CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

Mayor Thomas M. Menino
Testimony on the proposed merger of Fleet Financial Group and BankBoston
Prepared for delivery at the Federal Reserve Bank of Boston
July 7, 1999

Good morning, and thank you for the opportunity to testify. In my remarks, I want to focus on the impact that the proposed merger would have on my city and ask you to consider that impact in your deliberations.

This merger comes at a time when the local and national economies are on a roll. The consolidation of firms into larger institutions is happening in many industries. This evolution is not only fueling the stock market. It is also changing the way we do business and the way companies can grow within a region and even across international borders.

Boston banks can't hide from this trend. They must go out and compete in these expanding markets like any others.

But the consolidation of capital in this merger will take Fleet to a position where the banking needs of ordinary citizens will seem insignificant compared to the attraction of foreign markets and bigger deals, including additional mergers.

As fewer banks survive and then grow into bigger players on the national and international stage, the fundamental question we face is this: who will care whether a community grows or dies?

The number of banks whose fates are tied to the fate of Boston is shrinking. The Bank of New England is gone. Shawmut Bank is gone. BayBank is gone. And with this merger, BankBoston will also be gone. Gone, too, will be more local jobs and BankBoston's spirit of dedication to every segment of our community.

In banking, the idea of fair service to all is a result of the Community Reinvestment Act. It was written into law because Americans saw what happens when banks ignore some of our neighborhoods and write off creditworthy neighbors.

The Community Reinvestment Act has brought people on the margins into the mainstream of American life. Without it, Boston would not be a city of comeback neighborhoods. We would see fewer first-time home buyers, more abandoned houses, and whole neighborhoods rotting from disinvestment.

Take Blue Hill Avenue, for example. For years, it was little more than a depressing collection of vacant lots and boarded up buildings. Since I became Mayor, we've invested over 65 million dollars up and down the avenue. By building new homes and businesses, we're rebuilding a community. And soon we'll start construction on the Grove Hall Mall, a new shopping center with a supermarket, a CVS, a Dunkin' Donuts, and other shops.

Our partner on this deal is BankBoston. We ended up with Bank Boston because they could handle the financing. The Bank wanted to do this deal. Chad Gifford knew this was important to the city. So, he put a good team on it. And today we have a deal.

Some banks are better than others. In spite of generous ratings from the regulators, Fleet has a troubled lending history in our community. And Fleet's approach to this merger leads me to believe it will adopt a "take it or leave it" approach to lending in our neighborhoods.

That troubles me. And it should trouble every business leader in greater Boston, because the health of a city sets the tone for investment throughout the wider region.

Some big banks believe the Community Reinvestment Act gets in the way of their growth strategy. They see it as a nuisance. And they have enlisted the help of their friends in Congress to do away with it, people like Senator Phil Gramm of Texas, who is no friend of the people in America's cities.

For years, Phil Gramm has been telling government to get out of the business of rebuilding communities. Now, he's telling business to get out of that business, too.

Here in Boston, the two banks have told us this merger would mean a 20 percent reduction in their combined lending to our communities.

If you want to know what happens to a community when lending disappears, try to remember the condition of our neighborhoods in the early 1970s. Or follow President Clinton's trip across the country with business leaders this week.

Whether in Boston or East St. Louis or Los Angeles one stubborn fact remains the same: capitalism cannot work in a community when that community is denied access to capital.

As the Mayor of Boston, I am concerned by any merger that would deny my city capital in favor of expanding markets someplace else.

I am concerned about a reduction in home mortgage loans, and a reduction in community development loans and small business loans. And I am concerned that the new bank will not act as if its life depended on the health of our neighborhoods.

And I ask you: how can any bank call itself a local bank with pride, if the bank is less than fully committed to the local economy?

I am sorry to say that I have yet to hear why this merger is a forward step for my community.

So, until the Federal Reserve Board can convince me otherwise, I cannot offer the City of Boston's support for this merger.

You, as regulators, hold great power over the future of banking in America. You hold great power over the economy of our communities. And you have a responsibility to protect the public interest. So, I respectfully request that you remember the interests of my constituents whose banking needs rest upon your shoulders while you deliberate and decide the merits of this merger.

In closing, let me say that my office would be happy to supply you with any additional information you desire. Thank you for your attention.

STATEMENT OF CONGRESSMAN MICHAEL E. CAPUANO ON THE MERGER OF FLEET FINANCIAL GROUP AND BANKBOSTON

Federal Reserve Bank of Boston
Public Meeting
July 7th, 1999

I'd like to thank the Federal Reserve for the opportunity to testify this morning on the merger of Fleet Financial Group and BankBoston. The merger of these two institutions will have a direct impact on my constituents in the 8th District, and I appreciate the Federal Reserve scheduling this hearing to address the merger.

The combination of the two largest banks in Massachusetts, Fleet and BankBoston, raises several important issues. As you know, the members of the Massachusetts Congressional Delegation have commented on some aspects of the merger in two letters that have now been made part of the record.

Let me stress that throughout this process, I have tried to work with the banks, the regulators, and the community to help formulate a merger that will benefit the communities I represent as well as the two banks involved. I have outlined the concerns I share with my constituents, both in writing and in person, on several occasions with the banks. I have also met with representatives from the Justice Department and the Federal Reserve to share these views.

I do believe that maintaining a strong regional bank is in the best interest of the citizens of Massachusetts. Out-state-banks do not have the same ties to the community that hometown institutions have, and their commitment to local needs is not as strong. The combined bank will help maintain Boston's prominence as a world leader in financial services.

Unfortunately, many questions remain. Many of the issues I have raised have not been clarified, and at this time, I am no longer confident that Fleet is committed to addressing these concerns. In my testimony today, I will discuss several issues important to me and the communities I serve in Congress.

As many of you know, I have been a strong supporter of allowing smaller, community banks to purchase a portion of the divested branches. While I agree we must preserve a competitive marketplace for mid-sized business lending, I also believe that our consumers and our communities will be better served if smaller, community banks purchase a fair portion of these divested assets.

Again, the banks have offered no formal explanation of why these disparities seem to exist even after I have requested that information. Even more troubling are the recent statements from the banks that have been appearing in the press. According to a recent article in the *Boston Herald,* Mr. Murray has said that the he'd consider setting aside more money for specific programs, but the $14.6 billion will not be increased.

It seems the banks are not interested in an open, constructive dialogue with community leaders and public officials about the investment needs of communities across Massachusetts. Each time questions were raised about the agreement, I have urged Fleet and BankBoston to respond, so that we have both sides of the story. They have consistently told me that responses are forthcoming, but I have not yet received any information to dispute these claims.

This is not sufficient for the communities I represent. Promises do not help people buy homes, they don't encourage new small businesses, and they don't revitalize our neighborhoods.

Because the banks have not provided the public with detailed information to dispute the claims made by Professor Campen, Inner City Press, and others, I must formally ask the Federal Reserve to extend the comment period for 30 days **AFTER THIS INFORMATION IS PROVIDED.** All interested parties must have a reasonable opportunity to review all the facts before making a final decision on whether this merger will be positive for Massachusetts.

If the comment period is not extended, I cannot support the merger at this time. Up to this date, Fleet has demonstrated its disregard for the communities it intends to serve throughout this process. I have asked repeatedly for simple information since the beginning of this process in March, and was only provided with this information yesterday afternoon. If the banks will not respond to a reasonable request from a U.S. Congressman for information, there is no reason to believe that they will be responsive and committed to communities in my District and throughout New England. For these reasons, I must strongly oppose the merger **AT THIS TIME.**

Thank you for the opportunity to testify.

Congress of the United States
Washington, DC 20515

July 7, 1999

Mr. Robert Brady
Vice President
Federal Reserve Bank of Boston
600 Atlantic Avenue
Boston, MA 02106

Dear Mr. Brady:

We are writing to provide you with our final comments on the merger between Fleet Financial Group and BankBoston Corporation. As you know, we have provided several comment letters, jointly and individually, however we believe that it is important to summarize our concerns now that the public comment period is coming to a close.

First, we want to again stress our position that the divestiture package should be structured to best meet the banking needs of communities throughout Massachusetts. While we understand that preserving competition in middle-market business lending is an important concern, we also believe that smaller institutions play an important role in our communities, and offer personalized services that large banks simply cannot match. For this reason, we urge the regulators to work with the banks to create divestiture packages suitable for bids by community banks. We are encouraged by recent statements on this matter from the U.S. Department of Justice, and we hope that this process can now move ahead.

Second, it is vitally important that the combined bank and the successful bidders for the divested branches continue to make a significant investment in our neighborhoods. We are particularly concerned with a record of poor credit lending in older, lower-income neighborhoods throughout the Commonwealth. In cities like Brockton, Springfield, Fall River, Worcester, Lawrence, and in many parts of Boston, an overwhelming concentration of loans has been made only in higher-income neighborhoods.

For this reason, we strongly urge that the new, merged institution make a strong commitment to increased lending in underserved areas. This commitment must include flexible underwriting of loans, increased partnerships with community lending programs, and increased credit for housing, small business start-ups and other conventional loans to minority and low-income neighborhoods. We believe that this new institution must play a significant role in revitalizing our neighborhoods and rebuilding our communities.

Third, we urge the banks to work closely with the employees whose jobs are in jeopardy after the merger is finalized. It is clearly not in the interest of our constituents that working people, with years of loyal service, are not afforded the highest concern throughout this process. Every effort must be made to ensure that the loss of jobs is minimal, that it occur to the greatest possible extent through retirement and attrition, and that a comprehensive benefits package is offered to those employees who must be laid off.

Finally, we also believe that the combined bank must take an active role in supporting local charitable organizations, including community based charities. The public perception is that as financial institutions merge, they no longer take an active role in local communities. The banks must maintain and expand their commitment to charity and prove that bank mergers can have a positive impact on local communities.

Thank you for the opportunity to comment on this merger.

Sincerely,