully consider the impact of the proposed merger on enforcement of the fair lending laws. The Board has previously indicated with respect to one of the banks involved that unresolved questions regarding fair lending performance would be investigated further, and that it might subsequently require changes in the lending process. NCLR encourages the continuation of this policy in this case.

Second, we request that the Board scrutinize the issue of "subprime lending" in the context of the merger. A number of credible sources have alleged that subprime lending subsidiaries may engage in predatory lending practices which have disproportionate, negative impacts on ethnic minorities and low-income communities. NCLR recommends that the Federal Reserve investigate whether and the extent to which such allegations are true, and if proven, require appropriate procedural reforms in conjunction with the merger.

Third, NCLR requests a careful, comprehensive assessment of the merged bank's plan to assure compliance with the spirit and the letter of the Community Reinvestment Act (CRA). We would note initially that a number of banks previously have submitted community reinvestment plans as part of their merger applications; we believe that the Board should require such a submission in this case, given the size and scope of the transaction. We note further that, while major CRA commitments that typically are announced during financial companies' mergers are most welcome, they generally are not accompanied by any mechanisms to assure that such commitments are actually fulfilled. In this connection, we believe that a formal CRA plan included as part of a merger application constitutes an ideal accountability mechanism.

Furthermore, we would request that, in determining the adequacy of such plans, the Federal Reserve consider: the extent to which previous CRA performance goals have been met; the extent to which such plans lay out in sufficient detail how the needs of specific groups, such as Hispanic Americans, will be addressed subsequent to the inevitable institutional and procedural changes that will take place as a result of the merger; and direct input from local, grassroots community groups, preferably through public hearings. With respect to the last point, we note that the Board has scheduled a public hearing on this matter, which NCLR greatly appreciates.

With respect to measuring the extent to which the merged bank's CRA plan adequately serves the nation's growing Latino community, we would urge the Board to consider encouraging the establishment of a community development fund, constituting no less than 10 percent of the merged bank's total CRA commitment, targeted to predominantly Hispanic communities. Inasmuch as the record demonstrates that Hispanic communities and organizations have not benefited fully from prior CRA commitments, we believe it would be highly appropriate, consistent with applicable laws, for the merged bank to establish clear goals for assuring that the credit needs of all low-income Americans are addressed in the merged bank's CRA plan.

In conclusion, notwithstanding the considerable credibility that both NationsBank and Bank of America have as independent institutions with respect to CRA performance, NCLR believes that the merger offers the Board an opportunity to address several important policy questions. To the extent that these issues are adequately and substantively addressed, the National Council of La Raza would be prepared to endorse the proposed merger.

We request the opportunity to amend these comments as more specific information becomes available to us during your consideration of this merger application, and we thank you for the opportunity to present our views.

Sincerely,

Raul Yzaguirre
President