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,

Joe Kennedy — Bill Delahunt

Barney Frank — John W. Olver

Richard E. Neal — Marty Meehan

Joe Moakley — Michael E. Capuano

Jim McGovern — John F. Tierney

Ed Markey

MAUDE HURD
MASSACHUSETTS

Good morning. My name is Maude Hurd and I am the National President of ACORN, the Association of Community Organizations for Reform Now. For those who don't know, ACORN is a grassroots community organization of over 125,000 low income members in 30 cities. ACORN members organize in their neighborhoods to fight discrimination and to win a voice in the policies and institutions affecting the low income community.

ACORN members have fought redlining and mortgage discrimination all across the country. We use the Home Mortgage Disclosure Act and Community Reinvestment Act to negotiate innovative agreements with banks that remedy past discrimination. Since we signed the first of these agreements in 1985, the ACORN Housing Program has worked with banks to put over 21,000 families into their own homes, valued at $1.53 billion dollars. ACORN's program has also generated an additional $4 billion dollars in low income community investment.

ACORN's housing program has won awards for its success in helping low income and minority borrowers successfully get and pay their mortgages. Our agreements with banks include progressive underwriting standards, intensive one-on-one housing counseling for borrowers, and, wherever possible, below-market interest rates.

Fleet signed an agreement to participate in the ACORN program in 1995, when they were buying Shawmut Bank. The agreement covered Massachusetts and Connecticut and has produced over 1,000 successful homeowners, and more than $120 million dollars in mortgages. The program also increased access to homeownership for single parents, recent immigrants, lower income buyers, and people who don't qualify for traditional mortgage underwriting, but who still pay their bills and pay them on time.

The Fleet-ACORN partnership and programs like it have been crucial in bringing capital and credit into low income minority neighborhoods. For most Americans, homeownership is the single biggest source of wealth. It means the difference between living paycheck-to-paycheck and building equity for yourself and your family. Homeownership is even more crucial for the stability and economic growth of minority communities. Minority homeowners hold 75% of their wealth in home equity. The difference between owning and renting is staggering for African-

Americans: the average Black homeowner's net worth is $48,300 dollars, while for the average renter it is only $500 dollars.

Homeownership helps the homeowner, but it also helps the community. Homeowners are much more likely than renters or landlords to protect and improve their properties. There is more stability and less crime in neighborhoods of owner-occupied homes, and a greater involvement in community and civic activities of all kinds.

With ACORN's Fleet agreement and others like it, we were really starting to see a positive shift in rates of minority homeownership. In the early and mid 1990s, the percentage growth of minority homebuyers was greater than that of whites for the first time ever. These deals were helping our Massachusetts and Connecticut neighborhoods achieve the American Dream of homeownership, while helping Fleet gain significant market share in minority lending.

But as the 90s draw to a close, we are starting to see a downward trend in lending to minority and low income census tracts. As banks like Fleet get bigger and less accountable to local communities, they walk away from innovative programs and begin to use cookie-cutter formulas that try to fit everyone into a white-middle-class ideal of good credit. Sometimes they even get encouragement from Washington, as the conservative Congress tries to dismantle the Community Reinvestment Act.

If this merger proceeds, Fleet will be the biggest mortgage player by far in Boston, Bridgeport, and many other cities across the Northeast. When they turn their back on the programs that brought in 30%-80% of their minority lending business in recent years, they are turning their backs on our communities. And let me tell you--without these kinds of programs, our neighborhoods don't stand a chance.

If Fleet turns their back on the ACORN program, their record in Boston is likely to go as low as it has in other cities. Over the last ten years, Fleet has been showing an alarming trend: each time the bank merges it decreases its community reinvestment work. Fleet's CRA ratings have been going down in recent years, even when the banks they acquire have a grade of "Outstanding." It happened with Northstar in 1991, and NatWest in 1994. These banks were high quality community lenders, but since acquiring them Fleet entities have remained in the "Satisfactory" to "Low Satisfactory" range and slipping.

Our communities cannot afford to have history repeat itself as Fleet swallows up yet another bank without making concrete commitments to continue lending in low income and minority neighborhoods. I call upon the Federal Reserve to delay this merger until Fleet can prove that it will meet its investment obligations to our communities.

Thank you.

LUCY MATEO
CONNECTICUT

Hello. My name is Lucy Mateo. And just last week my husband and I achieved the American Dream of homeownership, thanks to the Fleet-ACORN partnership.

I always wanted a home of my own, and my husband and I had saved and budgeted for years to afford a downpayment. I worked hard at my job as a machine operator at Ericsson and got overtime whenever I could so we could save more. But then when my husband got sick last winter, all our savings were wiped out paying for doctors and hospital bills. It was so painful to get behind with our bills--I could either put food on the table or keep our debts from going to collection agencies. I was so swamped with hospital bills that I got behind in everything because I just could not make ends meet. I thought I would have to kiss my dream goodbye.

But thanks to the ACORN program with Fleet, that wasn't necessary. No other bank would have touched this loan, but with the ACORN Housing loan counseling program I had a chance. I worked with my loan counselor to develop a payment plan for our debts. He helped me write two letters explaining our situation and showing that we could be a good credit risk. He also talked to the loan officers at Fleet on our behalf. They knew him and trusted him from the relationships they had built up over the years, so his support really helped.

Because of the ACORN Program, Fleet took a careful look at our application and decided we qualified for a loan. And last week we closed on our beautiful new home.

If Fleet walks away from their partnership with ACORN, I am very worried that other families like ours will not receive the compassion and understanding that they need. Without a community program like the ACORN program, your loan application just gets shipped out of state, or decided by a credit score that you have no hope of affecting, even if you have special circumstances like mine. We were able to achieve the American Dream because we had access to Fleet. But when they turn their backs on the community, that access will be gone and many, many low income and minority families will be locked out in the cold.

Please do not approve this merger without requiring Fleet to continue its program with ACORN. This program was our only chance--and it is the only chance for many others as well.

Thank you.

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LORI BROWN
CONNECTICUT

Hello. My name is Lori Brown and I live in Bridgeport, Connecticut. I got my home through the Fleet program with ACORN. A few years ago, I was living in a tiny, illegal 3-room apartment as a single mother. I couldn't afford a real two-bedroom apartment, but I knew that if I could just buy a two-family home, I would be able to use the rental income to bring down my mortgage payments to a level I could handle. But I couldn't get a bank to give me a loan--I had some credit issues and was self-employed, so even though I made decent money, no one wanted to look at me. Only the Fleet program with ACORN would help me out when no other bank would give me a loan. Thanks to the ACORN program, my child and I are living today in our own home, on a quiet street, where lots of people are homeowners and really care about keeping up the neighborhood.

I own my own home today, and my daughter has a safe place to grow up, because Fleet agreed to look at my loan application when no one else would. Through the ACORN Housing Program, Fleet didn't try to fit me into a cookie-cutter pattern of what I was supposed to be. Fleet took a closer look.

I also used to work for ACORN Housing Corporation as a loan counselor. And I saw how Fleet treated people like me when the bank was part of the ACORN partnership: they took a closer look.

Most banks use credit scoring to decide if they want to make a loan. They ask everyone the same questions and run the credit report and send all those numbers out of state and come back with a yes or a no. Well, in our low income and minority neighborhoods, it was mostly no. But the ACORN and Fleet partnership took a closer look. They looked at things that don't go into a credit score, but that make a world of difference in your application. They looked at my plan to use the income from renting out one apartment in a two-family home to help pay my mortgage. They looked at how I had a great record of paying my rent and utility bills on time, and how I had cleaned up my credit.

Through the ACORN Housing program, Fleet also took a closer look at why a lot of other people from Connecticut's low income minority communities can't get loans. For example, when you live paycheck to paycheck you can pay all your bills and put food on the table for your kids, but not have a ton of money in your savings account. The Fleet and ACORN program took a closer look and would let you have non-owner-occupant co-borrowers, so your parents or relatives could help you with your payments. They took a closer look and let you put one percent down of your own money and four percent from a gift. They took a closer look and let you use all kinds of non-traditional credit to prove that you were good at paying what you owe.

When they worked with the ACORN program, Fleet also took a closer look at being a team player. They kept in touch with the ACORN Housing loan counselors, case by case. If it looked like there was going to be a problem with an application, they would come and talk to us so we could work through the issues with the buyer.

When Fleet began to partner with ACORN Housing, they took a closer look at my community--and we needed help and we were glad to get it. That's why ACORN Housing did almost 300 loans with Fleet in 1996 in Connecticut. And these loans have worked. I know I'm paying my mortgage payments every month and on time. And almost every one of the clients I counseled is doing the same.

We never heard complaints from Fleet about the loans or about our clients. So when I heard that Fleet was going to walk away from this partnership, I was shocked.

So now I'm asking Fleet to stop and take a closer look. Fleet's partnership with ACORN Housing accounted for more than 66% of loans to Blacks and Latinos in Bridgeport in 1996, and almost 80% of loans to Blacks and Latinos in Stamford and Norwalk. In other words, out of a total of 142 loans to Blacks and Latinos in Bridgeport in 1996, ACORN Housing's partnership with Fleet was responsible for 94 loans. In the Stamford-Norwalk area in the same year, ACORN did 30 of Fleet's 38 mortgages to Blacks and Latinos. What's more, ACORN Housing accounted for nearly 50% of Fleet's conventional loans to ALL buyers in each of these cities. 50% of ALL buyers! And, in 1997, the ACORN Housing Program was responsible for over 60% of Fleet's lending to Blacks and Latinos again in Bridgeport, and 55% of lending to Blacks and Latinos in New Haven.

Why would Fleet want to walk away when two-thirds or more of their loans to Blacks and Latinos are being done through this program? After all Fleet has learned about how to make loans that benefit both the bank *and* the community, why are they going backwards? Especially when they're estimating $400 million in profit?

Finally, I'm asking the Federal Reserve to take a closer look. We oppose the Fleet-BankBoston merger if Fleet is going to walk away from this community partnership that accounts for so much of their lending to low income and minority neighborhoods. They want to get bigger and make even more in profits, while they leave our communities behind.

Take a closer look--Fleet should not be allowed to increase their size without increasing their community commitment. I ask you to oppose this merger.

GWENDOLYN JACOBS
NEW YORK

Hello. My name is Gwendolyn Jacobs and I am the president of ACORN's New York Chapter.

New York City must have every bank there is. There are so many corporate headquarters and there is so much money changing hands. But not where I live, in Brownsville, in Brooklyn. Where I live it is hard to find a good bank. There weren't too many to start with, and since they all started merging, there are even fewer. Because of this, people in neighborhoods like Brownsville don't have checking accounts, they go to check cashing stores. There's no local branch of a respectable commercial bank to ask for a loan. So instead we're prey to B&C Lenders.

Fleet has had a dialog with ACORN about the banking problems faced by low and moderate income people in New York. But they have not helped us address them.

Before we had discussed doing any programs with Fleet, we had a valuable relationship with NatWest, which gave good loans to minority residents of New York. ACORN had a highly successful underwriting program and then we negotiated a mortgage program offering loans at 1% below the market interest rate. We were helping NatWest target populations that were new to them, break into the large underserved Latino community, and build relationships with other community groups and with local minority churches.

Then Fleet acquired them and it all ended. We in the New York office were led on to believe that these programs and our relationship would be unaffected. At the time of the merger they told us that all that would change was the stationery. But after the acquisition was complete, we were told that they didn't need our "product," that they were covered.

Well we've followed Fleet since then, and in fact they don't have products that match the NatWest programs that were in place. Fleet has been terrible about providing communities with the services prescribed by CRA. It's hard to provide services to a community when you don't have a branch there. In New York, Fleet has 39 branches and only 4 of them are in predominantly African-American or Latino communities.

New York State has a law that requires banks to offer "lifeline" or "basic banking" accounts. A few months ago, when ACORN members went to those four branches to ask about opening accounts, none of them was told about a lifeline account. When members asked about lifeline accounts, they were met with blank stares. They were instead offered accounts with a higher opening balance requirement and unreasonable fees.

So ACORN went to Fleet so we could get this fixed. The New York State law was on our side and Fleet claimed to be on our side too. We met with them and asked them about their lifeline account. We knew that they offered it because it is in their pamphlets. So why didn't the employees working in their banks know about it? Why don't they advertise it more, especially in the branches that serve the people who need it, like the law says they have to?

That was when Fleet told us about their merger with BankBoston. They said they would make sure that their employees knew about the basic banking account and offered it more to customers. They also said they would make posters for those branches so people would not have to find mention of the account in Fleet's pamphlet, they would know about it just from standing in the bank. Well, our members went back about one month ago and still they were not offered a lifeline account. Still they didn't find any posters.

Fleet has become an example of the rich getting richer from the poor getting poorer. With every merger they have made, they have lost more interest in serving individuals. People like me can't bring Fleet the money that its corporate customers can, but we're not making them lose money either. We pay our bills and we pay our rents. In the same way, we could pay a mortgage and we can keep a checkbook.

So I am asking the Federal Reserve to carefully consider Fleet's current merger. For every employee they will layoff and every bank branch that will be closed, there are hundreds of consumers who will have less access to banking services. In low and moderate income neighborhoods we need more banks, not richer ones.

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JENNIFER CARTER
MASSACHUSETTS

Hello. My name is Jennifer Carter. I have been banking with BankBoston for many moons--over twenty years.

I am very concerned about the aftermath of the merger between Fleet and BankBoston. I am worried that they will cancel their contract with ACORN. After meeting with them yesterday, they said that they will be sitting down again with ACORN. But I am more concerned that this is just lip service. By turning their back on the ACORN program, Fleet is turning their back on our low income and minority communities. Have they forgotten that ACORN Housing Corporation borrowers made up over 30% of Fleet's loans to low and moderate income neighborhoods in 1996? Have they forgotten that ACORN Housing helped Fleet increase their lending in low income neighborhoods by almost 90% between 1995 and 1997? Have they forgotten that ACORN Housing is responsible for more than 50% of BankBoston's loans to Black and Latino borrowers in 1998, and responsible for 20% of BankBoston's overall lending in that year?

I think that Fleet has forgotten what ACORN has done to help them meet their obligations to the low income and minority community. But I would like to remind them again today.

If this merger goes forward, and Fleet does not renew its lending agreement with ACORN by August 1st, I will be closing my account at BankBoston. I will also be encouraging my son to close his account at Fleet. And we, the members of ACORN, have already collected several dozen letters from other community residents saying that they are going to close their accounts as well. We will continue to collect these letters throughout the summer.

So if Fleet is planning to keep taking deposits from our communities, but stop giving us loans, then we are going to cut their credit line too. This is our way of expressing our dissatisfaction with Fleet's decision. They cannot continue to keep profiting from our deposits without putting back into our community. So that's why I am here today. To bring to the Federal Reserve's attention the urgency and the dire need for this program that is all about helping the low income community to accomplish the American Dream. Please do not rush your decision by allowing this merger. I believe extra time is needed for Fleet to meet with ACORN again as they have promised. You cannot let this merger go forward if it means that Fleet is allowed to walk away from its community reinvestment responsibilities.

I realize that nothing can be accomplished unless God allows it. So I am praying that you let the Lord guide and lead you. Thank you.

ROSE BLAIN
MASSACHUSETTS

Good afternoon. My name is Rose Blain and I live in Mattapan. I am working with ACORN and Fleet to buy my own home in Brockton. For a long time I wanted to buy a house but I didn't believe that I could. I got information about ACORN from a meeting in Fields Corner in Dorchester, and I decided to participate in the program. The ACORN loan counselor Robert Davis helped me to check my husband's credit, my pay stub, my income tax and my bills.

I work full time and many night shifts as a nursing assistant in a hospital pediatric ward. Even though my income is only $22,000 dollars a year, ACORN Housing Corporation's program with Fleet bank gave me the flexibility to have a low down payment and a good mortgage rate. I was able to get a pre-qualifying letter for a house, based partly on my plan to rent out a floor to another family.

The house I am trying to buy is in Brockton. I will be living there with my husband and four kids. It is my dream to own my own home and be my own boss.

Even with ACORN's program it has taken me two years to be ready to buy a home. Without this program a lot of people will miss the opportunity to have their dream. To me it is horrible that Fleet is hurting so many people who would like to get a house. I want many families to get the same opportunity that we did working with ACORN and Fleet.

There is an old saying: "If it ain't broke, don't fix it." Well, this program ain't broke! So please don't take it away from the people who need it.

Thank you.

KEN HALL
MASSACHUSETTS

Good morning. My name is Ken Hall and I live in Dorchester. I was able to buy my home through the ACORN Housing program with Fleet. After I bought my house, I started caring a lot more about the way my neighborhood looked and how safe it was. Here I was--a homeowner and a taxpayer--and the city wasn't giving our moderate income, mostly minority neighborhood in Dorchester the same services as the wealthy, white neighborhoods in Beacon Hill or Back Bay were getting. So I got together with some of my neighbors and we started letting city officials know that we care about our community and our children and our property, and wanted to see our streets safe and clean.

Our civic involvement paid off--we won funding for a new streetlight at a dangerous intersection where children had been hurt crossing the street. We met with the police to make sure our streets are safe at night. And we won clean-up of a bunch of vacant lots that were full of trash and dangerous junk. In the process, many members of the community came together and started to watch out for each other and each others' children.

When you own your home, you care about your neighborhood and you work hard to improve it. Thanks to ACORN Housing's program with Fleet, more people were becoming homeowners and our low income and minority neighborhoods were finally starting to look better. But now that Fleet is getting bigger and more arrogant, they're trying to walk away from us. Let me tell you why this is such a mistake.

Fleet Bank has been a huge lender in Boston BECAUSE of the ACORN Housing program and other programs like ours. More than 30% of Fleet's loans in Boston to minorities and low income people in the last few years have come from ACORN. Fleet has now become such a dominant player in the Boston mortgage market that them walking away is going to have a really damaging effect. Especially because most of the other lenders in town have such a bad record of lending to low income and minority neighborhoods.

If Fleet dumps the ACORN program and stops making the kind of loan that they made to me and my family, their numbers are going to stop looking so good. And when banks like Fleet stop making high-quality conventional loans to our neighborhoods, the B & C lenders come in with their outrageous interest rates and fees and their aggressive telemarketers and misleading advertising. A lot of these outfits have gotten in big trouble for shady dealings, as Fleet well knows because they were in the subprime lending business for awhile.

If you look at Fleet's past history with mergers and community lending, the picture is pretty grim for low income and minority neighborhoods. Every time Fleet has merged the bank has gotten worse. If Fleet is allowed to merge with BankBoston while they walk away from lending to minorities and low income people, they are going to get dramatically worse. And I guarantee you, if the Federal Reserve allows this merger today, you'll be back here next year to downgrade Fleet's CRA rating, the way Fleet's entities have been downgraded in New Jersey, New York, and Connecticut.

Fleet is going to dominate the Boston lending market. If they walk away from lending to our communities, who's going to do it? Low income people and minorities need access to credit so we can turn around our neighborhoods like I'm working to turn around mine. When Fleet turns its back on community reinvestment programs like the one they have with ACORN, we know we're going to be seeing that red line around our neighborhoods again real soon.
Therefore, I am asking you to oppose the Fleet-BankBoston merger.

ELNORA THOMPSON
MASSACHUSETTS

Hello, my name is Elnora Thompson. I am African-American, a single mother and a single grandmother, and I live in Dorchester near Codman Square. I want to tell you about trying to get a loan in this town when you are all these things.

When my husband and I divorced and I lost my home, I knew I didn't want to raise my youngest in some tiny apartment. I wasn't comfortable living in somebody else's home--I wanted my own house. And I wanted a garden. I didn't think it should be too hard to prove that I would be a good lending risk. After all, I had worked full-time for the phone company for almost 25 years at that time.

So I set out to buy myself a home. First I went to my credit union, but they wanted 20% down, and I didn't have that kind of money. I applied for a loan with Powderhouse Mortgage in Somerville, but when I called to see what was happening with my application, the girl there told me that they didn't want to be bothered with people from Dorchester. At that time, it was very hard to obtain a mortgage in my neighborhood, even if you had money.

And then I went to Fleet. Now this was before they had their program with ACORN. But they had some kind of local program--or so I thought. A very nice young lady came to help me fill out my application, right at my apartment. Then she took my $250 deposit and I never heard from her again! I called and called, I called all over the place. I couldn't get anyone to talk to me. Finally I found out my application had been sent out of state somewhere. And then I got a letter saying that I was not qualified for that lending program. But I never got my money back.

What I realized was that they weren't giving any mortgages in my neighborhood. It was redlining.

A few months later, an ACORN organizer knocked on my door. She told me how ACORN members were fighting against redlining and negotiating with the banks to start community reinvestment agreements. I joined ACORN that day and I probably spent every night for the next six months helping on the anti-redlining campaign.

What was the result? Well, Citizen's Bank stepped up to the plate and signed an agreement with ACORN Housing Corporation which I believe they are still honoring to this day. They had flexible underwriting and didn't make me put 20% down, and they looked carefully at all my records even when I had non-traditional credit. Any time I had questions I called my loan counselor at ACORN Housing, and she would talk to her contacts at the bank. I got all the information I wanted--no more runaround.

A few months later I got my loan--one of the very first loans in the new ACORN Housing Corporation Program. I even got a grant from the city for closing costs through a program that ACORN worked out. And then Citizen's decided they wanted me to be their poster child, and they threw me a housewarming party. I thought I had died and went to heaven.

Now I've lived in my house for five years, and I rent my downstairs apartment to a tenant using Section 8 vouchers. My street has changed a lot now that most of us are finally homeowners. And I have a big garden full of vegetables and fruit and flowers.

It was ONLY because of the ACORN program that I got my house, and since Fleet joined the ACORN program, I know they haven't treated other Black folks like they treated me. In fact, I happen to know that ACORN Housing did over 30% of Fleet's loans to minority and low income borrowers in 1996. And the BankBoston program with ACORN Housing, which Fleet wants to downsize, did over 50% of the bank's loans to Blacks and Latinos in Boston in 1998.

Fleet's lending to minority and low income borrowers has gone up dramatically since they started working with ACORN. But back before they started working with ACORN, their record on lending to minorities was <u>BAD</u>. In cities in Massachusetts where they're <u>NOT</u> working with ACORN, their lending record to minorities is <u>STILL</u> bad. If Fleet won't increase their participation in the ACORN program while they increase their size and increase their profits, then they shouldn't be allowed to merge with BankBoston.

If Fleet is going to go back to ignoring our communities, then I ask the Federal Reserve to ignore this merger application.

Thank you.

Ms. Maude Hurd
National President
ACORN
1453 Dorchester Avenue
Dorchester, MA 02122

July 5, 1999

Bob Brady
Vice President
Boston Federal Reserve Bank
600 Atlantic Ave.
Boston, MA 02106

Dear Mr. Brady:

The Association of Community Organizations for Reform Now (ACORN) is writing in oppostion to the proposed merger between Fleet Financial Group and BankBoston Corporation.

This merger between the two largest banks in New England would further consolidate the Northeast's already concentrated financial industry under the control of Fleet Financial Group. The merged institution would be a regional megabank, dominating local markets and controlling more than 1/4 of ever dollar held by New England banks and thrifts. It is vitally important that a bank of this size and with this level of market influence fulfill its obligations to serve all neighborhoods and meet the credit needs of all communities.
Fleet's actions show that it has not and will not comply with this basic standard.

The Fleet public relations department must believe that if they repeat the bigger is better mantra of "one plus one is greater than two" often enough, they can obscure the facts of their lending performance. Fleet has already demonstrated the devastating impact that their previous mergers have on the flow of credit to local communities. Since acquiring Shawmut and Natwest in 1995 and 1996 respectively, the new, larger Fleet has had a dramatic decline in its lending to minority borrowers, low and moderate income families and neighborhoods, and communities of color, compared to the total lending of the separate banks before the merger. This steep drop is not an isolated occurence; it is evident throughout Fleet's markets, on a city, county, and state level.

In Boston and Bridgeport, the downward trend of Fleet's lending has been tempered by its participation in lending programs with local non-profit partners, including ACORN Housing Corporation. ACORN Housing Corporation, alone, has been responsible for 30-80% of Fleet's minority lending in recent years in Massachusetts and Connecticut communities. Now, as it proposes to grow even larger, Fleet is withdrawing from the agreements and practices which have resulted in thousands of mortgages to minorities, single parents, recent immigrants, and lower income buyers.

The Fleet-ACORN Housing Corporation partnership and programs like it have been crucial in bringing capital and credit into low income minority neighborhoods. For most Americans, homeownership is the single biggest source of wealth. It means the difference between living paycheck-to-paycheck and building equity for yourself and your family. Homeownership is even more crucial for the stability and economic growth of minority communities. Minority homeowners hold 75% of their wealth in home equity. The difference between owning and renting is staggering for African-Americans: the average Black homeowner's net worth is $48,300, while for the average renter it is only $500.

Homeownership helps the individual homeowner, but it also helps the community. Homeowners are much more likely than renters or landlords to protect and improve their properties. There is more stability and less crime in neighborhoods of owner-occupied homes, and a greater involvement in community and civic activities of all kinds.

With ACORN Housing Corporation's Fleet agreeement and others like it, a positive shift in rates of minority homeownership was taking place. In the early and mid 1990's, the percentage growth of minority homebuyers was greater than that of whites for the first time ever. These programs were helping Massachusetts and Connecticut neighborhoods achieve the American Dream of homeownership, while helping Fleet gain significant market share in minority lending.

But as the 1990's draw to a close, we are starting to see a trend toward less lending to minority and low income census tracts. As banks like Fleet grow larger and less accountable to local communities, they walk away from innovative programs and begin to use cookie-cutter formulas which try to fit everyone into a white-middle class ideal of good credit.

If this merger proceeds, Fleet will be the largerst mortage originator by far in Boston, Bridgeport, and many other cities across the Northeast. When they turn their back on programs such as with ACORN Housing Corporation, a program that is responsible for an enormous part of Fleet's minority lending, they are turning their backs on our communities. Without these kinds of programs, our neighborhoods don't stand a chance.

We have already seen the decline in credit to underserved areas which resulted from Fleet's previous acquisitions. There is no reason to think that history will not repeat itself with this merger. Fleet's termination of the successful partnerships in Boston and Bridgeport will only accelerate the downward trend in Fleet's low and moderate income and minority lending. Our communities cannot afford to have Fleet swallow up yet another bank, while ignoring its community invesment obligations.

Fleet and BankBoston should not be allowed to merge without pledging to continue existing community lending agreements and without a significant strenghtening of their commitment to maintain and increase the flow of credit to lower income and minority communities.

Fleet and ACORN Housing Corporation in Boston and Bridgeport

ACORN Housing Corporation provides individual counseling for low and moderate income and minority buyers to assist them in purchasing a home. AHC counselors work with potential buyers' household income, debts, credit, savings, and employment history to identify what steps are necessary to qualify for a mortgage and to help home buyers take these steps.

In addition to working on their specific situations in the individual counseling, program participants also take AHC's home buyer education classes to help them understand what is involved in buying and owning a home. These classes include a credit and budgeting workshop which teaches financial management, and in Boston and Bridgeport, AHC conducts specialized Landlord Training classes to prepare new homeowners for the responsibilities of owning a two or three unit building, which is common in low and moderate income neighborhoods.

ACORN Housing Corporation promotes its program through community meetings in low and moderate income neighborhoods, churches, the ACORN Bankfair, and through real estate agents who work in low and moderate income neighborhoods, in order to reach traditionally underserved communities.

In December 1995, Fleet Bank agreed to an ambitious mortgage lending program with ACORN and ACORN Housing Corporation, which combined mortgage underwrting standards responsive to low and moderate income buyers, below market pricing, and housing counseling to create a state of the art lending program. The program was based on the lending agreement ACORN Housing Corporation had with Shawmut Bank, which Fleet was purchasing at the time. The program covered Massachusetts and Connecticut.

Fleet agreed to use underwriting guidelines, developed by ACORN Housing Corporation (AHC), which, when coupled with intensive housing counseling and home buyer education, can help many nontraditional buyers qualify for mortgages and become successful homeowners.

ACORN and ACORN Housing Corporation have found traditional mortgage underwriting standards often failed to recognize the income, savings, credit, and employment histories of low and moderate income and minority people. To remedy the problem, ACORN and ACORN Housing Corporation contracts with lenders to provide homebuyer counseling, financial management skills for buyers, delinquency counseling, and advice on underwriting which is more responsive to underserved buyers and pricing discounts to attract potential potential buyers and to make the products more affordable for lower income buyers.

Some of the special underwriting flexibilities in the Fleet/ ACORN Housing Corporation product include:

- Sources of income common in lower income communities are acceptable, including boarder rent, foster care, voluntary child support, food stamps, and pooling of incomes from several family members.
- People who do not have traditional credit histories, such as credit cards or car loans, can qualify based on timely rent and utility payments.
  (The standard Fleet product requires three nontraditional credit references, disqualifying many buyers, such as, for example, a young couple whose utility payments are included in their rent and so only have two credit references: rent and telephone)
- Buyers can contribute as little as one percent of the mortgage for the downpayment, with the remainder coming from grants or gifts.
- Buyers whose available savings are used up for downpayment and closing costs are not required to have extra money held back as a reserve requirement.

AHC's partnership with Fleet has been extremely successful, helping more than 1,000 homebuyers with over $120 million in mortgages and providing increased access to homeownership for single parents, recent immigrants, lower income buyers, and people who don't qualify for traditional mortgage underwriting, but who are still responsible and pay their bills on time.

In 1997, ACORN Housing Corporation alone recruited, counseled, and referred a third of Fleet's conventional loans to African-Americans and Latinos in Suffolk County (Boston, MA) and almost two-thirds of Fleet's conventional loans to African-Americans and Latinos in the Bridgeport (CT) MSA.

Despite these achievements, Fleet is walking away from this successful partnership at the same time that it proposes to become the 8th largest bank in the country. Fleet has informed ACORN Housing Corporation that on July 31, 1999, it will terminate this program which has made a significant contribution to low and moderate income and minority communities in Massachusetts and Connecticut.

<u>BankBoston and ACORN Housing Corporation in Boston</u>

Bankboston also has a successful mortgage lending program with ACORN Housing Corporation. This program features mortgage products designed for low and moderate income and minority borrowers, housing counseling, discounted pricing, and community based marketing programs. In 1998, BankBoston funded 255 mortgages in the Boston area valued at $35,700,000. BankBoston has not indicated what the future of the program will be post-merger. However, BankBoston is the institution to be acquired; and given the termination of a similar program at Fleet, the AHC/BankBoston program is likely to be terminated.

The ACORN Housing Corporation sends more loans to Fleet and BankBoston than any other Boston lenders, and with this merger the two top AHC programs will be eliminated.

As described below, we have serious concerns about Fleet's lending not only in Boston and Bridgeport, but throughout the Northeast and across the country, and fear that their lending will only worsen after this merger. The trend in recent years as Fleet has grown and incorporated other institutions has been a decline in lending overall and a steeper decline in lending to low and moderate income and to minority borrowers. This decrease would have been even worse were it not for the work of local partners, such as ACORN Housing Corporation. Fleet's refusal to continue this single program will result in an even more precipitous decline and suggests a shift in the bank's direction which will only amplify already existing problems.

Fleet's Failure to Meet Credit Needs with Post-Merger Lending Decline

Boston

In Boston, as in most cities where Fleet does business, Fleet is abandoning low to moderate income people, minorities, and their communities. The numbers tell the story when looking at loan applicant race, income, and the characterisitics of census tracts where Fleet lends to. As Fleet grows bigger, it tends to do more lending to upper-income, white borrowers and their communities.

RACE

Fleet's merger with Shawmut has resulted in a decline in lending to minority home buyers. In 1995, Fleet National Bank, Fleet Mortgage, and Shawmut Mortgage made a combined total of 636 conventional and FHA loans to African-Americans and 341 loans to Latinos in the Boston MSA. In 1997, the merged institution made 48% fewer loans to African-Americans, 331, and 55% fewer loans to Latinos, 155.

Because of its size and dominant market share in Boston, Fleet must play a vitally important role in the area's minority lending in the area. Fleet made 23% of the MSA's conventional loans to African-Americans and 20% of the area's loans to Latinos. As discussed above, one of the principal reasons for this has been Fleet's participation in community lending programs with local non-profit partners. That's why it is essential that Fleet maintain these programs. Further cuts in Fleet's lending will seriously harm Boston's minority communities

The performance by Fleet Real Estate Funding, the successor to Fleet Mortgage, is indicative of what Fleet Bank's lending would be like without its community partnerships. In 1997, in the Boston MSA, Fleet Real Estate Funding denied 31% of its African-American applicants for conventional and FHA loans and 28% of its Latino applicants, while turning down only 12% of its white applicants. Black and Latino borrowers were 2.6 and 2.3 times more likely, respectively, to be rejected than white applicants.

In addition, Fleet Real Estate has decreased the share of its lending to minorities. In 1995, the mortgage company made 9.3% of its conventional and FHA loans to African-American homebuyers and 6.4% to Latino buyers. In 1997, the share of mortgages received by African-American and Latino borrowers had dropped to only 7.8% and 4.0%.

INCOME

Low and moderate income borrowers have been deeply impacted by the decline in credit since the merger with Shawmut. Their access to credit appears to be growing even worse.
In 1996, Fleet National Bank and Fleet Real Estate made 1,116 conventional loans to low and moderate income borrowers in the Boston MSA. In 1997 this number fell 29% to 791, a drop several percentage points higher than the decline to upper income borrowers. These numbers would be even less favorable to low and moderate income buyers if it were not for Fleet's community partnerships.

> *In the city of Boston in 1997, Fleet made 323 loans to low and moderate income borrowers. We can identify 84 of those loans to low and moderate income neighborhoods, or 26%, that were made through the ACORN Housing Corporation.*

Without the bank and its local partners, Fleet's extension of credit to low and moderate income borrowers would have practically disappeared. Almost half of Fleet's conventional loans are made by Fleet Real Estate, whose lending record paints a far grimmer picture for the fate of lower income home buyers. The overall decline in Fleet RE's lending has not been elt by all borrowers equally. While Fleet RE cut in half their loan origination to low and moderate income borrowers from 1996 to 1997, it didn't impose the same kind of austerity measures on its upper income borrowers, cutting these loan originations by only a quarter.

Low and moderate income borrowers also saw their share of Fleet RE's conventional loans drop from 35.6% in 1996 to only 27.7% in 1997. Fleet RE's lending shifted toward upper income borrowers, who saw their share of Fleet's conventional loans increase from 36.3% in 1996 to 42.1% in 1997.

Fleet Real Estate accomplished this shift in its lending by denying low-income borrowers 2.8 times as often as upper income borrowers and rejected moderate income borrowers 2 times more than upper income borrowers in 1997.

GEOGRAPHIC DISTRIBUTION

All Fleet affiliates combined denied 24% of the applications from integrated and minority census tracts, compared to only 14% of loans in census tracts with less than 20% minority population, making integrated and minority neighborhoods 1.7 times more likley to have applications rejected than predominately white neighborhoods. Fleet denied 25% of applications from low-income census tracts, compared to only 16% of applications in upper-income tracts, a 1.6 times difference.

These numbers would be far worse for lower-income and minority communities if it were not for the work of the local partners who worked with Fleet National Bank.

We can preview what Fleet's overall performance would be without these community partners by looking at Fleet Real Estate Funding. In the Boston, MSA, Fleet RE Funding only made 11% of its almost 1,000 conventional and FHA mortgages in integrated and minority census tracts and less than 2% of its loans in low-income census tracts.

This minimal lending can be attributed in part to the enormous disparity between Fleet Real Estate's rejection rates of loans in lower-income and minority neighborhoods and its rejection rates in upper-income and white neighborhoods. While Fleet Real Estate denied a third of all applications in minority census tracts (32%), it only turned down 14% of applications in predominately white tracts, making minority neighborhoods 2.3 times more likely to be denied than white neighborhoods.

Within census tracts of the same income level, Fleet Real Estate was up to 2.3 times as likely to deny applicants from the tracts with a greater minority population than from those tracts that are predominately white. Fleet RE denied one out of every four applications (25%) from moderate income census tracts that are integrated or minority, but only one out of nine applications (11%) from moderate income census tracts that are almost entirely white. Fleet RE denied 30% of applications from middle-income minority census tracts , but only half as many, 15%, of the applications from middle-income white .

In addition to Fleet's history of a post-merger decline in loans, its movement away from community lending, and its refusal to continue the ACORN Housing Corporation Lending

Program, there are other reasons to be concerned that this merger will have a devestating effect on Boston's lower income and minority families. BankBoston has also had a lending program with AHC, a partnership which is now jeapordized by the merger.

> *BankBoston made 1,254 conventional loans in the Boston MSA in 1998. AHC was responsible for 255 of them, 20.33%. 316 of BankBoston's loans were made to Black and Latino borrowers. 163 of these, 51.58%, were made through AHC.*

ACORN Housing Corporation has not been given any indication that this program will continue. Given Fleet's intentions to abandon its own program with AHC, it stands to reason that the BankBoston program, which has similarly flexible underwriting guidelines will also be eliminated.

> *In 1997, ACORN Housing Corporation was responsible for 43.8% of the combined total of all the conventional loans made by Fleet and BankBoston in the Boston MSA.*

<u>Bridgeport</u>

RACE

In 1995, Fleet National Bank, Fleet Mortgage, and Shawmut Mortgage made 81 conventional purchase loans to African-Americans and 108 loans to Latinos. By 1997, this number had fallen 58% to 34 loans to African-Americans and 83% to a paltry 18 loans to Latinos.

Minorities not only saw a large decrease in the number of loans they received, but also in the relative share of the merged institution's lending. In 1995, 41% of the combined total of Fleet and Shawmut's mortgages were made to African-American and Latinos. In 1997, they received only 26.5% of the mortgages -- in an MSA where African-Americans and Latinos make up more than half of the population (53.1%). At the same time, the new, larger Fleet was making a greater portion of its loans to white buyers. In 1995, 53.2% of Fleet and Shawmut's loans went to white borrowers. In 1997, this share climbed to 62.2% of the loans.

These shameful numbers would have been even less had it not been for Fleet's partnership with the ACORN Housing Corporation.

> *Out of Fleet's 142 conventional loans made in 1996 to African-Americans and Latinos, 94 of the loans, 66.2%, were a result of the partnership with AHC. Of Fleet's 52 loans made to African-Americans and Latinos in 1997, AHC was responsible for 32 of the loans, 62%.*

In short, without this partnership, Fleet would have made almost no loans to African American or Latino borrowers in Bridgeport.

Even with the aid from AHC, Fleet's lending to minorities and lower income neighborhoods is still seriously problematic. Despite the fact that the Bridgeport MSA population's is more than half African-American and Latino, 81% of Fleet's conventional loans were made in predominately white census tracts (less than 20% minority population). Only 11% of Fleet's conventional loans were made in low and moderate income census tracts.

Fleet's geographic distribution of loans would have been even worse were it not for its partnership with the ACORN Housing Corporation.

There are also significant disparities in the distribution of Fleet's rejections. Borrowers in tracts with more than 50% minority population were still 1.4 times more likely to be rejected for a conventional loan than borrowers in tracts with less than 20% minority population. Applicants from moderate income tracts were 1.7 times more likely to be denied than applicants from upper income tracts.

Applicants from moderate income tracts with more than 50% minority population were:

- 2 times more likely to be denied than applicants in middle income tracts with less than 20% minority population;
- 2.3 times more likely to be denied than applicants in upper income tracts with less than 20% minority population;
- 2.7 times more likely to be denied than applicants in middle income tracts with 20-49% minority population; and
- 3.7 times more likely to be denied than applicants in moderate income tracts with 20-49% minority population.

As in Boston, because of its size and market domination, Fleet has an essential part in the flow of credit to minority communities. In 1997, Fleet made 12.4% of all the conventional loans originated to African-American in the Bridgeport MSA and 8.7% of all the convenationl loans originated to Latinos in the MSA.

That's why it is so vitally important to local communities that Fleet Bank continue to work with its non-profit housing partners. We can preview what Fleet's overall performance would be without these community partners by looking at Fleet Real Estate Funding.

In the Bridgeport MSA, which is more than a quarter African-American, Fleet RE Funding only made 1 conventional loan out of nearly 100 to an African-American borrower and denied African-American applicants at a rate five times greater than it denied white applicants. Fleet RE only made 4.2% of its conventional loans in low and moderate income census tracts and only made 8.3% of its loans in integrated and minority tracts.

Although ACORN Housing Corporation's work in Connecticut is primarily in Bridgeport, where AHC is responsible for approximately two-thirds of Fleet's African-American and Latino lending, AHC has made a significant contribution to Fleet's minority lending in other areas.

AHC was responsible for 30 of Fleet's 38 Black and Latino conventional loans in 1996 (79%) and 8 of the 19 Black and Latino loans in 1997 (42%) in the Stamford-Norwalk MSA.

In the New Haven-Meridan MSA, AHC was responsible for 5 of Fleet's 19 conventional loans to Black and Latino borrowers in 1996 (26%) and 5 of Fleet's 9 loans to Blacks and Latinos in 1997 (56%).

Given the role of ACORN Housing Corporation in Fleet's lending, Fleet's termination of its partnership with AHC amounts to a near complete abandonment of minority borrowers in these markets.

New York City

The Fleet merger with Natwest in 1996 may have benefited someone in New York, but it only hurt minorities, lower income families, and low to moderate income and minority neighborhoods in New York City.

RACE

The Fleet-Natwest merger resulted in a drastic decline in lending to minorities. In 1995 the separate institutions made a combined 492 conventional and FHA mortgages to African-Americans and 257 mortgages to Latinos. In 1997, the merged institution made 77% fewer loans to African-Americans, only 113, and 73% fewer loans to Latinos, only 70.

One part of this decrease is attributable to the fact that Fleet did not maintain the community lending commitments of the banks with which it merged. NatWest had a lending agreement with the New York ACORN Housing Corporation which was discontinued by Fleet. The agreement included a highly successful underwriting program and loans at 1% below the market interest rate. AHC helped NatWest reach populations that were new to the bank, break into the large, underserved Latino community, and build relationships with other community groups and local minority churches.

Even without including Natwest's loans, Fleet's own lending to minorities and low-income buyers has dropped significantly. In 1995, Fleet Mortgage made 369 conventional and FHA mortgages to African-Americans and 191 to Latinos. In 1997, those numbers for Fleet Real Estate Funding, the successor to Fleet Mortgage, were only 112 mortgages to African-Americans and 70 to Latinos. This decrease in lending was not felt the same by all borrowers. While the number of loans to African-Americans fell by 70% and and lending to Latinos decreased 63%, loans to whites only declined 13%.

African-Americans and Latinos were disproportionately effected by Fleet's decline in lending as Fleet shifted its lending priorities. In 1995, more than half of Fleet Mortgage's loans were to African-Americans and Latinos -- 53%. In 1997, this portion fell to only 29%. Meanwhile, the share of Fleet's mortgages to whites grew from 34% in 1995 to 52% in 1997.

At the same time that Fleet was decreasing its minority lending , it was increasing its minority denials. In 1995, Fleet Mortgage denied 9.1% of its conventional African-American applicants and 11.5% of its Latino applicants. In 1997, the African-American denial rate had skyrocketed three times higher to 30.3% and the Latino denial rate had more than doubled to 25%. Whereas in 1995 only 1 out of every 11 African-Americans and 1 out of every 9 Latinos were denied, in 1997 Fleet denied almost 1 out every 3 African-Americans and 1 out of every 4 Latinos.

INCOME

Lower income borrowers have also been the most affected by Fleet's lending decline. From 1996 to 1997, Fleet's conventional and FHA lending to low and moderate income borrowers fell by more than half -- 52% -- from 129 loans to only 62. Fleet spared upper income borrowers from this withdrawal of credit, decreasing loans to upper income buyers a relatively minor 8% -- from 433 loans to 399.

Fleet's conventional lending to low and moderate income borrowers is virtually non-existent. Only 10% of their loans were made to borrowers with incomes below 80% of the area median and only a single loan (1/10 of 1%) was made to a borrower whose income was below 50% of the median.

GEOGRAPHIC DISTRIBUTION

Fleet's mortgage lending has been concentrated in higher income, predominately white census tracts. Only 12.7% of Fleet's conventional loans in 1997 were made in low to moderate income census tracts. More than half (56%) of Fleet's conventional loans were made in census tracts that were more than 80% white. This by no means represents balanced service to all New York neighborhoods.

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Fleet has created this inequality, at least in part, by rejecting applicants from low to moderate income or minority census tracts at rates far greater than its rejections in upper income or white census tracts. One can predict the likelihood of receiving a loan from Fleet based on the income and racial make-up of the neighborhood. In its conventional lending, Fleet was 1.7 times more likely to deny an application in a moderate income census tract than in an upper income census tract -- rejecting 39.3% of applicants in moderate income areas compared to only 23.7% in upper income areas.

Fleet was 1.4 times more likely to deny an application in an integrated or minority neighborhood than in a white area -- rejecting 31% of applications from census tracts that had 20% or greater minority population and only 22% of applications from tracts with less than 20% minority population.

Even when comparing census tracts of the same income level, but with different degrees of minority population, the inequality in Fleet's lending is still present. Upper income neighborhoods with a minority population of 50% or greater were 1.8 times more likely to have applications denied than upper income neighborhoods with a minority population less than 50%.

Applicants in moderate income tracts with 20-49% minority population were 2.6 times more likely to be denied than in moderate income tracts with less than 20% minority population;

Nassau-Suffolk MSA

Fleet's mergers and subsequent decline in lending have also hurt lower-income and minority home buyers in the Nassau-Suffolk MSA.

RACE

From 1995 to 1997, this area experienced a sharp drop in minority lending. In 1995 the separate institutions of Fleet and Natwest made a combined 82 conventional and FHA mortgages to African-Americans and 69 mortgages to Latinos. In 1997, the merged institution made 63% fewer loans to African-Americans, only 30, and 62% fewer loans to Latinos, only 26.

Even without Natwest's loans, Fleet has reduced its loans to minorities and low-income buyers. In 1995, Fleet Mortgage and Fleet Bank NA made 60 conventional and FHA mortgages to African-Americans. In 1997, this number had been cut in half to only 30 loans. As in New York City, white borrowers saw a decline, but not nearly as severe as for African-Americans. White loan originations fell 35% from 540 in 1995 to 348 in 1997.

The share of Fleet's loans received by minorities also decreased during this same period. In 1995, 8.7% of Fleet's loans were made to African-Americans and 6.2% were made to Latinos.

In 1997, the portion toAfrican-Americans and Latinos had fallen to only 6.5% and 5.6% of the loans, respectively.

While the number of loans to minorities was falling, the denials of minorities was rising. In 1995, Fleet Mortgage denied 13.5% of its conventional African-American applicants and 9.1% of its Latino applicants. In 1997, the African-American denial rate had increased to 18.4% and the Latino denial rate had more than doubled to 23.1%.

INCOME

Low to moderate income borrowes have borne the largest brunt of Fleet's decline in lending. In 1996, Fleet and Natwest made 167 conventional and FHA loans to low and moderate income borrowers. In 1997, this figure fell to only 88 loans.

Compared to its own past lending, Fleet's lending to low and moderate income borrowers has dropped both in volume and as a percentage of its overall lending. In 1996, 23.3% of Fleet Real Estate Funding's loans were made to low and moderate income borrowers and 36.8% were made to upper income borrowers. In 1997, the share of loans made to low and moderate income home buyers had fallen to only 17.1% and the portion to upper income borrowers had climbed to 45.4%.

Over 60% of low-income conventional loan applicants were denied by Fleet, making low-income buyers almost 3.5 times as likely to be rejected as upper income buyers. More than a third of low and moderate income buyers were denied by Fleet -- 36.4% -- or two times the percentage of upper income borrowers.

Only 15.7% of Fleet's conventional loans in 1997 were made to low and moderate income borrowers, well below the market average among all lenders for the Nassau-Suffolk MSA, which was 18.5%. While Fleet was below average in lending to lmi buyers, it was above average in lending to the other end of the income scale. Almost half of Fleet's loans went to upper income buyers, 48%, compared to 41% which was the average for all conventional loans in the MSA.

GEOGRAPHIC DISTRIBUTION

Fleet's mortgage lending has been concentrated in higher income, predominately white census tracts. Not one of Fleet's conventional mortgages was in a low-income census tract and only 8.4% of its mortgages were in a moderate income census tract. A disturbing 90% of Fleet's loans were made in census tracts that are more than 80% white.

This imbalance in service is not solely due to a lack of applications from lower income or minority census tracts, but rather to much higher rejection rates for applicants from these neighborhoods. Borrowers in moderate income neighborhoods were 1.8 times more likely to be denied than borrwers in middle income tracts and 1.6 times more likley to be rejected than borowers in upper income census tracts. Fleet turned down 39% of the applications from moderate income census tracts compared to only 21% in middle income tracts and 24% in upper income areas.

As the minority population in a neighborhood increases, so too does the likelihood of an applicant from that neighborhood being rejected. While Fleet turned down only 23% of borrowers in predominately white census tracts, it denied 35% of borrowers in integrated tracts and 41% in minority tracts, a 1.5 and 1.8 times greater denial rate respectively.

Applicants in moderate income census tracts with 20-49% minority population were:

- 2.1 times more likely to be denied than in upper income tracts with less than 20% minority population; and
- 2.5 times more likely to be denied than in middle income tracts wtih less than 20% minority population.

Applicants in middle income tracts with more than 50% minority population were:

- 1.9 times more likely to be denied than in upper income tracts with less than 20% minority population; and
- 2.3 times more likley to be denied than in middle income tracts with less than 20% minority population.

Jersey City

The merger between Fleet and Natwest has resulted in a sharp decline in minority lending. In 1995, Fleet and Natwest had a combined total of 48 conventional and FHA loans to African-Americans and Latinos. In 1997, this number had dropped 62.5% to only 18 loans. The decrease in conventional lendng was even greater. In 1995, Fleet and Natwest had a combined total of 37 conventional loans to black and Latino borrowers. In 1997, this number had dropped to almost nothing, decreasing 78.4% to a mere 8 loans. In an MSA where the population is more than half Black and Latino (53.9%), Fleet only made a third of its loans to black and latino borrowers.

Not one of Fleet's conventional or FHA loans was made to a low-income borrower, and only 4 loans (10%) were made to a moderate income borrower.

Not one of Fleet's conventional or FHA loans were made in a low-income census tract and only 1 loan (2.5%) was made in a moderate income census tract.

These numbers should not be too surprising, given that Fleet Bank, N.A. is headquartered in Jersey Ciy and fails to even provide a branch in the city.

Fleet Real Estate Funding: Fleet's Arm for Lending Inequality

Cities fare even worse when Fleet operates alone, without community partners, such as in those cities served by Fleet Real Estate Funding. We have reviewed Fleet's lending in five additional cities that have ACORN chapters. In these markets, Fleet Real Estate Funding has virtually abandoned lower income and minority home buyers and concentrated on upper income, white borrowers. In almost all cases it is also significantly worse than the average in these local markets. Fleet has small percentages of originations to minority and low-income home buyers, inordinately high rejection ratios for African-American and Latino applicants, and minimal lending in low-to-moderate income neighborhoods and integrated and minority census tracts. This prevalent pattern is worsening..

Philadelphia

RACE

In 1996, Fleet RE made 13.5% of its conventional and FHA loans to African-Americans and 6.2% to Latinos. In 1997, these percentages plumetted to 4.1% and 3.3% respectively. The share of Fleet's loans received by white borrowers increased from 70.5% in 1996 to 78.8% in 1997.

The 7.4% of Fleet's conventional and FHA loans to African-Americans and Latinos is just half as much as the aggregate in the Philadelphia MSA in which all lenders made 13.9% of their loans to African-Americans and Latinos.

The number of loans to African-Americans fell by 55% and to Latinos by 40%. At the same time, the number of loans to whites shot up by 29%.

While Fleet RE was cutting back on the number of minority loans, it was stepping up its minority denials. In 1996, Fleet RE rejected 16.7% of African-American applicants. A year later, Fleet rejected 35% of African-American applicants. This increased restriction on credit was not across the board for everyone -- the denial rate for white applicants decreased from 7.6% in 1996 to only 5.3% in 1997. In 1997, black applicants were almost 7 times more likely to be denied than White applicants and Latino applicants were almost 4 times more likely to be denied.

These rejection ratios for African-Americans and Latinos are astronomical, especially when the average rejection ratios among all lenders in the MSA were 2.6 for conventional and 1.9 for FHA loans to African-Americans and 2.15 for conventional and 1.9 for FHA loans to Latinos.

INCOME

Fleet RE also appears to have turned its back on low to moderate income borrowers in favor of upper income borrowers. The number of conventional loans to low and moderate income applicants fell 25.4% from 1996 to 1997, while the number of loans to upper income borrowers increased 47.5%.

This disparity is also evident in Fleet's rejections -- while Fleet was tightening credit for low and moderate income borrowers, increasing their denial rate from 13.2% to 15.8%, it was loosening credit for upper income borrowers, reducing their denial rate from 8.0% to 4.9%. This resulted in widening the gap of inequality. In 1996, low and moderate income borrowers were 1.6 times more likely to be denied than upper income borrowers. In just one year, the rejection ratio more than doubled and lmi buyers were 3.3 times more likely to be denied than upper income buyers.

Area lenders made 30.8% of their conventional and FHA loans to low and moderate income borrowers, while Fleet only made 13.6% of its loans to lmi buyers.

GEOGRAPHIC DISTRIBUTION

Fleet RE also had very poor geographic distribution of its loans. Only 4.1% of Fleet's conventional and FHA loans were in low and moderate income census tracts, compared to the average among all lenders who made 11.9% of their loans in these tracts.

Applicants from lmi tracts were almost 6 times more likely to be denied than applicants from upper income tracts and 2.6 times more likely to be denied than applicants from middle income tracts.

Only 2.3% of Fleet's loans were in minority census tracts. Applicants from minority tracts were 4.6 times more likely to be denied than applicants from predominately white tracts.

Denver

RACE

From 1996 to 1997, Fleet RE's conventional and FHA lending to African-Americans and Latinos all but disappeared, dropping 71.6% from 88 loans in 1996 to 25 loans in 1997. The share of Fleet RE's loans received by African-Americans and Latinos was cut almost in half from 10.7% in 1996 to 5.6% in 1997.

This is not only significantly less than Fleet made in 1996, but it pales in comparison to the aggregate for the MSA in 1997 in which lenders made 10.2% of their loans to African-American and Latino borrowers.

This imbalance in lending must be looked at in relation to Fleet's increased rejection of minority applicants. In 1996, African-Americans were only 1.1 times more likely to be turned down for a conventional or FHA loan by Fleet than white applicants. In 1997, the rejection ratio had soared to African-Americans being 3 times more likely to be denied. This is also almost double the aggregate rejection ratio of other lenders in the MSA.

INCOME

Fleet's low and moderate income lending fell 65% from 231 loans in 1996 to 81 loans in 1997, more than two times a greater decrease than in Fleet's upper income lending. The share of Fleet RE's loans which went to lmi individuals fell from 28% in 1996 to 18% in 1997, while the share of loans received by upper income borrowers rose from 29% to 50%.

Fleet also made a smaller percentage of its loans to low and moderate income borrowers than other lenders. Fleet made 18% of its loans to lmi individuals, compared to the 34% of loans made by all area lenders.

GEOGRAPHIC DISTRIBUTION

The geographic distribution of Fleet's lending is just as bad, with Fleet making less than 1% of conventional and FHA loans in low-income census tracts and less than 5% in moderate income census tracts. Applications from low and moderate income census tracts were 4.4 times more likely to be rejected for a conventional or FHA loan than applications from middle and upper income tracts.

While Fleet made less than 6% of its loans in low and moderate income census tracts, 18.5% of purchase loans made by all Denver area lenders were in these tracts.

Only 1% of Fleet's conventional and FHA loans were made in tracts with more than 50% minority population, while 87% were made in tracts with less than 20% minority population. Conventional or FHA applicants from tracts with more than 50% minority population were 4.6 times more likely to be denied than applicants from tracts with less than 10% minority population and applicants from tracts with 20-49% minority population were 2 times more likely to be denied than applicants from tracts with less than 10% minority population.

Only 13% of Fleet's loans were made in tracts with 20% or greater minority population, compared to the 23% of loans made by all area lenders.

<u>Dallas</u>

RACE

From 1996 to 1997, Fleet RE's conventional and FHA lending to African-Americans decreased 45%, to Latinos decreased 4.0%, and to whites increased 20%. The share of Fleet RE's loans made to African-Americans fell from 7.2% in 1996 to 3.5% in 1997, and the share to Latinos dropped from 5.2% in 1996 to 4.4% in 1997. At the same time, the share received by whites increased from 71.6% in 1996 to 75.5% in 1997.

As in other cities, Fleet made fewer loans to African-Americans and Latinos than the market average. While only 3.5% of Fleet's loans were made to African-Americans and 4.4% were made to Latinos, 6.4% and 7.1% of the loans made by all lenders in the MSA were made to African-Americans and Latinos respectively.

Again we see a patten of decreasing minority originations and increasing minority denials. In 1996, Fleet denied 38.2% of all black applicants and 15.8% of all white applicants for a rejection ratio of 2.4. In 1997, Fleet increased its denial rate of blacks to almost half, 44.8%, and decreased its denial rate of whites to 10.6%, resulting in an astronomical rejection ratio of 4.2. This is especially alarming considering that the aggregate rejection ratio for African-Americans in the Dallas MSA was 1.65 for conventional loans and 1.96 for FHA loans.

INCOME

Fleet's low and moderate income lending fell 23% from 126 loans in 1996 to 100 loans in 1997, while its upper income lending increased 30% from 209 loans in 1996 to 272 in 1997. This resulted in a large change in the share of loans received by lower income buyers. In 1996, lmi borrowers received 27.5% of all of Fleet's loans and upper income buyers received 45.6% of the loans. In 1997, lmi buyers' share had fallen to 18.9%, while the share of upper income buyers had grown to 52.4%.

Fleet made a smaller percentage of its loans to low and moderate income borrowers than other lenders. While 24.9% of the loans made by all area lenders went to low and moderate income borrowers, only 18.9% of Fleet's did.

GEOGRAPHIC DISTRIBUTION

Fleet made less than 1% of its conventional and FHA loans in low-income census tracts and only 6.3% in moderate income census tracts. This is significantly lower than the market average for the Dallas MSA in which all lenders made 22.41% of their loans in these tracts.

Only 3.8% of Fleet's conventional and FHA loans were made in tracts with more than 50% minority population. Applicants from these tracts were 2.4 times more likely to be denied than applicants from tracts with less than 10% minority population.

Houston

RACE

From 1996 to 1997, Fleet's conventional and FHA lending to African-Americans decreased 55% and to Latinos decreased 57.8%. The share of Fleet's loans made to African-Americans and Latinos fell from 20.3% in 1996 to 18.7% in 1997. Not only is this a decline from 1996, but it is also a smaller percentage than the average among all area lenders who made 21.7% of their loans to African-Americans and Latinos.

Again we see a patten of decreasing minority originations and increasing minority denials. In 1996, Black applicants were denied 1.7 times more often than whites and Latino applicants were actually denied less often than whites. In 1997, these rejection ratios shot up to 2.1 for African-Americans and 1.9 for Latinos.

INCOME

Fleet's low and moderate income lending fell 61.1% from 229 loans in 1996 to 89 loans in 1997, while its upper income lending only decreased 47.6%. This shifted the relative share of loans received by low and moderate income compared to upper income borrowers. In 1996, low and moderate income buyers received 20.6% of Fleet's loans and upper income buyers received 48.2% of the loans. In 1997, the low and moderate income share had fallen to 16.8%, while the upper income share had increased to 53.1%.

The 16.8% of Fleet's loans received by lmi borrowers is signficantly lower than the 28.2% of loans by all lenders in the MSA which were given to low and moderate income buyers.

GEOGRAPHIC DISTRIBUTION

Fleet made less than 1% of its conventional and FHA loans in low-income census tracts and less than 5% in moderate income census tracts. This is significantly lower than the market average for the Houston MSA in which all lenders made 12% of their loans in these tracts. Applicants from census tracts with more than 20% minority population were 4.6 times more likley to be denied than applicants from tracts wth less than 10% minority population.

<u>Chicago</u>

Fleet has basically walked away from minority and low-to-moderate income lending in the Chicago MSA.

RACE

From 1996 to 1997, Fleet's lending to African-Americans and Latinos dropped to near nothing. In 1996, Fleet made 59 conventional loans to African-Americans and 69 to Latinos. In 1997, this figure sunk to only 5 loans to African-Americans and 13 loans to Latios. A 91.6% and 81.2% decrease respectively. While Fleet's lending to whites also decreased, it was not nearly to the same degree.

The share of Fleet's conventional and FHA loans made to African-Americans and Latinos also fell drastically, while the portion received by white borrowers increased. In 1996, 13.3% of Fleet's loans went to African-Americans and 17.4% went to Latinos, with 59.5% going to whites. In 1997, the African-American share dropped to 5%, the Latino share decreased to 13.4%, and the white share grew to 63.2%.

African-American and Latino borrowers lost out even more on their relative share of Fleet's conventional loans. The African-American share fell from 7.8% to 1.9% and the Latino share fell from 9.1% to 4.8%. African-Americans and Latinos received only 6.7% of Fleet's conventional loans in an MSA that is 30.3% black and Latino.

At the same time that Fleet was slashing its minority lending, it was expandng its minority denials. Fleet's rejection ratio for Latino conventional loans nearly doubled, jumping from .95 to 1.8, and the African-American rejection ratio skyrocketted from 2.1 to 3.4. This is more than the already unbelievably high 3.2 for all lenders in the Chicago MSA.

INCOME

Low and moderate income borrowers also suffered from the decline in Fleet's conventional lending. Fleet's loans to lmi individuals fell 71% from 243 in 1996 to 70 in 1997. While Fleet's lending to upper income borrowers also decreased, the decline was 20 percentage points less than the decline to low and moderate income buyers. This resulted in a shift in the relative share that lmi borrowers received compared to upper income borrowes. LMI buyers' share of Fleet's loans dropped from 32% in 1996 to only 25.8% in 1997. Upper income buyers' share grew from 37.7% in 1996 to 50.6% in 1997.

GEOGRAPHIC DISTRIBUTION

Fleet made only 1.25% of its conventional and FHA loans in low-income census tracts and only 5.2% of its conventional loans in low or moderate income census tracts. Conventional applications from low or moderate income tracts were three times more likely to be denied than applications from upper income tracts.

Only 4.4% of Fleet's conventional loans were made in census tracts wtih 50% or greater minority population. Applicants from these tracts were 1.8 times more likely to be denied than applicants from tracts with less than 10% minority population.

Conclusion

Fleet has had a dramatic decline in lending -- a decrease from the overall lending by the separate pre-merger institutions and a decrease in the lending of Fleet affiliates, themselves. This withdrawal of credit has been felt the most acutely by low and moderate income and minority families and neighborhoods, communities which have historically been ignored and discriminated against, and now, once again, abandoned. This slide in Fleet's community lending is evident in the downgrading of several Fleet Banks from "Outstanding" CRA ratings in 1996 to only "Satisfactory" in their 1998 CRA exams.

While Fleet's history of acquisition and subsequent lending diminution provides ample basis for predicting the results of this newest merger, Fleet has given us even stronger substantiation of our concerns. Fleet's plan to terminate its highly successful lending program with ACORN Housing Corporation, which has had over 1,000 successful homebuyers, is a clear signal that Fleet intends to continue its trend of a decreasing community commitment, even in its largest markets, as it grows still larger.

Fleet has already realized a tripling of its net income in just four years, hitting $1.3 billion in 1997, while leaving local communities stranded without the credit they need to thrive. Now, Fleet projects $600 million in cost savings from the merger with BankBoston, at the same time that it intends to walk away from a successful program which serves lower income and minority families.

The Federal Reserve Board should not permit Fleet Financial Group and BankBoston to merge without, at a minimum, commiting to continue their existing community lending agreements.

Methodology

This report was prepared using Home Mortgage Disclosure Act (HMDA) released from the Community Right to Know Network for 1995 and 1996 and from the Federal Financial Institution Examination Council for 1996 and 1997. 1998 HMDA data was obtained from a study by Jim Campen, UMass/Boston. Data regarding the number of homebuyers through ACORN Housing Corporation (AHC) was obtained from Fleet Bank and AHC.

This report analyzed applications, originations, and denials for conventional and government backed home purhcase mortgages (refered to throughout this report as FHA loans, although they may include VA or FmHA loans). Unless otherwise specified, the word "Fleet" refers to all affiliates, i.e. Fleet Bank, Fleet Real Esate Funding, Fleet National Bank, and Fleet Home Equity, and their respective lending.

Denial/ rejection rates were figured by calculating the number of denied mortgage applications divided by the number of applicants from specified demographic groups. It does not include incomplete or withdrawn applications.

Rejection ratios were determined by the rejection rate for one specificied group divided by the rejection rate of another group, e.g. the rejection rate of African-American applicants divided by the rejection rate for white applicants. The figure describes the increased likelihood that one demographic group is rejected for loans in comparison to another group.

LaFreda Simuel
54 2nd Street
Hamden, CT 06514

June 29, 1999

To whom it may concern,

I am a first-time homebuyer. I was able to purchase a two family house on 54 2nd Street, Hamden, CT through the Acorn Housing Program. My closing date was schedule for April 9, 1999. Acorn assisted me tremendously in my effort to receive a loan from Fleet Bank.

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Sincerely,

LaFreda Simuel

June 30, 1999

Bob Brady
Vice President
Boston Federal Reserve Bank
600 Atlantic Ave
Boston, MA 02106

Dear Mr. Brady:

I am writing to express my serious concerns about the proposed merger between Fleet Financial Group and BankBoston Corporation. This merger will create a regional megabank which will dominate local markets, controlling more than 1/4 of every dollar held by New England banks and thrifts. A bank this large must do a good job of meeting the credit needs of all of our communities, and Fleet does not appear willing to live up to this standard.

Where it operates alone, without community partners, as for example in those cities served by Fleet Real Estate Funding , affiliates of Fleet have a terrible record of serving the credit needs of lower income and non white borrowers. In city after city, Fleet Mortgage overwhelmingly concentrates its loans in higher income census tracts, and in majority white census tracts. In Bridgeport, for example, in 1997 Fleet Real Estate Funding made less than 7% of their conventional loans in low and moderate income areas, and rejected African-Americans over five times more often than white borrowers. Over 70% of loans made by Fleet National Bank were in census tracts were in areas where fewer than 20% of residents are members of minority groups.

Where Fleet has developed community lending programs with local partners, their record looks different. While the bank has continued to reject minority borrowers at rates significantly higher than white borrowers, as a result of successful partnerships it has also in the past made a significant number of loans in some of these communities. In Bridgeport, Fleets partnership with ACORN Housing Corporation has been responsible in recent years for pluralities and even majorities of all of the banks loans to low and moderate income borrowers, and to nonwhite borrowers. In 1997, for example, where all Fleet affiliates combined made a total of 52 loans to African American and Hispanic borrowers in Bridgeport, 48 of the loans were made through the AHC lending partnership. In short, without this partnership, Fleet would have made almost no loans to African American or Hispanic borrowers in our city.

Now, as it proposes to grow still larger by merging with BankBoston, Fleet is walking away from this partnership. The bank has refused to continue the flexible underwriting and other practices which have made so many loans happen in Bridgeport. This refusal can only dramatically accelerate the existing downward trend of Fleets lending

in underserved Connecticut communities. As Fleet has grown and incorporated other institutions, its total lending in Connecticut has declined, and that decline has been steeper in lending to low and moderate income and to minority borrowers. Between 1995 and 1998 overall lending by Fleet ~~fell by~~ 49% in ~~the state~~ (that is lending by Fleet and Shawmut in 1995 compared with lending by Fleet, which had by then merged with Shawmut, in 1998). Lending to ~~African American borrowers~~ fell by a larger 62%, and lending to low and moderate income borrowers of all races fell by 55.1%.

Fleet and BankBoston must make a serious commitment to turning this decline around, and to continuing and expanding successful community partnerships, not walking away from them. Without these changes, the Fleet / BankBoston merger will do significant harm to our communities.

Sincerely,

CC:
Terrance Murray
CEO Fleet Financial
One Federal Street
Boston MA 02211-2000

Jennifer Johnson
Secretary of the Federal Reserve Board
20th & Constitution Ave. NW
Washington, DC 20551

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DEAR ACORN HOUSING

I AM WRITING YOU THIS LETTER TO THANK YOU ALL VERY MUCH FOR ALL THE HARD WORK THAT YOU ALL DID FOR ME. IT TOOK SOME TIME BUT IT ALL WORKED OUT YOU HELPED ME ON THE RIGHT TRACK TO FIXING MY CREDIT AND THEN LED ME TO THE PERFECT BANK.

I ALWAYS DID MY BANKING THREW PEOPLES BANK BUT NOW I SEE THE DIFFERENCE BOTH IN SERVICE AND PEOPLE.
SHARON AND DANITA THAY WERE GREAT. THAY WERE REALY DOWN TO EARTH AND MADE ME FEEL LIKE I WAS BEING WELCOMED INTO A GROWING FAMILY. NOT JUST ANOTHER BUSINESS DEAL.

SO THANK YOU ALL VERY MUCH FOR ALL YOUR HARD WORK WITHOUT ACORN AND FLEET I WOULD NOT BE A PROUD HOME OWNER TODAY.

THANK YOU

Mari F DaCunha

June 30, 1999

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Vice President
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Sincerely,

LaFreda Simuel

NOVA REALTY, INC. Better Homes and Gardens®
4083 Main St., Bridgeport, CT 06606 Telephone (203) 372-6996 Fax (203) 372-9985

June 30, 1999

Ms. Doris Latorre
240 Fairfield Avenue
Bridgeport, CT 06604

SUBJECT: ACORN HOUSING PROGRAM

Dear Ms. Latorre:

Since I began working with ACORN Housing Program in 1993, I have been impressed with their dedication in helping people obtain their dream; buying their own home. Their commitment to first-time homebuyers is shown through the programs they offer. ACORN educates the first-time homebuyer through the entire home buying process, including pulling and explaining credit reports to the point of helping first time buyers qualify for a mortgage. ACORN also ensures that the first-time homebuyer is ready for the responsibilities of owning a home. Their counseling programs such as managing money play a significant role in ensuring the success of these buyers as homeowners.

From my personal perspective, it is always refreshing to witness an organization, such as ACORN, offering its services and enabling first-time buyers to purchase a home. My customers have been very happy with the services they received from ACORN. They realize that without an organization like ACORN they probably would not be homeowners today.

For me professionally, having ACORN to turn to has improved my business. Many prospective buyers do not know the first thing about buying and or owning a home. Having ACORN as a "partner" has helped many of my customers realize their dream. Having ACORN educate my customers and "walk them through the process" has helped my tremendously. It is my hope that they will continue to assist first time homebuyers for many years to come.

Sincerely,

Luisa P. Dias

Luisa P. Dias

6/30/99

Att- Accorn & Benjamin:

I'am writing to inform you, and your staff, that I am very grateful for all your support.

The accorn program is an asset to all, the first Time home Buyers.

I specially would like to thank your Staff for being so welcoming and friendly. This program has suplied me with information to the first steps in buying a home, What we need to be aware of and the way to shop wisely. A home for Me and my family is a dream Come True. There Really is a lot of Important factors to look into, before buying a house. You have saved us time and money on this big step. "Thank you again"

Sicerelly,

Benito Vazquez

(203) 324-1657

6/30/99

Att— Accorn & Benjamin:

I'am writing to inform you, and your staff, that I am very grateful for all your support.
The accorn program is an asset to all, the first Time home Buyers.
I specially would like to Thank your Staff for being so welcoming and friendly. This program has suplied me with information to the first steps in buying a home, What we Need to be aware of and the way to shop wisely. A home for Me and my family is a dream come True. There Really is a lot of Important factors to look into, before buying a house. You have saved us time and money on this big Step. "Thank you again"

Sicerelly,
Benito Vazquez
(203) 324-1657

DEAR ACORN HOUSING

I AM WRITING YOU THIS LETTER TO THANK YOU ALL VERY MUCH FOR ALL THE HARD WORK THAT YOU ALL DID FOR ME. IT TOOK SOME TIME BUT IT ALL WORKED OUT YOU HELPED ME ON THE RIGHT TRACK TO FIXING MY CREDIT AND THEN LED ME TO THE PERFECT BANK.

I ALWAYS DID MY BANKING THREW PEOPLES BANK BUT NOW I SEE THE DIFFERENCE BOTH IN SERVICE AND PEOPLE.
SHARON AND DANITA THAY WERE GREAT. THAY WERE REALY DOWN TO EARTH AND MADE ME FEEL LIKE I WAS BEING WELCOMED INTO A GROWING FAMILY. NOT JUST ANOTHER BUSINESS DEAL.

SO THANK YOU ALL VERY MUCH FOR ALL YOUR HARD WORK WITHOUT ACORN AND FLEET I WOULD NOT BE A PROUD HOME OWNER TODAY.

THANK YOU

Lisa L DaCunha

June 30, 1999

Bob Brady
Vice President
Boston Federal Reserve Bank
600 Atlantic Ave
Boston, MA 02106

Dear Mr. Brady:

I am writing to express my serious concerns about the proposed merger between Fleet Financial Group and BankBoston Corporation. This merger will create a regional megabank which will dominate local markets, controlling more than 1/4 of every dollar held by New England banks and thrifts. A bank this large must do a good job of meeting the credit needs of all of our communities, and Fleet does not appear willing to live up to this standard.

Where it operates alone, without community partners, as for example in those cities served by Fleet Real Estate Funding , affiliates of Fleet have a terrible record of serving the credit needs of lower income and non-white borrowers. In city after city, Fleet Mortgage overwhelmingly concentrates its loans in higher income census tracts, and in majority white census tracts. In Bridgeport, for example, in 1997 Fleet Real Estate Funding made less than 7% of their conventional loans in low and moderate income areas, and rejected African-Americans over five times more often than white borrowers. Over 70% of loans made by Fleet National Bank were in census tracts were in areas where fewer than 20% of residents are members of minority groups.

Where Fleet has developed community lending programs with local partners, their record looks different. While the bank has continued to reject minority borrowers at rates significantly higher than white borrowers, as a result of successful partnerships it has also in the past made a significant number of loans in some of these communities. In Bridgeport, Fleets partnership with ACORN Housing Corporation has been responsible in recent years for pluralities and even majorities of all of the banks loans to low and moderate income borrowers, and to nonwhite borrowers. In 1997, for example, where all Fleet affiliates combined made a total of 52 loans to African American and Hispanic borrowers in Bridgeport, 48 of the loans were made through the AHC lending partnership. In short, without this partnership, Fleet would have made almost no loans to African American or Hispanic borrowers in our city.

Now, as it proposes to grow still larger by merging with BankBoston, Fleet is walking away from this partnership. The bank has refused to continue the flexible underwriting and other practices which have made so many loans happen in Bridgeport. This refusal can only dramatically accelerate the existing downward trend of Fleets lending

in underserved Connecticut communities. As Fleet has grown and incorporated other institutions, its total lending in Connecticut has declined, and that decline has been steeper in lending to low and moderate income and to minority borrowers. Between 1995 and 1998 overall lending by Fleet ~~fell by~~ 49% in ~~the state (~~ that is lending by Fleet and Shawmut in 1995 compared with lending by Fleet, which had by then merged with Shawmut, in 1998). Lending to ~~African American borrowers~~ fell by a larger 62%, and lending to low and moderate income borrowers of all races fell by 55.1%.

Fleet and BankBoston must make a serious commitment to turning this decline around, and to continuing and expanding successful community partnerships, not walking away from them. Without these changes, the Fleet / BankBoston merger will do significant harm to our communities.

Sincerely,

Carmelo Morales

CC:
Terrance Murray
CEO Fleet Financial
One Federal Street
Boston MA 02211-2000

Jennifer Johnson
Secretary of the Federal Reserve Board
20th & Constitution Ave. NW
Washington, DC 20551

Telephone 203 333-1177
Telecopier 203 384-9832

Law Offices
Weinstein, Weiner, Ignal, Napolitano & Shapiro, P.C.

350 Fairfield Avenue P.O. Box 9177 Bridgeport, Connecticut 06601

Howard Evan Ignal
Gerald T. Weiner
Burton M. Weinstein
Roberta Napolitano
Richard J. Shapiro
Judith A. Mauzaka

June 29, 1999

Doris Latorre
Acorn Housing Corporation
240 Fairfield Avenue
Suite 303
Bridgeport, CT 06604

Dear Doris:

You recently inquired concerning my experience with both your program, and more specifically loans that have closed with Fleet Bank. I can again express my thoughts concerning the work that you and ACORN have been doing with regard to helping members of the community to obtain housing in the area, and can specifically respond concerning Fleet Bank. They're great.

One of the benefits of this program is that one of your participating lenders is Fleet. I know from my end that hearing that there has been a referral to Fleet is always good news. From the help that Sharon, Denita, and James give buyers in getting the ball rolling, to the people in the closing department, it is always a pleasure to work with Fleet. This, of course, is a great benefit to those first time buyers who often just don't know which end is up.

As you know, I have been involved in many closings that arise out of your program, and have been regularly attending the Home Buyer's seminars that are given by ACORN, assisting in explaining the process of buying a house to prospective purchasers.

Having been at these seminars, I can attest to the quality and breadth of the presentation. Buyers are advised as to aspects of the transaction ranging from dealing with real estate brokers, maintenance of good credit, solving problems, the mechanics of the lending process, contracts and closing. From speaking with participants, I know that one of the most valuable parts of the process is that buyers receive good information, presented in a manner that fosters both learning, and allowing the buyer to ask questions. So many times I have seen first time home buyers be treated in a manner that does not leave the door open for them to ask the questions that they have. That does not happen in your seminar.

Having represented numerous purchasers in these transactions, I also know that they appreciate not only the seminars, but the access to the lenders. This comes not only from the close relationship that ACORN has with a lender such as Fleet, which smooths the application and approval process, but, as well, from the assistance to first time buyers in organizing the necessary documents, and the guidance to look for housing in a price range for which financing will be a reality.

I appreciate the opportunity to work with you, and can certainly recommend this program as one which truly stands out as one that benefits this community. The great American dream of owning a home is not simply a phrase....it is a meaningful and significant event for your clients. It is one that ACORN has facilitated for many people, and for which you deserve great credit. The same credit goes to Fleet, and the human side that they give to these transactions. Without the patience of people like Fernando Ruiz, Damita Davis, Sharon Scrimenti, James Morton--buyers would have a much harder time.

If you need any other information, by all means, give me a call.

Very truly yours,

Richard J. Shapiro

NOVA REALTY, INC. Better Homes and Gardens

4083 Main St., Bridgeport, CT 06606 Telephone (203) 372-6996 Fax (203) 372-9985

June 29, 1999

Ms. Doris Latorre
240 Fairfield Ave.
Bridgeport, CT 06604

Dear M. Latorre:

The ACORN Housing Program is excellent to prepare the first time buyers. Many of our clients have used this program and they have been pleased with it. We know for a fact that if was not for this program, many of our clients would not have been able to buy their first home.

In our opinion, it is good for the city of Bridgeport to have as many people as possible to own and occupy the residential properties, because it gives the owners pride, responsibi ilty and an incentive to improve their homes and their neighborhoods.

Sincerely,

Domingos M. Dias

Domingos M. Dias
Partner

NOVA Better Homes and Gardens
REALTY, INC.

4083 Main St., Bridgeport, CT 06606 Telephone (203) 372-6996 Fax (203) 372-9985

June 30, 1999

Ms. Doris Latorre
240 Fairfield Avenue
Bridgeport, CT 06604

SUBJECT: ACORN HOUSING PROGRAM

Dear Ms. Latorre:

Since I began working with ACORN Housing Program in 1993, I have been impressed with their dedication in helping people obtain their dream; buying their own home. Their commitment to first-time homebuyers is shown through the programs they offer. ACORN educates the first-time homebuyer through the entire home buying process, including pulling and explaining credit reports to the point of helping first time buyers qualify for a mortgage. ACORN also ensures that the first-time homebuyer is ready for the responsibilities of owning a home. Their counseling programs such as managing money play a significant role in ensuring the success of these buyers as homeowners.

From my personal perspective, it is always refreshing to witness an organization, such as ACORN, offering its services and enabling first-time buyers to purchase a home. My customers have been very happy with the services they received from ACORN. They realize that without an organization like ACORN they probably would not be homeowners today.

For me professionally, having ACORN to turn to has improved my business. Many prospective buyers do not know the first thing about buying and or owning a home. Having ACORN as a "partner" has helped many of my customers realize their dream. Having ACORN educate my customers and "walk them through the process" has helped my tremendously. It is my hope that they will continue to assist first time homebuyers for many years to come.

Sincerely,

Luisa P. Dias

Luisa P. Dias

The Commonwealth of Massachusetts
House of Representatives
State House, Boston 02133-1054

REPRESENTATIVE
LIZ MALIA
11TH SUFFOLK DISTRICT

ROOM 540, STATE HOUSE
TEL (617) 722-2090
FAX (617) 722-2706
Rep.LizMalia@state.ma.us

Committees on:
SCIENCE and TECHNOLOGY
PERSONNEL and ADMINISTRATION
COUNTIES

LEGISLATIVE AIDE
KAREN VAN KOOY
Karen.VanKooy@state.ma.us

July 05, 1999

Bob Brady
Vice President
Boston Federal Reserve Bank
600 Atlantic Avenue
Boston, MA 02106

Dear Mr. Brady:

I am writing to express my serious concerns about the proposed merger between Fleet Financial Group and BankBoston Corporation. As your notice about the upcoming hearing remarks, this proposal involves the two largest banks in New England, and will create a regional megabank which will dominate local markets. I am concerned about the impact of this merger on local communities, and especially on low and moderate income and minority families.

Where it operates alone, without community partners, as for example in those cities served by Fleet Real Estate Funding, affiliates of Fleet have a terrible record of serving the credit needs of lower income and non white borrowers. In city after city, Fleet Mortgage overwhelmingly concentrates its loans in higher income census tracts, and in majority white census tracts. This pattern holds true for Fleet Mortgage in New England as well.

In Boston, for example, in 1997 Fleet Real Estate Funding made only 16% of its conventional loans in low and moderate income areas, and rejected African American and Latino borrowers twice as often as white borrowers. In Springfield, Fleet Real Estate Funding made no loans in low-income areas and only one loan in a moderate-income community in 1997. They also made no loans in census tracts where more than 50% of the residents are minorities. Almost 80% of loans by Fleet entities in Springfield were in census tracts that are less than 20% minority. In Brockton, Fleet National Bank again made no loans in low income census tracts or in tracts at least 50% minority.

Where Fleet has developed community lending programs with local partners, their record looks different. While the bank has continued to reject minority borrowers at rates significantly higher than white borrowers, as a result of successful partnerships it has also in the past made a significant number of loans in some of these communities.

The trend in recent years, however, as Fleet has grown and incorporated other institutions, has been a decline in lending overall in Massachusetts, and a steeper decline in lending to low and moderate income and to minority borrowers. Between 1995 and 1998 overall lending by Fleet fell by 46% (that is lending by Fleet and Shawmut in 1995 compared with lending by Fleet, which had by then acquired Shawmut, in 1998). Lending to African American borrowers fell by 52.4%, and lending to low and moderate income borrowers of all races fell by 50.7%.

It is in this context that I am so troubled by the fact that as it proposes to grow still larger, Fleet appears to be withdrawing from the agreements, and the practices, which have helped create a more adequate performance from the bank than from the Mortgage company. In the Boston MSA, Fleet National Bank reported 377 conventional loans to African American and Latino borrowers in 1997; I understand that 134 loans, more than 90% of them to African American and Latino borrowers, came through the ACORN Housing Corporation Loan Counseling program alone; that is, 32% of the banks loans to African American and Latino borrowers came through this program. Now, however, I understand that Fleet is refusing to continue the flexible and underwriting and other practices which made the program, and these loans, possible. Abandoning this single program alone will result in a precipitous decline in the banks low and moderate income and minority lending; the shift in direction it suggests can only amplify the problem many fold.

Unless there is a significant strengthening of their commitment to do what is necessary to maintain and increase the flow of credit to underserved areas, I believe that the BankBoston / Fleet merger will do significant harm to our communities.

Sincerely,

Liz Malia

Representative Liz Malia

CC:
Terrance Murray
CEO Fleet Financial
One Federal Street
Boston, MA 02211-2000

"FOUNDED IN 1898 AB"

NATIONAL CONFERENCE OF FIREMEN & OILERS

SERVICE EMPLOYEES INTERNATIONAL UNION, AFL-CIO, CLC

LOCAL 3

P.O. BOX 423
402 RUTHERFORD AVENUE
CHARLESTOWN, MASSACHUSETTS 02129
617-242-1410
Fax 617-242-0166

PRESIDENT
DANIEL M. FLANAGAN
VICE PRESIDENT
WARREN BUTLER
SECRETARY-TREASURER
THOMAS P. DUNNE
RECORDING SECRETARY
EDWARD BRASSIL

BUSINESS AGENT
THOMAS E. BRASSIL

Bob Brady
Vice President
600 Atlantic Ave
Boston, MA 02106

Dear Mr. Brady

We are writing to express our concern over the community impact of the merge between the Fleet Bank and Bank Boston. The two banks have worked with the Massachusetts Association of Community Organization for Reform Now in helping low and moderate-income borrowers purchase homes.

Our understanding is that the program to help families has been successfully implemented through ACORN and that ACORN has also provided credit and budget classes to make this a success.

It is unacceptable for the Fleet and BankBoston banks to end its community partnership with ACORN. These banks make their profits from the working people who live in Massachusetts and should not be allowed to forget its ties to the community.

As the prices of housing soars, and the Greater Boston Area becomes a place where only the rich can afford to live, who will stand with the people that have worked so hard to make Boston what it is today?

We urge the Fleet Bank to not turn its back on our community and ask that it continue to work with ACORN in supporting the working people of Boston.

Sincerely,

Ed Brassil
Business Agent

Terrance Murray
CEO Fleet Financial
One Federal Street
Boston, MA 02211-2000

Dear Terrence Murray,

As an account holder at Fleet Bank I am appalled with your refusal to renew the contract with ACORN Housing Corporation. The union of the two most powerful banks in Boston is creating one of the most profitable monopolies in the New England region. It is appalling that you plan to terminate a housing program that has brought Fleet Bank 23.6% of its total loans to low and moderate income people.

ACORN, *Association of Community Organizations for Reform Now!,* has helped hundreds of low-income people purchase homes annually. ACORN's First-Time Homebuyers Program has successfully stimulated Boston's economy by reinvesting in many forgotten neighborhoods such as Dorchester and Roxbury.

I am so astonished by the discriminatory practices, that I am planning to close my bank account by August 1, 1999 or until you agree to re-open negotiations with ACORN and continue the housing program with ACORN. This is not a decision I take lightly and as such will inform my friends and co-workers of your current discriminatory practices.

Sincerely,

Robert Barnes
75 [illegible] ave

Terrance Murray
CEO Fleet Financial
One Federal Street
Boston, MA 02211-2000

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I am so astonished by the discriminatory practices, that I am planning to close my bank account by August 1, 1999 or until you agree to re-open negotiations with ACORN and continue the housing program with ACORN. This is not a decision I take lightly and as such will inform my friends and co-workers of your current discriminatory practices.

Sincerely,

Teresa Smith
147 Standard St.
Mattapan, Mass. 02126

Charles Gifford, CEO
BankBoston
100 Federal St.
Boston, MA 02110

Dear Mr. Gifford,

The union of Fleet Bank and BankBoston, the two most powerful banks in Boston, is creating one of the most profitable monopolies in New England. As an account holder at BankBoston I am writing to you because I am appalled with Fleet Bank's refusal to renew their contract with ACORN Housing Corporation (AHC). It is reprehensible that Fleet Bank plans to terminate AHC's housing program.

Fleet Bank has a long-time history of discrimination, evidenced by the investigation into Fleet Bank for charging minorities higher loan origination fees and interest rates by the Department of Justice in 1995. Fleet Bank has continued this discrimination by cutting a successful program that helps low- and moderate income people to buy their own homes. ACORN Housing Corporation, has helped hundreds of low-income people purchase their own homes each year. AHC's First-Time Homebuyers Program has also successfully stimulated Boston's economy by reinvesting in many forgotten neighborhoods such as Dorchester, Mattapan and Roxbury. In 1997 ACORN Housing Corporation's loans made up 14.5% of Fleet's loans in the Boston area, and 23.6% of their loans to low and moderate income families. Over the past two years AHC has made Fleet 57 million dollars in loans. Yet, Fleet has terminated this program which enables low and moderate-income people to buy their own homes. I urge you to stop this discrimination.

I am so astonished by Fleet Banks discriminatory practices, that I will be closing my BankBoston account on August 1, 1999 unless Fleet Bank agrees to continue the housing program with ACORN Housing. This is not a decision I take lightly and as such will inform my friends and co-workers of Fleet Banks current discriminatory practices. Thank you for your cooperation.

Sincerely,

Antonia Asencio
6 Woodbole Av. 79
Mattapan Mass 02126

Charles Gifford, CEO
BankBoston
100 Federal St.
Boston, MA 02110

Dear Mr. Gifford,

The union of Fleet Bank and BankBoston, the two most powerful banks in Boston, is creating one of the most profitable monopolies in New England. As an account holder at BankBoston I am writing to you because I am appalled with Fleet Bank's refusal to renew their contract with ACORN Housing Corporation (AHC). It is reprehensible that Fleet Bank plans to terminate AHC's housing program.

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Sincerely,

Nan Lee

22 Woodruff Way
Mattapan MA. 02126

Boston 06-29-99

To Terrance Murray

From Ethelbina M Lambert

The reason of this letter is To let you know that I don't like the Idea that you are removing your self from acorn Housing after all this, I hope you change your mind

Thank you

Ethelbina M Lambert

4/27/92

Mr Terrance Murray

I don't like the Idea That you are removing yourself from Acorn housing. ~~you can~~ do and taking away the program for our neighood.

I hope you change you mind

Janice James
7 Oakwood St
Dorchester

Dear Mr Murray,

I am a consern resident of Dorchester. I own my own Home for over twenty years. I am angry with Fleet Banks ~~discreminatory~~ practices and Fleets terminations of Acorn Housing program. This program has helped many people in my naborhood buy there own home. stopping this program will end the dream for many people of owning their own homes.

Sincerely

Yours

Vinitte Atkinson

June 30, 1999

2180 Bolton Street #1B
Bronx, New York 10462

Mr. Bob Brady
Vice President
BOSTON FEDERAL RESERVE BANK
600 Atlantic Avenue
Boston, Massachusetts 02106

Dear Mr. Brady:

I am a member of ACORN Housing Corporation ("ACORN"). I have concerns regarding the proposed merger between Fleet Bank and Bank Boston.

Fleet Bank currently requires unreasonable minimum balances which affect families in the low to medium income brackets. Also, Fleet has canceled the special home buyer program available to ACORN members, which provided 1% below market interest rates, and proved to be very beneficial. This program needs to be reinstated as the merger goes into effect.

Large banks such as Fleet need to provide more accommodating services to people striving to make an honest living. They need to take more responsibility of the future of our families and neighborhoods we live in. I am asking that you please ensure that the future policies of your bank provide more attention to our community's needs.

Thank you for your kind attention to this matter.

Very truly yours,

Paul G. Casciaro

BOB BRADY VICE PRESIDENT
BOSTON FEDERAL RESERVE BANK
600 ATLANTIC AVE.
BOSTON, MA 02106

DEAR MR. BRADY:

I AM WRITING TO YOU BECAUSE I AM WORRIED ABOUT FLEET'S RECENT DECISION TO END ITS SUCCESSFUL HOMEBUYERS' PROGRAM WITH ACORN. WITHOUT THE AGREEMENT TO PROVIDE FLEXIBLE UNDERWRITING TO PEOPLE OF LOW AND MODERATE INCOMES, FLEET WILL CONTINUE TO REDUCE THE SERVICES THAT IT OFFERS TO ALREADY-UNDERSERVED COMMUNITIES. AS FLEET PREPARES TO MERGE NOW WITH BANKBOSTON, THE OPTIONS AVAILABLE TO MINORITY HOMEBUYERS IN NEW YORK WILL BE TRAGICALLY FEW.

I HOPE THIS PARTNERSHIP BETWEEN FLEET AND ACORN CONTINUED BECAUSE I AM IN THE PROCESS OF BUYING A HOME THROUGH THIS PROGRAM. WHILE LARGE BANKS ARE MAKING SO MUCH MONEY WE NEED MORE OF THESE PROGRAM NOT LESS, THE HOMEBUYERS PROGRAM WILL BE THE ONLY WAY I WILL BE ABLE TO BUY A HOME ALONG WITH A LOT OF OTHERS LOW AND MODERATE INCOME FAMILIES.

SINCERELY,

DOROTHY CARROLL -JONES

Bob Brady Vice President
Boston Federal Reserve Bank
600 Atlantic Ave.
Boston, MA 02106

Dear Mr. Brady:

I am writing to you because I have just learned of Fleet Bank's intention to merge with BankBoston, which is very troubling to me. The service that Fleet currently provides in minority communities is inadequate when considered next to the need that exists there. Their bank accounts require high minimum balances to avoid service fees and those that best suit customers with low or moderate incomes are not promoted at branches in appropriate neighborhoods. Now they have canceled their special homebuyer program offered in partnership with ACORN, which offered loans at one percent below market interest rates.

Minority communities are underserved by large banks like Fleet. Their reluctance to do equal amounts of business in our neighborhoods has encouraged high-interest lending and check cashing. Now all banks are large like Fleet and so financial instability in New York will worsen. That is why it is so important that Fleet continue the homebuyer program that it has run with ACORN, especially as it merges with BankBoston.

Sincerely,

Vilma Smith

Bob Brady Vice President
Boston Federal Reserve Bank
600 Atlantic Ave.
Boston, MA 02106

Dear Mr. Brady:

I am writing to you because I am worried about Fleet's recent decision to end its successful homebuyers' program with ACORN. Without the agreement to provide flexible underwriting to people of low and moderate incomes, Fleet will continue to reduce the services that it offers to already-underserved communities. As Fleet prepares to merge now with BankBoston, the options available to minority homebuyers in New York will be tragically few.

I know that this partnership between Fleet and ACORN worked well because I was able to buy a home through the program. Especially at a time when large banks are making so much money, we need more of these programs not less. Unfortunately, the homebuyers' program was the only way I found to buy a home. Now other people in New York like me won't even have the same chance.

Sincerely,

CLEMENT L. FENTY

Bob Brady Vice President,
Boston Federal Reserve Bank
600 Atlantic Ave
Boston, Mass. 02106

Dear Mr. Brady,

I am writting to you because I'm concerned about the decision that Fleet has made about not continuing there business with Acorn, I feel as though a lot of low-income people are going to be treated unfairly due to this, I myself live in a low-income development and some day would like to have the opportunity to own a home, and Fleet will make that very impossible for me. It's hard to get loans from large banks, and Acorn would be that helping hand I would need to succeed. I'm very upset with the decision Fleet has made.

Sincerely,
Teresa Smith
147 Standard St.
Mattapan, Mass. 02126

July 1, 1999

Bob Brady Vice President
Boston Federal Reserve Bank
600 Atlantic Ave.
Boston Ma. 02106

Dear Mr. Brady.

I heard about Fleet merging with Bank Boston. I did not know That this was going to effect loans for low and Moderate Income people. I was very upset to hear that Fleet has Canceled the Homebuyers. Programe with acorn. I think it is very unfair. to the people in the cummunity. We bank with you and do buisness with you as well as others. I plan on becoming a home buyer threw this Program. I hope that you will be more considerate of the people in the Cummunity. and not Pull out.

Sincerely.
Ms Murray

Gale Murray
60 Woodruff way
Mattapan Ma. 02126

Bob Brandy Vice president

Boston Federal Reserve Bank

600 Atlantic Ave

Boston, Ma 02106

Dear Mr Brady:

My name is Sagine. I am 8. My mom

~~a~~ asked me to write because we are ~~hase~~

haitan and her english is not very good.

Our dream is to buy a home. with the help

of acorn's houseng program we hope to

we can save enogh money in to years.

If Fleet bank doesn't change and work

with acorn's houseng program we will never

be abla to afford a house. Thank you

THANKS Marie Gay

10 WOODGATE ST

MATTAPAN MA 02126

Sagine Gay

Bob Brades
Vice President
Boston Federal Reserve Bank
600 Atlantic Av. ~~Bost~~
Boston Mass 02106

Querido Señor Brades-

Necesitos su ayuda para arreglar los problema de la Comunidad de Boston y de Mattapan.

estoy muy Preocupada por la Situación de Housing- estoy Triste Que FLEET Bank para los programa de Homebuyers porque queremos un lugar más seguro para nuestros niños-

es muy triste como
Fleet crece y ayud
menos. a la Comuni
Sinceramente

Antonio Maldon.
6 Woodbole AV. F
Mattapan.
Mass 02126.

Dear Mr Murray,
I am a conserv resident of Dorchester. I own my own Home for over twenty years. I am angry with Fleet-Banks ~~discrimination~~ practice and Fleets terminations of Acorn Housing program. This program has helped many people in my naborhood buy there own home. stopping this program will end the dream for many people of owning Their own homes.

Sincerely
Yours
Venitte Atkin

Terrance Murray
CEO Fleet Financial
One Federal Street
Boston, MA 02211-2000

Dear Terrence Murray,

As an account holder at Fleet Bank I am appalled with your refusal to renew the contract with ACORN Housing Corporation. The union of the two most powerful banks in Boston is creating one of the most profitable monopolies in the New England region. It is appalling that you plan to terminate a housing program that has brought Fleet Bank 23.6% of its total loans to low and moderate income people.

ACORN, *Association of Community Organizations for Reform Now!,* has helped hundreds of low-income people purchase homes annually. ACORN's First-Time Homebuyers Program has successfully stimulated Boston's economy by reinvesting in many forgotten neighborhoods such as Dorchester and Roxbury.

I am so astonished by the discriminatory practices, that I am planning to close my bank account by August 1, 1999 or until you agree to re-open negotiations with ACORN and continue the housing program with ACORN. This is not a decision I take lightly and as such will inform my friends and co-workers of your current discriminatory practices.

Sincerely,

Teresa Smith
147 Standard St.
Mattapan, Mass. 02126

Charles Gifford, CEO
BankBoston
100 Federal St.
Boston, MA 02110

Dear Mr. Gifford,

The union of Fleet Bank and BankBoston, the two most powerful banks in Boston, is creating one of the most profitable monopolies in New England. As an account holder at BankBoston I am writing to you because I am appalled with Fleet Bank's refusal to renew their contract with ACORN Housing Corporation (AHC). It is reprehensible that Fleet Bank plans to terminate AHC's housing program.

Fleet Bank has a long-time history of discrimination, evidenced by the investigation into Fleet Bank for charging minorities higher loan origination fees and interest rates by the Department of Justice in 1995. Fleet Bank has continued this discrimination by cutting a successful program that helps low- and moderate income people to buy their own homes. ACORN Housing Corporation, has helped hundreds of low-income people purchase their own homes each year. AHC's First-Time Homebuyers Program has also successfully stimulated Boston's economy by reinvesting in many forgotten neighborhoods such as Dorchester, Mattapan and Roxbury. In 1997 ACORN Housing Corporation's loans made up 14.5% of Fleet's loans in the Boston area, and 23.6% of their loans to low and moderate income families. Over the past two years AHC has made Fleet 57 million dollars in loans. Yet, Fleet has terminated this program which enables low and moderate-income people to buy their own homes. I urge you to stop this discrimination.

I am so astonished by Fleet Banks discriminatory practices, that I will be closing my BankBoston account on August 1, 1999 unless Fleet Bank agrees to continue the housing program with ACORN Housing. This is not a decision I take lightly and as such will inform my friends and co-workers of Fleet Banks current discriminatory practices. Thank you for your cooperation.

Sincerely,

Antonia Asencio
6 Woodbole Av. 79
Mattapan Mass 02126

Charles Gifford, CEO
BankBoston
100 Federal St.
Boston, MA 02110

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The union of Fleet Bank and BankBoston, the two most powerful banks in Boston, is creating one of the most profitable monopolies in New England. As an account holder at BankBoston I am writing to you because I am appalled with Fleet Bank's refusal to renew their contract with ACORN Housing Corporation (AHC). It is reprehensible that Fleet Bank plans to terminate AHC's housing program.

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Sincerely,

Nan Lee

22 Woodruff Way
Mattapan MA. 02126

June 30, 1999

2180 Bolton Street #1B
Bronx, New York 10462

Mr. Bob Brady
Vice President
BOSTON FEDERAL RESERVE BANK
600 Atlantic Avenue
Boston, Massachusetts 02106

Dear Mr. Brady:

I am a member of ACORN Housing Corporation ("ACORN"). I have concerns regarding the proposed merger between Fleet Bank and Bank Boston.

Fleet Bank currently requires unreasonable minimum balances which affect families in the low to medium income brackets. Also, Fleet has canceled the special home buyer program available to ACORN members, which provided 1% below market interest rates, and proved to be very beneficial. This program needs to be reinstated as the merger goes into effect.

Large banks such as Fleet need to provide more accommodating services to people striving to make an honest living. They need to take more responsibility of the future of our families and neighborhoods we live in. I am asking that you please ensure that the future policies of your bank provide more attention to our community's needs.

Thank you for your kind attention to this matter.

Very truly yours,

Paul G. Casciaro

BOB BRADY VICE PRESIDENT
BOSTON FEDERAL RESERVE BANK
600 ATLANTIC AVE.
BOSTON, MA 02106

DEAR MR. BRADY:

I AM WRITING TO YOU BECAUSE I AM WORRIED ABOUT FLEET'S RECENT DECISION TO END ITS SUCCESSFUL HOMEBUYERS' PROGRAM WITH ACORN. WITHOUT THE AGREEMENT TO PROVIDE FLEXIBLE UNDERWRITING TO PEOPLE OF LOW AND MODERATE INCOMES, FLEET WILL CONTINUE TO REDUCE THE SERVICES THAT IT OFFERS TO ALREADY-UNDERSERVED COMMUNITIES. AS FLEET PREPARES TO MERGE NOW WITH BANKBOSTON, THE OPTIONS AVAILABLE TO MINORITY HOMEBUYERS IN NEW YORK WILL BE TRAGICALLY FEW.

I HOPE THIS PARTNERSHIP BETWEEN FLEET AND ACORN CONTINUED BECAUSE I AM IN THE PROCESS OF BUYING A HOME THROUGH THIS PROGRAM. WHILE LARGE BANKS ARE MAKING SO MUCH MONEY WE NEED MORE OF THESE PROGRAM NOT LESS, THE HOMEBUYERS PROGRAM WILL BE THE ONLY WAY I WILL BE ABLE TO BUY A HOME ALONG WITH A LOT OF OTHERS LOW AND MODERATE INCOME FAMILIES.

SINCERELY,

DOROTHY CARROLL -JONES

Bob Brady Vice President
Boston Federal Reserve Bank
600 Atlantic Ave.
Boston, MA 02106

Dear Mr. Brady:

I am writing to you because I have just learned of Fleet Bank's intention to merge with BankBoston, which is very troubling to me. The service that Fleet currently provides in minority communities is inadequate when considered next to the need that exists there. Their bank accounts require high minimum balances to avoid service fees and those that best suit customers with low or moderate incomes are not promoted at branches in appropriate neighborhoods. Now they have canceled their special homebuyer program offered in partnership with ACORN, which offered loans at one percent below market interest rates.

Minority communities are underserved by large banks like Fleet. Their reluctance to do equal amounts of business in our neighborhoods has encouraged high-interest lending and check cashing. Now all banks are large like Fleet and so financial instability in New York will worsen. That is why it is so important that Fleet continue the homebuyer program that it has run with ACORN, especially as it merges with BankBoston.

Sincerely,

Vilma Smith

Bob Brady Vice President
Boston Federal Reserve Bank
600 Atlantic Ave.
Boston, MA 02106

Dear Mr. Brady:

I am writing to you because I am worried about Fleet's recent decision to end its successful homebuyers' program with ACORN. Without the agreement to provide flexible underwriting to people of low and moderate incomes, Fleet will continue to reduce the services that it offers to already-underserved communities. As Fleet prepares to merge now with BankBoston, the options available to minority homebuyers in New York will be tragically few.

I know that this partnership between Fleet and ACORN worked well because I was able to buy a home through the program. Especially at a time when large banks are making so much money, we need more of these programs not less. Unfortunately, the homebuyers' program was the only way I found to buy a home. Now other people in New York like me won't even have the same chance.

Sincerely,

CLEMENT L. FEARTY

Terrance Murray
CEO Fleet Financial
One Federal Street
Boston, MA 02211-2000

Dear Terrence Murray,

As an account holder at Fleet Bank I am appalled with your refusal to renew the contract with ACORN Housing Corporation. The union of the two most powerful banks in Boston is creating one of the most profitable monopolies in the New England region. It is appalling that you plan to terminate a housing program that has brought Fleet Bank 23.6% of its total loans to low and moderate income people.

ACORN, *Association of Community Organizations for Reform Now!,* has helped hundreds of low-income people purchase homes annually. ACORN's First-Time Homebuyers Program has successfully stimulated Boston's economy by reinvesting in many forgotten neighborhoods such as Dorchester and Roxbury.

I am so astonished by the discriminatory practices, that I am planning to close my bank account by August 1, 1999 or until you agree to re-open negotiations with ACORN and continue the housing program with ACORN. This is not a decision I take lightly and as such will inform my friends and co-workers of your current discriminatory practices.

Sincerely,

Robert Barnes
75 [illegible] ave

4/2

Mr Terrance Murray

I dont like the Idea That

you are removing yourself from ACO housing. ~~you can~~ do and takeing an the program for our neighood.

I hope you change you mind

Janice James
7 Oakwood St
Dorchester

Boston 06-29-99

To Terrance Murray

From Ethelbina M Lambert

The reason Of this letter is To let you know that I don't like the Idea that you are removing your self from Acorn Housing after all this, I hope you change your mind

Thank you

Ethelbina M Lambert

ASSOCIATED INDUSTRIES OF MASSACHUSETTS
222 Berkeley Street • P.O. Box 763 • Boston, MA 02117-0763 • 617-262-1180 • Fax: 617-536-6785

TESTIMONY BEFORE THE FEDERAL RESERVE BANK

IN SUPPORT OF THE PROPOSED MERGER OF BANKBOSTON AND FLEET FINANCIAL GROUP

RICHARD C. LORD
July 7, 1999

ASSOCIATED INDUSTRIES OF MASSACHUSETTS
222 Berkeley Street • P.O. Box 763 • Boston, MA 02117-0763 • 617-262-1180 • Fax: 617-536-6785

Associated Industries of Massachusetts (A.I.M.) is pleased to have this opportunity to express its support for the proposed merger of BankBoston and Fleet Financial Group, a matter of the greatest importance to the economy and business climate of our state. A.I.M. is the Commonwealth's principal statewide employer organization, representing some 5,300 businesses and nonprofit entities across Massachusetts, engaged in virtually every economic sector. This merger represents an important positive step to assure that Massachusetts and New England businesses will benefit from a banking system that offers both the stable financial resources and the increasingly sophisticated banking services that are essential to success in the modern economy.

In the first years of this decade, when the New England banking system was in turmoil, A.I.M. member companies consistently reported serious difficulties in obtaining bank loans. We have heard few if any reports of such lack of access to capital for more than five years now. BankBoston and Fleet have been the leaders, along with a group of outstanding community banks, not only in restoring the financial stability of our regional banking system, but also in re-establishing and greatly extending the range of banking services available to local companies. The proposed merger is vital because it will safeguard those gains.

The banking needs of many companies, large and small, are increasingly complex. Today's commercial and industrial customers often require access, not only to a larger financial base, but also to more specialized expertise in particular industries or financial practices, and to broader geographic reach, national and international. An obvious example is the extent to which international dealings, once primarily the sphere of our largest manufacturing concerns, has become important to other types of companies. Many new high-tech startup companies produce advanced products for specialized worldwide markets; an increasing number of our "traditional" industrial firms are exporting vigorously; and of course services now account for a large proportion of Massachusetts exports.

As the consolidation of American and global banking continues, the threat facing Massachusetts businesses is not lack of competition in banking. The contenders exist, and they will be here. The danger is, rather, that our region will be a sideshow or a backwater in the competition, our companies entirely dependent for key services upon outside entities barely responsive to our limited market power, their attention focused on struggles for dominance elsewhere. Our members believe that it is highly desirable to retain a major bank that is firmly committed to our region, that understands our issues, interests and industries — a regional champion in the world of banking. This merger is our best hope of achieving that goal.

Finally, I want to mention a point of particular importance from our perspective at A.I.M.: the essential leadership within the broader business community that has been provided by BankBoston and Fleet. Their leadership, in fields ranging from philanthropy to support of education reform to engagement with public issues, has grown increasingly important as other local "franchises" — newspapers, department stores, even utilities — have disappeared or been absorbed into national organizations. This merger is vital to the maintenance of a strong economy in Massachusetts and New England because it will preserve and strengthen a key source of leadership in the business community.

SCOTT
ASSOCIATES · CONSULTANTS, INC.

RUTH SCOTT
CHIEF EXECUTIVE OFFIC

July 7, 1999

To The Honorable Members of the Board of Governors of the Federal Reserve, Boston Region

From Dr. Ruth Scott, President, CEO of Scott Associates Consulting, Inc.
and Member FIAB

Regarding The Proposed merger of Fleet Financial and BankBoston

I am present to speak in favor of the merger. Both institutions have strengths which will only enhance the ability of the new corporation Fleet Boston to remain financially strong and thus meet the demands of market place and serve its customer base.

Those of us engaged in financial product development and monitoring have known for the last twenty years that the financial market place would be redesigned with fewer players as we enter the Twenty-First Century. Banking organizations which merge strength with strength will be the ones to survive the competition with each other and the competition from less regulated financial entities that have suddenly discovered the "ordinary customer".

I have come to the conclusion of favoring this merger of two strong institutions from the vantage point of my thirty years of professional and volunteer experience in neighborhood redevelopment, community reinvestment, work in building community development collaborations and professional relationships with Fleet Financial as they have worked through the merger and market challenges. Fleet Financial has maintained its commitment

to small and midsize customers. With each reinvention of the corporate structure, that

30 ARVINE HEIGHTS · ROCHESTER, NEW YORK 14611 · 716-328-4770

commitment by CEO Terry Murray has grown stronger.

Let me share with you the high points of my thirty year involvement with the general subject of this hearing and my decade of experience with Fleet. You may say that CRA is only twenty-one years old. That is true. In the early seventies, I was president of the board of directors of National Neighbors, the group whose redlining studies was the impetus for the Community Reinvestment Act. In the eighties, I served as Corporate Secretary and CRA

Officer for Rochester Community Savings Bank. In addition, my company, Scott Associates has spent the last decade in providing both banks, and community organizations with strategies for collaboration and the meeting of CRA objectives. Furthermore, I spent more than a decade as board member and then chair of the National League of Cities Economic Development Steering committee.

My experiences with Fleet include membership on the INCITY Board since its inception in 1994; consultant to Community Development Department in strategy and the training of Community Development staff in developing effective CRA strategies. Along with other organizational consulting activities for banking organizations across the country Scott Associates was the chief consultant and designer of the CRA Symposium, 20/20 Vision held in Washington, in 1998 DC sponsored by Fleet Community Development under the able leadership of Agnes Bundy Scanlan, Managing Director of Corporate Community Development.

Observing Fleet Financial through its several mergers, I cannot help but conclude the Fleet Financial with its Chairman and CEO Terry Murray has been among an elite group of the most consistently committed banking organizations in the country to

community development and the LMI customer. Fleet consistently engages itself in knowing and satisfying the customer in a quality way aligned with its mission and profitability.

This formula for success as a corporation and a community citizen has been reaffirmed in the announcements regarding the merger of BankBoston and Fleet Financial. More than the

dollar amounts spent in the past (more than 8.4 billion), Fleet has committed itself to capacity building and collaboration. This strategy securely ties future viability of the corporation to the viability of the community and customers served. It down plays simple dollars and emphasizes leverage.

Recent example of leveraging which has been replicated throughout the Fleet marketplace is Fleet's support of The Frederick Douglass Community Development Corporation spun off a faith based organization in the city of Rochester, New York. Fleet's initial investment of $5,000 grew to Fleet's investment of $100,000 in grants,

$360,000 in construction financing and mortgagees for single family first home owners. Fleet's commitment leveraged more than a half million

dollars in grants from other banks and private sources , one million dollars in local government investment and a three million dollar investment from HUD.

The same kind of collaborations supported the 20 /20 Vision Symposium. Included with Fleet are the Neighborhood Reinvestment Corporation, the National Urban League, Local Initiatives Support Corporation and Fannie Mae.

As I have consulted with and observed financial institutions, there are three principles

which Fleet Financial exhibits which underscores future success and market commitment.

They are

-A solid, stated and Active commitment to Community Building

-A mission engaged understanding of the changing landscape and its imperative to merge and to collaborate with like minded corporations

-A solid organizational profit base which allows for the keeping of commitments

The Fleet Financial/BankBoston merger would be a solid and secure step towards a future which continues to be committed to community building across the spectrum of financial need and opportunity. I would urge you to confirm the merger and secure the future financial success of communities across the marketplace where their shadow falls.

Respectfully Submitted

Dr. Ruth H. Scott, CEO Scott Associates Consulting, Inc.

Testimony Submitted By:

Manuel Mirabal
President & CEO
National Puerto Rican Coalition, Inc

To:

Federal Reserve Board
Public Meeting, July 7, 1999
Boston, Massachusetts

Thank you for providing me the opportunity to submit testimony on behalf of the National Puerto Rican Coalition, Inc. NPRC is a non-profit organization organized pursuant to Section 501(c)(3) of the Internal Revenue Service Code. We are a membership organization representing the Social, political and economic interests of the Puerto Rican and Latino community on national public policy and community development issues in Washington, D.C. since 1977.

Since 1994 NPRC and Fleet have been working in partnership on issues of community economic development, neighborhood revitalization, affordable housing development, home mortgage lending, and consumer banking issues. In the New England states where Fleet has a major presence, the Puerto Rican community makes up more than fifty (50) percent of the total Hispanic population of 650,000 Latinos. In New York and New Jersey, 1.5 million Puerto Ricans make up the largest single Hispanic group. NPRC has a long history of working with non-profit community based organization on neighborhood issues, and during the last five years we been the only active national Hispanic intermediary in the area of community development. During this period, we have found the management of Fleet to be very responsive to the concerns which we have raised regarding its banking services to the Hispanic community. Fleet also holds the distinction of being the leading major banking institution in providing assistance to us and our organizational members in our efforts to strengthen the economic participation of the Puerto Rican/Latino community.

We have had many opportunities to meet with the Senior officials of Fleet and have found them to be always accessible, including Mr. Terry Murry, the Fleet CEO whom we have met with several times to review bank programs and propose new initiatives to better serve the needs of our community. NPRC has also been a member of the Fleet In-City Advisory Board, represented by Irene Packer, Director of NPRC's Community Development and Training Department, through which we have helped to shape Fleet's community development strategies, and improve the bank's relationship with the Hispanic community.

More specifically we have worked on homeownership issues, including pre and post purchase housing counseling programs, and fair housing law public awareness; community reinvestment issues, including small business loan opportunities and affordable housing project financing. Fleet has also help to build the capacity of our community development agencies through training and technical assistance grants totaling over 175,000 during the last four years. This has directly resulted in many organizations being able to provide new housing counseling services to members of their community.

As we look to the future, NPRC believes that the proposed merger of Fleet and Bank Boston will expand and enhance Fleets ability to deliver improved banking services and community investment programs. With the expand financial capacity the merger will provide, we anticipate that Fleet will contribute more to the re-development and economic stability of our community through new community reinvestment programs, more flexible small business lending, responsible community and affordable housing lending, and sensitive consumer lending. Through improved charitable giving Fleet will help to support and stabilize important community programs which provide unique social, educational and cultural services to more than 3 million Hispanic Americans which reside in the Northeast.

Based on the commitment to neighborhood investment, and corporate responsibility which Fleet has demonstrated in working with NPRC over the last six years, I encourage the Federal Reserve Bank to approve the merger between Fleet Financial Group and BankBoston Corporation.

Thank You.

BCNC
"Business in Partnership with the Community"
Boston Chamber of Neighborhood Commerce • P.O. Box 35122 • Boston, MA 02135 • (617) 522-1552 • Fax (617) 562-7992

July 7, 1999

Fleet/BankBoston Merger Hearing

My name is Frank Moy, Jr. and I am the Chairman of the Boston Chamber of Neighborhood Commerce (BCNC). The BCNC was formed 1991, during a difficult reccession period, by a group small business owners and representatives from every neighborhood business district in Boston representing several thousand neighborhood businesses. Recently the BCNC became an affiliate member of the Greater Boston Chamber of Commerce.

The primary mission of the BCNC is to enhance the viability of Boston's neighborhood commercial districts.

The BCNC supports the Fleet/BankBoston Merger because both banks have New England roots and have been be active participants in promoting small business lending and banking services. Fleet and BankBoston provide financial and staff support to the BCNC.

Staff from Fleet and BankBoston have and continue to serve on the BCNC Board of Directors and have participated in numerous workshops on small business leading procedures including credit scoring, the 5 C's of credit, SBA Low Doc Program, 2nd look program if a loan is denied, and the Community Reinvestment Act (CRA). Fleet and BankBoston have participated in business support programs on marketing, public relations/public review process, e-commerce, retail security, "One Stop Program at the Empowerment Center, and small business management.

In closing, we support the Fleet and BankBoston merger because both organizations have a demonstrated their commitment to Boston's small business community during good and bad economic times.

Thank you.

Sincerely yours,

Frank Moy

Frank Moy, Jr.
Chairman

C H A P A
Citizens' Housing and Planning Association, Inc.

Testimony of Ellen Feingold to the Federal Reserve Bank Regarding the Proposed Merger of Fleet and BankBoston

July 7, 1999

My name is Ellen Feingold and I am the president of Citizens' Housing and Planning Association. Thank you for providing me with the opportunity to testify this morning.

About CHAPA

Established in 1967, CHAPA is a non-profit organization that advocates for the production and preservation of affordable housing for low income people.

Our membership of 1,500 people is made up of a broad range of interests, including housing providers and developers, tenants, advocacy organizations, government officials, local planners, lenders, and many others. We are one of the largest and most diverse housing coalitions in the region.

Why the Merger is Important

The proposed merger between Fleet and BankBoston is especially important to the affordable housing community for three reasons:

(1) Today, we face a housing crisis of enormous and growing proportions. Low and middle income residents in New England are being priced out of the homeownership and rental markets in record numbers.

(2) Government cutbacks at the state and federal levels have meant that affordable housing developers must rely on private financial institutions to a much greater extent than ever before.

(3) In recent years, the housing community has worked closely with both Fleet and BankBoston to craft solutions to the housing affordability problem. This merger provides an important opportunity to build and expand on this recent progress. On the other hand, without certain specific lending commitments that will directly benefit low and moderate income people, this merger poses a real danger because community investment could fall dramatically in the areas that need it the most.

18 Tremont Street • Suite 401 • Boston, MA 02108 • Telephone (617) 742-0820 • Fax (617) 742-3953
Website: www.chapa.org

Federal Reserve Stipulations on Merger

Since the proposed merger was announced, Fleet and BankBoston have submitted a general proposal to commit $4 billion in affordable housing mortgages and $2 billion in community development lending over five years. This was part of an overall $14.6 billion proposal.

As part of your consideration of this merger, the Federal Reserve should require Fleet and BankBoston to do the following:

1. Provide details on how this overall commitment compares with the combined lending of the two banks over the past three years, with a breakdown for each New England state. Their proposed level of commitment cannot be evaluated without this critical information.

2. Provide specific programmatic details for each lending area. For example, it is not enough to say that a certain amount of funds will go toward rental housing development. The proposal must specify what will be the terms of this lending, how it will be achieved, what delivery systems will be used, and what income groups will be served.

3. Finally, Fleet and BankBoston should enter into a written agreement with the appropriate housing and community development organizations--similar to previous CRA agreements that both banks have entered into. It is absolutely essential that a sound mechanism is developed to ensure that these commitments will be upheld and monitored.

In order for the banks to fulfill these requirements, we ask that the Federal Reserve extend its public comment period for an additional two weeks after the banks submit a revised community investment proposal.

CHAPA's Priorities for Community Investments

CHAPA's particular focus is on affordable housing, and we therefore, would like to see the following five priorities addressed as a condition of the merger:

(1) Fleet/BankBoston should expand their commitment to the Soft Second Mortgage Program statewide. The Soft Second Program has been one of the most effective programs for helping low income families become homeowners.

(2) The banks should convert their required MHP Fund commitment to equity, similar to what BankBoston did during the merger between the Bank of Boston and BayBanks. While there are many sources of permanent financing to build rental housing, it is extremely difficult to obtain equity so that developers can provide more affordable apartments.

(3) The merged bank should expand its commitment to funding and sustaining homebuyer education and counseling throughout the region. As banks move towards more flexible underwriting, it is critical to support the network of homebuyer counseling agencies--for both pre-purchase, post-purchase, and foreclosure prevention counseling.

(4) The merged bank should continue its membership in the Federal Home Loan Bank of Boston over the long-term to ensure access to its affordable housing and community investment programs.

(5) The combined bank should expand its commitment to foundation giving. Many groups which receive funds from both banks believe they will see reduced foundation funding as a result of this merger. The Federal Reserve should ensure that this does not happen.

We look forward to receiving more details on the ways in which the merged bank will maintain and expand its commitment to investing in low and moderate income neighborhoods. Thank you very much for giving me this opportunity to testify.

Minority Developers Association
351 Massachusetts Avenue
Boston, Massachusetts 02115
Tel: (617) 266.8604 Fax: (617) 266.0185

July 7, 1999

Fleet Financial Group, Inc.
BankBoston Corporation
Public Meeting Information

We thank you for this public opportunity to express our views on the impact of the proposed merger of BankBoston and Fleet Bank upon our community's minority and women-owned businesses.

As you know, small businesses employ over 53% of this nation's workforce and they produce over half of the nation's gross domestic product, and they provide virtually all of the new net jobs added to the economy. [Source: Elaine F. Guiney, Mass. Director of U.S. Small Business Administration]

Financial institutions have an obligation to provide vital financial services to the communities in which they are located. In today's growing economy we have an opportunity to grow productive, stable businesses, particularly within the minority-owned business sector, that will continue to provide job opportunities for community residents.

Consolidation with in the banking and real estate industries makes access to capital for small and mid-sized real estate companies difficult. Smaller sized and mixed-use projects cannot be financed through the public capital markets, and often rely on Federal, State and local programs combined with creative, flexible and innovative Bank financing in order to be successfully completed.

Companies and customer located in inner-city neighborhoods know that the untapped market potential in their neighborhoods is enormous. The challenges for these businesses are also great. Having a relationship with a Bank which knows the market and is experienced with the technical aspects of public/private partnership financing enables companies to spend less time trying to find capital, an more time growing their businesses.

Bank Boston Development Company LLC, a part of the BankBoston Community banking group, has pioneered in meeting the financial needs of the minority and women-owned business enterprises by providing just such vital financial service: equity investments that grow minority businesses.

As part of the regulatory and community review and approval of the proposed merger of BankBoston and Fleet Bank, it is vital that an equity investment fund, consisting initially of Five Hundred Million Dollars, be dedicated to continue providing substantial equity investments in viable minority and women-owned businesses.

This emerging market, minority and women-owned businesses, is the fastest growing segment of the business community. These businesses are also a tremendous growing business opportunity for the new bank. By building upon the successful track record of BankBoston Development Company and by expanding its capacity for direct equity investment in minority and women-owned businesses, this new financial institution will make a great and lasting contribution to our community.

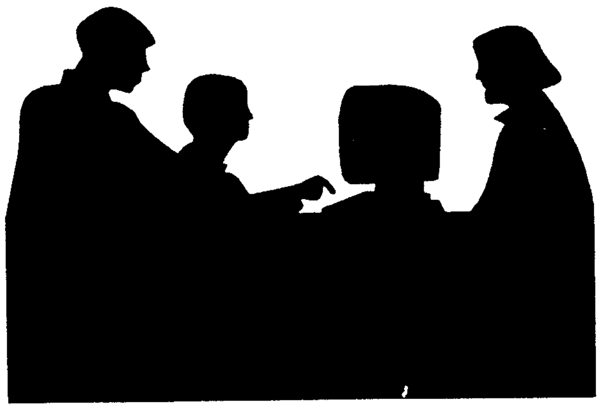
With substantial financial equity investment focused on our community's MBE/WBE businesses, the new bank will empower the productive, economic capacity of our community's businesses. The hard work, long hours and personal sacrifices of the owners of these MBE/WBE businesses, properly capitalized, will then generate new jobs, security for the working families in our community and successful role models for our children.

Respectfully yours,

Kenneth I. Guscott

Kenneth I. Guscott
President
Minority Developers Association

1997 LENDING ANALYSIS ROCHESTER, NEW YORK



Issued by:

Greater Rochester Community Reinvestment Coalition
(GRCRC)
P.O. Box 39541
Rochester, NY 14604

TABLE OF CONTENTS

EXECUTIVE SUMMARY

This report, issued by the Greater Rochester Community Reinvestment Coalition (GRCRC) contains an analysis of Home Mortgage and Small Business lending patterns. The analysis looks at aggregate lending, as well as lending by the eight largest banks, by amount of local deposits and branches located in the Rochester Metropolitan Statistical Area (MSA). These banks are Chase Manhattan, Citibank, Charter One (RCSB), First National Bank, Fleet, Key Bank, M & T and Marine Midland Bank (HSBC).[1]

GRCRC was convened in 1993 to generate discussion about the lending patterns in Rochester. Since then, the Coalition has released four analyses of home mortgage and small business lending data.[2] We have used the analyses to identify strengths and weaknesses in lending patterns and to generate ongoing discussion with the banks in question. The Coalition also submits comments, based on the data, to the appropriate Federal regulators who have oversight of the banks. This analysis continues the dialogue.

The report is divided into four parts, the first two focus on Home Mortgage Disclosure Act (HMDA) data, while the third and fourth focus on small business lending data.

The HMDA portion of the analysis is further divided into two parts. The first analyzes the aggregate HMDA data in the Rochester MSA by all financial institutions. It discusses the changes in the market over the last five years; examines lending in the City of Rochester; looks at lending to traditionally under-served populations and neighborhoods; and compares denial rates across racial categories. There is also a section comparing the HMDA lending in Rochester to lending in Buffalo, as well as the changes in those markets.

The second part looks at the individual HMDA lending patterns of the eight largest banks serving the Rochester MSA and focuses primarily on 1996 and 1997 data.

The small business lending portion of the report is also divided into two parts and compares changes in lending between 1996 and 1997, in Monroe County.[3] The part on aggregate lending looks at: lending in low–moderate income census tracts; loans to businesses with Gross Annual Revenues (GAR) <$1 million; and loans in the City of Rochester. The section on the individual banks looks at the individual lending patterns of the seven largest banks serving Monroe County.

The report examines some of the changes in mortgage lending that have occurred since 1992. The eight largest depository institutions no longer originate most of the HMDA loans in the MSA. Sub-prime lenders, credit unions and mortgage banks now account for

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[1] 1996 Data for First Federal Savings and Loans of Rochester (acquired by Marine Midland) and OnBank (acquired by M & T) is also included.

[2] Analysis of home mortgage loans (1994 and 1996), analysis of home mortgage denials (1995), Small Business loans (1997).

[3] Small business loan data is only available for these two years.

more than half the HMDA loans in the MSA. The report also focuses on the low percentage of the dollar volume of loans to business with GAR < $ 1 million in the Rochester MSA.

Some of the most significant findings of the report are as follows:

- The eight largest banks decreased their HMDA lending by 60% between 1993 and 1997.
- The ten largest sub-prime lenders increased their HMDA lending by 608% between 1993 and 1997.
- Rochester has made more significant gains than Buffalo in improving HMDA lending to traditionally under-served populations in the last five years.
- Since 1992, home mortgage lending to city residents, Black and Hispanic households and low-moderate income people has improved.
- In 1997, 30% of all HMDA loans in the MSA were originated to low-moderate households, down from 32% in 1995, but up from 27% in 1996.
- In 1996, HMDA lending to Black/Hispanic households increased by 12% over 1995 and then stayed the same in 1997.
- The Black to White denial ratio was actually higher for upper income Black applicants (2.6: 1) than lower income Black applicants (1.5:1) for HMDA loans in 1997.
- In 1997, only 25% of the dollar volume of small business loans were originated to businesses with GAR < $ 1 million in the Rochester MSA. Nationally, 40% of the dollar volume of small business loans were originated to businesses with GAR < $ 1 million.
- In 1997 the number of small business loans increased by 9%.

The Coalition is proud of the gains achieved over the last five years and is determined to carry its work with lenders in the same spirit of mutual cooperation that has served us so well these last five years.

For more information about the Coalition or the report call Ruhi Maker Esq. at 716-454-4060 or e-mail at rmaker@wnylc.com.

To purchase a copy of the report please send $12 (check or money order) to the Public Interest Law Office of Rochester, 80 St. Paul St. Rochester, NY 14604.
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Part 1

A. LOANS BY ALL HMDA LENDERS IN THE MSA.

Within this decade, there has been a significant shift in home mortgage lending in Rochester. The market share of the largest local banks has declined and new types of lenders have entered the market. This report covers HMDA loans originated by all financial institutions in the Rochester MSA. [4] HMDA loans include loans for home purchase, refinancing and home improvement. Non-occupant and multi-family loans are also reported in the HMDA data.

HOW HAS THE LENDING ROLE OF THE EIGHT LARGEST DEPOSITORY BANKS CHANGED SINCE 1992?

In 1992, eleven large banks in the Rochester MSA accounted for **almost 65%** of the HMDA lending. Three of those 11 banks no longer exist, since other banks acquired them. In 1997, the eight remaining largest banks accounted for only **31%** of the HMDA lending in the MSA. By the end of 1999, only seven of the original eleven banks will exist, with Central Trust, Columbia Savings, First Federal and First National Bank having been acquired by the other remaining 7 banks.

This reflects a national trend. Nationally the number of commercial banks and savings associations has declined more than 40% between 1975 and 1997.[5] Furthermore, depository institutions with branch presence are no longer the primary source of mortgage originations in their communities.

In 1997, 31% of the HMDA loans in the Rochester MSA were originated by the eight institutions included in this report. Ten mortgage banks originated another 19% of the HMDA loans, while 10 sub-prime lenders originated 12%. The 8 largest credit unions generated another 10% of the HMDA loans. Over 100 smaller local banks, mortgage banks and smaller credit unions accounted for the remaining 28% of the originations.[6]

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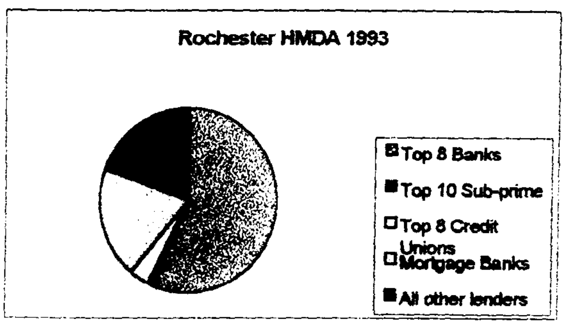
[4] Banks, savings and loans, credit unions with assets over $10 million and mortgage companies that are owned by depository institutions or their holding companies are required to report HMDA data to the Federal Financial Institutions Examination Council (FFIEC). Independent mortgage companies that make at least 100 home purchase loans a year are also required to report HMDA data. In 1997,there were over 150 institutions that reported HMDA data in the Rochester MSA. A glossary of these terms is found at the end of this report.

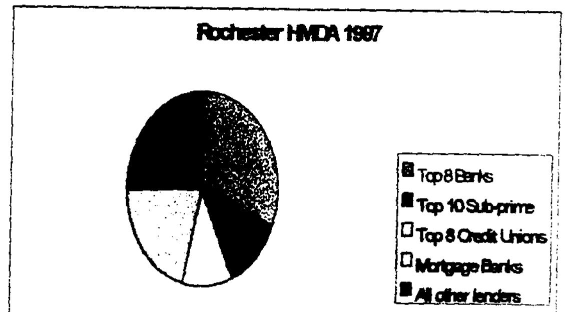
[5] See Robert B. Avery, Raphael W. Bostic, Paul S. Calem. "Trends in Home Purchase Lending," *Federal Reserve Board Bulletin* February 1999.

6.The data used in this analysis was primarily obtained from HMDA data released by the FFIEC. Some data was obtained from reports generated by RTKNET a data service of OMB Watch. Nearly all commercial banks, savings and loans associations, credit unions, and mortgage banks, with assets of more than $10 million and an office in an MSA are required to report each mortgage purchased and each loan application.

Rochester MSA HMDA Lending	# Loans	Market Share	# Loans	Market Share
	1993		1997	
Top 8 Banks	19,823	56%	7,978	31%
Top 10 Sub-prime	472	1%	3162	12%
Top 8 Credit Unions	1,201	3%	2762	11%
Mortgage Banks	6,923	20%	5300	21%
All other lenders	6,815	19%	6458	25%
Total	35,241	100%	25,660	100%

- **The 10 largest banks saw their market share decline from 56% in 1993 to 31% in 1997.**
- **The 10 largest sub-prime lenders saw their market share increase from 1% in 1993 to 12% in 1997.**
- **The 8 largest credit unions saw their market share increase from 3% in 1993 to 11% in 1997.**





The mortgage banks have not seen as dramatic a change in their market share. This has important consequences for the work of the Coalition because many of the mortgage banks, credit unions, as well as subprime lenders, are not subject to the Community Reinvestment Act.

At the time of the writing of this report, financial modernization legislation is making its way though Congress. The current bills in the House and the Senate would eliminate many of the distinctions between banks, insurance companies and securities firms. Community advocates are lobbying hard to ensure that as more non-depository institutions engage in lending activities, community reinvestment obligations should be extended to them. Financial companies that are affiliated with banks, as well as non-bank financial institutions, must be subject to CRA requirements.

SINCE 1992, LENDING RATES FOR CITY RESIDENTS, BLACK AND HISPANIC HOUSEHOLDS AND LOW -MODERATE INCOME PEOPLE HAVE IMPROVED.

Since 1992, there has been a significant improvement in the lending rates for city residents, Black, Hispanic and low-to moderate-income households.

Lending by all HMDA lenders in 1997, compared to 1992:

- Increased in the **MSA by 9%.**
- Increased in the **City by 94%.**
- Increased to **Black/Hispanic households by 123%.**
- Increased to **low–moderate income households by 72%.**
- Increased in **low–moderate income census tracts** by **41%.**
- Increased in **minority census tracts** by **139%.**

It is important understand what role the eight largest area lenders played in these increases. Between 1992 and 1997, the eight largest banks with branch presence in the MSA (including their acquired institutions) saw:

- **a 46% decrease** in their HMDA lending in the **MSA;**
- **a 33% decrease** in their HMDA lending in the **City;**
- **a 38% increase** in their lending to **Black/Hispanic households;**
- **a 5 % decrease** in their lending in **minority census tracts; and**
- **a 19% decrease** in their lending in **low-moderate income census tracts.**

Overall, the number of HMDA loans has increased since 1992. **However, the top 8 area banks made almost 7,000 fewer HMDA loans in 1997 than in 1992.** The increase in lending was accounted for by the other financial institutions serving the marketplace. The slack caused by the decline in bank lending was made up by credit unions, mortgage banks, out-of-state banks and sub-prime lenders.

Despite the fact that the top 8 institutions saw a decline in their HMDA lending since 1992, a greater proportion of their lending in 1997 was in the City, to Black and Hispanic households, and in low moderate and minority census tracts.

In 1997, of the total loans originated by the eight largest area banks in the Rochester MSA:

- 15% were in the City, up from 12% in 1992.
- 7% were to Black/Hispanic households, up from 3% in 1992.
- 15% were in low-moderate income census tracts, up from 5% in 1992.
- 4% were in minority census tracts, up from 2% in 1992.

These changes in the marketplace are significant and raise questions that the Coalition will continue to pursue.

SUB-PRIME LENDING

To understand the changing nature of the marketplace, we need to look at the role played by sub-prime lending institutions. **The ten largest subprime lenders increased their lending by 608% from 1993-1997. Their market share in the MSA increased from 1.3% in 1993 to 12% in 1997.**.[7]

Although these 10 lenders do not account for all the sub-prime lending in the MSA, it appears that they account for a substantial majority. While these 10 lenders only had 12% of the MSA market share, they had:

- **26%** of **the Black/Hispanic** household market share.
- **17% of the low-moderate household** market share.
- **28%** of the market share in **low-moderate income census tracts**.
- **41%** of the market share in **minority census tracts.**

These 10 sub-prime lenders originated over 3,000 HMDA loans in the MSA in 1997. However, most of these loans were not for home purchase (FHA and conventional). Of the loans originated by these 10 sub-prime lenders:

- 30% were for home purchase loans.
- 25% were for home improvement loans.
- 45% were refinances.

Looking at the income characteristics of the sub-prime applicants is informative. There is a significant possibility that many of the borrowers would have qualified for loans from traditional lenders. Somewhat surprisingly, **more than half the loans were originated** to households with **incomes >80%** of the area median. Only **41**% of sub-prime loans were originated to low-moderate income households.

Thirty-two percent of the loans originated by sub-prime lenders were in **low-moderate income** census tracts, while only **16% were in minority census tracts**. The relatively low percentage of originations in minority census tracts may be explained, in part, by lower homeownership rates among minority households. **Table 1** provides a graphic breakdown of the characteristics of these borrowers.

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[7] The ten sub-prime lenders with the most number of originations in the MSA are: Greentree. Ford CF. Homestead Financial and Homestead Funding, The Money Store, United Companies, Alliance Mort.. Parkway Mort., Residential Money, First Union HEB, Equicredit Corp. Sub-prime lenders have been identified as such, based on a list of lenders provided by HUD. Home Equity loans are not reported as HMDA loans; the numbers and percentages included do not capture such loans. Not all loans by 'sub-prime' lenders will necessarily have higher interest rates or lower underwriting standards.

We are able to document the decline in lending by the area banks since 1992, however the corresponding increase in lending by sub-prime lenders can only be tracked from 1993, as not all sub-prime lenders and mortgage bankers reported data prior to 1993.

Sub-prime lenders typically charge higher interest rates and origination fees than traditional lenders. They have also been associated with lending to low income and minority households and applicants with poorer credit histories. However, in Rochester, the recipients of sub-prime loans appear to be predominantly White and upper middle income applicants. These applicants may either have poor credit histories or be unaware that they are paying more than is necessary for their credit. Alternatively, since most of the loans are refinance or home improvement, the applicants may be homeowners who have seen a decline in the value of their property. Sub-prime lenders may be more willing to be more generous in their appraisals or accept a higher loan to value ratio. That might explain the income and racial makeup of the sub-prime market in the MSA.

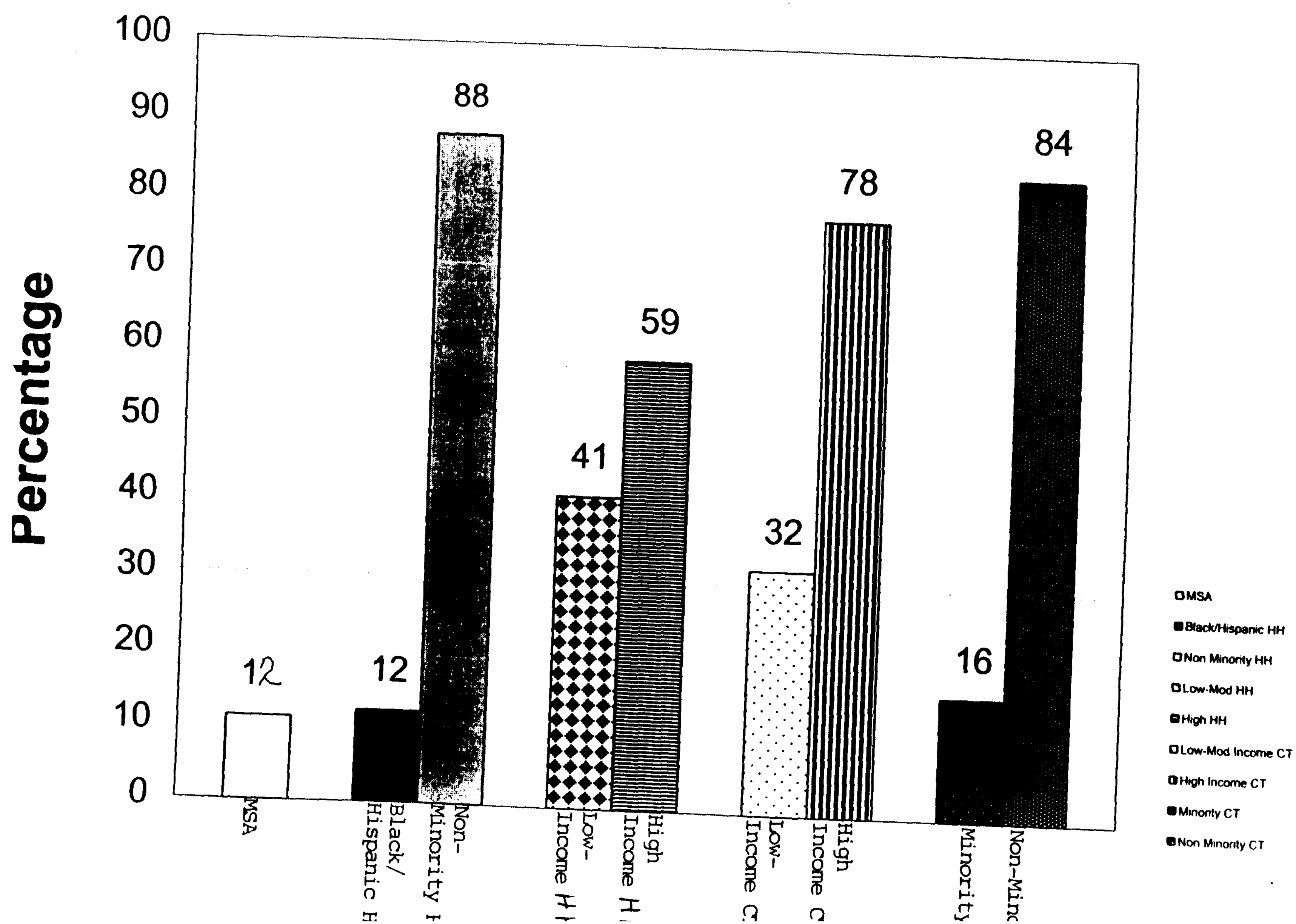
Fannie Mae recently concluded that 35% of all sub-prime loans could be under-written using traditional guidelines.[8] If that percentage is true for the Rochester market, then there is work to be done in educating the community to shop for better interest rates.

Arguably, sub-prime lenders have a place in the competitive market place. The cause for concern arises if mortgage applicants have to resort to such lenders because non-market factors such as racism, real or perceived, leads them to fail to apply for a traditional loan that they may be eligible for. Alternatively, lack of financial sophistication in an applicant may result in the applicant paying more in interest than he had to. Applicants with poor credit may also choose to obtain a higher interest rate loan, rather than undertake the credit counseling necessary to obtain a traditional loan. We need to study this issue further and work with the traditional lenders in the market to ensure that applicants are not resorting to expensive credit as a result of a lack of information.

Sub-prime lenders are not subject to CRA. However, they are subject to a host of consumer protection laws. If a sub-prime lender is engaging in illegal, predatory lending practices, the consumer may need to resort to legal action to enforce his rights.

[8] Karen Hube March 18 1998. 'In the wild west of subprime lending borrowers have to dodge many bullets" . Wall Street Journal.

Rochester MSA 1997 Top 10 Subprime Lenders



MORTGAGE BANKS

The ten mortgage banks with the largest number of loans in the Rochester MSA in 1997 accounted for **19%** of the total number of HMDA originations.[9]

The ten mortgage banks increased their lending by 16% from 1993-1997. Their market share in the MSA increased from 12% in 1993 to 19% in 1997. Unlike the sub-prime lenders, which had a much smaller market presence in 1993, mortgage banks were major lenders in 1993. However, six of the mortgage banks which made the top ten list in 1993 saw their lending decline by more than 50% by 1997.[10] On the other hand, five of the top ten lenders in 1997 had a much smaller or no market presence in 1993.[11]

While these 10 lenders accounted for 19% of the MSA market share, they originated:

- **16%** of the **Black/Hispanic** market share.
- **18%** of the market share to **low-moderate income** households
- **11%** of the market share **in low-moderate income census tracts.**
- **9%** of the market share in **minority census tracts.**

In 1997 these 10 mortgage bankers **originated 4,896** HMDA loans in the MSA. Unlike the loans originated by the sub-prime lenders, most of these loans were for home purchases. (FHA and conventional). Of the loans originated by these 10 mortgage bankers:

- **85%** were for home purchase loans.
- 15% were refinances.

Looking at the race and income characteristics of applicants and neighborhoods to whom and where these mortgage bankers originated loans are informative. Less than 10% of originations by mortgage banks were to Black/Hispanic households, in low-moderate-income and minority census tracts.

- 5% were to Black/ Hispanic households.
- **27%** were to low-moderate income households.
- **8%** were in low-moderate income census tracts.
- **2%** were in minority census tracts.

The Coalition will continue to examine the role of mortgage banks in HMDA lending in the Rochester MSA.

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[9] Nothnagle, Resources BMG, Norwest Mortgage, PHH, Countrywide, Source One Mortgage, First Union MC, GMAC, NVR Mortgage, PNC Mortgage.
[10] Source one, PNC mortgage, NVR mortgage, Midcoast Mortgage, Greater Funding, GE Capital Mortgage, Power funding.
[11] Countrywide, PHH, Resources BMG, First Union MC and IMC Mortgage.

HMDA LOANS 1995-1997

HOW DID BLACKS AND HISPANICS FARE?

Lending to Black and Hispanic households in the Rochester MSA went up **12%** from 1995 to 1996, but remained unchanged between 1996 and 1997. Nationally, HMDA loans to Blacks and Hispanics only increased by 4% in 1997, down from the double digit increases posted through most of the 90's. Buffalo, the nearest comparable market, saw a **12% decrease** in loans to Black and Hispanic applicants in 1997.

However, there is still a lending gap for Blacks and Hispanics in Rochester. Whereas 10% of the MSA is comprised of Black and Hispanic households, only 6% of the total number of loans originated were to Black and Hispanic households in 1997. A slightly higher percentage (7.5%) of all applicants were Black and Hispanic.

In comparison, 82% of the total number of loans originated were to White applicants, even though only 72% of applicants in the MSA were White.

Homeownership in the Black and Hispanic community continues to lag. Whereas nationally, 72% of White households own their homes, only 45% of Black families are homeowners.

In the City of Rochester, which houses most of the minority population of the MSA, only 31% of Black households are homeowners. Nationally, minorities contributed 42% of the growth in homeownership between 1994 and 1997. Rochester, with its unusual combination of affordable housing and high rent costs, has the potential for untapped marketing opportunities among minority home buyers.

LOANS IN MINORITY CENSUS TRACTS

HMDA lending in minority census tracts has increased significantly since 1992. In 1997, there were over 1,200 loans in census tracts where the minority population was greater than 50%. That represented a 21% increase over 1995. It also represents a **125% increase** over 1992 numbers, the first year for which the Coalition identified lack of lending in minority census tracts as an issue. Lending in census tracts where the minority population is **greater than 80%** increased between 1992 and 1996 by **186%.** This is a significant achievement and one that needs to be maintained.

LOANS TO LOW-MODERATE HOUSEHOLDS

% of HMDA loans to low-moderate income households in the Rochester MSA

1992	1995	1996	1997
19%	32%	27%	30%

HMDA lending to low-moderate income households in the MSA has increased significantly since 1992.

Lending to low-moderate households in the MSA went down in 1996 to 27%, but went **up** in 1997 to 30%. Whereas **22 %** of the MSA is comprised of low-moderate households, **in 1997**, **37%** of the loan applicants were low-moderate income and **30%** of all loans in the MSA were originated to low-moderate households. This is a significant increase from **1992 when only** 19% of HMDA loans were originated to low-moderate income households.

In comparison, **63%** of the applicants, in 1997, were upper income and **70%** of the total number of loans were originated to upper income applicants.

WHAT ACCOUNTED FOR THE CHANGE IN LENDING IN THE CITY?

Lending in the City has increased 94% between 1992 and 1997, peaking in 1994, but declining since then. The decrease in lending in the City raises questions. An analysis of the type of loans originated in the City provides insight into the downward trend in lending. Changes in the reporting of home improvement loans, as well the increased prevalence of home equity loans, which are not reported as HMDA loans, may account for some of the decrease.

In the City in 1997:

- There was **a 16% increase** in **FHA** loans from 1995;
- There was **a 30% decrease** in conventional loans from 1995;
- There were **over 1,800 home purchase (FHA and conventional)** loans, a **13% decrease** from 1995;
- There was **a 77% increase** in refinance loans from 1995; and
- There was **a 35% decrease** in home improvement loans from 1995.

Loan Type	1995	1996	1997
FHA	795	974	922
Conventional	1,331	945	922
Refinance	605	987	1,069
Sub Total	**2,731**	**2,906**	**2,913**
Home Improvement	1,008	1,350	873
Total	**3,739**	**4,256**	**3,786**

The increased prevalence of home equity loans requires us to be careful when comparing HMDA loans over time. Home equity loans are increasingly used for paying for home improvements, but since they are also used for consumer purchases they are not reported under HMDA data. Furthermore, some financial institutions no longer report home improvement loans. [12]

If we include home improvement loans when comparing 1996 to 1997, HMDA lending in the City declined by 11%. Otherwise, lending in the City was flat. We have to recognize that there are some limitations to using statistical data and look at programmatic changes as well. The larger area banks have introduced new products and services and they are discussed below at page 15.

HOME IMPROVEMENT LENDING

The HMDA data for home improvement loans throughout the city is revealing. In 1997, there were **2,777** applications for home improvement loans in the city. Of that number: **31%** or **873** loans were originated; **52 % (1,454) of applications were** denied; and **450 (16%)** applications were approved but not accepted, withdrawn, or files closed for incompleteness. This is an issue that requires further exploration and study.

[12] HMDA requires that an institution report Home Improvement (HI) loans in its HMDA data if the institution has a specific HI product or if it tracks that the loan is for HI. If the institution does not have a HI product or track the loan purpose, the HI loan is not reported. Based on that rule Chase stopped reporting HI loans in mid -1996.

LOAN DENIALS

Examining the difference between Black, Hispanic and White denial rates is illustrative. Black Households had a denial rate (45%) that was almost twice the denial rate for White households. Hispanic households did a little better (34%).

Rochester HMDA Denials 1997					
	FHA	Conventional	Refinance	Home Imp.	Total
Black	22%	23%	57%	56%	**45%**
Hispanic	17%	28%	44%	43%	**34%**
White	10%	15%	30%	33%	**24%**
Race NA	8%	20%	34%	53%	**37%**

In 1997:

- Black households had a denial rate of 45%, as compared to White households, which had a denial rate of 24%. Blacks were denied all HMDA loans **1.9** as often as Whites.
- However, the Black denial rate for conventional loans was 23%, 8% higher than the White rate of 15%. The denial ratio between Blacks and Whites for conventional loans was **1.5:1**
- Hispanic households had a denial rate of **34%,** as compared to White households, which had a denial rate of **24%,** resulting in a Hispanic to White denial rate of **1.4** for all HMDA loans.
- The denial rate for conventional loans for Hispanic applicants was **28%**, almost twice the White rate of **15%.**
- More than half the applications by Black applicants for refinancing and home improvement loans were denied (**57 and 56%**).
- 30% of White applications for refinancing were denied.

Did upper income blacks have lower black to white denial ratios than lower income blacks?

Black household incomes continue to lag behind White household incomes. There is obviously some link between an individual's income and their ability to access credit. Lower income people will often have fewer monetary resources to deal with a life crisis and, therefore, are more likely to have problems with their credit. However, the difference in denials between Black and White applicants did not decrease at higher income levels.

The chart below compares the percentage of HMDA denials between Asian, Black, Hispanic and White applicants at different income levels. Denials ratios are compared for Asian, Black and Hispanic applicants with White applicants at <80% median income -

>120% median income.[13] The Black to White denial ratio was **actually higher for upper income Black** applicants than lower income Black applicants for HMDA loans in 1997.

- **51%** of Black applicants below **80%** of area median income were denied HMDA loans as opposed to **35%** of white applicants at the same income level. The Black to White denial ratio at that income level is **1.5.**
- The Black to White denial ratio for black applicants at **120%** of median income is **2.6.** **35%** of Black applicants above 120% of area median income were denied HMDA loans, as opposed to 14% of White applicants at that income level.

For Black applicants the Black to White denial ratio increases as their income goes up.

The Black to White denial ratio has, however, improved compared to 1993. In a report released by GRCRC on 1993 HMDA denials, the Black to White denial ratio was **2:1** for applicants below 80% of median income and **3.5: 1** for applicants at 120% of median income.

Hispanic applicants, on the other hand, had a lower denial ratio than Black applicants in 1997. Hispanic applicants at 80% and 120% of median income had a **1.2** Hispanic to White denial ratio. Hispanic applicants at 120% of median income had a denial rate of only **17%.**

Asian applicants at 80 % of median income had the **same rates** of denials as Whites at that income level. They had **lower** denial rates than White applicants at higher income levels. Only 10% of Asian applicants at 120% of median income were denied.

The Coalition recognizes that as banks reach out to the minority and low-moderate income community and a more diverse pool of applicants applies for loans, the denial rate will be affected. In 1997, Black applications for all HMDA loans increased by 33%. Hispanic applications increased by 40% compared to 1995. The increase in the applications was caused by more applications for refinances and home improvement loans.

[13] In 1997, median income was $47,200. 80% of MI was $37,760 and 120% of MI was$56,000.

Rochester MSA Denials 1997						
Income		**Applications**	**Originations**	**Denials**	**% Den.**	**White Ratio**
<80%	Asian	110	58	38	35%	1.0
	Black	1,569	605	795	51%	**1.5**
	Hispanic	372	182	159	43%	1.2
	White	11,180	5,906	3,960	35%	
80-99%	Asian	47	32	10	21%	0.9
	Black	364	178	143	39%	**1.7**
	Hispanic	118	66	34	29%	1.3
	White	5,372	3,531	1,235	23%	
100-119%	Asian	37	27	5	14%	0.7
	Black	255	119	104	41%	**2.1**
	Hispanic	51	35	14	27%	1.4
	White	4,020	2,226	795	20%	
>120%	Asian	144	113	14	10%	0.7
	Black	430	210	152	35%	**2.6**
	Hispanic	108	71	18	17%	1.2
	White	10,956	8,345	1,484	14%	

WHERE HAVE WE COME SINCE 1992?

The mortgage lending market has changed dramatically in the last five years. The 8 largest area depository institutions are no longer the major players in the marketplace. Mortgage bankers, sub-prime lenders and credit unions, have usurped their role. Unfortunately, virtually none of these non-bank entities have CRA obligations.

The Coalition has worked with area banks to improve their HMDA lending. Area banks have introduced a number of programmatic changes. These changes include:

- The institution of credit counseling programs for first-time homebuyers.
- A Second review policy for denied HMDA loans.
- Affordable mortgage products for first- time homebuyers.
- Affirmative marketing of products.

The area banks have to be given credit for maintaining or increasing the percentage of the loans they originated in the City, to Black/Hispanic and low-moderate households, and in low-moderate and minority census tracts. The market is more competitive and we must recognize that fact. We must also look at the presence of sub-prime lenders in our community and see whether some of that lending can be accomplished through more traditional market outlets.

HOW DID ROCHESTER COMPARE WITH OTHER COMMUNITIES?

The National Community Reinvestment Coalition recently released an analysis of home mortgage lender performance in the twenty largest metropolitan areas over a four year time period.[14] The study found that, in most metropolitan areas, the minority loan share was either equal to or a little less than the minority population share. On the other hand, the share of loans to low-moderate households was lower than the percentage of low-moderate households in those areas.

The trend in the twenty largest metropolitan areas was not the same as the pattern in Rochester. **In Rochester, minority households received fewer loans and low-moderate households received a greater number of loans than their proportionate share of the total population.** The Coalition applauds the improvement in lending to low-moderate households. We need to work harder at reaching the minority community as well.

HOW DID ROCHESTER COMPARE WITH BUFFALO?

HMDA lending to traditionally under-served populations has improved more significantly in Rochester than in Buffalo since 1992. This is true, both in terms of the eight largest area banks, as well as lending by all financial institutions.

Table 1 compares the changes in HMDA lending between Rochester and Buffalo between **1992 and 1997**. It compares the changes in the number loans originated by all financial institutions (AFI), the eight largest depository institutions in Rochester (listed on the chart) and all other financial institutions (i.e. all those not including the eight largest banks).
Looking at the lending pattern of all financial institutions between **1992 -1997:**

- Lending in the MSA was **up 9%** in Rochester and down **3%** in Buffalo.
- Lending to Black/Hispanic Households was **up 123%** in Rochester and **34%** in Buffalo.
- Lending in minority census tracts was **up 139%** in Rochester and **38%** in Buffalo.
- Lending in low-moderate income census tracts was **up 41%** in Rochester and 31% in Buffalo.

The eight largest banks in Rochester also have a market presence in Buffalo. Looking at the lending pattern of the **eight largest banks:**

- In 1997, these eight banks had **31%** of the market share in Rochester and **42%** in Buffalo.

[14] America's Best and Worst Lenders NCRC January 1999.

Between 1992 and 1997:

- Lending by the eight largest banks in the MSA was down **46%** in Rochester and **36%** in Buffalo.
- Lending by the eight largest banks to Black/Hispanic households was **up 38%** in Rochester and down **25%** in Buffalo.
- Lending by the eight largest banks in minority census tracts was **down 5% in** Rochester and down **42%** in Buffalo.
- Lending by the eight largest banks in low-moderate income census tracts was **down** **19%** in Rochester and down **31%** in Buffalo.

However, as observed above, these eight institutions **doubled the proportion** of their total loans to Black/Hispanic and low-moderate households and in minority census tracts in the Rochester MSA. In comparison, the increases by these eight institutions to black/Hispanic and low-moderate households in the Buffalo MSA were more modest. In the Buffalo MSA the **proportion** of the total loans of the eight largest banks to Black/Hispanic and low-moderate households only **increased by 1%, and decreased by 1%** in minority census tracts in the Buffalo MSA.

Looking at the changes in lending rates to the low and moderate income and minority community in these two markets shows some interesting trends. Significantly greater gains occurred from 92-97 in Rochester in lending to Black and Hispanic households, and in minority and low-moderate income census tracts, both with regard to the total lending and with regard to the same eight largest banks.

The City of Rochester has used a variety of mechanisms to increase community development lending in our community. Many not-for profit organizations have been provided with operational support to develop affordable housing. The City has created housing programs of its own and funded pre-purchase counseling, as well as programs for down payment assistance.

The City has also worked closely with GRCRC to encourage the banks to ensure that their community development activities are a success. Rochester has an active Coalition that has regular ongoing discussions with seven of the eight area banks. The Coalition has obtained written commitments regarding a number of community reinvestment activities from three of the area banks. The Coalition also monitors the national lending commitments of two other area banks. All of these activities may account in part for the difference in lending patterns between Rochester and Buffalo.

Looking at the lending pattern of all the other financial institutions[15] **(excluding the eight largest banks), between 1993-1997:**

- **Lending in the MSA was up 102% in Rochester and 171% in Buffalo.**
- Lending to **Black/Hispanic households was up 253% in Rochester and 233% in Buffalo.**
- Lending in **minority census tracts was up 447% in Rochester and 273% in Buffalo.**
- Lending in **low-moderate income census tracts was up 116% in Rochester and 190% in Buffalo.** (However, there were more loans of this type in Rochester (2,502) than in Buffalo (2.018).

Comparing **the rate of HMDA** loans per 1,000 households in Buffalo and Rochester is illustrative. The rate described below is the rate of FHA and conventional loans /1,000 Households.

In 1997:

- The Rochester **MSA** had a rate of **68 loans** /1,000 households (HH). Buffalo had a rate of **48 loans** /1,000 HH.
- **Black/Hispanic** HH in Rochester had a loan rate of **40/1,000** HH, while the rate for Buffalo was **27/1,000** HH.
- **Low-moderate income HH** in Rochester had a loan rate of **51/1,000**, in Buffalo the rate was **33/1,000** HH.

1997 ROCHESTER/ BUFFALO COMPARISION

Rate of Loans				
	Total HMDA Loans		**/1000 HH**	
	Rochester	**Buffalo**	**Rochester**	**Buffalo**
MSA	25,660	22,325	**68**	48
Black/His. HH	1,507	1,487	**40**	27
Low Moderate HH	7,583	6,258	**51**	33

The Rochester MSA had a significantly higher rate of loans per 1000 HH for Black/Hispanic and low-moderate households. The disparity between Rochester and Buffalo was the greatest: Rochester rates of loans per 1000 HH were 30% higher than the Buffalo rates per 1000 HH.

Rochester has a stronger economy than Buffalo. Rochester also has a higher median household income than Buffalo. Therefore, a household classified at 80% of area median income will have a higher annual income in Rochester than in Buffalo.

[15] As mentioned above some mortgage bankers did not report data in 1992 and their loans were not included in the reported HMDA loans.

It is possible to calculate a homeownership affordability index based on the median house price in the MSA. That figure is based on the lowest possible annual income that a household must have to be able to become a homeowner when purchasing a median priced home. Based on that index, it is possible to ascertain how many households in an MSA can potentially qualify for a mortgage (based on income alone). Obviously, income alone is not used in qualifying for a mortgage. A household's debt- to- income ratio, as well as credit history, are factors to be considered. Using 1990 census data, we calculated the percentage of Black households for whom homeownership was potentially affordable, based on income alone.

40% of Black households in Rochester and Buffalo have the income qualifications for homeownership. **If all income eligible Black households in Rochester could qualify for home mortgage loans on the basis of income, other debt and credit history their home ownership rate would increase to 40%. The current rate of homeownership for Black households in Rochester is 31%. Given that income levels have gone up since 1990 and housing prices have come down, it is conceivable that even more Black households can afford homeownership.**

Rents are high in Rochester. Homeownership is an affordable option for eligible applicants. This is one of the strongest possible arguments for ensuring that credit counseling is readily available to all applicants for HMDA loans.

ROCHESTER/BUFFALO HMDA LENDING COMPARISION												
	Rochester NY											
	MSA			Black/His HH			Minority CT			Low Mod CT		
	AFI	Top 8	OFI	AFI	Top 8	OFI	AFI	Top 8	OFI	AFI	Top 8	OFI
1992	23645	14882	8763	676	410	266	503	343	160	2,599	1,444	1,155
1997	25660	7978	17682	1507	567	940	1203	327	876	3673	1171	2502
% change	9%	46%	102%	123%	38%	253%	139%	-5%	447%	41%	-19%	116%
% of total loans in:												
1992				3%	3%	3%	2%	2%	2%	11%	10%	13%
1997				6%	7%	5%	5%	4%	5%	14%	15%	14%
Buffalo NY												
	MSA			Black/His.HH			Minority CT			Low Mod CT		
	AFI	Top 8	OFI	AFI	Top 8	OFI	AFI	Top 8	OFI	AFI	Top 8	OFI
1992	23,056	14,532	8,524	1,108	853	255	960	717	243	2,494	1,799	695
1997	22325	9,482	12,843	1,487	637	850	1,325	418	907	3,266	1,248	2,018
	-3%	-36%	171%	34%	-25%	233%	38%	-42%	273%	31%	-31%	190%
% of total loans in:												
1992				5%	6%	3%	4%	5%	3%	11%	12%	8%
1997				7%	7%	7%	6%	4%	7%	15%	13%	16%
Top 8: Chase, Charter One, Citibank(NYS),Fleet, FNB,Key, M& T, Marine.												
AFI: All Financial	Institutions.											
OFI:Other Financial Institions.												

RECOMMENDATIONS

One of the goals that the Coalition will work toward in the next few years is a regional financial literacy campaign. Area banks, the city, the county and community groups working on affordable housing could play an important role in making credit more accessible. Credit counseling and repair should be made available and accessible to all potential low and moderate income applicants who are eligible and interested. Information should be readily available to homebuyers about the cost of obtaining higher interest loans when lower cost alternatives are available when accompanied by credit repair.

Such an educational initiative is in the interest of all concerned. It enables area banks to educate potential homeowners of the advantage of conventional loans, as opposed to more expensive sub-prime loans. It is also in the interest of the city and the county to ensure that homeowners are not accessing capital at an unnecessarily prohibitive cost. Expensive credit results in a higher likelihood of foreclosure. Homeowners with lower housing costs also have more in disposable income, which has a beneficial effect on the economy of the region as a whole.

Part 1 B

COMPARISION OF LENDING OF EIGHT MAJOR ROCHESTER BANKS

This report includes an analysis of the home mortgage loans originated by the eight largest depository institutions serving the Rochester MSA. They are **Chase Manhattan, Citibank, Charter One (RCSB), First National Bank,[16] Fleet, Key Bank, M & T and Marine Midland Bank (HSBC) and their mortgage subsidiaries.**[17] Table 2 provides a breakdown the HMDA loans of the eight largest banks as well as marketshare comparisons. Table 3 compares the denial rates of these banks.

In 1997, of the eight banks included in this analysis:

- HSBC had the highest number of HMDA loans in the MSA, the City of Rochester, to low-moderate income households and low-moderate income and minority census tracts.
- M & T had the highest number of HMDA loans to Black/Hispanic households in the MSA.
- Citibank had the fewest number of HMDA loans in the MSA, the City of Rochester, to low-moderate income and Black/Hispanic households and low-moderate income census tracts.
- FNB had the highest % of its total MSA loans originated in the city, to Black/Hispanic households and in minority census tracts.
- Key had the highest % of its total MSA loans originated to low-moderate-income households and low-moderate income census tracts.
- Key had the lowest % of its total MSA loans originated in the City.
- Fleet had the lowest % of its total MSA loans originated to Black/Hispanic households and in minority census tracts.
- Citibank had the lowest % of its total MSA loans originated to low-moderate income households in the MSA.
- Chase had the lowest % of its total MSA loans originated to low-moderate income census tracts.

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[16] M & T has a pending application to acquire FNB.

[17] These 8 banks are included in the analysis because they are the eight largest HMDA lenders which accept deposits in the Rochester MSA. Other banks also originate HMDA loans in the MSA but do not have branch presence.

The data included in the analysis was shared with each of the banks in question while still in draft form. Each bank was provided with the opportunity to meet with Coalition members in person and respond to their own data. The responses of individual banks to the report are included where applicable.

Top 8 Banks
Rochester, NY
1997 HMDA Loans

	AFI	Charter One	Chase	Citibank	FNB	Fleet	Key	M&T	Marine	Top 8	OFI
MSA	25,660	1,119	573	372	527	1,179	932	1,295	1,981	7,978	17,682
City	3,779	198	77	52	124	126	92	237	282	1,188	2,591
Black/Hispanic HH MSA	1,507	102	32	28	67	41	49	138	110	567	940
Low-Mod HH MSA	7,583	340	149	78	157	310	331	432	627	2,424	5,159
Lod-Mod Income CT	3,673	136	60	53	84	154	253	175	256	1,171	2,502
Minority CT	1,203	66	39	16	36	14	26	61	69	327	876
Non-Occupant	940	16	28	4	11	33	14	37	81	224	716
MARKETSHARE											
		Charter One	**Chase**	**Citibank**	**FNB**	**Fleet**	**Key**	**M&T**	**Marine**		
MSA		4%	2%	1%	2%	5%	4%	5%	8%	31	69
City		5%	2%	1%	3%	3%	2%	6%	7%	31	69
Black/Hispanic HH MSA		7%	2%	2%	4%	3%	3%	9%	7%	38	62
Low-Mod HH MSA		4%	2%	1%	2%	4%	4%	6%	8%	32	68
Low-Mod Income CT		4%	2%	1%	2%	4%	7%	5%	7%	32	68
Minority CT		5%	3%	1%	3%	1%	2%	5%	6%	27	63
Non-Occupant		2%	3%	0%	1%	4%	1%	4%	9%	24	76
Loans as %											
of MSA TOTAL IN:		**Charter One**	**Chase**	**Citibank**	**FNB**	**Fleet**	**Key**	**M&T**	**Marine**		
City	15%	18%	13%	14%	24%	11%	10%	18%	14%	15%	15%
Black/Hispanic HH MSA	6%	9%	6%	8%	13%	3%	5%	11%	6%	7%	5%
Low-Mod HH MSA	30%	30%	26%	21%	30%	26%	36%	33%	32%	30%	29%
Low-Mod Income CT	14%	12%	10%	14%	16%	13%	27%	14%	13%	15%	14%
Minority CT	5%	6%	7%	4%	7%	1%	3%	5%	3%	4%	34%
Non-Occupant	4%	1%	5%	1%	2%	3%	2%	3%	4%	3%	4%
AFI: All Financial Institions											
OFI: Other Financial Institions											
GRCRC 1999											

Table 2

DENIALS % 1997 ROCHESTER MSA					
BANK	**WHITE %**	**RATIO B-W**	**BLACK %**	**RATIO H-W**	**HISPANIC %**
CHARTER ONE	26	1.7	45	1.8	47
CHASE	18	3.0	54	2.2	39
CITIBANK	14	1.6	23	0.9	12
FIRST NATIONAL	9	1.4	13	0.0	0
FLEET	28	1.5	43	1.1	30
KEY BANK	23	1.8	42	1.0	24
M&T	20	1.8	35	1.5	29
MARINE MIDLAND	15	2.0	30	3.2	48

TABLE 3

CHASE

In 1997:
Loans in MSA: There was a **6% increase** from 1995.
Loans in City: There was a **48% decrease** from 1995 (only 77 loans).
Loans to Blacks/Hispanics: There was a **65% decrease** from 1995(only 32 loans).
Loans to Low-Moderate Households: There was a **10% increase** from 1995.
Loans in Low-Moderate Census Tracts: There was a **18% decrease** from 1995 (only 60 loans).

ROCHESTER LOAN ORIGINATIONS[18]

	1995	1996	1997
MSA	541	498	573
City	147	118	77
Black/His HH MSA	92	57	32
LM HH MSA	136	174	149
LM CT MSA	73	85	60
Non-occupant	20	17	28
% of loans in:			
City	27%	24%	13%
Black /His. HH MSA	17%	11%	6%
LM HH MSA	25%	35%	26%
LM CT MSA	13%	17%	10%
Denials %			
White	16%	26%	18%
Black	34%	44%	54%
Hispanic	12%	40%	39%

- In 1997, Chase had $1.2 billion in deposits in the Rochester MSA. It was ranked **third** in terms of local deposits, Chase ranked **sixth** out of eight banks in the total number of HMDA loans originated in the MSA.
- Chase's assessment area covers 75% of the census tracts in the Rochester MSA, including Monroe County.

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[18] The HMDA numbers for Chase do not include Home Improvement loans. Chase stopped reporting Home Improvement loans in 1996. To ensure that the comparison was accurate Home Improvement loans were excluded.

- In 1997, a smaller percentage of the total loans in the MSA were in the City, Black and Hispanic households and in low-moderate income census tracts.
- **Only 10% of total** loans originated in the MSA were in low-moderate income census tracts, **the lowest percentage of all banks compared in this report.**

- In 1996 and 1997, denial rates for Black and Hispanic applicants were higher than 1995. In 1997, 54%of Black applicants were denied loans. **Chase had the worst denial rate for Black applicants of all banks compared in this report**.

The Coalition raised the decline in lending with Chase. In response Chase pointed out that Chase had hired a community development lender to improve HMDA lending in the Rochester market. Preliminary 1998 numbers appear to reflect that improvement.

CITIBANK

In 1997:
Loans in **MSA**: There was a **34% decrease** from 1995.
Loans in **City:** There was a **51% decrease** from 1995 (only 52 Loans).
Loans to **Blacks/Hispanics**: There was a **15%** decrease from 1995 (only 28 loans).
Loans to **Low-Moderate Households**: There was a **51% decrease** from 1995.
Loans in **Low-Moderate Census Tracts**: There was a **2% decrease** from 1995.

ROCHESTER LOAN ORIGINATIONS

	1995	1996	1997
MSA	565	476	372
City	107	45	52
Bl/His HH MSA	33	11	28
LM HH MSA	165	78	78
LM CT MSA	52	21	53
Non-occupant		5	4
% of loans in:			
City	19%	9%	14%
Black/His. HH MSA	6%	2%	8%
LM HH MSA	29%	16%	21%
LM CT MSA	9%	4%	14%
Denials %			
White	25	19	14
Black	55	54	23
Hispanic	47	31	12

- In 1997 Citibank had **$481** million in deposits in the MSA, **and ranked 7th in terms of deposits**. Citibank's assessment area only included Monroe County in the Rochester MSA. **Citibank ranked last of all eight banks** in the total number of loans originated in the MSA.
- In 1997, a **higher percentage** of the total loans in the MSA were originated in low-moderate-income census tracts. However, only **21%** of total loans originated in the MSA went **to low-moderate income households, the lowest percentage** of all the banks compared in this report.
- In 1997, denial rates for **Black and Hispanic** applicants were **lower** than in 1995. In 1997, only **23% of** Black applicants were denied loans. Hispanic applicants had a lower denial rate than White applicants. However, only **28** loans were originated to Black and Hispanic applicants.

CHARTER ONE

In 1997:
Loans in **MSA**: There was a **2% decrease** from 1995.
Loans in **City:** There was a **11% increase** from 1995
Loans to **Blacks/Hispanics**: There was a **2 % increase** from 1995.
Loans to **Low-Moderate Households**: There was a **0.3%** decrease from 1995.
Loans in **Low-Moderate Census Tracts**: There was a **3% increase** from 1995.

ROCHESTER LOAN ORIGINATIONS

	1995	1996	1997
MSA	1,139	1,022	1,119
City	179	156	198
Black/His HH MSA	100	82	102
LM HH MSA	341	253	340
LM CT MSA	132	122	136
Non-occupant		14	16
% of loans in:			
City	16%	15%	18%
Black/His. HH MSA	9%	8%	9%
LM HH MSA	30%	25%	30%
LM CT MSA	12%	12%	12%
Denials %			
White	18%	18%	26%
Black	47%	41%	45%
Hispanic	42%	41%	47%

- In 1997, Charter One had $1.9 billion in local deposits, and **ranked 2nd in terms of deposits.** Charter One ranked third of all eight banks in the total number of loans originated in the MSA.
- Charter One's assessment area includes Monroe, Ontario and Wayne counties in the Rochester MSA.
- In 1996 and 1997, Charter One maintained its rate of HMDA lending in the MSA, in the City, to Black/Hispanic households, to low-moderate income households and in low-moderate census tracts compared to 1995.
- In 1997, 30% of the total loans in the MSA went to low - moderate income households.
- In 1996 and 1997, **denial rates for Black and Hispanic applicants continued to be over 40% and almost twice the White denial rate.**

FIRST NATIONAL BANK

In 1997:
Loans in **MSA**: There was a **75% increase** from 1995.
Loans in **City:** There was a **75% increase** from 1995
Loans to **Blacks/Hispanics**: There was a **103% increase** from 1995 (still only 67 loans).
Loans to **Low-Moderate Households**: There was a **83% increase** from 1995.
Loans in **Low-Moderate Census Tracts**: There was a **79% increase** from 1995 (still only 84 loans).

ROCHESTER LOAN ORIGINATIONS

	1995	1996	1997
MSA	301	537	527
City	71	108	124
Bl/His HH MSA	33	57	67
LM HH MSA	86	130	157
LM CT MSA	47	76	84
Non-occupant		16	11
% of loans in:			
City	24%	20%	24%
Bl/His HH MSA	11%	11%	13%
LM HH MSA	29%	24%	30%
LM CT MSA	16%	14%	16%
Denials %			
White	8	6	9
Black	21	17	13
Hispanic	11	15	0

- In 1997, FNB had $378 million in deposits in the MSA, and **ranked 8th in terms of deposits.** M & T acquired FNB in June 1999.
- In 1996 and 1997, First National Bank originated more HMDA loans in the MSA, in the City, to Black/Hispanic households and low-moderate households than in 1995. Lending almost doubled in each of the markets identified above.
- In 1997, **30%** of the total loans in the MSA were originated to low- moderate income applicants. FNB had the highest % of its total MSA loans originated in the city and to Black/Hispanic Households.
- In 1997, FNB had the **lowest denial rates** for White, Black and Hispanic applicants. It also had **the lowest** Black and Hispanic to White denial ratios of all eight banks.

FLEET

In 1997:
Loans in **MSA**: There was a **20% decrease** from 1995.
Loans in **City:** There was a **53% decrease** from 1995.
Loans to **Blacks/Hispanics**: There was a **66% decrease** from 1995 (only 41 loans).
Loans to **Low-Moderate Households**: There was a **30% decrease** from 1995.
Loans in **Low-Moderate Census Tracts**: There was a **30%** **decrease** from 1995.

ROCHESTER LOAN ORIGINATIONS

	1995	1996	1997
MSA	1,482	1,380	1,179
City	266	167	126
Bl/His HH MSA	122	71	41
LM HH MSA	446	317	310
LM CT MSA	220	216	154
Non-occupant	47	41	33
% of loans in:			
City	18%	12%	11%
Bl/His HH MSA	8%	5%	3%
LM HH MSA	30%	23%	26%
LM CT MSA	15%	16%	13%
Denials %			
White	20	23	28
Black	43	38	43
Hispanic	11	50	30

- In 1997, Fleet had $936 million in deposits in the MSA, and **ranked 5th in terms of deposits.** Fleet's assessment area includes the entire Rochester MSA.

- In 1996 and 1997, Fleet originated fewer HMDA loans in the City, to Black/Hispanic and low-moderate income households, and in low-moderate income census tracts compared to 1995.

- In 1997, **only 3% of** Fleet's total loans in the MSA went to **Black/Hispanic** households, down **from 8%** in 1995.

- Fleet's MSA marketshare was 5%. It's marketshare in the city, amongst Black/Hispanic and low-mod income households, in low-mod income and minority census tracts was consistently lower than it's MSA marketshare. It was the only bank amongst the eight compared in this report for which this was true. All the other banks marketshare in the city, amongst Black/Hispanic and low-mod income households, in low-mod income and minority census tracts was either equal to or greater than their MSA marketshare.

- In 1997 **denial** rates for **Black applicants** continued to be as high as in 1995, **with 43%** of Black applicants denied loans. In 1996 and 1997, Hispanic applicants had a much higher denial rare than in 1995. In 1997 Fleet had the **highest** denial rate for **White applicants** of all eight banks.

KEY

In 1997:
Loans in **MSA**: There was a 6% **decrease** from 1995.
Loans in **City:** There was a 28% **decrease** from 1995 (only 92 loans).
Loans to **Blacks/Hispanics**: There was a **38% decrease** from 1995 (only 49 loans).
Loans to **Low-Moderate Households**: There was a **13% increase** from 1995.
Loans in **Low-Moderate Census Tracts**: There was a **12% increase** from 1995.

ROCHESTER LOAN ORIGINATIONS

	1995	1996	1997
MSA	996	825	932
City	127	94	92
Black/His. HH MSA	79	48	49
LM HH MSA	294	270	331
LM CT MSA	226	179	253
% of loans in:			
City	13%	11%	10%
Bl/His HH MSA	8%	6%	5%
LM HH MSA	30%	33%	36%
LM CT MSA	23%	22%	27%
Denials %			
White	26	26	23
Black	35	49	45
Hispanic	9	43	24

- In 1997, Key had $508 million in deposits in the MSA, and **ranked 6th in terms of deposits.**

- In 1996 and 1997, Key originated fewer HMDA loans in the City and to Black/Hispanic households compared to 1995. However, more loans were originated to low-moderate income households and in low-moderate census tracts than in 1996.

- In 1997, 36% of the total loans originated in the MSA were to low-moderate income households; and 27% of the total loans originated in the MSA were in low-moderate income census tracts. Key had the highest % of its total loans originated in the MSA in low-moderate households and census tracts of all banks compared in this report. Over 90% of Key's loans were home improvement

- In 1997, only **5%** of Key's total loans in the MSA went to Black/Hispanic households, down from **8%** in 1995.

- In 1997, denial rates for Black applicants were **higher** than in 1995,with **45%** of Black applicants denied loans. The Black denial rate **was twice** the White denial rate. In 1996 and 1997, Hispanic applicants had a much higher denial rare than in 1995.

The Coalition has raised some of these concerns with Key bank. We were advised that Key has introduced a program of credit counseling.

M&T

In 1997:
Loans in **MSA**: There was less than a 1% increase from 1995.
Loans in **City:** There was a **52% decrease** from 1995
Loans to **Blacks/Hispanics**: There was a **51% decrease** from 1995
Loans to **Low-Moderate Households**: There was a **36% decrease** from 1995.
Loans in **Low-Moderate Census Tracts**: There was a **50% decrease** from 1995.

ROCHESTER LOAN ORIGINATIONS

	1995	1996	1997
MSA	1,285	1,262	1,295
City	492	188	237
Bl/His HH MSA	284	98	138
LM HH MSA	671	369	432
LM CT MSA	349	175	175
Non-occupant		39	37
% of loans in:			
City	38%	15%	18%
Bl/His HH MSA	22%	8%	11%
LM HH MSA	52%	29%	33%
LM CT MSA	27%	14%	14%
Denials %			
White	15	19	20
Black	19	43	35
Hispanic	8	32	29

- In 1997, M & T had $1.1 billion in deposits in the Rochester MSA, ranking it 4th in terms of deposits. M &T's assessment area included the six county region of the MSA.
- In 1997, only **18%** of M & T's total loans in the MSA went to the City, down from **38% in** 1995. Only **11%** of M & T's total loans in the MSA went to Black/Hispanic households, down from **22%** in 1995. However, of all 8 banks in this comparison, M & T originated the **most loans** to Black/Hispanic in households. (138)
- Although loans to **low-moderate income applicants** were down from 1995, **a third** of the loans were originated to low-moderate applicants.
- In 1997, denial rates for **Black** applicants were nearly double that in 1995, with **35%** of Black applicants denied loans. In 1996 and 1997, Hispanic applicants had a denial rate that was 3-4 times higher than in 1995, with 29% of Hispanic applicants denied loans.

HSBC (MARINE MIDLAND)

	1995	1996	1997
MSA	1,925	1,589	1,981
City	289	184	282
Black /His.HH MSA	79	66	110
LM HH MSA	980	264	627
LM CT MSA	301	286	256
Non-occupant.		82	81
% of loans in:			
city	15%	12%	14%
Bl/His HH MSA	4%	4%	6%
LM HH MSA	51%	17%	32%
LM CT MSA	16%	18%	13%
Denials %			
White	15	17	15
Black	36	37	30
Hispanic	32	38	48

First Federal		
	1995	1996
MSA	863	1430
City	135	215
Bl/His.HH	56	97
LM HH MSA	229	384
LM CT MSA	86	154

HSBC and First Federal			
	1995	1996	1997
MSA	2,788	3019	1,981
City	424	399	282
Bl/His.HH	135	163	110
LM HH MSA	1,209	648	627
LM CT MSA	387	440	256

- **Following the acquisition of First Federal, Marine was unable to maintain the HMDA lending record of First Federal.**

- In **1996,** HSBC and First Federal jointly originated **3,000** HMDA loans in the **MSA**. In 1997, HSBC originated under **2,000** loans representing a **4% decrease** in the market share of the merged bank. In 1996, First Federal originated over 1,400 loans in the MSA, the second highest number of the nine largest depository banks in the MSA.
- In **1996,** HSBC and First Federal jointly originated almost **400** HMDA loans in the **City.** In **1997,** HSBC originated under **300** loans, representing a **2% decrease** in the market share of the merged bank. In 1996, First Federal originated over 200 loans in the City, the highest number of the nine largest depository banks in the MSA.
- In **1996,** HSBC and First Federal jointly originated **163** HMDA loans to **Black/Hispanic** households in the MSA. In **1997,** HSBC originated **110** loans, representing a **7% decrease** in the market share of the merged bank.
- In **1996,** HSBC and First Federal jointly **originated 648 HMDA** loans to **low-moderate** income households in the MSA. In **1997,** HSBC originated **627** loans, representing a **5% decrease** in the market share of the merged bank.
- In **1996,** HSBC and First Federal jointly **originated 440 HMDA** loans in **low-moderate** income census tracts in the MSA. In **1997,** HSBC originated **256 loans,** representing a **5% decrease** in the market share of the merged bank.

In 1997, HSBC had $2.5 billion in deposits in the MSA, and ranked 1st in terms of deposits. HSBC's assessment area includes the entire Rochester MSA.

- In **1996,** HSBC and First Federal jointly **originated 116 non-occupants HMDA** loans in the MSA. In **1997,** HSBC originated **81** loans, representing a **4% decrease** in the market share of the merged bank. In 1997, **940** HMDA loans were originated by all financial institutions up by **43 loans** in comparison to 1996.
- In 1996 and 1997, denial rates for Black applicants continued to be 30%, twice the White denial rate.
- In 1997, the denial rate for Hispanic applicants jumped to 48%, almost three times the White denial rate. Of all banks compared in this report, HSBC had the worst denial rate for Hispanic applicants.

Part II

SMALL BUSINESS LOANS

This part of the report is sub-divided into two sections. The first section looks at the aggregate small business lending data, that is the total number of small business loans originated by all financial institutions in Monroe County.

The report looks at the individual lending pattern of these banks. Small business loans are defined as loans to businesses where the loan amount is under $1 million. They include small business credit cards, lines of credit and term loans. Only loans **originated** by the banks are included in this analysis. Loans **purchased** by the banks are not included in the analysis.

The second part of the report compares the small business lending of the seven banks with the largest amount of local deposits in **Monroe County**. These banks are **Chase Manhattan, Citibank, First National Bank, Fleet, Key Bank, M&T and Marine Midland Bank (HSBC).** [19]

Data for small business loans is presented on countywide figures, rather than City and MSA. Data is not reported at the census tracts or at the city level for individual banks. Data is not available by race or gender. Only the number of loans originated is reported. The total number of applications, the number of loans denied or withdrawn is not available, because the law prohibits the collection of data for small business loans by race and gender.

The Coalition asked all the banks included in this analysis to share their small business numbers for the City with the Coalition. All the banks provided us with the data, but on the condition that the data not be made public and only shared amongst Coalition members. We have honored that request. We have met with each bank to discuss their lending record in the City and made recommendations.

[19] Charter One did not make Small business loans prior to 1998.

A. TOTAL NUMBER OF SMALL BUSINESS LOANS

MONROE COUNTY

The total number and dollar amount of loans originated in Monroe County increased in 1997.

In 1997, in Monroe County:

- The total number of small business loans **increased by 9%.**
- The dollar volume of lending **increased by 7% ($53 million).**

Small Business loans in Monroe County

	TOTAL		Low Mod CT		BUS.GAR <$1 M.		BUS.GAR <$1 M.LMCT	
	Loans	Amt.M	Loans	Amt.M.	Loans	Amt.M.	Loans	Amt.M.
1996	7,282	$ 710	1,425	$179	2,825	$124	507	$25
1997	7,914	$763	1,237	$184	3,172	$174	550	$35

PERCENT OF LOANS TO								
			Low Mod CT		BUS.GAR <$1 M.		BUS.GAR <$1 M.LMCT	
			Loans	Amt.M.	Loans	Amt.M.	Loans	Amt.M.
		1996	20%	25%	39%	17%	18%	20%
		1997	16%	24%	40%	23%	17%	20%

LOANS IN LOW-MODERATE INCOME CENSUS TRACTS:

The number of small business loans originated in low-moderate income census tracts decreased in 1997, however the dollar volume increased. This implies that fewer loans of larger amounts were being originated, probably to larger businesses, since larger loans tend to be originated to larger businesses

- The total number of small business loans in low-moderate income census tracts, **decreased** by 13%. The dollar volume of lending **increased by $5 million.**
- **16% of the loans and 24% of the dollar amount were originated in low-moderate income census tracts.**

22% of businesses in the Rochester MSA are in low-moderate census tracts. **16% of the total number of loans were originated in low-moderate census tracts by all lenders.** The top 7 lenders originated **21%** of the loans in low-moderate census tracts. **Citibank, FNB and HSBC** originated **less than 21 %** of their loans in low-moderate census tracts. **Chase, Fleet, Key and M & T originated more than 21 %** of their loans in low-moderate census tracts.

24% of the dollar volume of loans was originated in low-moderate census tracts by all financial institutions, as well as by the top seven lenders. **FNB and HSBC** originated **less than 24 %** of the dollar volume of loans in low-moderate census tracts. **Citibank, Chase, Fleet, Key and M & T originated 24%** or more of their dollar volume of loans in low-moderate census tracts.

LOANS TO BUSINESSES WITH GROSS ANNUAL REVENUES < $ 1 MILLION.

The Coalition's report on 1996 small business lending raised the issue of the relatively low percentage of loan dollar volume originated to businesses with Gross Annual Revenues (GAR) < $1 million. Therefore, it is heartening to see that lending to business with GAR< $1 million improved in 1997. **In 1997, a total of 3,172 loans totaling $174 million were originated to businesses with GAR < $ 1 M in Monroe County.** The vast majority of small businesses in Monroe County have fewer than 9 employees and GAR < $ 1 million. [20]

- **The number of loans** to businesses with GAR< $1 million, **increased by 12%**. The dollar amount **increased by 40%.**
- The number loans to business with GAR < $1 million in low-moderate census tracts **increased by 8%**, to 550. The dollar volume of loans to Businesses with GAR < $1 M in low-moderate census tracts **increased** by **40% to $35 million.**
- **40% of the loans, but only 23% of the dollar volume** was originated to businesses with GAR <$1 M.

In 1997, of all banks compared in this report, **FNB** had the **highest percentage** of its **total loans (54%) and dollar volume (47%)** originated to businesses with GAR <$ 1 million. HSBC had the **lowest** percentage of its **total loans (36%)** originated to businesses with GAR <$1 million. **Chase** had the **lowest** percentage of loan dollar volume originated to businesses with GAR <$1 million **(12%).**

We will continue to explore this issue further with the banks.

HOW DID ROCHESTER COMPARE WITH OTHER CITIES IN LOANS TO BUSINESSES WITH GAR < $ 1 M?

The Rochester MSA continues to lag behind the rest of the country in the percentage of dollar amount of loans to businesses with GAR <$1 million. Nationally, in 1997, **80%** of the **total number** of loans were originated to businesses with GAR < $ 1 million. In Monroe County, only **40%** of loans were originated to businesses with GAR < $1 M.

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[20] 76% of small businesses have GAR < $ 1 Million. 69% of small businesses have GAR < $0.5 Million.70% have fewer than 4 employees.82% have fewer than 9 employees.

Nationally, in 1997, **40%** of the total loan **dollar volume** was originated to businesses with GAR < $1 million. In Monroe County, **only 23%** of the total dollar volume of small business loans were originated to businesses with GAR < $1 million.

Table 4 and 4A includes a list of randomly selected mid-size cites throughout the country, broken out by region.

In the **Northeast region** there were only **3 MSA's, out of a total of 16,** where the dollar volume of small business loans originated to businesses with GAR <$1 million exceeded 40%. In **13 MSA's, out of a total of 16,** the dollar volume of small business loans originated to businesses with GAR <$1 million was less than 40%. **The three cities of Western New York (Buffalo, Syracuse and Rochester) comprised three out of five of the bottom five cities in the Northeast.** They also came out in the bottom five in a an amalgamated list of the over 50 cities broken out by region.

In the Midwest, for **12 out of 19** MSA's, the total dollar volume of small business loans originated to businesses with GAR <$1 million **exceeded 40%.**

In the South, for **12 out of 16** MSA's, the total dollar volume of small business loans originated to businesses with GAR <$1 million exceeded 40%.

In the West, for **4 out of 14** MSA's, the total dollar volume of small business loans originated to businesses with GAR <$1 million exceeded 40%.

Northeast/South

Loans to Businesses with Revenues <$1Million Northeast						
	Total Loans		Loans to Bus. Rev. <$1Million		Percentage to Bus. Rev. <$1Million	
MSA	Number	Amount Millions	Number	Amount Millions	Number	Amount Millions
Trenton NJ	2,674	$179	1,344	$96	50%	54%
Providence RI	568	$34	313	$15	55%	44%
Portland ME	3,236	$235	1,595	$96	49%	41%
Springfield MA	5,570	$309	3,095	$123	56%	40%
Harrisburg PA	**5,610**	**$389**	**1,985**	**$151**	**35%**	**39%**
Albany NY	7,316	$580	3,702	$215	51%	37%
Manchester NH	1,936	$153	820	$56	42%	37%
Pittsburgh PA	20,941	$1,549	9,311	$535	44%	35%
Erie PA	2,487	$221	1,181	$76	47%	34%
Worcester MA	2,852	$176	1,192	$57	42%	32%
Hartford CT	8,534	$578	3,507	$187	41%	32%
Burlington VT	2,409	$215	839	$61	35%	28%
Syracuse NY	6,167	$566	2,712	$156	44%	28%
New Haven CT	3,931	$292	1,528	$74	39%	25%
Rochester NY	**10,704**	**$978**	**4,697**	**$247**	**44%**	**25%**
Buffalo NY	**11,298**	**$1,178**	**4,594**	**$264**	**41%**	**22%**

Loans to Businesses with Revenues <$1Million South						
	Total Loans		Loans to Bus. Rev. <$1Million		Percentage to Bus. Rev. <$1Million	
MSA	Number	Amount Millions	Number	Amount Millions	Number	Amount Millions
Jackson MS	9,524	$419	7,192	$274	76%	65%
Athens GA	1,647	$118	1,106	$74	67%	63%
Huntsville AL	4,862	$398	3,391	$233	70%	59%
Charlottesville VA	2,021	$125	1,121	$70	55%	56%
Little Rock AR	5,547	$318	3,140	$177	57%	56%
Charlotte SC	1,427	$88	915	$47	64%	53%
Columbus GA	3,405	$254	2,030	$133	60%	52%
Memphis TN	8,190	$545	4,281	$282	52%	52%
New Orleans LA	15,323	$805	7,780	$405	51%	50%
Raleigh-Durham N	15,477	$908	8,814	$429	57%	47%
Ft. Lauderdale FL	14,219	$615	7,094	$265	50%	43%
Birmingham AL	11,197	$843	6,284	$362	56%	43%
Tampa FL	**17,201**	**$902**	**7,672**	**$353**	**45%**	**39%**
Austin TX	9,576	$585	4,458	$224	47%	38%
Louisville KY	10,392	$727	4,407	$275	42%	38%
Ft. Worth TX	12,112	$690	5,736	$236	47%	34%

Table 4

Loans to Businesses with Revenues <$1Million Midwest						
	Total Loans		Loans to Bus. Rev. <$1Million		Percentage to Bus. Rev. <$1Million	
MSA	Number	Amount Millions	Number	Amount Millions	Number	Amount Millions
Columbia MO	1,831	$117	1,279	$76	70%	65%
Iowa City IA	1,713	$115	1,182	$69	69%	60%
Flint MI	3,050	$240	1,732	$132	57%	55%
Bloomington-Normal IL	1,648	$97	949	$50	58%	52%
Ann Arbor MI	3,619	$331	2,209	$160	61%	48%
Decatur IL	1,040	$61	495	$29	48%	48%
Des Moines IO	4,369	$375	2,557	$175	59%	47%
Boise ID	5,004	$374	2,704	$171	54%	46%
Bismarck ND	709	$49	339	$22	48%	45%
Gary IN	6,010	$437	3,427	$193	57%	44%
Madison WI	4,655	$413	2,275	$182	49%	44%
St. Louis MO	20,791	$1,650	9,980	$711	48%	43%
Dayton OH	**7,207**	**$607**	**3,757**	**$230**	**52%**	**38%**
Indianapolis IN	13,734	$1,121	6,059	$424	44%	38%
Milwakee WI	16,287	$1,465	8,191	$532	50%	36%
Kansas City MO	12,704	$763	5,226	$275	41%	36%
Omaha NE	6,731	$492	2,719	$164	40%	33%
Jackson WY	7,916	$492	3,256	$155	41%	32%
Minneapolis-St.Paul MN	22,628	$1,673	8,642	$436	38%	26%

Loans to Businesses with Revenues <$1Million West						
	Total Loans		Loans to Bus. Rev. <$1Million		Percentage to Bus. Rev. <$1Million	
MSA	Number	Amount Millions	Number	Amount Millions	Number	Amount Millions
Santa Fe NM	1,586	$86	855	$51	54%	59%
Billings MT	2,188	$120	1,280	$60	59%	50%
Albuquerque NM	6,993	$447	3,375	$189	48%	42%
Spokane WA	4,573	$349	2,100	$138	46%	40%
Reno NV	**3,672**	**$212**	**1,615**	**$83**	**44%**	**39%**
Denver CO	17,926	$982	6,280	$383	35%	39%
Boulder CO	3,652	$224	1,227	$84	34%	38%
Stockton CA	4,425	$244	1,740	$91	39%	37%
Salt Lake City UT	10,061	$674	3,649	$250	36%	37%
Eugene OR	3,003	$269	1,541	$98	51%	36%
San Diego CA	25,804	$1,130	9,789	$392	38%	35%
Portland OR	846	$58	357	$20	42%	34%
Fresno CA	6,822	$329	2,550	$101	37%	31%
Tucson AZ	5,260	$238	1,926	$58	37%	24%

Table 4A

SMALL BUSINESS LOANS <$100,000:

Small business loans for amounts of less than $100,000 are another indicator of loans to smaller businesses.

a. Number of originations.

In 1997, **79%** of the **number** of all reported small business loans originated in Monroe County were <$100,000.

Chase had **the highest** percentage of originations for loans < $100,000 (82%). **M & T** had the **lowest** percentage of the total **number of** originations for loans < $100,000 **(61%).** With the exception of Chase, all the banks examined in this report had less than 79% of their originated loans < $100,000.

b. Amount of originations.

Only **21%** of the total loan dollar volume of loans originated by all financial institutions were for amounts < $100,000.

Citibank had the **highest** percentage of dollar volume for loans < $100,000 (32%). M & T, along with Key, had the **lowest** percentage of the dollar volume of origination's for loans < $100,000 **(15%).**

The seven larger banks originated 63% of the loans and 85% of the dollar volume of small business loans <$100,000 in the MSA. American Express, Advanta, Canandaigua National Bank, National Bank of Geneva, Mountain West Financial Corp., MBNA, and Wells Fargo originated over 2,200 small business loans <$100,000 totaling $20 million. This accounted for 85% of the Small business loans, <$100,000 not originated by the seven largest lenders. Of the lenders listed above, American Express and Mountain West Financial were the top two lenders, in terms of number of loans.

	Total Loans		< $100,000		GAR < $1 M	
	No.	Amount Millions	No.	Amount Millions	No.	Amount Millions
MountainWest	849	$2.2	849	$2.2	23	$0.05
American Express	689	$7.9	688	$7.7	506	$5.7
Advanta FC	294	$2.9	294	$2.9	0	0
Wells Fargo	214	$4.1	214	$4.1	56	$1.4
MBNA	88	$1.0	88	$1.0	77	$0.9
Canandaigua NB	87	$9.3	66	$2.3	76	$8.8
N Bank of Geneva	11	$1.6	6	$0.2	9	$1.2
Total	2,232	$29.0	2,205	$20.4	747	$18.1

SMALL BUSINESS LOANS IN THE CITY OF ROCHESTER

In 1997, there were 219 fewer small business loans in the City than in 1996. The dollar amount also decreased by $3 million. However, the number of loans originated to businesses with GAR <$ 1million increased by 59 and the dollar amount increased by $16 million to $56 million.

As indicated, small business loan data is not available at a census tract level for the individual bank. However, we were able to map those City census tracts, which received no small business loans at all. The census tracts marked in red received no small business loans. Map 1 shows that:

- HSBC and M&T had the fewest number of census tracts with no small business loans at all.
- Citibank, FNB, Fleet, Key and Chase did not have any small business loans at all in most of the census tracts in the southwest quadrant (Sector 4).
- FNB and Key did not have any small business loans in a number of census tracts in the northeast quadrant of the City. (Sectors 9-10)
- FNB, Fleet and Key did not have any small business loans in a number of census tracts off Lake Ave. in the northwest quadrant of the City.

We have met with the banks and urged them to improve their outreach and marketing efforts in those neighborhoods where no loans were originated.

RECOMMENDATIONS

The Coalition recognizes that improving lending to smaller businesses is a challenging task. Area banks have managed to make dramatic improvements in affordable home mortgage lending by having staff dedicated to that specific area of lending. They have accompanied this by funding pre-and post purchase counseling both in-house and by contracting with local not-for-profits. A similar strategy is a key to success in order to improve access to capital for smaller businesses. Many small businesses need ongoing technical assistance in the first few years of their existence. **Banks should have loan officers on staff whose only job is to make loans and provide technical assistance to businesses with GAR <$ 1M, businesses in low-mod census tracts and businesses in the City**. The Coalition is confident that such a strategy will prove successful. Preliminary data from some area banks who are moving in this direction confirms this.

PART II
B. COMPARISION OF SEVEN MAJOR BANKS

The seven largest banks included in this analysis originated **69%** of the total **number** of loans and **92%** of the **dollar amount** of small business loans in Monroe County. Table 5 provides a breakdown of the number and dollar amount of small business loans of the seven largest banks along with their marketshare. In 1997, of the seven largest banks, in 1997:

- HSBC was the largest small business lender in Monroe County in terms of the total number and amount of loans (1,166 /$192M), number of loans in low-moderate income census tracts (334), number and amount of loans to businesses with GAR <$ 1M (681/$42M) and number of loans to businesses with GAR < $1 M in low – moderate income census tracts.
- M & T tied with HSBC in terms of the amount of small business loans in low-moderate income census tracts ($48M) and amount of loans to businesses with GAR < $1 M in low –moderate-income census tracts ($8M).
- Key had the fewest number of small business loans in Monroe County in terms of the total number of loans, number of loans in low-moderate income census tracts and to businesses with GAR <$ 1M.
- FNB had the lowest amount of small business loans in Monroe County ($32M), the lowest number and amount of loans in low-moderate income census tracts, and the lowest number of loans to businesses with GAR < $1 M in low – moderate income census tracts.
- Chase had the lowest amount of loans to businesses with GAR <$ 1M ($11M) and to businesses with GAR < $1 M in low – moderate income census tracts ($2M).

1997 Rochester, Monroe County
Small Business Loans

	AFI	Chase	Citibank	First National	Fleet	Key	Marine	M&T	Top 7	OFI
Total No.	7914	877	634	291	458	174	1872	1166	5472	2,442
Total Amt. (Millions)	$763	$90	$62	$32	$76	$34	$217	$192	$703	$60
LMCT No.	1237	194	126	53	127	53	334	262	1149	88
LMCT Amt (Millions)	$184	$23	$15	$7	$21	$11	$48	$48	173	$11
Bus.GAR <$1 Million No.	3172	407	310	157	210	88	681	499	2,352	820
Bus.GAR <$1 Million Amt. (M)	$174	$11	$21	$15	$17	$12	$42	$33	151	$23
Bus.GAR <$1 M. LMCT No.	550	72	50	23	44	24	121	106	440	110
Bus.GAR <$1 M. LMCT Amt. (Millions)	$35	$2	$4	$3	$3	$4	$8	$8	32	$3

MARKET SHARE

		Chase	Citibank	First National	Fleet	Key	Marine	M&T	Top 7	OFI
Total No.		11%	8%	4%	6%	2%	24%	15%	69%	31%
Total Amt. (Millions)		12%	8%	4%	10%	4%	28%	25%	92%	8%
LMCT No.		16%	10%	4%	10%	4%	27%	21%	93%	7%
LMCT Amt. (Millions)		13%	8%	4%	11%	6%	26%	26%	94%	6%
Bus.GAR <$1 Million No.		13%	10%	5%	7%	3%	21%	16%	74%	26%
Bus.GAR <$1 Million Amt.		6%	12%	9%	10%	7%	24%	19%	87%	13%
Bus.GAR <$1 M. LMCT No.		13%	9%	4%	8%	4%	22%	19%	80%	20%
Bus.GAR <$1 M. LMCT Amt.		6%	11%	1%	9%	11%	23%	23%	84%	16%

AFI: All Financial Institutions
OFI: Other Financial Institutions
Greater Rochester Community Reivestment Coalition 1999

Table 5

CHASE

In 1997:

- Loans in Monroe County: There was a **25% increase** in the number of loans. The dollar volume of lending **increased by 17%.**
- Loans in Low-Moderate Census Tracts: There was no change in the number of loans. The dollar volume increased by 33%.
- Loans to Businesses with GAR < $ 1 M: There was a **75% increase** in the number of loans, while, the dollar amount **decreased by 8%.**
- Loans to Businesses with GAR < $ 1 M in Low -Moderate Census Tracts: There was a 50% **increase** in the number of loans, while, the dollar amount remained unchanged.

Year	TOTAL		Low Moderate CT		BUS.GAR <$1 M.		BUS.GAR <$1 M.LMCT	
	Loans	Amt.M	Loans	Amt.M.	Loans	Amt.M.	Loans	Amt.M.
1996	703	$77	196	$18	233	$12	48	$2
1997	877	$90	194	$24	407	$11	72	$2

PERCENT OF LOANS TO						
	Low Moderate CT		BUS.GAR <$1 M.		BUS.GAR <$1 M. LMCT	
	Loans	Amt.	Loans	Amt.	Loans	Amt.
1996	28%	10%	33%	16%	21%	17%
1997	22%	26%	46%	12%	18%	18%

In 1997:

- Chase had $1.1 billion in deposits in **Monroe County,** and **ranked 3rd** in terms of deposits. Chase was also the third largest small business lender in Monroe County in number and amount of loans.
- **22%** of the number of loans and **26%** of the dollar volume of loans was originated in low-moderate census tracts.
- **46%** of the number of loans, but only **12%** of the dollar amount, was originated to businesses with GAR <$1 M. Chase ranked third in the number of loans originated to such businesses.
- The amount of loans to Businesses with GAR <$1 M in low-moderate census tracts was a mere **$2 million**, the **lowest amount** of all seven banks compared in this report. However, Chase had the **third highest number of loans** to such businesses.
- 82% of small business loans were for amounts < $100,000, the **highest of** the banks compared in this report.

Chase has advised the Coalition that the smaller dollar amount of their loans is a reflection of their philosophy to meet the needs of smaller businesses.

CITIBANK

In 1997:

- Loans in Monroe County: There was a 50% **increase** in the number and amount of loans.
- Loans in Low-Moderate Census Tracts: There was a **38% increase** in the number of loans. The dollar volume of lending **increased by 66%.** ($15M)
- Loans to Businesses with GAR < $ 1 M: There was a **50% increase** in the number of loans. The dollar amount **increased by 90%.**
- Loans to Businesses with GAR < $ 1 M in Low-Moderate Census Tracts: There was a 7% increase in the number of loans and a **50% increase in the amount of loans. ($4M)**

Year	TOTAL		Low Mod CT		BUS.GAR <$1 M.		GAR <$1 .LMCT	
	Loans	Amt.M	Loans	Amt.M.	Loans	Amt.M.	Loans	Amt.M.
1996	421	$40	91	$9	206	$12	34	$2
1997	634	$62	126	$15	310	$21	50	$4

PERCENT OF LOANS TO						
	Low Mod CT		BUS.GAR <$1 M.		BUS.GAR <$1 M.LMCT	
	Loans	Amt.M.	Loans	Amt.M.	Loans	Amt.M.
1996	22%	23%	49%	30%	17%	17%
1997	20%	24%	49%	34%	16%	19%

In 1997:

Citibank had **$481** million in deposits in Monroe County, and ranked 5th in terms of deposits. It ranked 4th in terms of the total number of small business loans originated in Monroe County.

- **49% of the number of loans and 34% of the dollar volume** was originated to businesses with GAR <$1 M.
- **20%** of the number of loans and **24%** of the dollar volume of loans was originated in low-moderate census tracts.
- 77% of small business loans were for amounts < $100,000 which was better than the average of the seven largest banks (72%)

CITIBANK

In 1997:

- Loans in Monroe County: There was a 50% **increase** in the number and amount of loans.
- Loans in Low-Moderate Census Tracts: There was a **38% increase** in the number of loans. The dollar volume of lending **increased by 66%.** ($15M)
- Loans to Businesses with GAR < $ 1 M: There was a **50% increase** in the number of loans. The dollar amount **increased by 90%.**
- Loans to Businesses with GAR < $ 1 M in Low-Moderate Census Tracts: There was a 7% increase in the number of loans and a **50% increase in the amount of loans. ($4M)**

Year	TOTAL		Low Mod CT		BUS.GAR <$1 M.		GAR <$1 .LMCT	
	Loans	Amt.M	Loans	Amt.M.	Loans	Amt.M.	Loans	Amt.M.
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	Low Mod CT		BUS.GAR <$1 M.		BUS.GAR <$1 M.LMCT	
	Loans	Amt.M.	Loans	Amt.M.	Loans	Amt.M.
1996	22%	23%	49%	30%	17%	17%
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- **49% of the number of loans and 34% of the dollar volume** was originated to businesses with GAR <$1 M.
- **20%** of the number of loans and **24%** of the dollar volume of loans was originated in low-moderate census tracts.
- 77% of small business loans were for amounts < $100,000 which was better than the average of the seven largest banks (72%)

FIRST NATIONAL BANK

In 1997:

- Loans in Monroe County: There was a **20% increase** in the number of loans. The dollar volume of lending **increased by 10%.**
- Loans in Low-Moderate Census Tracts: There was a 23% increase in the number of loans. The dollar volume **more than doubled ($7M).**
- Loans to Businesses with GAR < $ 1 M: There was **a 44% increase** in the number of loans. The dollar amount more than **doubled to $15M.**
- Loans to Businesses with GAR < $ 1 M in Low-Moderate Census Tracts: The number of loans **doubled** and the dollar amount **increased six-fold to** $3 M.

Year	TOTAL		Low Moderate CT		BUS.GAR <$1 M.		BUS.GAR <$1 M.LMCT	
	Loans	Amt.M	Loans	Amt.M.	Loans	Amt.M.	Loans	Amt.M.
1996	242	$29	43	$3	109	$7	12	$0.5
1997	291	$32	53	**$7**	157	**$15**	23	**$3**

PERCENT OF LOANS TO						
	Low Moderate CT		BUS.GAR <$1 M.		BUS.GAR <$1 M.LMCT	
	Loans	Amt.M.	Loans	Amt.M.	Loans	Amt.M.
1996	18%	10%	45%	24%	11%	7%
1997	18%	22%	54%	47%	15%	20%

In 1997:

FNB had $378 million in deposits in Monroe County, and ranked 6th in terms of deposits.

- **54% of the number of loans and 47% of the dollar volume** was originated to businesses with GAR <$1 M. Of all banks compared in this report, FNB had the **highest percentage of its total loans originated to businesses with GAR <$1 million.**
- **18%** of the number of loans and **22%** of the dollar volume of loans was originated in low-moderate census tracts.
- 73% of the loans FNB originated were under $100,000. 28% of the dollar amount originated was for loans under < $100,000.
- FNB originated the **smallest dollar volume** of small business loans in Monroe County

FLEET

In 1997:

- Loans in Monroe County: There was a **24% and 29% decrease** in the number and amount of loans, respectively.
- Loans in Low-Moderate Census Tracts: There was a **23% decrease** in the number of loans. The dollar volume of lending **decreased by 32%.**
- Loans to Businesses with GAR < $ 1 M: There was a 25% **decrease** in the number of loans. The dollar amount **decreased by 36%.**
- Loans to Businesses with GAR < $ 1 M in Low-Moderate Census Tracts: There was **a 60% decrease in the amount of loans.**

	TOTAL		Low Moderate CT		BUS.GAR <$1 M.		BUS.GAR <$1 M.LMCT	
	Loans	Amt.M	Loans	Amt.M.	Loans	Amt.M.	Loans	Amt.M.
1996	602	$107	164	$29	280	$25	62	$5
1997	458	$76	127	$21	210	$17	44	$3

PERCENT OF LOANS TO						
	Low Moderate CT		BUS.GAR <$1 M.		BUS.GAR <$1 M.LMCT	
	Loans	Amt.M.	Loans	Amt.M.	Loans	Amt.M.
1996	27%	27%	47%	23%	22%	20%
1997	28%	28%	46%	22%	21%	18%

Fleet had $541 million in deposits in Monroe County, and ranked 4th in terms of deposits. Fleet was the 5th small business lender in Monroe County (number of loans), having fallen behind from 4th place in 1996.

In 1997:

- **22%** of the total dollar volume of loans were originated to businesses with GAR <$1 M.
- **28%** of the number and dollar volume of loans were originated in low-moderate census tracts, which was **higher** than the average for all financial institutions.
- **64%** of small business loans were for amounts < $100,000, which was **lower** than the average for all financial institutions

KEY

- In 1997 KEY maintained its level of small business lending in Monroe County, **low-moderate income** census tracts and to businesses with GAR< $1 million. The dollar volume of lending to businesses with GAR <$1 M **increased by 50%.**
- The dollar volume of loans to businesses with GAR <$1 M in low-moderate census tracts increased by **25%.**

Year	TOTAL		Low Moderate CT		BUS.GAR <$1 M.		BUS.GAR <$1 M.LMCT	
	Loans	Amt.M	Loans	Amt.M.	Loans	Amt.M.	Loans	Amt.M.
1996	182	$33	64	$11	90	$8	27	$3
1997	174	$34	53	$11	88	$12	24	$4

PERCENT OF LOANS TO						
	Low Moderate CT		BUS.GAR <$1 M.		BUS.GAR <$1 M.LMCT	
	Loans	Amt.M.	Loans	Amt.M.	Loans	Amt.M.
1996	35%	33%	49%	24%	30%	38%
1997	30%	32%	51%	35%	27%	33%

Key had $204 million in deposits in Monroe County, and ranked 8th in terms of deposits. Of the seven banks, Key had the fewest number of small business loans in Monroe County.

- 30% of the number of loans was originated in low-moderate census tracts, which was **higher** than the average for all financial institutions.

- **35%** of the total dollar volume were originated to businesses with GAR <$1 M.

- **68%** of small business loans were for amounts < $100,000, which was **lower** than the average for all financial institutions

M&T

In 1997:

- Loans in Monroe County: There was a **45% increase** in the number of loans. The dollar amount of loans **increased by 30%.**.
- Loans in Low-Moderate census tracts: There was a **27% increase** in the number of loans. The dollar volume of lending **increased by 8%.**
- Loans to Businesses with GAR < $ 1 M: There was a **70% increase** in the number of loans. The dollar amount **increased by 22%.**
- Loans to Businesses with GAR < $ 1 M in Low-Moderate Census Tracts: There was **a 60% increase in the number of loans and a 14% increase in the dollar volume of loans.**

Year	TOTAL		Low Moderate CT		BUS.GAR <$1 M.		BUS.GAR <$1 M.LMCT	
	Loans	Amt.M	Loans	Amt.M.	Loans	Amt.M.	Loans	Amt.M.
1996	801	$147	207	$44	293	$27	66	$7
1997	1,166	$192	262	$48	499	$33	106	$8

PERCENT OF LOANS TO						
	Low Moderate CT		BUS.GAR <$1 M.		BUS.GAR <$1 M.LMCT	
	Loans	Amt.M.	Loans	Amt.M.	Loans	Amt.M.
1996	26%	30%	37%	18%	23%	26%
1997	22%	25%	43%	17%	21%	24%

In 1997, M&T was **the second largest** small business lender in Monroe County, both in terms of number and dollar volume of loans. M & T, along with Marine, had the highest dollar volume of loans in low-moderate census tracts. M & T had the second largest number and dollar volume of loans to businesses with GAR < $1M.

- 22% of the loans were originated in low-moderate census tracts, which was lower than the average for all financial institutions.
- 17% of the total dollar volume was originated to businesses with GAR <$1 M, which was lower than the average for all financial institutions.
- 61% of the loans M & T originated were under $100,000. This was the lowest percentage of all seven banks. Only 15% of the dollar amount originated were for loans under < $100,000, which was lower than the aggregate percentage for all financial institutions (21%).

MARINE MIDLAND/HSBC

In 1997:

- Loans in Monroe County: There was a **18% decrease** in the number of loans. The dollar amount of loans remained comparable to 1996.
- Loans in Low-Moderate Census Tracts: The number and dollar volume of loans was comparable to 1996.
- Loans to businesses with GAR < $ 1 M: There was a 16% **increase** in the number of loans. The dollar volume **increased by 147% to $42 M.**
- Loans to Businesses with GAR < $ 1 M in Low-Moderate Census Tracts: There was **a 100% increase** in the dollar volume of loans.

Year	TOTAL		Low Moderate CT		BUS.GAR <$1 M.		BUS.GAR <$1 M.LMCT	
	Loans	Amt.M	Loans	Amt.M.	Loans	Amt.M.	Loans	Amt.M.
1996	2,276	$220	338	$50	586	$17	124	$4
1997	1,872	$217	334	$48	681	$42	121	$8

PERCENT OF LOANS TO						
	Low Moderate CT		BUS.GAR <$1 M.		BUS.GAR <$1 M.LMCT	
	Loans	Amt.M.	Loans	Amt.M.	Loans	Amt.M.
1996	15%	23%	26%	8%	21%	24%
1997	18%	22%	36%	19%	18%	19%

HSBC was the **largest** small business lender in Monroe County, both in terms of number and dollar volume of loans. Marine, along with M & T, had the highest dollar volume of loans in low-moderate census tracts. HSBC had the largest number and volume of loans to businesses with GAR < $1M.

- 18% of the loans were originated in low-moderate census tracts, which was lower than the average for all financial institutions.
- **19%** of the total dollar volume was originated to businesses with GAR <$1 M, which was lower than the average for all financial institutions.

- 74% of the loans HSBC originated were under $100,000. Only 16% of the dollar volume originated was for loans under < $100,000, which was lower than the aggregate percentage for all financial institutions

GLOSSARY

Community Reinvestment Act of 1977 (CRA)

CRA is the federal law which defines lending obligations of federally regulated or insured banks, savings and loan companies and requires these institutions to serve the needs of the entire community in their assessment area. These financial institutions have an affirmative obligation to include services and lending that meet the needs of low-moderate neighborhoods. In 1995 new regulations strengthened CRA by requiring more emphasis on a financial institution's performance evaluations.

Conventional

This refers to any loan other than those insured or guaranteed by the federal government. Private mortgage insurance is required for conventional loan borrowers who have loan-to-value ratios over 80 percent.

Credit Union

A nonprofit, member owned financial institution. Credit unions serve a defined "field of membership" including a particular community, group of employees, or members of a group or association. A person or their family member must belong to one the groups in the field of membership in order to join a credit union. Similar to banks, credit unions are federally insured depository institutions charted by a state or federal regulatory agency.

Depository Institution

These types of financial institutions maintain deposits for account holders that are federally insured. Federal funds created by congress, the Federal Insurance Deposit Corporation (FDIC) and the National Credit Union Share Insurance Fund (NCUSIF), insure accounts up to $100,000.

Fannie Mae

Fannie Mae is a private, stock-owner corporation chartered by Congress to provide a secondary market for mortgages by purchasing mortgages originated by other financial institutions.

Federal Housing Administration (FHA)

FHA, a division of the federal Dept. of Housing and Urban Development, insures mortgage loans up to a maximum allowable amount for borrowers meeting specific income and debt-to-loan ratios for properties meeting FHA standards.

Gross Annual Revenue (GAR)

Revenues earned by a business before expenses are deducted. The GAR figure is relevant in analyzing community development business loans because loans to businesses with less than 1 million GAR are considered loans to small businesses when they are reported to regulatory agencies by financial institutions.

Home Mortgage Disclosure Act of 1975 (HMDA)

HMDA requires each bank and, if applicable, its home mortgage lending subsidiary, to collect and report lending data to regulators and disclose certain data to the public. The scope of HMDA was expanded in 1990 and information now available to the public includes; the type of loan, location and type of property, the race, gender and income of the applicant. Financial institutions must also report on the status of the application, whether it was approved, denied, withdrawn, closed for incompleteness or sold on the secondary market. HMDA data is used to help the public determine if a financial institution is meeting the investment needs of their community.

Metropolitan Statistical Area (MSA)

Census data is reported at the individual household level as well as for geographic regions. The MSA refers to a defined urbanized area with one large population nucleus, together with adjacent communities that have a high degree of economic and social integration. The Rochester MSA includes the City of Rochester and the surrounding communities in Monroe, Wayne, Ontario, Livingston, Orleans and Genesee counties.

Low-moderate income household

The U.S. Department of Housing and Urban Development classifies households based on a formula tied to median family income for particular communities. Low -moderate income households are those with annual income of 80 percent or less of the area family median income. Low-income households earn 50 percent or less of area family median income.

Low-moderate income census tract

Census tracts are classified as low-moderate income based on the percentage of low-moderate income households in comparison to the total number of households. HMDA data classifies census tracts as low-mod if they have a low-moderate income population in excess of 50 percent.

Mortgage bank

A non-depository financial institution whose primary purpose is to provide mortgage loans, refinancing and home equity lines of credit to homeowners.

Minority census tract

A census tract with a minority population in excess of 50 percent.

Sub-prime lender

Financial institutions whose interest rate for lending is higher than the prime market rate for similar loans made by other financial institutions. Sub-prime lenders specialize in lending to borrowers who do not meet the loan underwriting criteria of retail banks and generally incur higher costs for using more flexible underwriting standards and assuming greater risk.

GREATER ROCHESTER
COMMUNITY REINVESTMENT COALITION
P.O. BOX 39541
ROCHESTER, NEW YORK 14604

July 6th 1999

Jonathan Fine
Federal Reserve Bank of Boston
PO Box 2076
Boston, MA 02106

Re: Fleet/BankBoston merger

Dear Mr. Fine,
I am writing to you on behalf of the Greater Rochester Community Reinvestment Coalition (GRCRC) to submit comments on the Fleet/BankBoston merger.

GRCRC was convened in 1993 to generate discussion about the lending patterns in Rochester. Since then, the Coalition has released four analyses of home mortgage and small business lending data. We have used the analyses to identify strengths and weaknesses in lending patterns and to generate ongoing discussion with the banks in question. The Coalition also submits comments, based on the data, to the appropriate Federal regulators who have oversight of the banks.

GRCRC has a membership of over 30 locally based not-for profits and individuals. GRCRC has ongoing written commitments from M&T Bank, HSBC (Marine Midland) and Charter One about their community reinvestment obligations. GRCRC also continues to monitor unilateral pledges made by Chase and Citibank.

FLEET'S HMDA LOANS

Fleet's HMDA lending has declined dramatically in the last three years. GRCRC has released a report on HMDA and small business lending. I have included some excerpts from the report where it pertain to Fleet. I have also included a brief analysis of the aggregate lending pattern in Rochester to place Fleet's lending in context. A market share chart of the 8 largest banks, for the Rochester MSA, is attached.

In 1997, Fleet had $936 million in deposits in the Rochester MSA, and **ranked 5th in terms of deposits.** Fleet's assessment area includes the entire Rochester MSA.

In 1997:
Loans in **MSA**: There was a **20% decrease** from 1995.
Loans in **City:** There was a **53% decrease** from 1995.
Loans to **Blacks/Hispanics**: There was a **66% decrease** from 1995 (only 41 loans).
Loans to **Low-Moderate Households**: There was a **30% decrease** from 1995.
Loans in **Low-Moderate Census Tracts**: There was a **30%** decrease from 1995.

This information is presented in Table format below.

				95-97	95-97
	1995	**1996**	**1997**	**Difference**	**Decrease**
MSA market share	7.4%	5.5%	4.6%	-2.8%	
MSA	1,482	1,380	1,179	-303	-20%
City	266	167	126	-140	-53%
Bl/His HH MSA	122	71	41	-81	-66%
LM HH MSA	446	317	310	-136	-30%
LM CT MSA	220	216	154	-66	-30%
Non-occupant	47	46	33	-14	-30%
% of loans in:					
city	18%	12%	11%		
Bl/His HH MSA	8%	5%	3%		
LM HH MSA	30%	23%	26%		
LM CT MSA	15%	16%	13%		

In 1997,

- In 1996 and 1997, Fleet originated fewer HMDA loans in the City, to Black/Hispanic and low-moderate income households, and in low-moderate income census tracts compared to 1995.

- In 1997, **only 3% of** Fleet's total loans in the MSA went to **Black/Hispanic** households, down **from 8%** in 1995.

In 1997 **denial** rates for **Black applicants** continued to be as high as in 1995, **with 43%** of Black applicants denied loans. Hispanic applicants were had a 30% denial rate. In 1997 Fleet had the **highest** denial rate for **White applicants** of all eight banks (28%) A chart comparing the 1997 HMDA denials of the eight largest banks is attached and should be incorporated into these comments.

FLEETS HMDA LENDING COMPARED TO AREA PEERS

Obviously the changes in Fleet HMDA lending need to be placed in context of market changes.

Since 1992, there has been a significant improvement in HMDA lending for city residents, Black, Hispanic and low-to moderate-income households.

Lending by all HMDA lenders in 1997, compared to 1992:

- Increased in the **MSA by 9%.**
- Increased in the **City by 94%.**
- Increased to **Black/Hispanic households by 123%.**
- Increased to **low–moderate income households by 72%.**
- Increased in **low–moderate income census tracts** by **41%.**
- Increased in **minority census tracts** by **139%.**

It is important understand what role the eight largest area banks [1] played in these increases. Between 1992 and 1997, the eight largest banks with branch presence in the MSA (including their acquired institutions) saw:

- **a 46% decrease** in their HMDA lending in the **MSA;**
- **a 33% decrease** in their HMDA lending **in the City;**
- **a 38% increase** in their lending to **Black/Hispanic households;**
- **a 5 % decrease** in their lending in **minority census tracts; and**
- **a 19% decrease** in their lending in **low-moderate income census tracts.**

Overall, the number of HMDA loans has increased since 1992. **However, the top 8 area banks made almost 7,000 fewer HMDA loans in 1997 than in 1992.** The increase in lending was accounted for by the other financial institutions serving the marketplace. The slack caused by the decline in bank lending was made up by credit unions, mortgage banks, out-of-state banks and sub-prime lenders.

Despite the fact that the top 8 institutions saw a decline in their HMDA lending since 1992, a greater proportion of their lending in 1997 was in the City, to Black and Hispanic households, and in low moderate and minority census tracts.

---

[1] Charter One, Chase, Citibank, First National Bank of Rochester, Fleet, Key, M& T, HSBC (Marine Midland)

In 1997, of the total loans originated by the eight largest area banks in the Rochester MSA:

- **15%** were in the City, up from 12% in 1992.
- 7% were to Black/Hispanic households, up from 3% in 1992.
- **15%** were in low-moderate income census tracts, up from 5% in 1992.
- **4%** were in minority census tracts, up from 2% in 1992.

When we compare Fleet's HMDA lending with its local bank peers it is apparent that Fleet only had:

- **11%** of it's Rochester MSA loans in the city compared to the 15% of the top 8 area bank average.

- **3%** of it's Rochester MSA loans to Black/Hispanic households in the MSA compared to **7%** of the top 8 area bank average.

- **26%** of it's Rochester MSA loans to low moderate income households in the MSA compared to **30%** of the top 8 area bank average.

- **13%** of it's Rochester MSA loans in low moderate income census tracts in the MSA compared to **15%** of the top 8 area bank average.

- 1% of it's Rochester MSA loans in minority census tracts in the MSA compared to **4%** of the top 8 area bank average.

We recognize that the marketplace has changed but a number of the other area banks have improved their HMDA lending to traditionally underserved communities. The data shows that Fleet is lagging in this regard.

FLEET SMALL BUSINESS LOANS

In 1997:

- Loans in Monroe County: There was a **24% and 29% decrease** in the number and amount of loans, respectively.
- Loans in Low-Moderate Census Tracts: There was a **23% decrease** in the number of loans. The dollar volume of lending **decreased by 32%.**
- Loans to Businesses with GAR < $ 1 M: There was a 25% **decrease** in the number of loans. The dollar amount de**creased by 36%.**
- Loans to Businesses with GAR < $ 1 M in Low-Moderate Census Tracts (LMCT): There was **a 60% decrease in the amount of loans.**

Year	TOTAL		Low Mod Census Tracts		BUS.GAR <$1 M.		BUS.GAR <$1 M.LMCT	
	Loans	Amt.M	Loans	Amt.M.	Loans	Amt.M.	Loans	Amt.M.
1996	602	$ 107	164	29	280	25	62	5
1997	458	76	127	21	210	17	44	3
		[redacted]						
		PERCENT OF	LOANS TO					
			Low Moderate Census Tracts		BUS.GAR <$1 M.		BUS.GAR <$1 M.LMCT	
			Loans	Amt.M.	Loans	Amt.M.	Loans	Amt.M.
		1996	27%	27%	47%	23%	22%	20%
		1997	28%	28%	46%	22%	21%	18%

In 1997:

- **22%** of the total dollar volume of loans were originated to businesses with GAR <$1 M.
- **28%** of the number and dollar volume of loans were originated in low-moderate census tracts, which was **higher** than the average for all financial institutions.
- **64%** of small business loans were for amounts < $100,000, which was **lower** than the average for all financial institutions

A marketshare chart of 1997 small business lending in Monroe County by the 7 largest area banks is included with these comments.

The GRCRC is committed to fostering partnerships with all financial institutions in the belief that the goal of meeting the credit needs of traditionally underserved communities is compatible with safe and sound lending practices.

GRCRC has met with Fleet twice in the last 6 months. We have asked Fleet to provide the Coalition in writing their plans for a meeting the community reinvestment needs in our community. We are concerned that Fleet is not willing to do that.

We are not in a position to comment on the draft "pledge" that has been released to some community groups. We asked Fleet to share the pledge with the Coalition but were advised that that was not possible. We have only been privy to an unofficial version and from what we have seen it appears to us that the numbers are not broken down by assessment areas within states or even by state.

Furthermore, since 1998 HMDA data is not yet publicly available we are unable to ascertain whether the "pledge" represents an increase or decrease of Fleet's current lending.

We are formally requesting that the Federal Reserve Bank of Boston condition the approval of this merger on Fleet providing very specific details about their HMDA, small business and community development lending in each of their markets. We do not believe that regional or even statewide commitments are adequate. The current mechanisms for monitoring multi year, multi-state commitments are at best inadequate and at worst non-existent.

Fleet must provide greater specificity in terms of demonstrating how the pledge reflects an increase in their community development lending. In addition, Fleet must provide greater details about their proposed lending by category in each assessment area. In the event that Fleet fails to do so the Federal Reserve Bank should not approve this merger.

We are also requesting that in the event Fleet releases a "community commitment " the Federal Reserve Bank extend the comment period to two weeks after the date of release of such a commitment.

If you have any questions please feel free to contact me. I can be reached at 716-454-4060.

Yours truly,

R Mak

Ruhi Maker Esq.

Mosie Hanna Fleet Bank

Top 8 Banks
Rochester, NY
1997 HMDA Loans

	AFI	Charter One	Chase	Citibank	FNB	Fleet	Key	M&T	Marine	Top 8	OFI
MSA	25,660	1,119	573	372	527	1,179	932	1,295	1,981	7,978	17,682
City	3,779	198	77	52	124	126	92	237	282	1,188	2,591
Black/Hispanic HH MSA	1,507	102	32	28	67	41	49	138	110	567	940
Low-Mod HH MSA	7,583	340	149	78	157	310	331	432	627	2,424	5,159
Lod-Mod Income CT	3,673	136	60	53	84	154	253	175	256	1,171	2,502
Minority CT	1,203	66	39	16	36	14	26	61	69	327	876
Non-Occupant	940	16	28	4	11	33	14	37	81	224	716
MARKETSHARE											
		Charter One	Chase	Citibank	FNB	Fleet	Key	M&T	Marine		
MSA		4%	2%	1%	2%	5%	4%	5%	8%	31%	69%
City		5%	2%	1%	3%	3%	2%	6%	7%	31%	69%
Black/Hispanic HH MSA		7%	2%	2%	4%	3%	3%	9%	7%	38%	62%
Low-Mod HH MSA		4%	2%	1%	2%	4%	4%	6%	8%	32%	68%
Low-Mod Income CT		4%	2%	1%	2%	4%	7%	5%	7%	32%	68%
Minority CT		5%	3%	1%	3%	1%	2%	5%	6%	27%	73%
Non-Occupant		2%	3%	0%	1%	4%	1%	4%	9%	24%	76%
Loans as %											
of MSA TOTAL IN:		Charter One	Chase	Citibank	FNB	Fleet	Key	M&T	Marine		
City	15%	18%	13%	14%	24%	11%	10%	18%	14%	15%	15%
Black/Hispanic HH MSA	6%	9%	6%	8%	13%	3%	5%	11%	6%	7%	5%
Low-Mod HH MSA	30%	30%	26%	21%	30%	26%	36%	33%	32%	30%	29%
Low-Mod Income CT	14%	12%	10%	14%	16%	13%	27%	14%	13%	15%	14%
Minority CT	5%	6%	7%	4%	7%	1%	3%	5%	3%	4%	34%
Non-Occupant	4%	1%	5%	1%	2%	3%	2%	3%	4%	3%	4%
AFI: All Financial Institions											
OFI: Other Financial Institions											
GRCRC 1999											

Top 7 Banks
1997 Rochester, Monroe County
Small Business Loans

	AFI	Chase	Citibank	First National	Fleet	Key	Marine	M&T	Top 7	OFI
Total No.	7914	877	634	291	458	174	1872	1166	5472	2,442
Total Amt. (Millions)	$763	$90	$62	$32	$76	$34	$217	$192	$703	$60
LMCT No.	1237	194	126	53	127	53	334	262	1149	88
LMCT Amt (Millions)	$184	$23	$15	$7	$21	$11	$48	$48	173	$11
Bus.GAR <$1 Million No.	3172	407	310	157	210	88	681	499	2,352	820
Bus.GAR <$1 Million Amt. (M)	$174	$11	$21	$15	$17	$12	$42	$33	151	$23
Bus.GAR <$1 M. LMCT No.	550	72	50	23	44	24	121	106	440	110
Bus.GAR <$1 M. LMCT Amt. (Millions)	$35	$2	$4	$3	$3	$4	$8	$8	32	$3

MARKET SHARE

	Chase	Citibank	First National	Fleet	Key	Marine	M&T	Top 7	OFI
Total No.	11%	8%	4%	6%	2%	24%	15%	69%	31%
Total Amt. (Millions)	12%	8%	4%	10%	4%	28%	25%	92%	8%
LMCT No.	16%	10%	4%	10%	4%	27%	21%	93%	7%
LMCT Amt. (Millions)	13%	8%	4%	11%	6%	26%	26%	94%	6%
Bus.GAR <$1 Million No.	13%	10%	5%	7%	3%	21%	16%	74%	26%
Bus.GAR <$1 Million Amt.	6%	12%	9%	10%	7%	24%	19%	87%	13%
Bus.GAR <$1 M. LMCT No.	13%	9%	4%	8%	4%	22%	19%	80%	20%
Bus.GAR <$1 M. LMCT Amt.	6%	11%	1%	9%	11%	23%	23%	84%	16%

AFI: All Financial Institutions
OFI: Other Financial Institutions
Greater Rochester Community Reivestment Coalition 1999

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JUL - 7 1999
BANKING ANALYSIS DEPT.

Fax

To: Mr. Robert Brady

Of: Fed. Res. Bank of Boston

Fax: 617-973-3219

Pages: 5, including this cover sheet.

Date: July 7, 1999

From the desk of...
RASHMI RANGAN
DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC. (DCRAC)
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Delaware Community Reinvestment Action Council, Inc.

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VIA Facsimile: 617-973-3219

July 7, 1999

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

RE: PETITION TO DENY THE APPLICATIONS OF FLEET FINANCIAL GROUP, INC. TO ACQUIRE BANKBOSTON CORP. AND ITS SUBSIDIARIES

Dear Mr. Brady:

On behalf of the Delaware Community Reinvestment Action Council, Inc. (DCRAC), I write to apologize for my inability to travel to Boston today to testify on the panel at 11:45 am. My three-page comments are included with this communication. I am requesting that someone read my comments during the time allocated for my testimony. In the alternative, my testimony be fully entered into the record of the public hearing.

I thank you for your accommodation of my request.

Sincerely,

Rashmi Rangan

Rashmi Rangan
Executive Director

Our mission is "to ensure equal access to credit and capital for the under served populations and communities throughout Delaware through Education, Advocacy, and Legislation"

Delaware Community Reinvestment Action Council, Inc.

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TESTIMONY OF RASHMI RANGAN, DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, OPPOSING THE MERGER APPLICATIONS OF FLEET FINANCIAL AND BANKBOSTON CORP.

JULY 7, 1999

My name is Rashmi Rangan. I am the executive director of the Delaware Community Reinvestment Action Council, or DCRAC. For over twelve years, our organization has advocated for fair and equal access to credit and capital for the underserved Delawareans.

We are opposed to the merger proposal of Fleet Financial Group, (Fleet) and BankBoston Corp. (BankBoston). This application should be denied. The merger proposal does not serve the convenience and needs of the community. Nor, does the merger proposal have a positive market impact.

I. THIS MERGER'S ANTI-COMPETITIVE IMPACT CALLS FOR A DENIAL.

The FRB cannot approve any proposal under §3 of the BHC which would substantially lessen competition in any banking market, unless the anti-competitive effects are clearly outweighed in the public interest by the convenience and needs of the community. 12 U.S.C.;1842(c). This proposed merger is anti-competitive. Public convenience and needs are not served through this merger. The Federal Reserve Board (FRB) should deny this application. By reference, DCRAC introduces the June 6, 1999 comments of Inner City Press/Community on the Move (ICP) and its analysis of the anti-competitive effects of this merger.

II. FLEET'S TROUBLING FAIR LENDING RECORD CALLS FOR DENIAL.

Again, DCRAC submits, by reference, ICP's analysis on this issue.

Fleet acquired Shawmut in 1995, and NatWest in 1996.

Fleet's combined entities' lending volume declined 70% between 1995 and 1997.

The decline is greater in lending to minorities and in LMI census tracts.

Fleet's past mergers have not only hurt entire communities, but (an adverse factor under the CRA), they have disproportionately harmed low and moderate income communities.

III. FLEET'S PREDATORY LENDING ABUSES CALL FOR A DENIAL.

In May 1996, Fleet settled discrimination charges with the U.S. Department of Justice. Charges that it systematically overcharged minorities from its two New York City-area mortgage offices. In 1999, Fleet continues abusive lending practices.

By reference, I enter the Boston Globe article, "Easy loan program nothing but a headache for some consumers," by Patricia Wen and Bruce Mohl, June, 6, 1999. The article reports that Fleet's "fast-loan check" program delivered an easy-to-cash check of $10,000 to a 74-year-old mentally impaired man whose sole residence and mailing address in the past 18 years was a veterans' hospital in Bedford. Fleet sees no shame in it.

IV. FLEET'S POOR RECORD OF SERVING THE CONVENIENCE & NEEDS OF THE COMMUNITY CALLS FOR A DENIAL.

A Bank which treats its long-term customers the way Fleet treats its elderly, says much about the bank's efforts at not meeting the convenience and needs of its community. By reference, I enter the Providence Journal article of May 29, 1999, "A really big bank leaves little room for the small stuff," by Bob Kerr who reports that the elderly customer, slapped with fines for insufficient funds "was told he could get $25 back, but only if he purchased yearly overdraft protection, for $24. Then he was told he could get $37.50 back, but only if he purchased overdraft protection and signed up for direct deposit of his Social Security checks."

V. FLEET IN DELAWARE

It has been our practice to approach Delaware's non-profit service providing community such as small business lenders and counselors and home ownership counseling agencies to learn about a bank's direct involvement in our community. Consistently, each agency maintained that with Fleet's acquisition of NatWest in 1996, Fleet has done nothing in Delaware. They do not even have a CRA Officer! Vindicating charges of Fleet's poor performance after each of its past acquisitions.

VI. FLEET'S HMDA ANALYSIS FOR DELAWARE

In 1997, the following Fleet entities conducted mortgage lending business: Fleet Real Estate Funding Corporation & Fleet Home Equity USA. Between the two, they received 63 applications for mortgage, home improvement, and refinance loans.

- Fleet did not collect data by race for 40 of these applications, or 63.49%. This is a violation of the Home Mortgage Disclosure Act (HMDA). HMDA was enacted with the goal of asssessing who is and who is not having access to the credit system. By eliminating fully 64% of data from review, Fleet violates the intent and spirit of the law.
- Fleet's approval rate for whites was 65% compared with 50% for African Americans
- Fleet's denial rate for Whites was 23% compared with 25% for African Americans.
- Fleet received 18 applications from white applicants and 3 from African Americans.

Relative to applicant incomes,

- From applicants with median incomes below 50%, Fleet received 2 applications and denied both, a denial rate of 100%.
- From applicants with median incomes 50-79%, Fleet received 17 applications and denied 6, a denial rate of 35%.
- From applicants with median incomes 80-99%, Fleet received 10 applications and denied 3, a denial rate of 30%.
- From applicants with median incomes 99-119%, Fleet received 11 applications and denied 4, a denial rate of 36%.

- From applicants with median incomes >120%, Fleet received 24 applications and denied 4, a denial rate of 16.6%.

Despite Fleet's relatively small market penetration in the Wilmington and Dover MSA of the State of Delaware, Fleet's performance raises enough red flags. Fleet's application should be denied.

CONCLUSION

Fleet has a record of not serving the convenience and needs of its community after it acquires another financial institution. For example, after Fleet acquired NatWest, Fleet even took away its CRA officer for Delaware. Based on Fleet's record of ignoring the convenience and needs of the community, this merger should be denied.

The Federal Reserve Board is urged to conduct an on sight evaluation of Fleet's predatory lending abuses. Fleet's predatory lending abusive practices are indicative of Fleet's poor record of meeting the community's convenience and needs. Thus, the application must be denied.

ICP's analysis indicates that Fleet's mega pledge is, in fact, lower than each entity's performance individually thus far. We urge the Federal Reserve Board to not be awayed by this unenforceable pledge. Fleet's pledge is laughable in light of Fleet's prior record of abandoning the communities after each acquisition.

This proposed merger is anti-competitive. Public convenience and needs are not served through this merger. The Federal Reserve Board (FRB) should deny this application.

For the reasons set forth above, the FRB should deny this proposal.

Respectfully submitted,

Rashmi Rangan

Rashmi Rangan
Executive Director
De. CRA Council, Inc.

URBAN LEAGUE
OF EASTERN MASSACHUSETTS INC.

We put people to Work

Proposed Merger Fleet Financial Group, Inc. And Bank Boston Corp

Testimony presented by Dr. Joan Wallace-Benjamin,
President/CEO, Urban League of Eastern Massachusetts

July 7, 1999

Good Morning. My name is Joan Wallace-Benjamin. I am the president and CEO of the Urban League of Eastern Mass. The Urban League of Eastern Massachusetts is an 82 year old Civil Rights, direct service, and advocacy organization in the City of Boston. We are part of a large national organization of 114 Urban League affiliates across the country. On behalf of the Urban League and the communities we serve, I am here to express our concerns about the proposed merger and the accompanying bank branch divestiture. I am also here to speak to Fleet Boston's proposed "Community Investment Plan" as well as its likely negative impact, if care is not taken, on minority, low and moderate income people, small businesses, and community development programs.

Before I begin my comments, I would like to take a moment to thank you for granting me this opportunity to come before you on the matter of the proposed Fleet Financial Group, Inc./Bank Boston Corp. merger.

The proposed merger is a clear example that the "big are getting bigger". Currently, Fleet and Bank Boston are the number one and number two largest banks in New England. If they are allowed to merge, the newly combined Fleet Boston Bank will not only be the dominant lender in the New England region, it will be the eighth largest bank in the United States. In other words, Fleet Boston is about to become a Mega-Bank.

As we enter the new millennium, banks should be expanding access to

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credit/capital and affordable investment opportunities to minorities and women and in low and moderate-income communities. We are not asking Fleet Boston to do this alone. We are asking, however, as a leading lending institution, and increasingly powerful bank, that it do it's reasonable and fair share; this includes, at the very least, maintaining its pre-merger lending level. Such an institution would have a widely disseminated community investment strategy, with accountability features built in, that incorporates specific written standards to document and measure progress and success.

Under the circumstances, Fleet Boston's proposed community commitment and set aside of $14.6 billion, over five (5) years, for low-income borrowers, small businesses, and community development programs is woefully inadequate. No community investment plan with measurable and verifiable indices of progress and success has been disseminated for review and/or comment.

$14.6 billion sounds like a lot of money, however, a closer look clearly demonstrates that it is not so much. In fact, this amount is significantly less than Fleet and Bank Boston's pre-merger combined lending in the small business, affordable housing/mortgages to low and moderate income borrowers, and the community development investment categories. More specifically, the analysis of Fleet Boston's proposed commitments, regarding Fleet's and Bank Boston's current lending levels, by Inner City Press [the analysis was submitted by Inner City Press to the Federal Reserve Bank as part of it's June 7 protest], using Fleet's proposed methodology [reduced Fleet and Bank Boston's 1998 lending volume by 20% to take into account the divestiture Fleet has proposed] shows large shortfalls in the aforementioned Small Business, Affordable Housing/Mortgages to low and moderate income borrowers, and the community development lending/investment categories.

Fleet's Proposed $14.6 Billion CRA Pledge is Less Than What Fleet and Bank Boston Currently Do--even reduced by 20% for divestitures

5 Year Amount

Small Business Lending	$7.5B
Affordable Housing/Mortgages to LMI Borrowers	$4.0B
Community Development Lending/Investment	$2.0B

Compare to Fleet's and Bank Boston's 1998 volumes, x 5 (for 5 yrs.) and x 0.8 (divest):

	Fleet	BKB	Total	X5	X0.8	Fleet Pledge	Short-Fall
Small Business Lending	1.5B	588MM	2.1B	10.5B	8.4B	7.5B	12%
Comm. Develop.	486MM	245MM	731MM	3.66B	2.92B	2B	46%
Afford-able Housing.	35.46B *	1.74B *	37.2B *	29.76 **	29.76B **	4.0B	Laughabl e

* Fleet's CRA memo gave these [Fleet's and Bank Boston's mortgage loan] figures to the feds. It did not, however, give a break down as to the % of those loans that were LMI. **S29.76 results from $37.2 x 5 x 0.8.

Rather than creating a lending shortfall, we believe that, at the very least, the overall volume of business currently done by the banks should also be maintained after the merger.

The banks do business in eight states. The Community Investment plan, as currently designed, is to be dispersed in those states. The fairness or the unfairness of the proposed set aside cannot adequately be judged because the banks have failed to provide sufficient or detailed information as to how they came up with this $14.6 billion figure or how it will be dispersed among or between the eight states in which it will operate. Simple mathematical averaging, however, demonstrates that $14.6 billion spread over six categories:

Small Business Lending $7.5B,
Affordable Housing/Mortgages to LMI Borrowers $4.0B,
Community Development Lending/Investment $2.0B,
Consumer Lending in LMI Areas $1.0B,
Equity Investments $100MM, and
Technical Assistance and Support $15MM,

divided by eight (8) over a five (5) year period won't go very far.

On the issue of the 250-bank branch divestiture, we are opposed to one or more large banks being allowed to purchase all of the divested bank branches. Fair competition and community service concerns demand that small to mid-sized community and minority banks should be allowed to purchase the divested branches. In fact, we strongly suggest that, as a minority owned and managed community bank in the City of Boston; the only bank that is a Community Development Financial Institution (CDFI) in New England, the Boston Bank of Commerce receive a sufficient base of branches to secure its position as a primary lender and major minority business.

No divestiture of a bank branch, in a low income or minority community, should be made to a bank that does not intend to keep the bank branches' doors open. People who live or work in these communities should not have to travel long distances or be forced to go in to unfamiliar or unwelcoming communities to meet banking needs. It is a well-known fact that low income and minority communities are over run with check cashing businesses. When bank branches close, people in these communities often have to use these check-cashing services. They are easy prey for the criminal element who know that no banking deposit privileges are available at these facilities and that the check cashing customers, therefore, have no recourse but to keep all of their cash on their person. No one should have to risk their safety to have access to their own money. We need banks that will aggressively market their products in low and moderate and minority communities. This reality is compounded by the fact that past and present patterns of discrimination have created an environment where members of these communities have not been well served. We need to ensure that women, low and moderate income and minority communities are not left, post-merger, with less access to fulfill individual and community specialized banking needs. We contend, therefore, that we need community and minority banks that will provide quality services and products, spur community wide economic and social development, while competing for fair market share.

In our view, in spite of the fact that Fleet/Bank Boston representatives have indicated their CEO's goal of having the new "big" divestiture buyer(s) pick up the 20% share of community investment obligations that Fleet Boston plans to relinquish, we want to ensure that this buyer(s) is obligated to meet CRA goals. However, we know that the Fleet Boston divestiture plan is not altruistic. It is being done to make the bank more profitable and increase shareholder and senior officer wealth. Therefore, as stated earlier, they must, as a combined entity, maintain the investment level each bank has currently achieved. Knowing that they will be successful, as their asset size grows, a proportionate share of those increases must be committed to the community into the future; and make achieving these goals a part of their CRA rating.

We employ you to carefully consider the concerns and recommendations that have been cited here before any Fleet Boston merger plans are approved.

Fleet originated foreclosures

John Anderson

Property	Town	Mortgage Date	Mortgage Amount	4'Close Deed Date	4'close Amount	Gross Gain(or loss)			
15 Brayton Terrace	Brighton	29-Aug-94	$179,075	10-Oct-96	$186,000	$6,925	Sold		
26 Milton Street	Dorchester	03-Jan-94	$55,900	28-Nov-97	$59,000	$3,100	Sold		
25 East Cottage Street	Dorchester	14-Feb-94	$125,400	19-Feb-97	$57,000	($68,400)	Sold		
29 Abbot Street	Dorchester	03-Oct-94	$151,050	10-Feb-97	$83,000	($68,050)	Sold		
12 Denvir Street	Dorchester	01-Sep-95	$111,055	04-Dec-98	$107,000	($4,055)	Sold		
24 Praire Street	Mattapan	01-Dec-93	$104,500	07-Oct-98	$65,001	($39,499)	Sold		
104 Alabama Street	Mattapan	27-Jul-94	$113,050	23-Oct-98	$96,300	($16,750)	Sold		
336 Adams Street	Dorchester	02-Feb-94	$54,900	01-Oct-09	$50,000	($4,900)	Bank		
2 Howe Terrace #15	Dorchester	16-Dec-94	$81,000	30-Sep-97	$49,031	($31,969)	Bank		
2 Howe Terrace #7	Dorchester	30-Jun-94	$81,000	17-Jun-96	$20,000	($61,000)	Bank		
2 Howe Terrace #4	Dorchester	17-May-95	$81,000	19-May-99	$44,700	($36,300)	Sold		
27 Lyndhurst Street	Dorchester	02-May-95	$138,800	08-Apr-99	$158,000	$19,200	Sold		
336 Adams Street #28	Dorchester	18-Jun-96	$56,905	01-Oct-98	$59,000	$2,095	Sold		
251 Norwell Street	Dorchester	18-Apr-96	$89,500	19-Feb-99	$96,000	$6,500	Sold		
2185 Dorchester Ave.	Dorchester	30-Jun-95	$90,100	21-Jan-98	$90,000	($100)	Sold		NACA
79 Adams Street	Dorchester	19-Jul-95	$111,150	17-Nov-97	$91,000	($20,150)	Sold		
94 Capen Street #2	Dorchester	11-Dec-94	$81,000	13-Aug-97	$42,000	($39,000)	Sold		
16 Trull Street #16	Dorchester	05-Apr-95	$71,250	22-Aug-97	$32,000	($39,250)	Sold		
4 Columbia Terrace	Dorchester	17-Nov-95	$117,800	31-Mar-98	$37,500	($80,300)	Bank		
43 Alpha Road	Dorchester	01-Mar-94	$134,900	21-May-98	$140,200	$5,300	Sold		
59 Lydon Way	Dorchester	01-Mar-94	$44,519	25-Jun-97	$35,000	($9,519)	Bank		
58 Lydon Way	Dorchester	31-Oct-94	$139,175	31-Mar-98	$123,000	($16,175)	Sold		
228 Delhi Street	Dorchester	01-Mar-94	$125,875	31-Jul-98	$85,000	($40,875)	Sold		
31 Stock Street	Dorchester	01-Mar-94	$74,900	28-Jul-98	$71,000	($3,900)	Sold		NACA
22 Weld Avenue	Roxbury	01-Mar-94	$109,250	02-Jul-98	$60,000	($49,250)	Sold		
105 Cummings Street	Revere	10-Mar-95	$224,489	04-Sep-97	$261,139	$36,650	Sold		
27 Chilcott Place	Jamaica Pla	09-Dec-94	$135,000	22-Apr-99	$187,000	$52,000	Sold		
11 Ruffing Street	Hyde park	29-Sep-95	$132,050	12-May-99	$133,000	$950	Sold		
24 Farquhar Street	Roslindale	13-Mar-93	$155,684	10-Jul-97	$179,326	$23,642	Sold		
45 Seymoure Street	Roslindale	15-Dec-94	$151,200	05-Aug-96	$122,000	($29,200)	Sold		
12 Leghton Road	Roslindale	02-Feb-94	$114,000	25-Sep-09	$97,500	($16,500)	Sold		
41 Harrison Street #13	Roslindale	29-May-95	$74,900	19-Jun-98	$74,500	($400)	Sold		NACA
		Total	$3,510,377		$2,991,197	($519,180)	($21,633)		85%
		Dot/Rox/Ma	$2,343,979		$1,750,732	($593,247)	($37,078)		75%
		All Others	$1,166,398		$1,240,465	$74,067	$14,813		106%

Richard Cawley "Flips" (Financed by Fleet) and forclosed

Property	Purchase Price	Mortgage Date	Mortgage Amount	4'Close Deed Date	4'close Amount	Gross Gain		
29 Abbot Street	$159,000	03-Oct-94	$151,050	10-Feb-97	$83,000	($68,050)	Sold	
2 Howe Terrace #15	$90,000	16-Dec-94	$81,000	30-Sep-97	$49,031	($31,969)	Bank	
2 Howe Terrace #7	$90,000	30-Jun-94	$81,000	17-Jun-96	$20,000	($61,000)	Bank	
2 Howe Terrace #4	90000	17-May-95	$81,000	19-May-99	$44,700	($36,300)	Sold	
94 Capen Street #2	$90,000	11-Dec-94	$81,000	13-Aug-97	$42,000	($39,000)	Sold	
24 Praire Street	$110,000	01-Dec-93	$104,500	07-Oct-98	$65,001	($39,499)	Sold	
104 Alabama Street	$119,000	28-Jul-95	$113,050	23-Oct-98	$96,300	($16,750)	Sold	
	$748,000		$692,600		$400,032	($292,568)		($73,142)

Percent of Mortgage Recovered at Foreclosure.......... 57.76%

Percent of SALE PRICE Recovered at Foreclosure.......... 53.48%

Foreclosure Proceedings

	Lender	Ward Citywide	1	2	3	4	5	6	7	8	9
	Fleet	49	0	0	0	0	0	0	0	0	0
	Baybank	10	0	0	0	0	3	0	0	0	0
	Shawmut	17	0	0	0	0	0	0	0	0	0
	BancBoston	5	0	0	0	0	0	0	0	0	0
	Citizen'sBar	8	0	0	0	0	1	1	0	0	0
	Norwest	4	0	0	0	0	0	1	0	0	0
	South Bosto	8	0	0	0	0	0	3	0	0	0
	F.N.M.A.	5	0	0	0	0	0	0	0	1	0
	Capital Mori	6	0	0	0	0	0	2	1	0	0
	Great West	5	1	0	0	0	2	0	0	0	0
Top Ten Lenders		187	3	3	3	4	6	7	4	2	6
Total Sales	All Others	70	2	3	3	4	0	0	3	1	6
Non-Fleet Defaults		138	3	3	3	4	6	7	4	2	6

Foreclosure Proceedings Percents

	Lender	Ward Citywide	1	2	3	4	5	6	7	8	9
	Fleet	5.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Baybank	1.4%	0.0%	0.0%	0.0%	0.0%	2.4%	0.0%	0.0%	0.0%	0.0%
	Shawmut	2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	BancBoston	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Citizen'sBar	2.6%	0.0%	0.0%	0.0%	0.0%	6.3%	7.1%	0.0%	0.0%	0.0%
	Norwest	1.7%	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	0.0%	0.0%	0.0%
	South Bosto	4.1%	0.0%	ERR	0.0%	ERR	0.0%	5.8%	0.0%	ERR	0.0%
	F.N.M.A.	3.0%	0.0%	0.0%	ERR	0.0%	0.0%	0.0%	0.0%	33.3%	0.0%
	Capital Mori	4.3%	0.0%	0.0%	0.0%	0.0%	0.0%	66.7%	12.5%	0.0%	0.0%
	Great West	3.9%	20.0%	0.0%	0.0%	0.0%	8.3%	0.0%	0.0%	ERR	ERR
	All 4'close	2.1%	1.0%	0.7%	0.6%	0.8%	0.6%	2.4%	1.9%	3.4%	4.2%
Total Sales	All Others	1.4%	1.1%	0.9%	0.8%	1.0%	0.0%	0.0%	2.9%	3.3%	6.1%
Overall Foreclosure %		2.1%	1.0%	0.7%	0.6%	0.8%	0.6%	2.4%	1.9%	3.4%	4.2%
Non-Fleet Foreclosures		1.7%	1.2%	0.7%	0.6%	0.8%	0.6%	2.5%	2.0%	3.9%	4.3%

10	11	12	13	14	15	16	17	18	19	20	21
0	2	1	2	4	12	8	6	10	2	1	0
0	2	1	0	1	0	0	1	2	0	0	0
0	0	1	0	0	4	1	3	6	0	1	0
1	0	0	0	0	0	1	0	3	0	0	0
0	2	0	0	1	0	0	1	1	1	0	0
0	0	0	0	0	0	1	0	1	0	1	0
0	0	0	0	0	1	1	1	2	0	0	0
0	0	0	1	0	1	0	1	0	1	0	0
0	1	0	0	0	1	0	0	0	1	0	0
0	0	0	0	0	0	0	0	1	1	0	0
1	8	5	4	8	21	19	20	47	7	5	1
0	1	2	1	2	2	7	7	21	1	2	1
1	6	4	2	4	9	11	14	37	5	4	1
							0.1615944				
		0.1653657	0.1787454		193.51056		179.02555				
					0.5991039		0.5542587				
					Pre-7-1-96		Total				

10	11	12	13	14	15	16	17	18	19	20	21
0.0%	5.7%	5.6%	4.9%	10.0%	23.5%	8.6%	6.1%	5.4%	3.3%	2.1%	0.0%
0.0%	13.3%	11.1%	0.0%	8.3%	0.0%	0.0%	3.2%	2.5%	0.0%	0.0%	0.0%
0.0%	0.0%	9.1%	0.0%	0.0%	12.1%	1.6%	4.2%	3.8%	0.0%	3.1%	0.0%
16.7%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%	0.0%	5.0%	0.0%	0.0%	0.0%
0.0%	28.6%	0.0%	0.0%	12.5%	0.0%	0.0%	8.3%	1.5%	4.2%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.7%	0.0%	5.6%	0.0%	4.8%	0.0%
ERR	ERR	ERR	0.0%	0.0%	25.0%	6.3%	5.3%	8.7%	0.0%	0.0%	ERR
0.0%	0.0%	0.0%	14.3%	0.0%	4.8%	0.0%	8.3%	0.0%	12.5%	0.0%	0.0%
ERR	ERR	0.0%	0.0%	0.0%	25.0%	0.0%	0.0%	0.0%	11.1%	0.0%	0.0%
0.0%	0.0%	ERR	ERR	ERR	ERR	0.0%	0.0%	5.0%	11.1%	0.0%	0.0%
0.8%	4.1%	7.0%	2.0%	4.5%	9.3%	3.7%	4.5%	4.1%	1.3%	0.5%	0.2%
0.0%	1.1%	12.5%	1.4%	3.3%	3.0%	4.0%	4.9%	4.0%	0.3%	0.3%	0.3%
0.8%	4.1%	7.0%	2.0%	4.5%	9.3%	3.7%	4.5%	4.1%	1.3%	0.5%	0.2%
1.0%	3.7%	7.5%	1.3%	2.9%	5.1%	2.7%	4.0%	3.8%	1.0%	0.4%	0.2%

22
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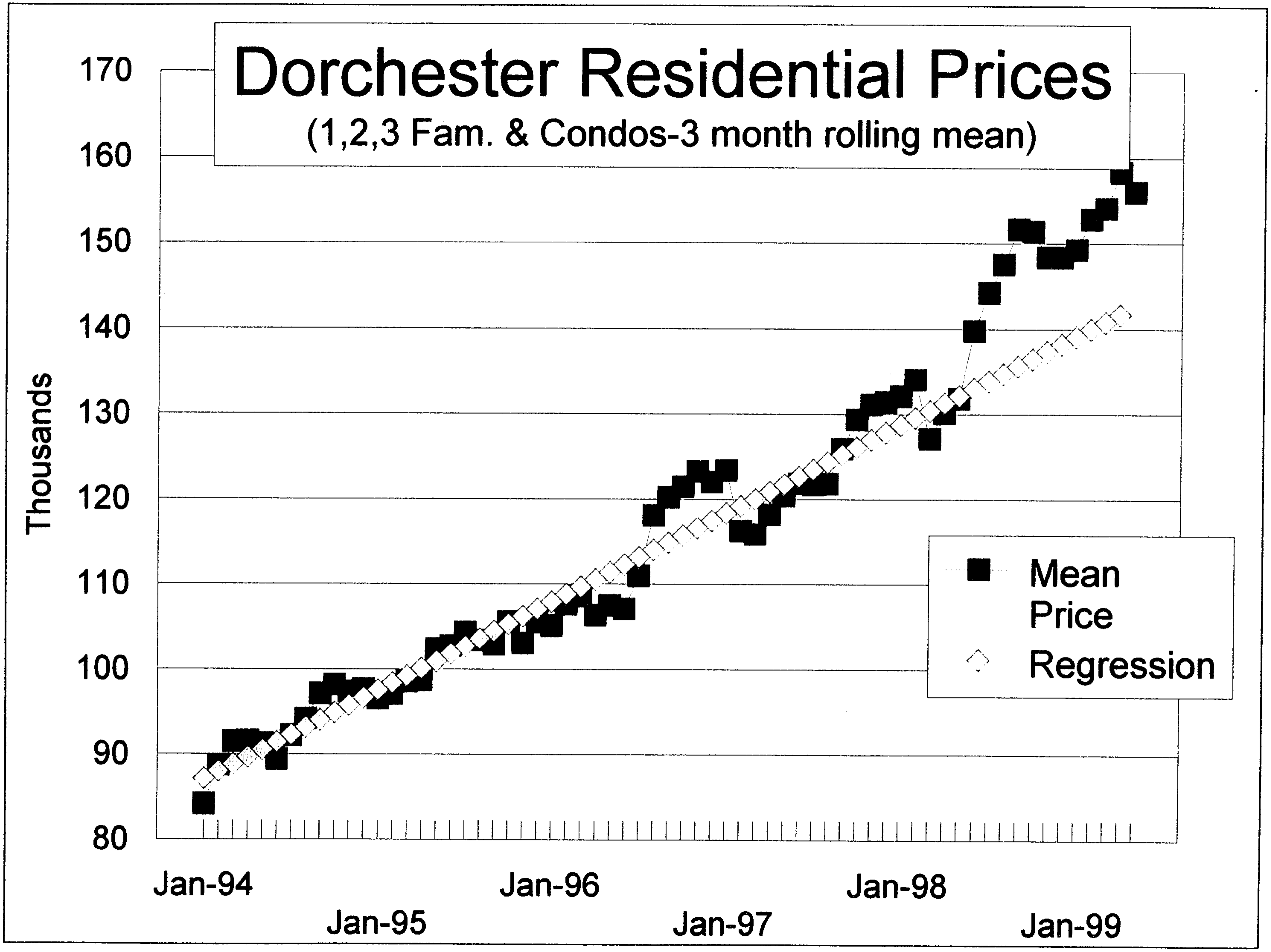

Dorchester Residential Prices
(1,2,3 Fam. & Condos-3 month rolling mean)
170
160
150
140
130
120
110
100
90
80
Thousands
Jan-94
Jan-95
Jan-96
Jan-97
Jan-98
Jan-99
Mean Price
Regression

July 7, 1999

FLEET/BANK BOSTON MERGER TESTIMONY
CAROL ARANJO, CEO D.E. WELLS FCU
AFRICAN AMERICAN EXECUTIVES LEADERSHIP COUNCIL

THE AFRICAN AMERICAN COMMUNITY OF WESTERN MASSACHUSETTS HAS NOT BENEFITTED FROM THE MANY BANK MERGERS OR THE NEW BANK ENTRIES INTO THE STATE THAT HAVE OCCURED OVER THE LAST TEN YEARS. MANY PROMISES AND GREAT SOUNDING PROGRAMS HAVE BEEN ANNOUNCED WITH POMP AND FANFARE BUT VERY LITTLE FOLLOW THROUGH.

WE HAVE NOT SEEN THE PRESS RELEASES ON WHEN,WHERE OR TO WHOM THE PROMISED FUNDS WERE LENT. WE ARE STILL TRYING TO FIND OUT THE STATUS OF THE LOAN DOLLARS THAT WERE PROMISED WHEN FLEET BANK, BANK BOSTON AND OTHER BANKS WERE APPROVED TO MERGE.. WE HAVE NOT SEEN ANY NEW OR IMPROVED EFFORT REGARDING SMALL BUSINESS LENDING IN THE AFRICAN AMERICAN BUSINESS COMMUNITY OF WESTERN MASSACHUSETTS, SPECIFICALLY SPRINGFIELD. THE AFRICAN AMERICAN ENTREPRENEUR HAS FOUND IT VERY DIFFICULT TO OBTAIN LOANS THROUGH THE CONVENTIONAL LOAN PROCESS. ADDITIONALLY MANY OF THE NON-PROFITS IN OUR COMMUNITY FIND IT DIFFICULT TO OBTAIN ADEQUATE LINES OF CREDIT THAT ARE NEEDED FOR THEM TO OBTAIN NEW CONTRACTS NECESSARY FOR THEIR GROWTH..

THE BANKS SEEM TO PRACTICE A PLANATATION TYPE PROCESS WHEN IT COMES TO THE AFRICAN AMERICAN COMMUNITY. THEY CHOOSE AN OVERSEER FOR THE COMMUNITY AND THAT OVERSEER IS THE ONLY ONE ABLE TO RECEIVE LOANS. THEY THEN PUBLICIZE THAT LOAN AS THERE CRA EFFORT IN THE AFRICAN AMERICAN COMMUNITY. BUT VERY LITTLE IS SAID ABOUT THE MANY AFRICAN AMERICAN ENTREPRENEURS WHO ARE TURNED AWAY OR MADE TO JUMP THROUGH HOOPS FOR AYEAR OR MORE AND THEN TURNED DOWNFOR A LOAN.

THE BANKS MAKE WONDERFUL ANNOUNCEMENTS OF FUNDS THAT WILL BE AVAILABLE FOR LOANS TO THE LOW AND MODERATE COMMUNITIES, THEY THEN FAIL TO ANNOUNCE THE METHOD OF DELIVERY. AS A CONSEQUENCE, THESE FUNDS NEVER LEAVE THE BANK BECAUSE THEY SAY THE DEMAND DOES NOT MEET THE COMMITTMENT NOR THEY COULD NOT FIND SUITIBLE APPLICANTS. THIS CIRCULAR PROCESS IS THE BANKS DESIGN.

TO BREAK THIS CYCLE WE SUGGEST THAT THE BANKS RELEASE THESE FUNDS AS DEPOSITS. GRANTS AND LOANS TO COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS, COMMUNITY DEVELOPMENT CORPORATIONS AND COMMUNITY LOAN FUNDS. THESE ORGANIZATIONS SHOULD HAVE THE ABILITY TO MAKE LOANS TO MAKE SURE THAT THE PROMISE BECOMES A REALITY AND THE NEW LOAN FUNDS ACTUALLY HELP THE PEOPLE IT REFERS TO IN THE PROMISE.

UNLESS THE NEW BANK THAT WOULD EMERGE FROM THE FLEET/BANK BOSTON MERGER IS WILLING TO PROVIDE MONETARY ASSISTANCE TO THOSE ENTITIES THAT WILL BE LEFT WITH PROVIDING FOR THE ECONOMIC NEEDS IN THE COMMUNITIES THAT WILL BE AFFECTED BY THE MERGER, THEY SHOULD NOT BE ALLOWED TO MERGE.

WE, THE MEMBERS OF THE AFRICAN AMERICAN EXECUTIVE LEADERSHIP COUNCIL , DEMAND THAT THE FEDERAL RESERVE BE MORE DILIGENT IN MONITORING THESE MERGER AGREEMENTS. TO ENSURE THAT ALL OF THE COMMUNITIES AFFECTED ARE INCLUDED IN THE ALLOCATIONS PROMISED IN THE AGREEMENTS. **THEY NEED TO FOLLOW THE MONEY.**

THE REALITITY IS, THE NEW BANK CANNOT GET OUT THE TYPE AND NUMBER OF NEW LOANS IT IS STATING WITHOUT INCLUDING COMMUNITY LENDERS. THE SO CALLED NEW LOAN DOLLARS WILL JUST GO FROM THE LEFT POCKET TO THE RIGHT POCKET. THE FEDERAL RESERVE MUST INSURE THAT A COMMUNITY DELIVERY SYSTEM IS IN PLACE TO PROVIDE THE ECONOMIC RESOURCES NEEDED IN TRADITIONALLY UNDERSERVED COMMUNITIES

Testimony of Andrew Morehouse
Executive Director, Greater Holyoke Community Development Corporation
Chair, Community Reinvestment Committee, Massachusetts Association of CDCs

On the Proposed Merger of
Fleet Financial Group, Inc. and BankBoston Corporation

Wednesday, July 7, 1999
Federal Reserve Bank Public Meeting

Good afternoon. Thank you for the opportunity to testify at this hearing. My name is Andrew Morehouse. I am the Executive Director of the Greater Holyoke Community Development Corporation and the Chair of the Community Reinvestment Committee of the Massachusetts Association of Community Development Corporations. In these capacities, my job is to channel public and private resources to support the unmet economic needs of low-income and minority residents who are disenfranchised from the economic mainstream.

In Holyoke, the Greater Holyoke CDC serves over 200 low-income individuals a year, offering business development, economic self-sufficiency, and asset building services. The vast majority of these individuals are not <u>regular</u> customers either of Fleet Bank, BankBoston or any other bank for that matter.

By helping this constituency to build their incomes, assets and human capital, Greater Holyoke CDC and other CDCs in their respective communities enable low-income and minority residents to become productive stakeholders in the community. In turn, they generate economic demand for goods, services and, yes, even financial services. However, community development organizations, the banking community and public officials have learned that financial services must be adapted to these underserved markets. Only by investing in innovative financial products and services can economic activity be stimulated, generating profitable opportunities for business lending, home mortgages and community development projects. Yet, it takes all three of these institutions working together to revitalize our nation's underserved communities.

This is the intent behind the Community Reinvestment Act (CRA), which according to Federal Reserve Board Governor Gramlich, has helped leverage $117 billion a year in home, small business, and community development loans for working class and minority communities. CRA has proven to be a unique and critical instrument to enfranchise the less fortunate and to stimulate economic growth.

In Massachusetts, Fleet Bank and BankBoston are major partners in innovative financing. Past commitments and contributions of Fleet and BankBoston are critical to the success of regional intermediaries of community development, to community organizations and to state programs like the Massachusetts Housing Investment Corporation and the Massachusetts Housing Partnership. You will hear the testimonies of others attesting to this. Small community banks generally just do not have the assets and economies of scale to be able to afford innovative financial products and the volume of lending that Fleet and BankBoston have the capacity to offer as a result of their respective mergers with smaller banks.

I would like to share with you, however, a different picture -- one that is quite disturbing. As both banks have merged with other banks over the past decade – amassing greater financial assets and profits for shareholders -- their lending overall to minorities and low-income census tracts has fallen precipitously. HMDA data shows that in the Springfield MSA, the percentage decline in mortgage lending is even greater than that of the Commonwealth. Focusing on Fleet AND SHAWMUT LENDING before and after its merger, ~~with Shawmut~~ from 1994 –1998 loans to low- and moderate-income borrowers dropped 83%, to Latino borrowers 90%, and to Black borrowers 96%. Total lending for the same period dropped 71%. These figures represent a significant retreat from underserved communities in particular and home mortgages in general. It also raises the specter that BankBoston's far better track record of home mortgage lending will cease to exist after the merger. Further declines of the proposed banks' combined home mortgage lending – especially to low-income and minority individuals and census tracts -- will seriously impair the revitalization efforts of these communities.

The proposed divestitures and likely branch closings will certainly be cited as a justification for further reductions in home mortgage lending. The public must have guarantees that the proposed bank will reverse this trend in home mortgage lending to underserved communities. In other words, the public should be assured that the proposed FleetBank will uphold its commitment to 1+1>2 in these communities. In fact, this should hold true in all of Western Massachusetts where no divestitures are reportedly going to take place.

~~I am not here to stop the merger of Fleet Bank and BankBoston. They will merge, but~~ I am here to request that ~~the~~ if the merger ~~be~~ is approved it be contingent on the two banks negotiating in good faith a detailed and measurable community reinvestment plan with community organizations and elected officials. As publicly insured institutions, these banks have an obligation to serve the communities whose savings are being entrusted in them. This is nowhere more crucial than in low-income and minority communities that are traditionally underserved. Without a negotiated community reinvestment plan, there is every reason to believe that their home mortgage lending will continue to spiral downward. Moreover, there is no guarantee that the banks will even sustain, much less increase, their current commitments to affordable rental housing, basic banking services, and accessible branches and ATM sites.

Community organizations and public officials from across the Commonwealth have painstakingly reached out to each other to debate the impact of the proposed merger on community reinvestment in underserved communities. Coalitions representing diverse constituencies have come together to formulate a realistic and measurable plan that the banks have steadfastly refused to negotiate in good faith.

I respectfully call upon the Federal Reserve Bank to break the impasse by requiring the banks to negotiate a community reinvestment plan. Moreover, I urge the Federal Reserve to establish a two-week comment period after a negotiated plan is reached so that all affected parties have an opportunity to respond to it. In my humble opinion, I expect no less from the Federal Reserve. think we should.

In this period of unprecedented economic growth, we must not ignore the fact that millions of Americans are increasingly being left behind. Without Federal Reserve Bank action to foster a negotiated agreement, profitable business opportunities and long-term investments in underserved communities will suffer. We are faced with a rare yet clear opportunity to bring disenfranchised Americans into the economic mainstream. Together, we can make this come true.

Thank you again for inviting me to testify before you.

Table 5
MORTGAGE LOANS FOR HOME PURCHASES IN THE SPRINGFIELD MSA
Before and After Recent Mergers by BankBoston and Fleet, 1994 - 1998

Lender	1994	1995	1996	1997	1998	% change 1995 to 1998
A. Total Loans						
BankBoston	148	96	134	202	232	
BayBanks	329	272	116	0	0	
SubTotal	477	368	250	202	232	-37.0%
Fleet	281	274	311	125	115	
Shawmut	189	125	9	0	0	
SubTotal	470	399	320	125	115	-71.2%
B. Loans to Black Borrowers						
BankBoston	10	4	11	7	7	
BayBanks	11	9	5	0	0	
SubTotal	21	13	16	7	7	-46.2%
Fleet	25	25	16	9	2	
Shawmut	21	21	0	0	0	
SubTotal	46	46	16	9	2	-95.7%
C. Loans to Latino Borrowers						
BankBoston	8	16	33	47	46	
BayBanks	13	14	7	0	0	
SubTotal	21	30	40	47	46	53.3%
Fleet	63	83	68	31	10	
Shawmut	17	16	0	0	0	
SubTotal	80	99	68	31	10	-89.9%
D. Loans to Low- and Moderate-Income Borrowers						
BankBoston	84	46	69	119	134	
BayBanks	79	54	35	0	0	
SubTotal	163	100	104	119	134	34.0%
Fleet	143	151	197	72	38	
Shawmut	90	75	6	0	0	
SubTotal	233	226	203	72	38	-83.2%

Data sources: Loan Application Registrar (LAR) data made available in accordance with the Home Mortgage Disclosure Act (HMDA). 1994-1997 data from CDs distributed by the Federal Financial Institutions Council. 1998 data obtained directly from BankBoston and Fleet. Data include all loans by identifiable affiliatates of lenders named.

Low/Moderate Income (LMI): Defined for this table as up to 80% of the median family income in the Springfield MSA. The maximum income to qualify as LMI was $32,000 in 1994 and 1995, $34,000 in 1996, and $36,000 in 1997 & 1998.

Table Prepared by: Jim Campen, UMass/Boston, July 6, 1999

My name is Susan Worgaftik. I am Chair Massachusetts Micro-Enterprise Coalition and Director of This Neighborhood Means Business!, a micro-entrepreneurship education and technical assistance program in Dorchester, MA. I would like to thank the Federal Reserve Board for providing me with this opportunity to share my views.

The announcement of the merger of Fleet Bank and BankBoston foreshadows a change of great concern to micro-enterprise training, technical assistance, and loan programs. The micro-enterprise programs of the Commonwealth serve entrepreneurs with businesses of 5 employees or less and low and moderate individuals who are in the process of creating their own businesses. Most of these businesses are located in the Commonwealth's inner cities and rural areas. The development of new micro-businesses has been an important element in the recent economic improvements that have occurred in urban neighborhoods and rural communities.

In the last decade, we have worked closely with both BankBoston and Fleet Bank to create loan products designed precisely for the smallest of Massachusetts' entrepreneurs. In the early days of micro-entrepreneurship development in Massachusetts, it was very difficult to engage banks in loan development for this sector of the economy. The competition between these two banks was key in the development of some loan products designed to meet the needs of micro -entrepreneurs.

In addition, the foundation and corporate donations which micro-enterprise programs received from BankBoston and Fleet Bank have been essential to the development of the technical assistance and entrepreneurship education which are crucial to making micro-enterprises successful.

Clearly, Fleet Bank and Bank Boston believe that the synergy created by their merger will be beneficial to the development of their business. We believe that the same should be true for the communities, businesses and individuals that the bank serves. If one plus one equals more than two for the banks, it should also equal that for the businesses and individuals in our communities.

It is my hope that this merger will mean an increase in the number of loans made available to micro and small community entrepreneurs in urban and rural communities and that there will be a significant increase in the technical assistance and education support grants which are essential to making these loans successful. Anything less is a direct step backward from the commitments these two banks have made to our communities and entrepreneurs in the past.

As a partner in the efforts of the Massachusetts Association of Community Development Corporations, the Massachusetts Affordable Housing Alliance and the Organization for a New Equality, I had hoped that we would have a verifiable agreement with the new Fleet Boston by now. I had hoped that such an agreement would ensure that the number and availability of funds for loans to micro-entrepreneurs would expand in much the same way that the expectations for the new Fleet Boston forecast a more robust future. I had hoped that this agreement would recognize the importance that entrepreneurship training and technical assistance is to the success of micro loans and that there would be funds specifically available for this purpose. At this time, no such agreement exists.

As we move into a new era of banking , it is essential that all aspects of the economy benefit from the progress and the projections that are put forward. At this time, the projections that have been presented publicly do not mention the needs and concerns of the micro-entrepreneurs of the Commonwealth. I hope that the new Fleet Boston will resume discussions with MACDC, MAHA and ONE to develop a balanced plan for the future which will make this merger a success in everyone's eyes—a merger which benefits everyone.

TOMPKINS COUNTY ECONOMIC OPPORTUNITY CORP.
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Executive Director
301 Dates Dr., Biggs Bldg. A
Ithaca, NY 14850
607-273-8816 E-mail: EOCJoyce@aol.com Fax: 607-273-3293

Robert M. Brady, Vice President
Federal Reserve Bank of Boston
600 Atlantic Avenue
Boston, MS 02106

Re: Testimony at Public Hearing on July 7, 1999 on behalf of Fleet Community Development Corporation

Almost a year and a half ago, Tompkins County Economic Opportunity Corporation (soon to be Tompkins Community Action) knew that a risky decision must be made if we were to secure a stable facility for our organization. First, let me briefly describe our agency.

EOC is a private, non-for-profit, 501(c)3 charitable organization, first incorporated in 1966 as a community action agency for Tompkins County, located in Central New York. Our mission was and is to partner with low-income families and individuals as they develop to their full potential. We assist the working poor as well as those on public services to access resources to achieve their social and economic goals. EOC is an umbrella agency that provides numerous services through four major departments: Early Childhood (includes Head Start), Energy Services (provides home repair and insulation as well as health and safety checks), Family Resources (includes emergency and stabilization services), and Housing Services (includes Section 8, supportive and transitional housing). We employ approximately 84 people to provide services to over 5,000 residents of Tompkins County which is considered a rural area by our funders. The City of Ithaca has a population of approximately 29,000 and the county has a population of 95,000. Our funding comes from Federal, State, and local government as well as private donations.

Although the local county government was leasing space to EOC, they decided several years ago to sell or demolish the building and to build a new structure for the Department of Social Services. EOC immediately began to study the possibilities of leasing new space or possibly owning our own facility. At the end of a three-year study, we determined our best course was to try to purchase our own facility. In the course of looking at possible spaces to lease we quickly discovered that all would have to undergo significant renovations and that there were even fewer suitable locations to purchase. Upon finding the right facility in the right location, we negotiated a purchase offer contingent on EOC securing financing for both the purchase and the renovation of the building.

For over a year and a half (since April of 1998) we had talked and negotiated terms with several local financial institutions, only once getting close to a commitment for less than the amount projected to make the deal work. We hired a consultant to assist with a feasibility study for a capital campaign – could we raise the money to repay our debt within a few years? Could we secure a long-term mortgage that we could handle without a capital campaign? The feasibility study showed that EOC could raise the capital campaign dollars to pay for their new home. But since the move needed to be made soon, we needed to find a financial institution that would be willing to take a leap of faith while exercising good business judgment. Enter Fleet Community Development Corporation. Our local Fleet Bank managers made the connection for us and helped us tell our story. Events happened rapidly as we met vice presidents from Rochester, NY and Boston. In February of this year, EOC received the commitment letter from Fleet Community Development Corporation for $1.4 to purchase the identified facility and to make the needed renovations. Everything after that has been working to pull all the environmental and legal pieces together for the closing on the property. We now expect that the community action agency in Tompkins County will have a permanent home before the end of this year. Our mission and our employees will continue to serve low-income families well because Fleet listened to dreams and needs, asked for projections and charts, came down to take a look for themselves, and made a good business decision that was certainly based upon "not doing business as usual".

Joyce R. Walker
TCEOC
Ithaca, NY 14850

Boys & Girls Clubs Of Boston
Changing our world, One kid at a time.

Testimony by Linda Whitlock, President & CEO of Boys and Girls Clubs of Boston

As President and CEO of Boys and Girls Clubs of Boston, I speak unabashedly in support of the merger. I speak on behalf of nearly 7,000 citizens of some of the poorest neighborhoods in Boston and Chelsea, citizens whose voices are absent today because they are children and teens who are doing what they should be doing on a hot day in July. They are at our Clubs learning to swim, to surf the 'Net safely, to cooperate with peers, to confide in a trusted adult – all because of the notable generosity of donors like BankBoston and Fleet Financial Corporation.

Stellar corporate citizens, these two banks - and BankBoston in particular - are peerless in their charitable giving to inner-city programs like ours. Since 1978, BankBoston has given our organization in excess of $800,000 for program and building needs. Similarly, Fleet has provided us with nearly $300,000.

Maintaining the corporate headquarters in Boston will ensure that there is no diminution of civic and philanthropic involvement on the part of the new, merged entity. Hence, I am honored to endorse the merger on behalf of our courageous, worthy, and very grateful boys and girls.

Thank you for this opportunity to speak.

Linda Whitlock

Linda Whitlock
President & CEO
7 July 1999

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AN AFFILIATE OF UNITED WAY OF MASSACHUSETTS BAY

Remarks by Paul Guzzi
Federal Reserve Bank Hearing
July 7, 1999

Thank you. My name is Paul Guzzi. I am President and CEO of the Greater Boston Chamber of Commerce. On behalf of the more than 1,700 members of the Chamber, I am pleased to comment on and indicate our support for the proposed merger between BankBoston and Fleet Bank.

Boston is a vibrant, world-class city with important cultural, educational, and medical institutions, as well as an innovative economy based on human and financial capital. The Chamber has sought, with the active support and participation of both banks, to improve our economic competitiveness and the quality-of-life of all our citizens. A great city such as Boston should have a world-class bank located within its borders to meet our unique regional needs. Given changes in the banking industry and the movement of market forces, change is inevitable. But given our status as a great city, Boston must also continue to headquarter a major corporate financial institution like the new Fleet Boston. This merger insures that result.

We should also judge this proposed merger by whether Fleet Boston can meet high standards in terms of customer service, community outreach and investment, and corporate citizenship.
I am convinced that Fleet Boston is committed to maintaining high performance standards in each of these areas. Their commitment to $25 million in community support and the establishment of a $100 million Charitable Foundation is a tangible expression of that commitment.

Both banks have already played leading roles as competitive institutions and as outstanding corporate citizens in our community; they will now play a similarly strong role as a combined entity.

It is for these reasons that we support the proposed merger.

Testimony for delivery to a public hearing before The Federal Reserve Bank of Boston regarding proposed creation of the Fleet Boston Corporation
July 7, 1999

My name is Robert Justis, and I am here today to offer my strong support for the proposed merger between Fleet Financial Group (Fleet) and BankBoston Corporation (BankBoston).

I have been working in economic development in Vermont and New Hampshire for 25 of the last 30 years, since starting out with the State of Vermont in 1969. I eventually became manager of the Vermont Economic Development Authority, the State's development finance arm, and later was director of economic development for the state. After a five year interlude working on projects for the U.S. Agency for International Development and the United Nations Industrial Development Organization in Washington, D.C. I returned to Vermont in 1990, where I am presently the economic development director for the state's largest power company, Central Vermont Public Service. Immediately prior to my present job, I was for over 4 years the CEO of a non-profit community development corporation, Northern Community Investment Corporation, that serves the Northeast Kingdom of Vermont and the North Country of New Hampshire, 6 counties having as many square miles as the State of Connecticut and some of the highest concentrations of poverty in northern New England. It was at NCIC that I first came to know well, and to develop great respect for, Fleet Financial Group.

NCIC is one of the earliest Title VII CDC's in the country, probably the only such organization serving more than one state. Over the last quarter century NCIC has helped to create thousands of jobs, and to build or renovate over 500 units of subsidized low-income housing in its Vermont-New Hampshire territory. During the time I spent with NCIC between 1990 and 1994, Fleet was an active partner with NCIC and its housing development affiliate in both small business lending and housing development projects.

You will recall that the early 1990's were especially difficult economic times in northern New England. Throughout the region and particularly in New Hampshire, where Fleet and NCIC were partners, many other companies and many other banks went bankrupt and/or were absorbed into other organizations. Both Fleet and NCIC had our share of troubled clients and projects together. Throughout this difficult period Fleet was diligent and fair in working with NCIC, and both organizations survived intact and have continued to do good work.

As a result of the mutual trust developed during that difficult period, when Fleet created its INCITY Advisory Board I was offered and accepted a position on this community development panel. From its inception, the entire Fleet organization has given serious and uninterrupted attention to the operation and views of the INCITY Advisory Board, the Fleet Community Development Corporation and Fleet's Community Development Department. Chairman Terrence Murray has met with the INCITY Board on a number of occasions, our board has had many meetings with members across the top tier of Fleet's management, and our board chair, Agnes Bundy Scanlan, has clearly been included as an important player in focussing the entire organization on community development.

As a result, Fleet's interest in community development has gone well beyond the level of assuring compliance with the Community Reinvestment Act (CRA). As an indicator of the seriousness with which Fleet takes its community obligations, the institution has an aggressive program of diversity training for all its employees. This means that not just rank and file line workers are being trained. In typical Fleet fashion, the Chairman of the Board and all of the top officers of the Corporation go through diversity training, as well.

As a further indication of Fleet's seriousness of purpose about community development lending, the Corporation is in the process of making this segment of its business into a profit center. Fleet has made the transition to viewing low-moderate income customers as a mainstream market to be catered to and cultivated, rather than viewing CRA as a mandate to be complied with.

At the INCITY Board level, we have begun discussing wealth creation for low income persons as an overarching goal, rather than just reducing under or unemployment and increasing incomes. We believe that incenting home ownership, providing education on managing retirement assets well and increasing entrepreneurship are some of the best ways to bring low income persons and communities more into the mainstream of American life. As part of such an effort, Individual Development Accounts (IDA's) may someday have a role in building equity ownership by those whom we now refer to as low-income persons, and my informal research has revealed to me that BankBoston personnel are also investigating this relatively new IDA concept.

Fleet and BankBoston are both decidedly for-profit organizations, and I think we all know what is driving the urge to merge. Global competition is forcing organizations across our society to become more efficient and to do it with lightening speed. This increasingly global competition frequently has insidious effects on communities. With respect to financial institutions, we all sometimes hear that larger and supposedly more impersonal banking institutions are difficult to deal with, particularly for individuals and small businesses. Since the INCITY Advisory Board's membership is publicly known, I occasionally get customer complaints. For every complaint that I receive, I am sure there are many more unhappy people I do not hear from. So I know that large organizations like Fleet are not perfect.

Despite these problems, the institution always tries to adapt and improve. Fleet is constantly creating new and more user-friendly loan programs, such as Easy Business Lending. Within targeted branches Fleet has set up Business Lending Centers, to help facilitate services to smaller entrepreneurs. I read in the press last week about banks generally lowering their threshold standards for making loans. Fleet, of course, has to remain competitive with other institutions. As the Federal Reserve knows well, however, neither Fleet nor any other lender does depositors, shareholders or borrowers any favors by setting lending standards too low.

There is particular concern about the centralization of loan intake and decision-making by large banks operating in sparsely populated rural areas. Larger and relatively high-overhead financial institutions cannot always effectively serve all of a community's needs properly under all circumstances. In some cases higher-overhead banks cannot compete with smaller institutions below some critical mass of population base. To its credit, rather than simply cutting back on low-margin services in some of its rural New Hampshire branches, Fleet recently announced a branch divestiture program there that is unrelated to the proposed merger. Some of these branches to be sold are in my company's New Hampshire subsidiary's service area, but I believe this divestiture to be responsible and in the public interest.

When size is managed properly it can be an asset, and I believe Fleet has managed its size to the benefit of its communities. Fleet has been active in encouraging economic development in New Hampshire and has supported the State's efforts financially. Fleet has been a partner with all six New England states in export promotion, including Vermont. Despite its lack of a physical presence in Vermont, Fleet is a positive competitive force for business lending in the state.

None of what I am saying today can guarantee you that a Fleet-BankBoston combination would be as positive a community influence as I believe Fleet has been in the past. Obviously, I believe that the Fleet portion of this partnership would be a force for good in a Fleet Boston Corporation. I have seen charges in the press that Fleet acquisitions in the past have resulted in lower levels of community development lending than would have occurred absent the acquisitions. Usually there are reasons for changes, but even if by some miracle someone could credibly document that fewer community development loans actually resulted from Fleet's acquisitions, I would have great difficulty believing the reason to have been some conspiracy on Fleet's part.

We live in a competitive world. I and my non-Fleet colleagues on the INCITY Advisory Board are probably as well informed about Fleet's behavior as any outsiders can be. The people managing Fleet are ethical and competent, and in the final analysis you need to trust, as I do, that they would manage their part of a consolidated financial industry as well as they have managed their past business. I urge you to approve the proposed merger that is before you, because I believe the communities of our region would be better places as a result of this particular combination.

Thank you for the opportunity to make these comments today.

BankBoston, N.A.
One BankBoston Plaza
Providence RI 02903

PO Box 1558
Providence RI 02901-1558

BankBoston

FRED C. LOHRUM
BANKBOSTON SOUTH REGION CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

Lohrum is South Region Chairman and chief executive officer of BankBoston, N.A., a wholly-owned subsidiary of BankBoston Corporation. He was appointed to this position in 1998.

Prior to that, he served as chairman and chief executive officer of Rhode Island Hospital Trust, a position he was elected to in February, 1992, after having served as chairman, president and chief executive officer of Bank of Boston Connecticut. He played an extraordinary leadership role in guiding the recovery of the Connecticut subsidiary of BankBoston.

Lohrum began his business career with IBM in Cincinnati and later moved to IBM headquarters in White Plains, New York, where he served in various sales, marketing and management positions.

After leaving IBM in 1968, Lohrum joined Randolph Computer Corporation, a lessor of IBM computer equipment. In 1972, Randolph Computer was purchased by Bank of Boston Corporation. Lohrum served in several executive positions, including chairman and president of BancBoston Leasing, Inc., BancBoston Leasing Services and Randolph Computer Services. Under his leadership and tenure at BancBoston Leasing, the business grew to be the 4th largest bank lessor in the nation and the 14th largest U.S. leasing company.

Originally from Cincinnati, Ohio, Lohrum received his BS degree in industrial management from the University of Cincinnati. After graduation, he joined the United States Navy where he attained the rank of lieutenant and served as an operations officer aboard the destroyer USS Rooks, based in Newport, Rhode Island.

Lohrum and his wife, Phyllis Dayton Lohrum, are residents of Middletown, Rhode Island and are the parents of three grown children, Kristin, Alison and Fred, Jr. Phyllis is a Newport native and a graduate of Brown University.

Lohrum is involved in a number of professional and community organizations, including:

Organization	Position
Education	
Salve Regina University	Board member; member of Executive Committee; chairman of Finance and Investment Committees
R. I. School of Design	Board member; member of Executive Committee and Chairman of Investment Committee
Bryant College	Board member; chairman of Audit Committee; Vice chairman of Finance Committee; member of Investment Committee; member of President's Leadership Council
Providence College	Member of President's Council and Finance Committee
URI Foundation	Trustee
Naval War College	Life Foundation member
Business Education Roundtable	Board member

Civic

United Way of Southeastern New England	Immediate past chairman - Board of Directors; 1995 Keel Club chairman; member of Campaign Cabinet; member of Corporate Designations Committee
Greater Providence Chamber of Commerce	Chairman-elect; Board member; member of Executive Committee; vice chairman Affiliates Management Council
R. I. Public Expenditure Council	Board member; member of Executive Committee and Membership Committee
The Providence Foundation	Trustee; member of Executive Committee; chairman Membership Committee
The National Conference for Community and Justice	Trustee; member of Executive Board
R. I. Commission for National and Community Service	Commissioner – Commission Board
Coalition for Community Development	Board member; member of Executive Committee
Presidents' Summit	State committee member and delegate
America's Promise/Rhode Island	Board member
Newport County Development Council	Board member
Grow Smart Rhode Island	Board member
Rhode Island Commodores	Member
New England Council	Member
R. I. Scholar/Athlete Games	Member of Executive Committee

Health Care

Rhode Island Hospital	Honorary trustee; vice chairman of Academic Medical Center Finance Committee
Hospice Care of Rhode Island	Board member
American Cancer Society	1995 Honorary chairman, Relay for Life
Newport Health Care Corp.	Corporator

Arts

Business Volunteers for the Arts/RI	Chairman of the Board
First Night Providence	Board member
RISD Museum of Art	Member of Finance Committee; Annual fundraising; member of Corporate Partners Committee
Japan-America Society, Black Ships of Rhode Island	Honorary chair 1996 and 1997 Black Ships Festival
Woonsocket Museum of Work and Culture	Member of Fundraising Committee

Fund Raising Events

City Year	CYZYGY, '97 chairman
First Night Providence	Chairman '95; co-chair '96
LISC RI	Chairman, Capital Campaign '95
BVA/RI	Chairman, annual dinner '95, '96, '97, '98
Hasbro Children's Hospital	Candlestick Ball, '97 corporate chairman
United Way of Southeastern New England	Keel Club, '95 chairman
Salve Regina University	Co-chairman of Capital Campaign Governor's Ball, '97 chairman
Rhode Island Public Expenditure Council	Chairman, '97, '98 annual dinner

Honors and Awards

Lohrum has received a number of prestigious awards, including:

1995 Felix Mirando Humanitarian Award from the National Conference of Christians and Jews

Business Volunteers for the Arts/Rhode Island, 1995 Encore Award

1996 Recipient of Honorary Doctorate degree from Bryant College

1997 Recipient of Leadership Rhode Island's Rhode Island Community Service Award

1998 The Volunteer Center of Rhode Island's Outstanding Commitment to Volunteerism Award

1998 The American Heart Association "Gold Heart Award" for Excellence in Community Service

1999 Recipient of Honorary Doctorate degree from Providence College

DEAN T. HOLT
CHAIRMAN, PRESIDENT & CHIEF EXECUTIVE OFFICER
FLEET BANK-RI

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Mr. Holt joined the Commercial Division of Fleet National Bank, Providence, Rhode Island in 1977 as Vice President. He transferred in 1981 to Fleet's Products and Services Division where he served as Commercial Product Manager. Mr. Holt was named a group head, Products and Services Division, the following year. In 1983, he was named Senior Vice President and Manager of Fleet's New York loan production office, and became President of the Business Credit Division of Fleet Credit Corporation in 1986. In 1989, Mr. Holt was named Chairman of credit policy for Fleet Credit. Mr. Holt joined Fleet Bank of New Hampshire in March 1990 as Senior Executive Vice President and Chief Credit Officer, and in September 1990, he was named President and Chief Executive Officer. In March 1992, he became Chairman, President and Chief Executive Officer of Fleet Bank of New Hampshire. In April 1993, Mr. Holt was named President and Chief Credit Officer of Fleet Bank of New York, headquartered in Albany, New York. In April 1994, he was named Vice President, Director of Corporate Risk Management of Fleet Financial Group, Providence, Rhode Island. In July 1995, Mr. Holt was named President and Chief Executive Officer of Fleet Bank-Rhode Island, and in April 1997, he was named Chairman, President and Chief Executive Officer.

Mr. Holt serves as a Trustee of the Providence Performing Arts Center, as a Vice Chairman on the Board of Trustees of Butler Hospital and as Chairman of the Board of Directors of the Greater Providence Chamber of Commerce. Mr. Holt serves on the Executive Board of the Narragansett Council of Boy Scouts of America. He is a member of the Board of Directors and the Executive Board of the United Way of Southeastern New England and served as the 1997 Campaign Chair of the organization. Mr. Holt is on the Board of Directors of the Rhode Island Public Expenditure Council (RIPEC). He serves on the Economic Policy Council, on the President's Council at Providence College, and as a member of the Board of Directors of The Nature Conservancy. Mr. Holt also serves on The Providence Public Library's Board of Trustees.

Prior to joining Fleet, Mr. Holt was Vice President, Treasurer and Chief Financial Officer of a New York industrial and equipment supply corporation. He began his banking career at Chemical Bank in 1965 and has in excess of twenty-five years of banking experience.

A graduate of New York University, Mr. Holt also attended the Stonier Graduate School of Banking, Rutgers University, and the Graduate School of Business, New York University.

Federal Reserve Bank of Boston
Testimony

Ronald K. Machtley

My name is Ronald Machtley and I am pleased to have the opportunity to testify in support of the merger of Fleet Financial Group and Bank Boston.

I believe I have had a unique opportunity to observe both of these banks over a period of approximately 28 years of my adult professional life.

I have been a resident of the State of Rhode Island during that period of time, a practicing attorney, and United States Congressman representing the First District of Rhode Island from 1988-1994. For the past three years, I have served as the President of Bryant College, a four-year business college located in Smithfield Rhode Island. Bryant is accredited by AACSB - The International Association for Management Education, a distinction held by only 1 in 6 colleges and schools of business in the United States. It is in that role that I am here to speak today.

In addition to educating 2,800 undergraduate students and 600 MBA students per year, Bryant also serves the surrounding community through a variety of business outreach programs and cultural activities.

From these various vantage points, I have watched with interest and pleasure, particularly as U.S. Congressman, the ways in which Fleet and BankBoston deal with the constituencies they serve. The care and the thoughtfulness which they have demonstrated as corporate citizens of the State of Rhode Island ---- especially with respect to the needs of citizens from all social and economic strata -- is outstanding.

As a college president, my purpose here today is to provide what I consider a global perspective based upon my knowledge of what is happening in the business world today, particularly with respect to financial institutions of all kinds.

Many of our fellow citizens would be delighted if progress and change did not occur. Familiarity -- whether with the local bank teller or the telephone operator -- were once a way of life. In many respects this personal level of service provided comfort and a very personal contact.

However, just as computers, cyberspace and deregulation have ushered in a new era of communications, dominated by companies with previously unheard of names like Nextel, Frontier-US West, and Cellular One, so too has the deregulation of the financial services industry The firewalls between banking, insurance, and securities have been broken down. It is inevitable that new companies -- differently configured from those we grew up with will emerge.

They must, if they are to remain competitive in a global economy where the words "economy of scale" have taken on a whole new meaning.

Bryant College is a pioneer in financial services, being the first institution of higher education in New England to established a major in financial services. There are only one or two others in the entire nation. We did this in response to on-going changes in the financial world, recognizing our responsibility to produce business leaders equipped to function in that world. One has only to observe the recent merger of Citibank and Travelers to see and understand the new reality.

Experts in the banking world have predicted that many fewer major financial services institutions will end up dominating banking in the U.S.

Thus in this world of deregulation, mergers and acquisitions, it is my strong belief that New England -- specifically Massachusetts and Rhode Island -- must have a banking institution that is large enough to avoid being taken over by either a bank from some other region of the country or from some other region of the world.

We must preserve regional banks even if they if are larger, which they must be in order to compete and survive in the emerging business environment.

A New England bank because of its local ownership will look out for local community needs in ways that cannot be matched by the Switzerland's Credit Suisse, England's Barclay's or Germany's Deutsche Bank -- or even institutions closer to home such as the Travelers Group, which acquired Citicorp, NationsBank Corp., which recently bought out BankAmerica, Norwest Corp. which acquired Wells Fargo and Bank One, which acquired First Chicago NBD Corp. The roots of BankBoston and Fleet are firmly grounded in New England. Both the prospective CEO of the new institution that will result from the merger -- Terry Murray -- and his successor CEO Chad Gifford -- currently slated to take over in 2002 -- truly care about what happens to New England and its people. They are New Englanders.

As a Congressman I had many occasions to talk with them about their goals and hopes for the region. Terry Murray grew up in Rhode Island, Chad Gifford -- whose father once served as Chairman of the Board of Bryant College -- are both men with the passion and commitment to see that they have a responsibility not only to their stockholders, but also to the people -- all the people -- of the region. They are not simply moneylenders. They are committed to providing their fellow citizens with the tools and the skills necessary to be productive. They are committed to their <u>borrowers'</u> success, which will ultimately assure their <u>banks'</u> success. They know that the banking relationship is a two-way street.

The Rhode Island banking institutions formerly known as Industrial National Bank and Hospital Trust -- now known as Fleet and BankBoston, have not only been part of our community, but leaders in numerous organizations and philanthropic giving. As they have grown through other recent mergers and acquisitions, their leadership commitment has remained strong in our community here in the State of Rhode Island.

On a personal, individual basis, I was just amazed at the involvement of the Regional Chairman and CEO of BankBoston, Fred Lohrum. I was recently honored to present the Boy Scout Distinguished Citizens Award to Fred Lohrum for his impressive service to the Rhode Island community. His resume and that of Dean Holt, Fleet's Rhode Island President, are attached. They have been active members of the community -- serving as Chair of United Way's Campaign and Chair of the Greater Providence Chamber of Commerce. They are providing leadership to the numerous citizens and citizen groups in our state.

Particularly during the Rhode Island banking crises in 1994, Fleet and BankBoston stepped up to the plate to ensure that many of our home owners, and small business people would not go bankrupt as a result of the closing of all of the state credit unions.

On many occasions as U.S. Congressman, I met with representatives from both institutions and was very pleased with their proactive approach to meeting the needs, not only for individuals, but also of small businesses that needed financial assistance to survive this devastating economic crisis.

As each of these institutions grew in size and scope, I observed their careful involvement in community activities, particularly in low-income areas to ensure that all the people in Rhode Island were serviced by lending institutions.

What has struck me as President of Bryant College is that there is, especially now, in Rhode Island sufficient monies to lend to individuals who have aspirations to buy a home, start a business, or educate their offspring. Where once they might have chosen to leave our state, many small business owners have chosen to stay -- no doubt in part because the resources exist here to help them climb the ladder of success.

The difficulty for many of the people in lower socioeconomic brackets, as well as for those who have never started a business before, is that they often lack some of the necessary financial skills and managerial experience to ensure their own success.

Fleet and BankBoston have consistently helped Bryant College become the state leader in the development and delivery of a variety of outreach programs in the State of Rhode Island to assist prospective business owners and individuals as they pursue their dream of financial independence.

Fleet Bank was the primary sponsor this year of one of our most successful annual outreach programs -- the Women's Summit. The theme for this year was "Women at the Helm: Negotiating Change through Effective Leadership."

Each year over 600 women from all economic levels and business backgrounds come to our campus for a full day of lectures, workshops and networking to begin or enhance their business careers. This year there was so much interest in the program, we had to cap the number of participants at 620.

Because of their generosity we were able to charge only $5 per participant for this daylong program, which typically would have run most participants in other facilities $150 - $250.

Although we asked for a contribution of $20 to defray the cost of a sit-down luncheon, we invited people who could not afford to pay the $20 to come and enjoy the speakers and bring their own lunches, which many of them did.

While $15 or $20 may not be a lot of money in the corporate world, for many women who are trying to start their businesses -- whether a soul food restaurant in South Providence or an internet related industry in Smithfield -- or trying to develop management skills to move up in their company's organization, these are scarce and precious resources.

Bryant is especially grateful to Fleet Bank for providing significant financial resources for the summit so that we could women on the path to achieving financial parity and success in their lives.

To give you a sense of the quality of the program let me share a little about our three keynote speakers.

In the morning, Orit Gadeish, the CEO of Bain Consulting Company, s global strategy consulting firm, spoke to attendees about setting their dreams and focusing on true north. She is a regular speaker at executive conferences and has published articles in publications such as *Harvard Business Review*. In local and global arenas, she volunteers her experience as pragmatic strategists in the academic, business and civic communities. In 1997, Gadiesh was honored with the New Englander of the Year Award.

At lunch time, the talented and enthusiastic B. Smith, a minority entrepreneur who owns restaurants in New York and Washington, D.C., hosts the weekly syndicated television show, *B. Smith with Style*, and has written her first book, *B. Smith's Entertaining and Cooking for Friends*, talked about how to succeed in business -- even without a college education.

And finally, the day ended with Judy George, the founder, chairman and CEO of Domain Home Fashions, speaking again as a non-college graduate, on how to be an entrepreneur and set up your own business, the successes and failures that she has enjoyed. George recently co-authored her first book, *The Domain Book of Intuitive*

Home Design. An award-winning entrepreneur, retailer and volunteer, George delivers motivational talks to colleges and other organizations around the country.

As a result of these annual programs, we are constantly receiving letters from women who indicate that they have been inspired, educated and encouraged to start their own businesses or to succeed in an existing business.

The Women's Summit would not be possible if it were not for Fleet's generous support to our community.

BankBoston has as recently as this year funded our World Trade Day to which over 600 small business entrepreneurs were invited --at no cost -- to come to our college and learn first hand how to become involved in international trade. Our International Trade Data Network -- which is now currently accessible from every state in the union -- makes available accurate, relevant, timely information on conditions abroad, business opportunities and financial data. It is one of the best ways a small company can access the global market.

This year over 600 people, small business owners, not major corporations, came to this daylong seminar to learn the fundamentals of global trade.

I have brought with me some of the pamphlets. You will note that Henrique Meirelles, the Chief Financial Officer of BankBoston, was our keynote speaker for the day.

Bank Boston has also underwritten three trade missions through the Bryant College Export Assistance Center. Participants receive a schedule of customized, one-on-one business appointments based on their individual objectives and requirements. They are able to generate sales leads and meet with potential agents, distributors and joint venture partners.

Bryant is also collaborating with the Rhode Island School of Design in a unique joint venture -- the Center for Design and Business.
Funded by both Fleet and BankBoston, the purpose of the Center is to increase product design capabilities of manufacturers and service businesses, develop the competitive business skills of artists and designers, many of whom fall into the low income category, and to stimulate product innovation.

Additionally, Bryant College administers the Rhode Island Small Business Development Center for the State of Rhode Island. We were the first private college in America selected for this purpose.
Bryant jointly funds the Center's programs in partnership with the U.S. Small Business Administration and the Rhode Island Economic Development Corporation.

The mission of RISBDC is to promote entrepreneurship and strengthen small businesses in Rhode Island by serving as a focal point for the coordination of federal, state, municipal, banking and other resources to aid small businesses and to promote economic development, as well as to provide broad-based, high-quality consulting services at no cost. RISBDC also provides low-cost educational programs.

Because of the generous contributions from corporate institutions like Fleet and BankBoston, Bryant College has been able to help numerous low-income people in Rhode Island to acquire the basic skills necessary to run their own businesses successfully.

The "Calendar of Events" for the week of June 28 in the *Providence Business News* lists following programs offered by the Rhode Island Small Business Development Center. All are free of charge.
Tuesday, June 29: "How to Buy a Building as an Investment or For Your Business." To be held at the at the Enterprise Community Center in Providence.
Tuesday, July 6: "Marketing on the Internet." To be held at the Bell Atlantic Center at Bryant College.
Thursday, July 8: "Quickbooks for Your Business (Intermediate Class II)." To be held at the Enterprise Community Office in Providence.
Tuesday, July 13 and Thursday, July 15: "Keeping the Books for a Small Business." To be held at the East Bay Chamber of Commerce in Warren.

Bryant operates a Small Business Development Center in South Providence -- one of the designated low income housing areas in our state.

Throughout the present decade, BankBoston has supported the Rhode Island Small Business Development Center through a series of grants earmarked to provide consulting services to women and minority-owned businesses.

I believe that Fleet and BankBoston have clearly demonstrated the truth of the old Chinese proverb that it is not enough to give a hungry person a fish so they can eat today. The ultimate form of help is to teach them how to fish so they can eat forever -- that is to say, give them the resources -- business expertise, innovative concerts and opportunities for networking with those at the cutting edge in their fields -- to become successful entrepreneurs and good corporate citizens in their own right.

Because of my personal first hand observations, working with Fleet and BankBoston, I believe that they have done a great deal not only to make the necessary capital available to the community, but also to provide the tools that business practitioners need to succeed and thrive in today's business environment, whatever their size, location or form of ownership.

It is for these expressed reasons that I support the merger of Fleet and Bank Boston. There is no question in my mind that over time these institutions cannot continue to exist individually but will be acquired and/or merged with an out-of-region bank -- one that may have far less concern for, and commitment to, our region. I believe the merged institution is taking the intended steps to ensure that everyone not only has access to capital, but the tools necessary to ensure their success.

7/7/99 10:41 AM

Testimony of: Douglas Johnson, President
Heritage Consulting Group, Inc.

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Providence, Rhode Island 02903

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Heritage Consulting Group, Inc. is a small business concern that provides a variety of management consulting services to the corporate community. For the last decade, our firm has specialized in providing Community Reinvestment Planning and related technical support to a select number of financial institutions based primarily here in New England.

As a consulting practice, we have been privileged to have an opportunity to play a significant role in the planning, development and monitoring of Fleet Financial Group's community reinvestment initiatives. Our relationship with Fleet began back in 1989 when we were retained to assist in the development of its initial CRA Policy Statement. Since that time, the mix of technical services provided by our company has expanded considerably. Over the past decade, we have provided CRA planning and related technical support to every Fleet Financial Group Banking Affiliate in addition to Fleet Mortgage Group. This has been an excellent relationship. While Fleet has experienced enormous growth over the past ten years, it has not abandoned its relationship with our organization. We continue to assist its Corporate Community Development Group in the preparation of its annual CRA lending and performance reviews. The outcomes of these examinations serve to document Fleet's lending performance relative to:

- Home Mortgage Disclosure Act Lending,
- Small Business/Small Farm Lending,
- Community Development Lending,
- Consumer Credit, and
- Community Investments.

For each category of lending, we work with Fleet to identify and analyze trends in lending to low- and moderate-income individuals and to persons living in economically distressed communities within its defined lending areas throughout New England, New York and New Jersey. The focus of our work has been to serve as an independent analyst who helps to identify voids in the distribution of credit. Our primary task has been to objectively examine issues relative to service access and credit distribution within each of the Bank's assessment geographies and to call Fleet's attention to any material variances in the relative share of new credit originations attributed to low- and moderate-income consumers and to residents of low- and moderate-income communities. Over the years, our work in this regard has often received favorable comments by Bank Examiners during their CRA examinations.

Often, we are able to provide Fleet with observations and recommendations on issues that may require further review in order to enhance its outreach and overall lending performance among low- and moderate-income consumers and residents of economically distressed communities. Fleet incorporates these findings in its annual CRA planning process and the establishment of its annual internal strategic business focus for the year.

Frankly, we believe that our relationship has been tantamount to an investment in our firm by Fleet. It has provided us with a piece of core business, which has enabled us to expand the capacity of our consulting practice.

Why do we think that these comments are relevant to today's hearings? Because we know that there are numerous other small business concerns that have developed similar relationships with Fleet and that our collective involvement is important to the economies of the cities, towns and neighborhoods where our firms are located. We do not believe that the pending merger between Fleet and Bank Boston will have an adverse impact on our relationship. In fact, we remain optimistic that the merger will provide new opportunities for continued growth and expansion for firms such as ours.

I am here today to offer our endorsement of the merger of Fleet and Bank Boston. We believe that the new company will be fully committed to engaging small businesses as members of its team as it positions itself to compete in the world economy during the ensuing century. Further, we believe that Fleet Boston will aggressively respond to the banking and credit needs of all segments of the community and will do so in an increasingly progressive fashion.

Thank you for providing me with this opportunity to offer these comments.

Statement by Edward Lane-Reticker at the Hearing on the merger of Fleet and BankBoston at the Federal Reserve Bank of Boston, July 7, 1999.

My name is Edward Lane-Reticker. I have been a banking lawyer for nearly 40 years and I am currently Associate Director of the Morin Center for Banking and Financial Law at Boston University School of Law. I have taught banking law either there or at the University of Connecticut for the last twenty years. However, I am speaking today only as an individual and not for the Morin Center, Boston University School of Law, or any organization.

If the last twenty years teaches us anything, it is that transactions such as this one are now inevitable. The state laws that kept banks in one community from competing with banks in other communities have all but disappeared. In the past five years, most of the barriers to interstate banking have disappeared as well. In the past few months both houses of Congress have passed measures that would go far to remove many of the legal barriers that have separated the banking, securities and insurance businesses from each other.

These changes in the laws governing the provision of financial services are perhaps only a reflection of even greater changes in the technology of delivering financial services. Justice Scalia observed several years ago that a torrent of scientific innovation had caused communications to merge into data processing and data processing into banking. Now these changes are accelerating as commerce and financial services move to the internet, and they are changes that favor the largest and most capable organizations.

So I believe that banking combinations are inevitable. I think the real question is what the advantages of this merger are as compared with other possible mergers. Acquisition of these banks by large out-of-region banking organizations might arguably preserve a few jobs in the short run, but the cost, or one of the costs, would be a loss of accessibility and responsiveness. Borrowers and the public are likely to be better served dealing with a bank that knows its territory, and I would guess that community activists might also prefer to negotiate their demands with a banker they know in Boston rather than one they don't in Charlotte, Chicago, San Francisco or New York.

It's also true that companies generally give the greatest support to institutions and organizations in the communities in which they are headquartered. Only a few months ago many of us were expressing concern about the effect of the Patriots' proposed move on Boston institutions and organizations. As a citizen of Massachusetts and a resident of Boston, I don't think there can be much doubt that Boston and Massachusetts will better places for being the home of a strong global banking institution.

Thank you very much for your attention. I would be happy to answer any questions.

MASSACHUSETTS
AFFORDABLE
HOUSING
ALLIANCE

Testimony of the Massachusetts Affordable Housing Alliance on the proposed merger between Fleet and BankBoston

July, 7 1999

The question before you today is, Should the Federal Reserve Board approve the merger of BankBoston and Fleet? Everyone in this auditorium knows the Fed *will* approve this merger. The Fed almost *always* approves mergers whether or not they benefit consumers. So let us suggest a different question. Will the Fed use its power to require an aggressive, detailed Community Reinvestment Act agreement from Fleet and BankBoston? Will the Fed *insist* that low income communities be better served after this merger than they are now?

My name is Sonia Alleyne and I am here today representing the Massachusetts Affordable Housing Alliance. We are a statewide non-profit organization working to increase public and private sector investment in affordable housing. Our campaigns since 1985 have resulted in over $2.2 billion of commitments to lower income neighborhoods throughout the Commonwealth. Our grassroots Homebuyers Union, based in Dorchester, has negotiated CRA agreements with ten area banks, including Fleet and BankBoston, for over $500 million in below market mortgage commitments since 1990.

Fleet and BankBoston have a tremendous opportunity to create the best urban community bank in the country. And the Federal Reserve can help them get there. From Camden, NJ to Rochester, NY to Hartford, CT, Fleet is smack dab in the middle of some of our nation's most challenging urban issues. In Massachusetts, Fleet has a chance to go much further in developing a model for true bank/community partnerships. Fleet's history in Massachusetts has been decidedly mixed. Fleet has demonstrated an ability to pump out low cost mortgages to lower income first time homebuyers. Indeed, Fleet and BankBoston have been the leading lenders in the state's most affordable mortgage product, the soft second first time homebuyers program. On May 12 of this year, Fleet and BankBoston pledged to make 1100 of these mortgages in Boston before 1200 community residents at a MAHA meeting in the Reggie Lewis Athletic Center in Roxbury. Yet, as UMass professor Jim Campen points out in his recent study, Fleet has fallen far short of meeting the goal of 1+1=2 in mortgage lending to minority and low and moderate income borrowers –after their merger with Shawmut Bank in 1995. We have asked Fleet to commit to another 1500 soft second mortgages outside of Boston over the next five years. If they do this, 1+1 will be greater than 2 in this program which boasts lower than normal delinquency rates and saves homebuyers up to $200 a month.

Fleet should build on the success of BankBoston, which has shown the country how to make an urban branch network profitable through its First Community Bank. Fleet must

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challenge all of its executives to add innovation and flexibility to their game plan in urban neighborhoods. BankBoston during its merger with BayBank made an impressive statement about innovation when they agreed to convert their $90 million loan commitment to the Massachusetts Housing Partnership to a $10 million equity contribution. For the past year and a half, Fleet has looked at this possibility but ultimately rejected it. Now Fleet has another chance. This merger will result in a loan commitment of somewhere between $300 and $600 million to MHP. In today's market, developers *need more equity*. Fleet can help solve the equity gap. And the Federal Reserve can help them get there.

Fleet and BankBoston can welcome lower income customers instead of driving them into the greedy arms of check cashers. The Massachusetts Community and Banking Council has developed the "Basic Banking for Massachusetts" program, which established minimum criteria for qualifying low cost checking and savings accounts. Both Fleet and BankBoston participate in the program but more needs to be done. It is not enough to just *have* the account, you must *market* it. Fleet should build on the success of the marketing campaign done by BayBank in 1994-95 and make a commitment to open 42,000 new Basic Banking accounts for low income consumers in Massachusetts over the next two years. Fleet *can* do this and the Federal Reserve can help them get there.

Fleet and BankBoston can create a new model for mega-mergers. Fleet did *not* use its press conference on March 15, 1999 to hype a multi-billion CRA plan that would have been meaningless and hopelessly short on details, as other banks have done. Fleet then decided to meet with 125 community groups in 30 days to listen to suggestions from community based organizations. Last week, however, Fleet unveiled to community groups a $14.6 billion plan that *was* short on details. Yesterday, Fleet filled in some, but not all, of those details. It is still a work in progress. Fleet has listened to some of our concerns. But Fleet's work is not done. We join other groups throughout the Northeast in asking the Federal Reserve Bank to extend the comment period for a period of two weeks from the date on which Fleet delivers its final plan to community groups.

Fleet needs to make a statement to community groups and others that bigger *can* be better. This agreement should push Fleet to do more. Fleet should ensure that one plus one is greater than two, as stated by Terry Murray and Chad Gifford when they announced the merger on March 15. And Fleet and community groups should demand and expect mutual accountability. You can help us get them there.

Do not approve this merger until or unless Fleet agrees to sign a detailed, verifiable CRA agreement that meets the needs identified by the community organizations throughout the Northeast. Fleet can do this and the Fed can too.

Urban Edge

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Testimony Regarding Proposed Fleet-BankBoston Merger
Federal Reserve Bank of Boston, July 7, 1999

Rita Gonzales Levine, Chairperson, Board of Directors
Mossik Hacobian, Executive Director

Thank you for the opportunity to testify regarding the proposed merger between Fleet and BankBoston. This testimony is informed by recent meetings and conversations with representatives of the two banks and includes initial reactions to a document we received recently entitled "Community Commitment: A proposal for the Fleet Boston Transaction" dated June 22, 1999.

As we will detail later, both Fleet and BankBoston have been strong partners for Urban Edge during the past several years. In fact, Urban Edge's history goes back nearly 25 years with both banks if we include banks that have merged with or been acquired by Fleet and BankBoston. Urban Edge's success of the past 10-15 years would have been impossible without the strong partnership with Fleet and BankBoston.

We ask for your support for the following four requests that we have made to Fleet and Bank Boston in our recent meetings with their representatives:

1. We must monitor the impact of the Fleet Boston merger on Boston's neighborhoods and ensure that the City and its neighborhoods gain and not lose ground. We must work together to determine the best indicators for this effort and we must have a way of measuring and reporting the impact credibly and consistently over time.

2. We urge that there be a written agreement between Fleet Boston and coalitions of community groups and public sector entities. Urban Edge is a signatory to the proposal submitted to Fleet and BankBoston by MACDC, MAHA and ONE. An agreement or a comparable written statement is important for several reasons. First, an agreement will clearly articulate the commitments being made by the banks. Second, it will provide details to be monitored and if necessary adjusted over time. Third, with the possibility that the new bank may itself merge with another bank in the future, commitments contained in a written agreement have a greater likelihood of surviving future bank consolidations.

3. We urge that the commitment of the merged bank to the Mass. Housing Partnership Fund be converted to equity. There is a critical need for resources to produce or preserve affordable rental housing in Boston and throughout Massachusetts. With reductions in federal and state rent subsidies, we find it difficult to use loan capital for affordable rental housing production. The estimated $30 to $50 million in equity that the proposed merger could yield would go a long way to help meet the urgent affordable housing needs of Boston and its neighborhoods.

4. We ask that the Egleston Square branch of Fleet Bank remain with Fleet Boston and be exempt from divestiture. We urge that Fleet and BankBoston branches that were established as a result of negotiations with the Community Investment Coalition (CIC) be considered in a special category of branches. Two of these branches are located in Urban Edge's service area. We are pleased that the BankBoston branch in Hyde Square will continue to operate as part of the Fleet Boston system.

   The Fleet branch in Egleston Square is the first bank branch ever in this neighborhood and was opened by Fleet as part of the commitment to take over Bank of New England. The Egleston Center development made possible by the Fleet commitment to open this branch led to considerable economic development in the Egleston Square area. With the sale of this branch, Fleet Boston risks sending a message to the community that its needs are not as important anymore. We believe this is not the intention of either bank. We are told that it is a regulatory requirement.

   If the branch must be sold, we urge that the purchasing bank be required to commit to continue to operate the branch and continue the important position the Fleet branch has gained in the community during the past seven years.

<u>Community Commitment dated June 22, 1999</u>
We received copy of an outline document detailing a $14.6 billion commitment to a series of community development programs and initiatives. We look forward to additional details to properly assess the potential impact of these commitments on Boston's neighborhoods. We have the following questions and will evaluate the responses as soon as we receive them:

1. How do these commitments compare to what the banks are currently doing in these same areas and would likely have continued to do individually? Is there likely to be a net gain, loss or no change?

2. How will these commitments be monitored and reported? What opportunity will community groups have to make adjustments to the implementation of these commitments based on the actual experience of the coming years?

3. During a briefing session on Friday, June 25th we were given a new definition of the initial Fleet and Bank Boston statement that as a result of their merger "one plus one will equal greater than two". The interpretation being offered now is that what is meant by this statement is that commitments by Fleet, BankBoston ***and the incoming bank together*** would "equal more than two". This may be a more practical explanation, but it requires a more complicated implementation strategy and monitoring process. If we are to rely on an incoming bank's commitments to meet community goals, we must have a way of quantifying and monitoring these commitments on a parallel track with the Fleet Boston commitments. Furthermore, to monitor these two sets of commitments as a package, we must have a means of adjusting them relative to one another over time. We ask that you require Fleet Boston and the incoming bank or banks commit to such an effort.

4. How do these substantial multi-year commitments translate into commitments by state, city and inner city and rural areas? How many affordable housing mortgages will be made in Massachusetts for example? How many small business loans will be available in Boston?

5. Will these commitments be binding on any new banks that may merge with or acquire Fleet Boston in the future?

Fleet and BankBoston history of support for Urban Edge

Urban Edge has benefited from the support of Fleet (including Shawmut and Bank of New England) and BankBoston (including BayBank) for nearly 25 years. Just a few examples illustrate the depth and quality of their support.

The Fleet commitment to open a branch in Egleston Square in 1992 kicked off a significant economic revitalization effort in this area. The opening of the first ever bank branch in Egleston Square not only made possible the development of Egleston Center but also led to a steady development of the area.

Fleet Bank's continued commitment to Urban Edge's Youth Center located in Egleston Square has made possible the growth of an important youth facility serving the community. The building houses the YMCA Youth Center, ESAC, the Greater Egleston Community High School and until recently some of Urban Edge's own offices. Urban Edge acquired the building from Shawmut Bank at a below market price and with favorable financing terms. Fleet's ongoing support has enabled Urban Edge to continue to facilitate expanded youth programming in this building.

BankBoston was the only bank willing to provide financing that made possible nearly 15 years ago Urban Edge's acquisition and renovation of its main offices at 2010 Columbus Ave.

BankBoston provided the most grant funds to the CDC Tax Credit Collaborative, an initiative involving seven CDCs coordinated by Urban Edge. Together, BankBoston's $625,000 grant, Fleet's $200,000 grant and the BayBank (now BankBoston) $200,000 loan, account for more than 50% of the $2 million fund. We anticipate that the former BayBank loan will be converted into a grant in the coming months. This fund has made possible investments and loans by the member CDCs that have helped start and grow businesses in their neighborhoods.

Both banks have been leaders in the creation and ongoing operations of the Metropolitan Boston Housing Partnership (MBHP). Support by Fleet and BankBoston has enabled Urban Edge and other CDCs to produce and preserve thousands of units of affordable housing in the Greater Boston region.

Based on this history of effective collaboration and partnership, we are confident that we can work with the new combined Fleet Boston to achieve even more successes for our community. Also based on our history, we know that clear and measurable commitments and binding agreements are key to such success.

TESTIMONY ON FLEET/BANK/BOSTON MERGER
Cathy Malmstrom, CRA Organizer
New Jersey Citizen Action
Wednesday, July 7, 1999

New Jersey Citizen Action (NJCA) is the state's largest consumer watchdog coalition with 90 affiliate organizations and 60,000 individual and family members. I won't name all our affiliates, but just to give you an idea of the range of interests my testimony represents this morning, let me name at least twenty: Black Urban Alliance, United Senior Alliance, YWCA State Council, Older Women's League, Paterson Task Force for Community Action, Ironbound Community Corp., 11 locals of Communications Workers of America, NJ Industrial Union Council, St. Matthew A.M.E. Church, White Lung Association, Hudson County Resource Center, National Housing Institute, New Directions, Gray Panthers of North Jersey and South Jersey, INCCA for Housing, Community Urban Renewal Enterprise, L.I.F.T. and the Union of American Hebrew Congregations, North Hudson Community Action Program. NJCA has negotiated written CRA agreements with 28 banks across the state including the largest and smallest institutions. As a result of these agreements, more than $8B has been set aside for below market interest mortgages and home improvement loans for low and moderate income families, loans to non-profit developers for construction and permanent financing, and loans to small businesses owned by women and minorities in low and moderate income areas.

Through 16 loan counseling offices located in urban areas throughout New Jersey, Citizen Action offers free loan counseling to low and moderate income first-time homebuyers, as well as home improvement counseling. Two of these offices are co-sponsored by Fleet Bank. In order to help banks reach targeted populations, Citizen Action has worked with banks to develop and help market special products such as loans for lead abatement and disabilities access remodeling

Because Fleet Bank has not been particularly forthcoming with regard to its overall CRA pledge and has given no indication of what portion of its overall pledge will be allocated to the state of New Jersey, New Jersey Citizen Action is requesting that the public comment period on this merger be extended 2 weeks from the day that Fleet submits a final and specific pledge. Moreover, we request that merger approval be denied unless the CRA loan and investment commitment of the merged bank is greater than the current level of CRA loans and investments of the two separate banks. When two powerful banks merge, the resulting synergy creates an entity more powerful than the sum of its parts. Nevertheless, the record has shown that big bank mergers often result in *lower* levels of lending to low and moderate income communities than before the merger. To assure that low and moderate income communities are not harmed by this merger, there must be a public pledge to increase the commitment to the community by more than the sum of the two entities' previous investments. One plus one must equal more than two.

Fleet Bank rose to prominence in New Jersey with the 1996 acquisition of NatWest, a bank with an excellent record of commitment to low and moderate income communities in this state. At that time Fleet made a CRA commitment of $502.5 million to New Jersey. Fleet is currently the fourth largest bank in the state, but has had to struggle to bring up its level of lending to low and moderate income communities. In 1995, Fleet, Shawmut and NatWest were all actively lending to all single family borrowers in New Jersey. Combined, they issued a total of 5,344 loans. By the end of 1997, more than a year after Fleet had acquired both banks, Fleet Bank made only 3,572 loans to single families in New Jersey. Lending to Black and Hispanic households had decreased by 32% and 29% respectively, and loans to low- and moderate income borrowers and census tracts had decreased about 40%.

During that time, communication between New Jersey and Fleet's home bases in Boston and New Providence had more static and was less frequent than that between the planet Naboo and the Imperial City on the planet Coruscant. We sent out signals, but got no help. Fleet's New Jersey CRA staff had little authority of their own and lines between our outpost and home base often seemed to be down. Since September 1996 New Jersey Citizen Action, has had a letter of understanding with Fleet which we consider to be an agreement, as it contains specific loan products and lending goals for New Jersey. Fleet Bank has already indicated it will not renew this letter when it expires because the expiration will occur before the merger is completed. During the past year the bank has made some progress in meeting the goals of this agreement, but only with lots of hard work, guidance and direct participation of community organizations. The bank put together a new team and seems to be moving forward but it took almost two years to get a strong program underway. Because there was a New Jersey plan up and running we were finally able to get Fleet to pay attention to the people in our state and figure out how to serve them. Considering the history, we are very

RHODE ISLAND HOUSING
AND MORTGAGE FINANCE CORPORATION

Testimony
By
Susan E. Bodington
Director of Housing Policy
Rhode Island Housing and Mortgage Finance Corporation
Presented to the
Federal Reserve Bank of Boston
July 7, 1999

I am testifying on behalf of the Rhode Island Housing and Mortgage Finance Corporation (Rhode Island Housing). Rhode Island Housing, as the state's housing finance agency, is a self-supporting quasi-public corporation which offers two dozen housing- related programs targeted to low and moderate income families. We administer more than 13,000 federally subsidized apartments. Our homeownership division provides housing counseling, downpayment and closing cost assistance, and low- interest loans to first-time homebuyers. We purchase loans from participating lenders and originate and service loans. Since 1973, Rhode Island Housing has financed the purchase, construction or rehabilitation of more than 65,000 homes and apartments.

Rhode Island Housing has several concerns regarding the merger of Fleet and BankBoston. BankBoston compared to Fleet has a better record of community lending in Rhode Island and provides more responsive service to lower income customers and to community groups. Rhode Island is a small state with limited resources and cannot afford to lose the services provided by BankBoston. We are also concerned that the lack of competition in Rhode Island will severely limit access to financial resources unless efforts are made to maintain at least the current level of investment by the combined banks and attract new financial interests which will be required to provide financial services to lower income communities.

Low and moderate income communities in Rhode Island depend on financial institutions to invest in their neighborhoods and their businesses and to offer financial services to first-time homebuyers. Rhode Island Housing has experienced a dramatic decline in Fleet's commitment to first-time homebuyers in the past five years. In 1994 Fleet was our top lender, closing nearly $32 million in mortgages. By 1998, Fleet had dropped to 5th among lenders offering Rhode Island Housing mortgages and closed only $6.6 million, a decrease in investment of over $25 million. This is approximately an 80% decline which indicates to us a shift in focus from the needs of our lower income customers. Fleets share of the total mortgage market in Rhode Island fell from 8.8% to 3.3% during the same period. Between 1994 and 1998, BankBoston's mortgages decreased from $25 million to $14 million, a 44% decline, but they maintained their

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position as our third most productive lender. Our concern is that the Fleet trend will prevail and will similarly impact the BankBoston participation in investing in low and moderate income communities.

We have also witnessed a similar pattern with the lack of attention to customer service provided to low and moderate income borrowers. Fleet does not provide the local contact that low and moderate income customers need to work out problems. Instead, non-traditional loans are frequently sold on the secondary market and are then treated as standard loans. Lack of responsive servicing for first-time homebuyers' loans resulted in a very high delinquency rate for Fleet loans; 12% as compared to 6.5% for similar loans in the Rhode Island Housing portfolio. Financial services for lower income communities requires a commitment to training new homebuyers and providing the housing counseling services necessary to help them succeed. Without a local contact and a more patient foreclosure strategy, financial institutions cannot effectively serve lower income communities. BankBoston has a much better record with regard to serving community needs. Fleet should be required to adopt BankBoston's community lending practices as a condition of the merger.

Decreased services and competition are also major concerns. The Federal Reserve Bank has already recognized the lack of competition in requiring Fleet to divest all of BankBoston's branches in Rhode Island. This strategy will increase competition, but will not increase investment in lower income neighborhoods unless there are conditions placed on the financial institutions bidding on these assets. Any institution coming into Rhode Island to acquire these assets and assume deposit liabilities should be required to provide a local contact for borrowers who can stay with a problem to its conclusion. Any new entity must also be prepared to offer an urban agenda with commitment to community groups, technical as well as financial assistance, and provide leadership in the community.

Rhode Island Housing depends on the banks as partners to implement our mission of providing safe, affordable, healthy housing. Through consolidations, there are only three major banks remaining in Rhode Island to assist us with that mission. Rhode Island will be losing its second largest bank, a good originator with high quality production as a participant in our programs, with the loss of BankBoston. In return we need Fleet to assume new policies to benefit the consumer and to increase the level of investment in lower income communities in Rhode Island. We recommend that the Federal Reserve Bank require the maintenance of at least the current level of investment represented by the two institutions. In addition, we recommend that the Federal Reserve require that entities acquiring the assets of BankBoston in Rhode Island make similar commitments to investing in lower income communities, and assure improved customer service by providing local contacts who can resolve problems and address customers needs.

Dennis P. Lagueux
Senior Vice President
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Fleet Bank

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Dear Reader:

Fleet Financial Group (Fleet) is pleased to support an Organization for a New Equality's (ONE) second annual report on *Minority Owned Businesses and Their Banking Relationships*. Our partnership with ONE and our commitment to assisting minority businesses is a source of great pride to Fleet. Critical to the success of any small business is the relationship they develop with their bank

The path of success is not always an easy one for small businesses. This report addresses the difficulties that minority entrepreneurs encounter in building their businesses. Fleet continues to work closely with the communities where we live and work to address the hurdles faced by the small business owner. Realizing that access to credit and capital is a critical component for minority business development, Fleet stands behind its commitment to the community. We provide credit, capital, more importantly, the guidance necessary for the minority business to grow and prosper.

Fleet's INCITY initiative was launched in 1994 and targets many facets of community development, in particular, the growth of minority owned businesses. Fleet Community Development Corporation (FCDC) is committed to serving the financial needs of small businesses in low and moderate income areas, particularly women and minority owned businesses. Through FCDC, we focus our attention in helping entrepreneurs build new businesses by providing loans, equity and technical assistance.

Progress is measured by success and successful small business are a critical component of a strong economy. For every small business that grows and succeeds we know that jobs will be created and services will be provided for the community. At Fleet, we feel that small businesses and their success is an important issue that deserves ongoing attention by everyone.

Although Fleet is proud to distribute this report and we commend ONE's efforts and ideas regarding the development of minority owned businesses and their banking relationships, this is not an endorsement of all the report's observations and recommendations.

Sincerely,

The Organization for a New Equality's

Second Annual Report on Minority-Owned Businesses and Their Banking Relationships

SCORING WITH MINORITY-OWNED BUSINESSES: CLOSING THE CREDIT GAP

February, 1999

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Contents:

Executive Summary

The Organization for a New Equality's (O•N•E) *Second Annual Report on Minority-Owned Businesses and Their Banking Relationships* documents the continuing challenges minority entrepreneurs face in accessing credit and capital. The report brings together an analysis of a survey administered by O•N•E to minority business owners and data from government surveys of small businesses with insights gleaned from a focus group discussion on lending to minority-owned businesses.

O•N•E's analysis reveals that even viable businesses owned by minority entrepreneurs have difficulty obtaining the financing they need to grow their businesses. Despite recent progress towards fostering the growth of minority-owned businesses, there is still a significant disparity in terms of business ownership by race in America. While minorities[1] constituted 27.8% of the U.S. population in 1998, O•N•E projects – based on the most recently available census data on small business ownership and annual receipts – that minority-owned businesses comprised only 16.3% of all U.S. businesses in 1998. Minority-owned businesses are estimated to have brought in $565 billion in annual receipts, or 9.4% of all business receipts. If the percentage of minorities who own businesses were proportional to that of whites who own businesses, there would be 7.4 million minority-owned enterprises in America, double our current estimate. If these minority-owned businesses earned revenues on par with white-owned businesses, they would have brought in $2.1 trillion annually, a $1.5 trillion increase over current earnings.

Fair access to credit and capital is critical to fostering the growth of Minority Business Enterprises (MBEs); closing the gap between the percentage of minorities in the population and the percentage of businesses owned by minorities would benefit all Americans. Not only would such growth begin to address the astonishing disparity in average household net worth of whites and non-whites in America, but **upwards of 8.8 million new jobs would be created**. This expansion is particularly critical at this moment in history as new welfare-to-work programs are implemented.

As changes in the banking industry at the close of the twentieth century lead to increased standardization of loan criteria, the importance of the minority business owner's perspective on banking must not be lost in the shuffle. The O•N•E 1998 report examines credit scoring, a method of statistically assessing a credit applicant's likelihood of paying back credit, in terms of its impact on aspiring minority business owners. Credit scoring has certain positive aspects, especially its potential to facilitate a secondary market for small business loans that could significantly increase the amount of such loans made.

However, credit scoring may lead to de facto discrimination against particular groups. While it is illegal to factor race, color, religion, national origin, gender or marital status into any credit scoring model, factoring in residential and/or business location is not precluded and may prove disproportionately detrimental minority business owners, who tend to be concentrated in inner city and lower income areas. The fact that applicants who have been denied credit on the basis of a poor score cannot access either their credit score or the formula through which it was calculated also raises serious concerns. Creditors are not required by current federal regulations to explain to applicants what information is considered in the credit scoring model or how the model ranks and weighs different factors.

Of the 200 minority business owners whose responses to O•N•E's 1998 survey are analyzed in the report:

- 89% had applied for bank credit products at some point, but fewer than half of applicants (43%) had ever received a product. Overall, fewer than 4 in 10 respondents (38%) had obtained bank credit.
- 69% resorted at some point to alternative methods of financing. These business owners paid interest rates that were on average 59% higher than those paid for bank credit products.
- Of the 326 individual bank credit applications documented in the O•N•E survey results, 92 were approved (28%) and 234 were denied (72%). Even among businesses with annual revenues exceeding $1 million, fewer than half of the applications submitted were approved.
- Multiple applicants were no more likely to receive credit than were those who applied only once, and only 8% of those businesses who applied for credit a second time after an initial denial were subsequently approved.

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[1] Source: U.S. Census Bureau. Defined as non-white and Hispanic persons.

Based on the findings of this report, O•N•E offers several recommendations to government regulators and private bankers regarding ways the lending situation for minority-owned businesses can be improved:

• **Banks must be allowed to collect data on the race and gender of applicants for and recipients of loans** so that the kind of research needed to determine whether the needs of all small business owners are being met will become possible. O•N•E continues to urge the Federal Reserve Board to change its interpretation of Regulation B of the Equal Credit Opportunity Act so that such data may be systematically collected.

• **Banks need to make every effort to ensure that credit applicants are well-informed** about credit requirements and understand <u>specifically</u> how to improve their chances of receiving credit in the future should their applications be rejected. O•N•E suggests that bank outreach efforts to minority business owners make this kind of information a priority.

• As **credit scoring** comes to dominate the decision-making process for small business lenders, **it is essential that consumers be given access to their scores and how these scores were calculated.** It is only through the availability of such information that the potential problems of discrimination inherent in the credit scoring process may be pin-pointed and addressed.

• As banks implement programs to expand credit to women and minority business owners, **creativity is required** to ensure that such programs are successful. Standard loan and line of credit packages may not best meet the needs of minority business owners, especially those who own smaller businesses. O•N•E asks banks to explore different ways of extending their reach to smaller-scale entrepreneurs and helping unpack the tremendous wealth-producing potential of minority-owned businesses in America, whether this means developing new products or joining forces with community-based organizations to provide smaller loans.

•Banks are also in a position to provide **other valuable resources** to minority business owners, especially financial management training, and should take advantage of opportunities for doing so. The BusinessLinc program recently initiated by Vice President Gore, which is currently being implemented jointly by the Treasury Department and the Small Business Administration, offers a systematic approach to providing small business resources in the private sector.

The Organization for a New Equality's Second Annual Report on Minority-Owned Businesses and Their Banking Relationships

<u>SCORING WITH MINORITY-OWNED BUSINESSES: CLOSING THE CREDIT GAP</u>

I. Introduction

Building the economic infrastructure of our neighborhoods, our cities and our country requires a viable and vibrant small business community. Small businesses are the engine of economic growth, providing jobs and creating wealth in those communities where the ingredients needed to nurture entrepreneurship are supported and maintained. A vital factor in creating and sustaining such an environment is *access to credit and capital.* If entrepreneurship is the spirit of small business development, adequate financing is its life-blood; without access to the latter, a small business has no chance of growing beyond its inception.

Developing minority-owned businesses is critical to closing the tremendous wealth gap in the U.S., where the average white household has a net worth over 10 times the average African American or Latino household. Today, minority entrepreneurs are still significantly underrepresented in the overall population of business owners. Our communities and our country pay a tremendous price for this inequity in lost productivity and lost jobs. Sustained attention to and action aimed at minority business development must not cease as long as the disparity in the proportion of minority business owners relative to their overall representation in the population persists.

The Organization for a New Equality (O•N•E) has produced this *Second Annual Report on Minority-Owned Businesses and Their Banking Relationships* for several reasons. First, increasing access to credit and capital for minority business owners is essential to increasing minority business ownership in America. O•N•E's report provides insight into the barriers minority entrepreneurs face in gaining access to credit and capital.

Second, due to the Federal Reserve Board's interpretation of Regulation B – which prohibits banks from collecting data on the race or gender of applicants for business loans – there is no national data on the unmet demand for such loans. This lack of information thwarts decision-making, strategic marketing and product development on the part of financial institutions that want to increase lending to minority-owned businesses; it also prohibits accurate assessment by government and community organizations of how well minority entrepreneurs' needs are being met. Given this lack of national data, O•N•E is committed to bringing the perspective of minority business owners to the attention of legislators, regulators and lenders who make the decisions that determine the flow of credit and capital – the life-blood of business. Only when this perspective is taken into account can true progress be made in building the economic infrastructure of minority communities.

In October of 1997, O•N•E released its first annual report on Minority-Owned Businesses and their Banking Relationships. This report, detailing the significant difficulties faced by minority entrepreneurs struggling to finance their businesses, generated interest in the Clinton Administration and the banking community. Since its release, as business and government alike have focused on increasing loans to minority-owned businesses, numerous new initiatives have given attention to this important issue. As banks across the country begin to focus on lending to minority-owned businesses, lenders need to understand the barriers and challenges minority business owners face in order to ensure the success of new programs. The O•N•E report represents an important voice as changes in the banking industry affect the availability of and the processes involved in gaining access to credit. It offers insight into the demand for small business loans by minority entrepreneurs and how well that demand is being met.

Fair access to credit is critical to the continued growth of minority-owned businesses in the United States. While the number of minority-owned businesses and their average revenues have increased significantly over recent years, minorities are still under-represented in the small business sector of the economy, the foremost supplier of employment in the private sector. From 1987 to 1992, the number of minority-owned businesses in the U.S. increased by 62%, from 1.3 to 2.1 million. Over the same time period, U.S. businesses overall only increased by 26%, from 13.7 million to 17.3 million. Gross receipts of minority-owned businesses increased 128%, rising from $92.1 billion in 1987 to $210.1 billion in 1992. Over the same time period, gross receipts of all U.S. businesses increased by only 67%, from $2 trillion to $3.3 trillion.

Progress in fostering the growth of minority-owned businesses is being made; yet much more remains to be done. According to the most recently published U.S. Census data on small business ownership, minority-owned businesses made up 12% of all businesses in the United States in 1992. In the same year, minorities were estimated to constitute 25.2% of the U.S. population.

Although the proportion of Minority Business Enterprises (MBEs) among businesses as a whole and their proportion of total receipts have both been increasing, they are still disproportionately small compared with the percentage of minorities in the overall population. Assuming that the growth rates cited in the 1992 census data on U.S. businesses have remained constant,[2] O•N•E estimates that in 1998 there were

[2] Growth rates over the 5-year period from 1987 to 1992 for minority-owned businesses, all U.S. businesses, minority business receipts and all business receipts are provided by the 1992 U.S. Census. Yearly increases for each category have been calculated using the formula $r=(Y/x)^{1/n} - 1$, where Y = 1992 amount, x = 1987 amount and n=5 years. Because of sustained economic growth in the U.S. between 1992 and 1998 combined with increasing interest in financing the growth of small businesses, we feel that it is safe to assume that growth rates have persisted at least at the same rates as were calculated by the census between 1987 and 1992. For detailed calculations, please see appendix A.

approximately 3.7 million minority-owned businesses, taking in some $565 billion in annual receipts.

	1987 Census data	1992 Census data	1998 O•N•E estimate
Number of MBEs	1.3 million	2.1 million	3.7 million
Total number of businesses	13.7 million	17.3 million	22.9 million
MBEs as percent of all	9.5%	12%	16.3%
MBE gross receipts	$92.1 billion	$210 billion	$565 billion
All firms gross receipts	$2 trillion	$3.3 trillion	$6 trillion
MBE receipts as percent of all	4.6%	6.4%	9.4%

While these estimates indicate significant improvements in the state of Minority Business Enterprises in America, it is important to recognize that there is still a long way to go in the effort to achieve economic equity for minorities. According to the U.S. Census, non-white and Hispanic individuals made up 27.8% of the U.S. population in 1998, a much higher proportion than is reflected in the 16.3% of businesses estimated to be owned by non-whites and Hispanics or in the 9.4% of all receipts MBEs are estimated to earn.

If the 19.2 million businesses estimated to be owned by non-Hispanic whites were proportional to that group's representation in the population – i.e. equaled 72.2% rather than 83.7% of all businesses – there would be 7.4 million minority-owned businesses in the United States today, double O•N•E's current estimate. The impact of these additional enterprises on the American economy in terms of both revenue and jobs would be tremendous. If gross receipts of minority and non-minority firms were proportionate to population, minority business owners would earn 27.8% of a total $7.5 trillion in business receipts, or $2.1 trillion[3]. This would amount to a $1.5 trillion increase over current earnings.

[3] The $5.4 trillion in annual receipts grossed by non-Hispanic, white-owned firms would account for 72.2% of receipts, meaning that receipts for all businesses would total $7.5 trillion and the 27.8% garnered by MBEs would equal $2.1 trillion.

Building minority-owned small businesses to the point where their percentage among all small businesses is equivalent to the representation of minorities in the overall population would benefit all Americans in two additional ways. First, new jobs would be created in the urban and lower income areas in which minority-owned businesses tend to cluster. The Office of Economic Research of the Small Business Administration indicates that in 1996 small employer firms employed 56.5% of the 99.2 million private sector employees[4]. The small business sector is particularly crucial for the success of welfare-to-work programs currently underway, as higher proportions of people who might not otherwise have jobs are employed by small businesses than by large firms.

Small employer firms, defined as firms with at least one and fewer than 500 employees on payroll, employ an average of 9.8 people and account for 99% of all employer firms in the United States.[5] The Census Bureau estimated in 1992 that nearly three quarters of all U.S. businesses were non-employer firms with no payroll. Most of these businesses were unincorporated and operated by self-employed persons, who may not have used the business as a primary source of income. Assuming that the percentage of employer firms among all minority owned firms likewise equaled 25%, approximately 0.9 million of the 3.7 million new firms predicted above would fall into the category of small employer firms. **This means that facilitating the growth of MBEs would create approximately 8.8 million new jobs.**

Second, the growth of small businesses is critical to bridging the gap between minority and non-minority net worth in America and to evening out the disparities of

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[4] Small employer firms are here defined as those with at least one but fewer than 500 employees; 79% of such firms had fewer than 10 employees in 1995. Office of Economic Research, Small Business Administration, *Small Business Employee and Owner Characteristics 1997*. Available on the World Wide Web at http://www.sba.gov/ADVO/stats/ch_emp_0.num.

[5] Office of Economic Research data from 1995, www.sba.gov/ADVO/stats. The total number of small employer firms calculated by the OER - 5.4 million – equals roughly 27% of O•N•E's estimated number of all businesses for 1995 (see Appendix A). Therefore, we calculate that 27% of the 3.7

wealth and opportunity that persist. The average net worth of minority households remains stagnant – a tiny fraction of that of white households – even as individual minorities make income gains. In 1993, when the Census Bureau most recently calculated household net worth according to race and ethnic origin, the median net worth of black households was $4,418, just under 10% of that of white households ($45,740). The median net worth of Hispanic origin households was $4,656, just above 10% of that of white households. The uneven distribution of wealth makes credit a fundamental tool in developing the potential growth of minority owned businesses. The average minority entrepreneur tends to lack the personal assets possessed by the average non-minority entrepreneur; he or she is less likely, therefore, to be able to rely on personal wealth as the major source of business finance.

Adequate financing is essential for fostering the growth necessary to close this gap, yet non-white and Hispanic business owners seem to obtain business credit from financial institutions less frequently than white business owners do. The Federal Reserve Board's National Survey of Small Business Financing (NSSBF), released in 1995, found that 51% of small businesses owned by non-Hispanic whites had obtained loans, leases or lines of credit from financial institutions, while only approximately 41% of small businesses owned by minorities had obtained such financing.[6] O•N•E focuses on the lending relationships minority business owners have with commercial banks because commercial banks currently account for the majority of small business credit awarded

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million new businesses, or 1 million businesses, would be likely to fall in the category of small employer firms.

[6] All NSSBF data cited in this report is drawn from the July 1995 *Federal Reserve Bulletin.* Percentage of minority-owned small businesses obtaining financial institution loans, leases or lines of credit was calculated based on data for separate minority groups provided in the NSSBF tables. Of the non-white or Hispanic-owned businesses in the NSSBF sample, which made up 12.35% of all businesses surveyed, 27% were Black-owned of which 33% obtained credit products from financial institutions; 36.7% were Hispanic-owned, of which 49% obtained credit from a financial institution; 29.5% were owned by Asians or Pacific Islanders, of which 36% obtained financial institution credit; and 10.2% were owned by Native Americans, of which 37% received financial institution credit.

annually. As the Small Business Administration's Office of Advocacy notes in its 1997 *Directory of Small Business Lending Reported by Commercial Banks*, 67% of all small businesses that borrow money obtain borrowed funds from commercial banks, and 54% of the total $668 billion in small business credit obtained from traditional sources comes from commercial banks. The next largest share comes from finance companies and amounts to only thirteen percent.[7]

O•N•E's report on minority-owned businesses and their banking relationships consists of four major sections. Section II is an analysis of our 1998 survey of minority business owners. Of the 200 entrepreneurs from more than 25 states whose completed surveys have been analyzed for the report, a significant proportion were unsuccessful in their attempts to gain credit from banks. Taken in tandem with the data O•N•E gathered in 1997, this year's results demonstrate that more needs to be done to ensure that minority-owned businesses grow to their potential and that individual business owners do not face unfair difficulties in obtaining credit.

As banks merge and the lines that once separated different sectors of the financial service industry blur, the impact of these changes on small businesses and minority business owners must always be kept in mind. Section III of the report is an assessment of credit scoring, an increasingly utilized standard for determining credit worthiness for business as well as personal credit. Both the positive and negative potential of credit scoring – a statistical formula for assessing the likelihood of an individual's defaulting on a loan based on selected personal criteria – are evaluated from the perspective of the minority business owner.

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[7] Extrapolated from 1993 data contained in the Federal Reserve Board's *National Survey on Small Business Financing*, 1995. Cited in Office of Advocacy, Small Business Association, *Small Business Lending in the United States, 1997: A Directory of Small Business Lending Reported by Commercial Banks in June 1997*. Available on the World Wide Web at http://www.sba.gov/ADVO/lendinginus2.html or on microfiche from the National Technical Information Service, Springfield, VA 22161.

To provide a fuller picture of the lending situation for minority business owners and to find out how processes like credit scoring are having an impact, Section IV details the findings of a focus group meeting convened by O•N•E. This unique forum offered an opportunity for lenders and business owners to exchange opinions and insights on the challenges of obtaining business credit. Finally, the report ends by reflecting on progress made in the past year and offering several concrete actions O•N•E supports as a way of improving the lending relationships between minority business owners and commercial banks.

II. Analysis of O•N•E's 1998 survey of Minority-Owned Businesses and Their Banking Relationships

O•N•E administered its second annual survey of minority-owned businesses and their banking relationships over the summer and fall of 1998.[8] Two hundred completed surveys have been analyzed for this report. These survey responses present a picture of the credit situation for many minority business owners. The analysis presented here is aimed at uncovering and assessing the particular difficulties with gaining access to credit that are experienced by these owners. While the survey pool providing data for this analysis does not constitute a representative national sample of minority-owned businesses, characteristics of the pool may be usefully compared to national data about MBEs to draw inferences about the underlying causes of these minority entrepreneurs' difficulties in obtaining credit and capital.

The snapshot presented here of the limited ability to access credit and capital experienced by a specific group of minority business owners points to the need for more scientific data on lending approvals and rejections made by commercial banks. Lack of information on the part of banks and on the part of businesses is a serious impediment to increasing access to credit and capital for MBEs. Without accurate knowledge about what the needs of the minority banking community are and how well these needs are being met, banks' efforts to provide credit services to minority business owners are bound to be thwarted. Currently available national statistics can only tell us about what loans have been made – not about the demand for loans or the characteristics of businesses that are not receiving credit.

Two main bodies of current national data deal with the issue of lending to small businesses. The National Survey of Small Business Finances (NSSBF), performed jointly

[8] A copy of the survey administered in 1998 is attached as Appendix B.

by the Federal Reserve Board and the Small Business Administration, most recently with 1993 data, examines the types of financing used by a representative national sample of small businesses. The Community Reinvestment Act (CRA) data gathered by the Federal Financial Institutions Examination Council (FFIEC), based most recently on 1997 data, reflects the originations and purchases of small business loans made by roughly two thirds of the commercial banks in the U.S.[9]

While both pools of data tell us something about availability of credit for small business owners, neither goes far enough in determining whether discrimination in small business lending is occurring. The FFIEC data, gathered from banks that are not allowed to collect information on the race of business credit applicants, tells us nothing about the comparative demand for or supply of credit to small businesses among racial groups. The NSSBF data, while highlighting differences in the percentages of business owners from various racial and ethnic groups who obtain bank credit, does not provide information on differences in *demand* for credit among the various groups. The NSSBF tells us that **51% of non-Hispanic, white-owned businesses obtained loans, leases or lines of credit from financial institutions, while only approximately 41% of minority-owned businesses did**. It is unclear, however, whether a smaller percentage of non-white and Hispanic business owners obtain bank credit because fewer apply for it or because a disproportionate number of their applications are denied. The analysis of the data from O•N•E's survey demonstrates the need to take *demand* for bank credit into account in order to assess accurately the lending situation for minority business owners.

The FFIEC data on commercial bank and saving institution lending to small businesses, small farms, and community development projects was released for the second

[9] All NSSBF data cited in this report is drawn from *The Federal Reserve Bulletin* July 1995. FFIEC data is drawn from the 1997 CRA data posted on the FFIEC wed site, http://www.ffiec.gov, on August 24, 1998.

consecutive year in August of 1998 in a report that included comparisons with the previous year's data. Although the pool of reporting institutions decreased by 10% from 1996 to 1997, the number and dollar amount of loans reported both increased. In 1996, reporting institutions made 2.4 million small business loans totaling $147 billion. In 1997, 2.6 million small business loans were reported, which totaled $159 billion. As in 1996, 87% of the small business loans reported in 1997 were for amounts less than $100,000. There was a slight increase in the average amount of a single small business loan, from $61,000 in 1996 to $62,000 in 1997.

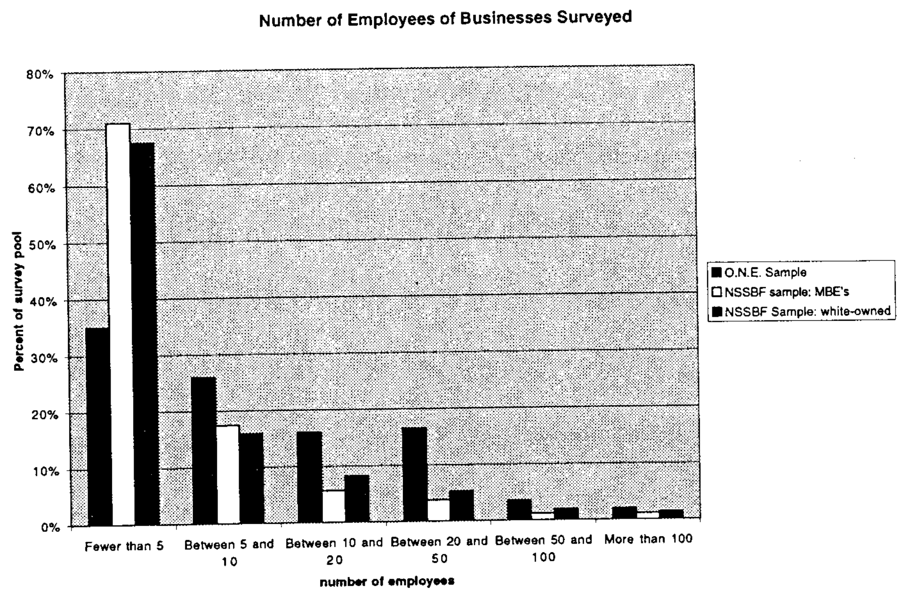
Reported community development lending – primarily focused on housing – increased from $18 billion in 1996 to $18.6 billion in 1997, with the average community development loan also increasing from $542,000 to $745,000. However, the percentage of small business loans made in low-income areas – 4.6% of the number of small business loans reported, which represented 5.4% of the total dollar amount of small business loans reported – remained stagnant. The $8.6 billion awarded in small business loans in low-income areas amounted to less than half of the $18.6 billion awarded in community development loans, demonstrating that many banks' community reinvestment activities remain focused on housing rather than on business development.

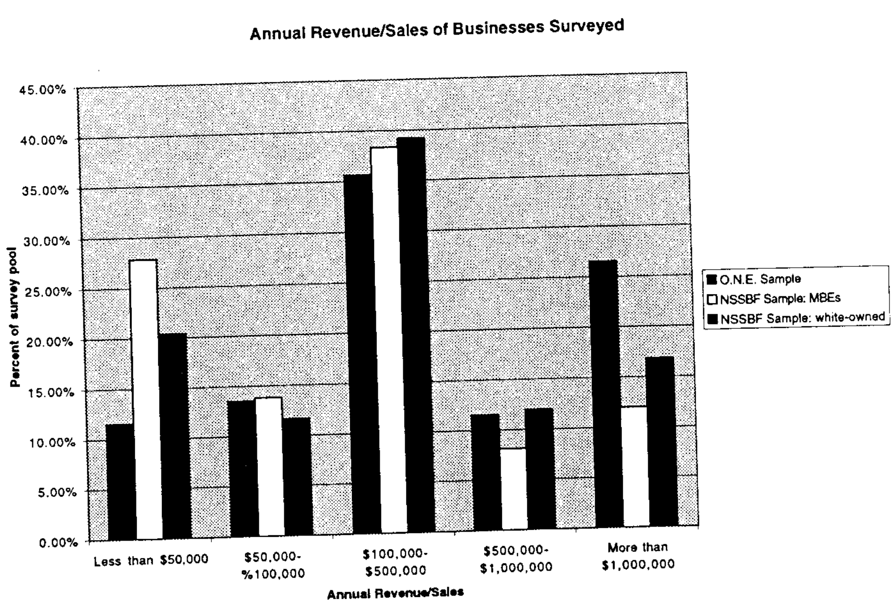
O•N•E Survey

Respondents to the O•N•E survey represent businesses in 25 U.S. states and the District of Columbia. A detailed demographic breakdown of survey respondents appears on the following page. Several highlights from this table are important to bear in mind for the remainder of the analysis. Significantly, the O•N•E sample contains a greater proportion of larger and higher revenue earning businesses than are found among small businesses nationally. **The respondents to the O•N•E survey represent atypically well-established and successful enterprises.** We would expect, therefore, that they would have relatively greater success in applying for credit than that found in a nationally representative sample of small business owners. The difficulties the O•N•E survey respondents encountered overall in obtaining credit are therefore particularly disturbing.

The 1993 NSSBF survey found that only 12% of businesses owned by non-whites or Hispanics and 17% of businesses owned by whites reported annual revenues of $1 million or more. In the O•N•E sample, however, 26.5% of minority business owners reported annual revenues of more than $1 million. In addition, while 71% of small businesses owed by non-whites and 67% of the businesses owned by whites in the NSSBF data pool had fewer than 5 employees, only 35% of the businesses in the O•N•E sample had fewer than 5 employees. Six percent of MBEs and 8% of white-owned businesses in the NSSBF survey pool had more than 20 employees, while 22% of the businesses surveyed by O•N•E had more than 20 employees.

<u>**Key Comparative Characteristics: O•N•E survey pool vs. NSSBF survey pool**</u>





Characteristics of Small Businesses: O•N•E survey pool and NSSBF survey pool

Characteristic	Respondents to O•N•E 1998 survey	Respondents to 1993 National Survey of Small Business Financing- non-white or Hispanic	Respondents to 1993 National Survey of Small Business Financing – non-Hispanic white
Race of Owner			
African American	57%	27.14%	N/A
Hispanic	17.5%	36.79%	N/A
Asian	5%	29.56%	N/A
Other	2%	10.22%	N/A
Not identified	17.5%	N/A	N/A
Gender of Owner			
Male	66.5%	68.49%	72.81%
Female	23.5%	27.66%	21.32%
Both	4.5%	3.85%	5.88%
Not identified	5.5%		
Annual Revenue of Business			
Less than $50,000	11.5%	27.84%	20.39%
$50,001-$100,000	13.5%	13.77%	11.63%
$100,001-$200,000	11%	*	*
$200,001-$500,000	24.5%	*	*
$500,000-$1 million	11.5%	8.08%	11.94%
More than $1 million	26.5%	11.99%	16.84%
Not identified	1.5%		
Number of Employees			
Fewer than 5	35%	71.14%	67.49%
Between 5 and 10	26%	17.42%	15.92%
Between 10 and 20	16%	5.59%	8.17%
Between 20 and 50	16.5%	3.69%	5.25%
Between 50 and 100	3.5%	1.10%	1.84%
More than 100	2%	1.07%	1.33%
Area type of business			
Urban	58%	88.92%	77.6%
Suburban	38%	N/A	N/A
Rural	4%	11.08%	22.40%
Industry type			
Service	50%	45.46%	37.26%
Retail	6.5%	23.25%	21.9%
Construction	29.5%	10.85%	14.16%
Wholesaling	4%	7.70%	8.13%

* NSSBF data was tallied according different parameters than O•N•E data in this case: 25.31% of MBEs reported revenues between $100,000 and $250,000 for the NSSBF survey; 12.99% reported revenues between $250,000 and $500,000.

Manufacturing	4%	5.93%	8.16%
Other	6%	6.81%	10.39%
Age of business			
Less than 5 years	25%	23.48%	14.19%
Between 5 and 10 years	33.5%	29.16%	27.02%
Between 10 and 15 years	22%	17.88%	19.16%
Between 15 and 20 years	8%	12.95%	14.69%
Greater than 20 years	9.5%	16.52%	24.94%

The vast majority of respondents to O•N•E's survey – 89% – had applied for bank credit at some point. Of those who applied, fewer than half – 43% – received a bank product even one time. Overall, fewer than 4 in 10 survey respondents had obtained bank credit. Fifty-seven percent of respondents who had applied for credit never received it, and 79% of those who applied for credit had been denied at least once.[10]

The previously cited NSSBF data on rates of obtaining financial institution credit products by white and non-white business owners (51% and 41% respectively) raise questions about the discrepancy between rates of credit product use. One way of explaining this difference is to hypothesize that fewer minorities are given financial institution credit products because fewer apply for them. The O•N•E 1998 data, however, challenge such a hypothesis. **The high application rates and low approval rates among the O•N•E survey pool challenge any assumption that lower rates of application on the part of minority business owners account for differing rates of credit product use between minorities and non-minorities**. We analyzed the tendency among those surveyed to apply

[10] The percentage of loan applicants denied was significantly greater in this year's survey results than it was in O•N•E's 1997 survey. It is possible that this discrepancy can be explained by differences among the groups surveyed. For example, while the number of survey responses analyzed from businesses with annual revenues of less than $100,000 was similar for both survey administrations, the 1998 pool included a greater proportion of lower revenue businesses that had applied for loans. That is, while only 66% of applicants with annual revenues of less than $100,000 had applied for credit in our 1997 survey, 81% of businesses falling into the same revenue group for this year's survey had applied for credit at least once.

for and receive bank credit according to a variety of criteria in order to determine what other factors – aside from lower rates of application – might be responsible for the low rates of credit approval these businesses experienced overall.

One factor that does seem to have a consistent effect on both likelihood to apply for bank credit and likelihood of success is the size of the business as measured by number of employees. As the chart on p. 21 illustrates, the surveyed businesses with the greatest number of employees were moderately more likely to apply for, and significantly more likely to receive, bank credit than were the businesses with the fewest number of employees. The difference in credit approval rates for firms with fewer than 5 employees (30% approved) and those with more than 100 employees (75% approved) was forty-five percent. Credit approval rates steadily increased as the number of employees increased.

The O•N•E sample of minority-owned businesses had higher average numbers of employees than the NSSFB sample. Given the correlation between number of employees and loan application success, we might expect the businesses in the O•N•E sample to obtain bank credit at higher rates than average. As we have seen, however, this is not the case. The overall percentage of O•N•E respondents that received loans was significantly below that of white-owned businesses and slightly below that of minority-owned businesses in the NSSBF sample.

There was not a consistent correlation between the annual revenue level of a business in O•N•E's sample and the owner's likelihood of applying for and receiving credit. As can be seen on the chart on p. 21, there was a significant difference in the rates of credit application success between those at the highest and lowest revenue levels, but the rate of successful application did not increase consistently with increases in annual revenue. There was a 15% difference in tendency to apply for credit between businesses with annual revenues below $50,000 (74% applied) and those with revenues above this threshold (89%

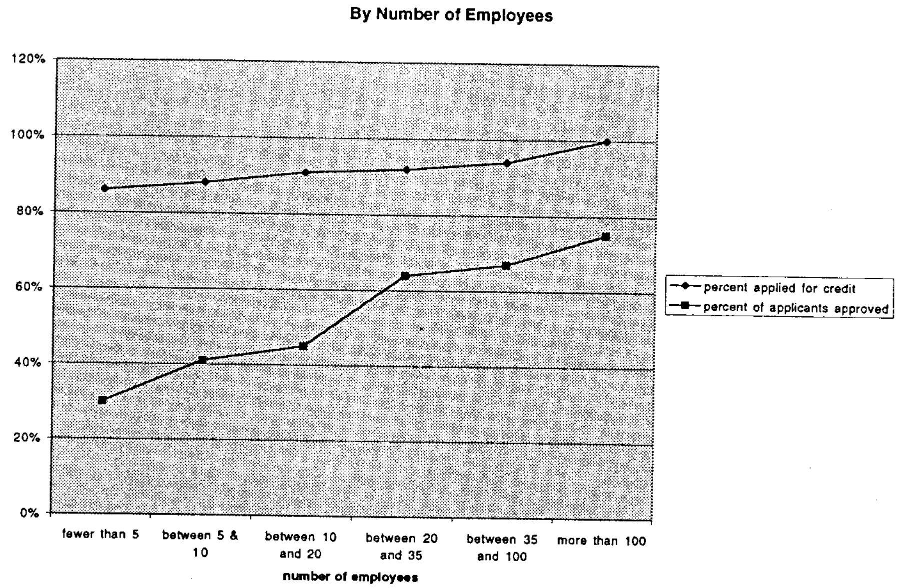
applied). Between businesses with revenues of $500,000 to $1,000,000 (87% applied) and those with revenues above $1,000,000 (96% applied), there was also a significant (9%) difference in the tendency to apply for credit. Average application rate for those businesses in the middle, with revenues between $50,000 and $500,000, fluctuated only marginally around 87.5%.

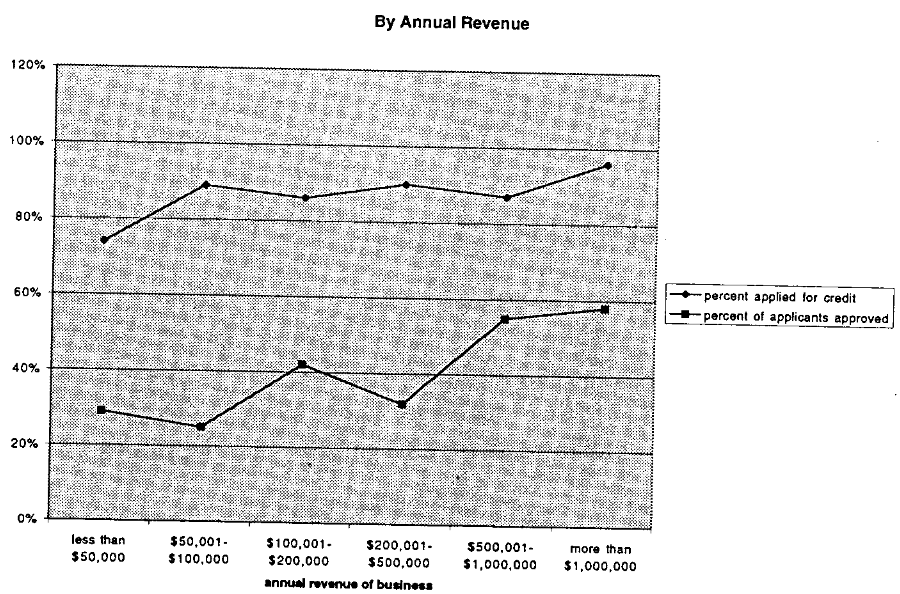
A clear disparity in the credit application success of higher and lower revenue businesses can be seen at the extreme ends of the scale, with twice as many (58%) of businesses with revenues over $1,000,000 successfully applying for credit compared with businesses with revenues of less than $50,000 (29%). Between these two extremes, however, increases in annual revenue did not directly correlate with increases in application success. Even businesses with the highest annual revenues among those surveyed had difficulties in obtaining credit products, and it is clear that the situation is even more dire for smaller businesses with lower revenues.

When the overall number of documented applications is considered, a similar trend emerges. **Of the 326 individual bank credit applications documented in our survey results, 92 were approved (28%) and 234 were denied (72%)**[11]. Businesses with annual revenues exceeding $1,000,000 had the most success in their individual credit applications of any group. **Even so, fewer than half of the credit applications submitted by this group were approved (43.4%).** Only 24% of the credit applications submitted by businesses in the lowest annual revenue group, under $50,000, were successful. This extremely low success rate may also be seen in the middle-range revenue groups; it does not rise above 1 in 4 until we reach the $500,000 - $1,000,000 revenue group, which had a success rate of 38% in its individual applications.

[11] Respondents were given space on the survey to describe up to three credit application experiences.

Tendency of survey respondents to apply for and receive credit





Multiple application attempts versus single application attempts were also analyzed as a possibly significant factor in the rate of application success. This analysis was aimed at discovering whether applicants with previous experience in applying for loans seemed better equipped to handle the application process successfully. Of 120 business owners that applied for credit more than one time, 43% received a bank product at least once, while the remaining 57% never received a bank product[12]. These figures mirror exactly those pertaining to businesses that had applied for credit only once. Forty-two percent of business owners who applied for credit only once received it, while 58% did not. **Multiple applicants were no more likely to receive credit than were those who applied only once.**

Of the 116 businesses whose first credit applications were denied, 65% applied for bank credit a second time. Only 8% of these businesses were approved for credit on their second try. Almost half of the businesses unsuccessful on their second try applied for credit a third time or more. Just over 20% of third-time applicants who had previously failed to obtain credit received it. This suggests that business owners who apply unsuccessfully for credit multiple times may not be receiving adequate information from banks about what they need to do to improve their applications.

O•N•E also looked at the age of minority businesses as a possible factor in their success in applying for bank credit. Contrary to the conventional wisdom, which stipulates that once a business reaches the three year mark it stands a significantly greater chance of receiving bank credit,[13] business owners who had been operating their businesses for more than 3 years at the time they applied for credit did not demonstrate greater success with

[12] Of the 43% who received a bank product at least once, 71% were also denied credit one or more times.

[13] Approximately 70% of all small businesses in the U.S. fail during their first 3 years. After the three-year threshold, this percentage drops dramatically and the viability of the business is usually considered more secure.

their applications than less experienced entrepreneurs did. Of businesses for which age at the time of application was measurable, 70% were 3 years or older when they applied for credit; of these, only 37% obtained credit, while 63% were denied credit. The 30% of businesses younger than 3 years when they applied for credit had a similar approval rate: 35% obtained credit while 65% did not.[14] Passing the 3-year threshold did not seem to positively impact the applicants' chances of success.

The NSSBF data corroborates this finding that age of business may have little impact on small businesses' access to credit. The percentage of all small businesses reporting that they had obtained credit products from financial institutions in the NSSBF survey remained more or less the same across all age groups. In its summary of the data, the Federal Reserve Board's expresses surprise at this similarity, noting that "depository institutions typically require several years of financial history for a borrower to qualify for credit".[15] The lack of correlation between age of business and credit product use, both in our survey and in the NSSBF, shows that criteria other than age must be more significant in determining credit awards. For many small business owners, frustrations arise from banks' lack of clarity about what these criteria are.

With the difficulties survey respondents had in obtaining traditional bank loans and lines of credit, 69% of survey respondents resorted at some point to alternative methods of financing their businesses. One third of those relying on alternative sources had used personal finances, including refinancing a home mortgage. Credit cards were the next most commonly used source of alternative funding, with 16% of those using alternative

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[14] Note that these two groups combined do not account perfectly for the total number of respondents who applied for bank credit. In a number of cases, survey respondents neglected to provide information regarding the year in which they had applied for bank credit, making it impossible to determine how old the business was at the time of application. Also, a small number of businesses that applied for credit more than once are counted in both groups, since they were 3 years or older at the time of one application but not the other. 125 applicants 3 years or older are documented, as compared with 52 applicants younger than 3 years.

[15] *Federal Reserve Bulletin*, July 1995, p. 634.

financing relying on them. Using alternative sources of financing cost the surveyed businesses money in the form of higher interest rates. **On average, businesses using alternative sources of financing paid interest at rates 59% higher than those paid by businesses using bank products**. The average interest rate for a fixed rate loan or line of credit from a bank was 10.2%, while the average interest rate for a fixed rate alternative financing source was 16.2%.

The analysis of data in this section points to the difficulties encountered by even a relatively well-established group of minority business owners and the need for innovation on the part of banks in fostering the growth of minority business enterprises through financing. As will be discussed in the final section of the report, O•N•E draws two primary recommendations from the data analyzed here. First, banks need to work to understand the particular needs of minority small businesses in their communities and to ensure that there are products available to meet these needs. A critical component of this is being able to collect and analyze business credit application denial and approval rates by race and gender in addition to by location. Second, it is crucial that banks take an active role in informing credit applicants about the different products available and the standard criteria required for each. The necessity of clear transmission of information from banks to small business loan and line of credit applicants will only become more urgent as banks increase their use of credit scoring models to determine credit awards. This is the subject of the next section of the report.

III. Credit Scoring and the Implications of Standardization for Minority Business Owners

Credit scoring is an increasingly prevalent method for determining whether an applicant for business credit succeeds or fails. Producing a statistical assessment of an individual's probable credit risk based on a variety of quantifiable factors, credit scoring provides some benefits to minority business owners – particularly through its potential to open up a viable secondary market for small business loans – but the weight given to credit scores in determining credit decisions has disturbing aspects as well. Credit scoring will almost certainly play an important role in financing for small businesses in the future. It is critical, therefore, that small business owners gain a better understanding of how it works.

Pioneered by Fair, Isaac Inc. in the late 1950's, credit scoring has been increasingly accepted by lenders in recent years as a reliable method of predicting credit risks. Having been widely used since its inception to determine qualification for credit cards and mortgages, credit scoring is now being utilized with ever-greater frequency to help banks make decisions about small business credit. Credit scoring models assign values to various criteria – such as how long an applicant has lived in his or her residence, and how well he or she has paid off debt in the past – and compile these values into a single numerical score according to a specific formula. Credit scoring is considered much more efficient than traditional methods for making credit decisions, since the information provided by applicants can be quickly and automatically converted into a score, making it easy to rank a large number of credit applicants against one another.

One promising potential of credit scoring in determining small business credit awards that has been hailed by regulators and lenders alike is its potential to open up a secondary market for small business loans. Currently, only a small proportion of small business loans are securitized, primarily because of the lack of standardization in small business loan packages and the difficulty of assessing the credit quality and risks of small business loans.[16] Credit scoring, by providing a method of assessing small business loans according to uniform standards, has the potential to overcome these barriers to creating a viable secondary small business loan market.

The benefits of such a market to small business owners seeking credit would be substantial. If primary lenders were able to sell small business loans easily and enhance their liquidity, more funds would be available to make additional small business loans. An explosion in the availability of credit, like that which followed the securitization of mortgages in the 1970's and led to huge increases in the proportion of the American population able to buy their own homes, would be possible for small businesses.

In addition to these macro-level possibilities that affect the economy as a whole, some people champion credit scoring on the individual level, seeing it as an equalizer that erases personal biases. That is, while judgmental credit decisions made by a particular banker may be critiqued as being influenced by personal biases, a decision based on an 'objective' credit score is not susceptible to such criticism. Because it is illegal to use race and gender as factors in any credit scoring models, some feel that the issues of race- and gender-based inequities in lending would cease to exist in a lending world dominated by credit scoring.

On the other hand, credit scoring may lead to de facto discrimination against particular groups. Information about income, credit balances, purchases, address and job changes, late payments and debt ratios are factored into a statistical model that produces a numerical score for the applicant. While it is illegal to use the categories of race, color, religion, national origin, sex or marital status in any credit scoring model, the use of geographical information is permitted.[17] Factoring residential and business location into a

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[16] Luxman Nathan, "The Growing Securitization of Small Business Loans," *Communities and Banking*. 22: Summer 1998, The Public and Community Affairs Department of the Federal Reserve Bank of Boston. Pp. 2-8.

[17] Age, otherwise designated as a "prohibited basis" by the Equal Credit Opportunity Act, may be factored into credit scoring models, as long as the number of points given to the oldest age category (65+) equals or exceeds the number of points given to any other category.

credit score may prove disproportionately detrimental to minority business owners as a group, who tend to be concentrated in inner city and lower income areas.

The fact that applicants who have been denied credit cannot access either their credit score or the formula through which it was calculated raises serious concerns. The Fair Credit Reporting Act regulates what information must be provided to an applicant whose request for credit is denied or otherwise adversely acted upon. The law requires that an applicant be informed of the specific factors in the credit scoring model that were *most* important in making the decision to deny credit. So, for example, simply stating that an applicant was denied credit because he or she failed to receive a qualifying credit score would be insufficient under the law. The creditor would have to explain that "level of income" and "length of residence" were the most negative factors in the score. But, creditors are not required to explain to applicants what information is considered in the credit scoring models they use or how the model ranks and calibrates different factors.

Lenders often obtain credit scores from independent credit bureaus, the same companies that provide consumer credit reports. In 1995 the Federal Trade Commission reversed a previous decision requiring that credit bureaus provide applicants with copies of their statistically determined credit scores upon request. Because these scores are based on information in the credit reports (which must be produced upon request), the FTC determined that applicants did not need to be provided with the scores or with explanations of how the scores were calculated.[18] In addition to the fact that consumer credit reports are already available to credit applicants upon request, the FTC cited the possibility that providing scores and explanations would subject credit bureaus to substantial costs and might confuse consumers more than benefit them.

However, as credit scoring becomes increasingly important in obtaining all types of credit, O•N•E maintains that it is *essential* that consumers be given access to their scores and to information about how they were calculated. On an individual level as well, access

[18] FTC Press Release, "FTC Concludes that Credit 'Risk Score' Disclosure if Not Required by Fair Credit Reporting Act". September 1, 1995.

to specific knowledge about why credit was denied is critical to small business owners. In 12% of the 234 cases documented in O•N•E's survey in which credit applications were denied, the business owner cited only 'credit issues' as the reason given for denial.[19] This lack of specificity, along with anecdotal experiences shared with O•N•E by survey participants, raises concerns that minority business owners are often inadequately informed about why credit was denied to them and what they can do to improve their chances of receiving credit in the future.

Findings of the Office of the Comptroller of the Currency – based on 1998 meetings held with bankers and community leaders in 8 cities around the country to discuss lending to minority owned businesses – highlight this concern as well. The OCC's July 1998 report on its findings indicates that "information gaps can present formidable barriers to minority small business owners."[20] Owners reported that they encountered loan officers who did not clearly explain the information or credit criteria required to approve loan requests or who did not explain thoroughly why a credit application had been denied. Such information is critical to small business owners' developing viable business plans and loan applications. If the role and functioning of credit scoring in applying for and receiving loans are not clearly understood by business owners, credit scoring will become yet another serious impediment to increasing credit and capital for minority business owners.

Although credit scoring has the potential to open up significantly greater credit opportunities to minority business owners by making the development of a secondary market for small business loans feasible, its downfalls are considerable and need to be addressed. In order to make sure that de facto discrimination against particular groups is not resulting from the use of credit scoring, public disclosure of credit scoring models and criteria must be made available.

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[19] 'Lack of collateral' was the most prevalent single reason given for credit denial (15% of the cases) followed by 'rejection of business plan' in 12.8% of the cases and 'credit issues' in 12% of the cases.
[20] The Office of the Comptroller of the Currency, "*Access to Financing for Minority Small Businesses*" Advisory Letter 98-9. July 16, 1998. Posted on the OCC's web site http://www.occ.treas.gov.

IV. O•N•E focus group

On October 30, 1998, O•N•E convened a small group meeting comprised of volunteers from our survey pool, experienced lenders and government representatives from the Boston area. The group met to provide insight on issues of lending to minority owned businesses that the preliminary results of O•N•E's survey suggested were significant. Participants were asked to talk about their experiences with the following four topics: banks' and other lending institutions' efforts to increase access for minority business owners; the impact of credit scoring on access to credit and capital for minority business owners; the helpfulness and completeness of the information made available to applicants for bank products; and what distinguishes successful minority applicants for bank credit from unsuccessful ones.

Several themes emerged from the discussion. On the one hand, participants emphasized the need to establish relationships with the banking community in order to access credit that might not otherwise be available to them. As was mentioned in O•N•E's focus group meeting last year, a banker will be more willing to take a risk in making a loan to someone he or she knows personally, and this benefit of having a personal relationship is important to business owners who might have certain weaknesses in their credit applications. The other side of the personal relationship coin was also raised in the meeting; participants felt that it was important for bankers to understand the particular needs of minority communities. The consensus was that even with recent increases in bank loans made to minority entrepreneurs, banks in general have little understanding of the distinctive characteristics of the minority business community.

One small business owner noted the negative effect that banks' focus on collateral has had on his business's ability to grow. Because his applications for bank loans to cover the purchase of machines necessary to his business were rejected, the entrepreneur had.to use credit cards to finance the purchase of equipment and generate more revenue. He feared the use of credit cards was setting up a bad cycle in which any late payment on the high interest credit card balance would reflect poorly on any future credit application he made with a bank. This business owner wondered why banks couldn't be more creative in the financing they could provide to young and growing businesses.

Participants in the meeting also raised concerns about banks' increasing reliance on standardized forms and financial data in making credit decisions. As banks become bigger and more types of business are conducted via impersonal mechanisms like the internet, personalized bank service seems to be dropping out of the picture. One lender at the meeting noted that these changes could have both positive and negative impacts for minority business owners. On the one hand, doing business with banks (and customers) at a distance takes any intentional discrimination on the basis of race out of the picture. The disparities in lending cited above – where minority business owners' overall lack of relationships with bankers as compared with white business owners leads to far fewer bankers who are willing to take risks on minority businesses than are willing to take risks on white businesses – will be evened out as personal relationship becomes less of a factor in lending decisions.

On the other hand, as credit applicants are increasingly judged on the basis of numbers and statistics alone, minority-owned businesses may suffer. Entrepreneurs need to be prepared to deal with application forms and to figure out how to achieve success through paper, as these forms become the driving force behind the success or failure of an application. In addition, community leaders need to be aware of the possibility of de facto discrimination against particular groups when numbers alone are used to determine who receives credit.

Another business owner told of his experience with banks, which had led him to hold a "cynical view" of bank programs designed to aid minority entrepreneurs. Solicited by a bank trying to expand its lending to minority business owners, this entrepreneur filled out an application for a loan. Even though the bank had approached him and held his hand through the application process, the loan application was rejected. His business was one in which the collateral was rented out to customers, so he had few assets on paper. The bank, although making an effort to reach out to minority businesses, was not willing to consider creative approaches to banking, and still focused exclusively on collateral without trying to understand the particular nature of this man's business.

A community development corporation leader raised the issue of the standard criteria through which banks make lending decisions. She suggested that these standards need to be investigated to determine what effects they have on minority groups as opposed to non-minorities. What is it that makes many minority businesses higher risks for loans than non-minority businesses? Her point resonates with the problem emphasized in the previous section regarding credit scoring. Both the standard criteria that go into making credit decisions and the ways in which these criteria are calibrated through statistical scoring models need to be investigated for any systematic impact they have on minority business applications as opposed to non-minority ones.

A final theme that emerged from the meeting was the need to focus on resources other than credit in order to support the long-term sustainability of minority small businesses. In particular, participants were concerned that minority business owners receive training and mentoring in the financial aspects of operating a business and be made aware of other resources they can access to help their businesses grow. Programs like the Massachusetts Alliance for Small Contractors – which focuses on education and training for business owners primarily in the construction field – were shown to be examples of successful assistance to minority owned businesses that did not directly involve access to credit. The Massachusetts Alliance aims at providing business education to entrepreneurs in order to stabilize companies before helping them grow.

Participants also called attention to non-traditional resources provided for minority small businesses through organizations like the New England Minority Purchasing Council (NEMPC). The NEMPC offers numerous resources to minority business owners, including MBE certification, management training, and referral to purchasing agents at large regional and national companies. Again, the focus is on meeting the needs of minority-owned businesses in ways that go beyond traditional financing.

The emphasis on providing small business owners with critical resources other than credit came up repeatedly in the focus group meeting. It is also an issue that has recently been given attention by the federal government. A joint program of the Treasury Department and the SBA – initiated in June of 1998 – aims at linking small and big businesses together in ways that foster small business growth, particularly in distressed areas. This program, as well as several other new initiatives of 1998, will be highlighted in the next section of the report.

V. Progress and Recommendations

O•N•E commends private banks and organizations as well as government bodies for the important work that has been done over the past year to understand and alleviate the particular challenges faced by established and aspiring minority business owners in gaining access to capital and credit. While such initiatives are too numerous for all to be named here, we draw attention to several key examples.

The Office of the Comptroller of the Currency (OCC) completed a series of "Banking on Minority Business" forums in 8 cities across the country. These forums brought together bankers, minority business owners, and community organizations to talk about the issues impacting lending to minority-owned businesses. In July of 1998, the OCC issued a report based on these meetings offering several valuable recommendations for bankers and others involved in minority business lending. One important insight of the report highlighted the need for improved communication between bankers and small business borrowers; education and counseling are needed to accompany loans. The OCC report also asserted that regulators should encourage banks to use available programs like the OCC's low-documentation program, which allows highly-rated, well-capitalized banks to make a portion of loans to small businesses which are reviewed by examiners solely based on performance and do not necessarily meet standard collateral requirements.

The Small Business Administration initiated several new programs focused on increasing lending to minority-owned businesses, one aimed specifically at Hispanic-owned businesses and one aimed at businesses owned by African Americans. In addition, the SBA and the Treasury Department have joined forces to chair an initiative launched by Vice President Al Gore in June of 1998 called 'BusinessLINC'. This program, an acronym for 'Learning, Information, Networking and Collaboration', is designed to help build small businesses in economically distressed areas by providing educational and other resources through business-to-business relationships. BusinessLINC will help pair large and small companies in mentoring relationships and provide an action plan to enable both companies to benefit from the relationship.

In the private sector, O•N•E is encouraged to see banks and other lending institutions giving increasing attention to effective ways of fostering minority-owned small business growth. The past year has witnessed an expansion in creative approaches to matching the needs of small business owners, particularly in disadvantaged areas. Big banks are launching programs in collaboration with community-based loan funds to facilitate smaller loans designed to meet the needs of small business borrowers. Non-bank organizations that are also working to find creative ways of financing small businesses owned by women and minorities, providing training and education to business owners as well as helping them get loans.

These successes represent first steps towards the facilitation of minority business growth. To continue the work that must be done in this area, O•N•E offers the following recommendations:

- Banks must be allowed to collect data on the race of applicants for and recipients of loans so that research needed to determine whether the needs of all small business owners are being met equally well can be performed. O•N•E continues to urge the Federal Reserve Board to change its interpretation of Regulation B of the Equal Credit Opportunity Act so that such data may be systematically collected. The passage of the Home Mortgage Disclosure Act – requiring banks to disclose where and to whom (in terms of race) they sold mortgages – led to significant increases in mortgages given to minorities. Having similar data available for small business loans will help facilitate similar increases in access to credit and capital for minority business owners.

- As banks implement programs to expand credit to women and minority business owners, creativity is required to ensure that such programs are successful. Standard loan and line of credit packages may not best meet the needs of minority business owners, especially those who own smaller and lower revenue earning businesses. O•N•E asks banks to explore different ways of extending their reach to smaller-scale entrepreneurs and helping unpack the tremendous wealth-producing potential of minority-owned businesses in America, whether this means developing new products or joining forces with community-based organizations to provide smaller loans.
- Banks need to make every effort to ensure that credit applicants are well-informed about credit requirements and understand <u>specifically</u> how to improve their chances of receiving credit in the future should their applications be rejected. O•N•E suggests that bank outreach efforts to minority business owners make this kind of information a priority.
- Banks are also in a position to provide other valuable resources to minority business owners, especially financial management training, and should take advantage of opportunities for doing so. Developing vendor relationships with minority-owned small businesses is one way in which banks can facilitate minority business development.
- As credit scoring comes to dominate the decision-making process for small business lenders, it is essential that consumers be given access to their scores and how these scores were calculated. It is only through the availability of such information that the potential problems of discrimination inherent in the credit scoring process may be pinpointed and addressed. O•N•E urges the FTC to mandate that such information be made available to consumers and public interest groups upon request.

- Developing a secondary market for small business loans would be of substantial benefit to minority entrepreneurs. If primary lenders were able to sell small business loans easily in a secondary market and enhance their liquidity, more funds would be available to make additional small business loans. An explosion in the availability of credit, like that which followed the securitization of mortgages in the 1970's and led to a huge increase in the proportion of the American population able to buy their own homes, would be possible for small businesses.
- Employment diversity within banks is critical to helping banks understand and assess the needs of minority entrepreneurs, as well as to the development of strong relationships between lenders and borrowers.

Appendix A

Calculations made by O•N•E to estimate number of Minority-Owned Businesses in the U.S. and their gross receipts in 1998.

Minority-owned businesses, numbers and receipts: 1998 estimates based on 1992 and1987 census data

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
MBE receipts												
amount (in billions)	92.1	108.615777	128.093237	151.063479	178.152847	210.1	247.776057	292.20835	344.608437	406.405138	479.283496	565.230722
percentage increase	0.1793244	0.1793244	0.1793244	0.1793244	0.1793244	0.1793244	0.1793244	0.1793244	0.1793244	0.1793244	0.1793244	0.1793244
all business receipts												
amount (in billions)	2000	2210.68459	2443.56318	2700.97374	2985.50052	3300	3647.62958	4031.87925	4456.60667	4926.07586	5445	6018.5888
percentage increase	0.1053423	0.1053423	0.1053423	0.1053423	0.1053423	0.1053423	0.1053423	0.1053423	0.1053423	0.1053423	0.1053423	0.1053423
MBE as % of all	0.04605	0.04913219	0.05242068	0.05592927	0.05967269	0.06366667	0.06792797	0.07247448	0.0773253	0.08250079	0.08802268	0.09391416
number of MBEs												
number (millions)	1.3	1.43086461	1.57490271	1.73344041	1.90793733	2.1	2.31139667	2.5440736	2.80017298	3.08205262	3.39230769	3.73379462
percentage increase	0.10066508	0.10066508	0.10066508	0.10066508	0.10066508	0.10066508	0.10066508	0.10066508	0.10066508	0.10066508	0.10066508	0.10066508
all businesses												
number (millions)	13.7	14.3544208	15.040102	15.7585367	16.5112896	17.3	18.1263854	18.9922456	19.8994661	20.8500227	21.8459854	22.8895232
percentage increase	0.04776794	0.04776794	0.04776794	0.04776794	0.04776794	0.04776794	0.04776794	0.04776794	0.04776794	0.04776794	0.04776794	0.04776794
MBE as % of all	0.09489051	0.09968111	0.10471357	0.11000009	0.1155535	0.12138728	0.12751559	0.13395328	0.14071599	0.14782011	0.15528289	0.16312243

Appendix B

Banking Relationship Survey administered by O•N•E in the summer and fall of 1998 via mass mailing.

Organization for a New Equality

Survey of Minority Businesses & Their Banking Relationships

Small businesses' ability to survive has always been dependent on their ability to gain access to credit and capital. Released last October, O•N•E's first annual report on minority-owned businesses generated significant interest within the Clinton Administration and sparked a new economic initiative of the Small Business Administration, headed by Vice President Al Gore, which is aimed at helping to provide capital to businesses owned by African Americans. The Administration's new Community Empowerment Fund is expected to support an estimated 280,000 jobs through a $2 billion increase in private-sector loans.

O•N•E is conducting its second annual survey of minority-owned businesses and their banking relationships to facilitate greater access to credit and capital for minority-owned an small businesses by (1) assessing their fiscal needs, and (2) documenting the lack of access to credit and capital and the problems related to gaining this access.

Data collected in the survey will be kept strictly confidential and used only to compile overall results. Please fill out the following information about your own small business:

Name of Business: ______________________ Name: ______________________

Address: ______________________ City: ____________ State: _____ Zip Code: ________

Phone Number: (_____)______________ Fax Number: (_____)______________

1. What industry is your business in?
❑ construction ❑ retail ❑ manufacturing
❑ service ❑ other ____________

2. What is the annual revenue of your business?
❑ Less than $50,000 ❑ $50,001 - $100,000
❑ $100,001 - $200,000 ❑ $200,001 - $500,000
❑ $500,001 - $1,000,000 ❑ $1,000,001 or higher

3. Where is your business located?
______________________(town, state)
This is an: ❑ urban area ❑ suburban area ❑ rural area

4. How old is your business? __________ (years)

5. How many employees, including yourself, does your business have? ________

6. (Optional) Do you use a local bank for your business?
❑ Yes ❑ No If yes, what is the name of your business' bank? ______________________
How long has this been your business' bank? ________

7. Have you ever applied for a loan or line of credit?
❑ Yes ❑ No

If you responded Yes to #7, please answer questions 8-13:

8. Have you ever received a loan or line of credit?
❑ Yes ❑ No

9. Have you ever been denied a loan or line of credit?
❑ Yes ❑ No

10. How many times have you applied for a loan or line of credit? ______ *If more than once, please provide the following information for each time you applied to the bank. Extra copies of questions 11-17 are attached for this purpose.*

11. When did you apply? __________(year)

12. To which bank did you apply? ______________________

13. What form of product (i.e. loan or line of credit) did you request? ______________________

14. Was your request approved? ❑ Yes ❑ No
If Yes, please answer #15-16. If No, answer #17. Please continue with questions #18-20.

15. Did you receive the bank product you applied for?
❑ Yes ❑ No
If, no, what product did you receive? (i.e. loan or line of credit) ______________________

16. What percent of your request was approved? _______%
What was the interest rate you received and/or any other terms? Interest Rate: ________%
Other terms: ______________________
____

17. If your request was denied, what reasons were given? *(check all that apply)*
❑ Rejection of business plan. What aspect(s) of your plan was rejected? ______________________
____
❑ Lack of collateral
❑ Credit Issues (i.e. lack of credit history, poor credit history). Explain: ______________________
❑ Other. Explain: ______________________
____

18. What is your business' present level of debt?
$__________

19. Have you had to use alternative sources of funding to finance your business? ❑ Yes ❑ No
If yes, what source(s) did you use?
____
What rate of interest did you pay? ____________%

20. [Optional] Race: ______________ ❑ Male ❑ Female

Please complete survey on other side.

Second Application to Bank:

11. When did you apply for the loan or line of credit? ____________ (year)

12. To which bank did you apply? ______________________

13. What form of product (i.e. loan or line of credit) did you request? ______________________

14. Was your request approved? ❑ Yes ❑ No

If Yes, please answer questions #15-16. If No, please answer #17.

15. Did you receive the product you applied for? ❑ Yes ❑ No
If, no, what form of product did you receive? (i.e. loan or line of credit) ______________________

16. What percent of your request was approved? _______%
What was the interest rate you received and/or any other terms? Interest Rate: ________%
Other terms: ______________________

17. If your request was denied, what were the reasons you were given? (check all that apply)
❑ Rejection of business plan. What aspect(s) of your plan was rejected? ______________________
❑ Lack of collateral
❑ Credit Issues (i.e. lack of credit history, poor credit history). Explain: ______________________
❑ Other. Explain: ______________________

Third Application to Bank:

11. When did you apply for the loan or line of credit? ____________ (year)

12. To which bank did you apply? ______________________

13. What form of product (i.e. loan or line of credit) did you request? ______________________

14. Was your request approved? ❑ Yes ❑ No

If Yes, please answer questions #15-16. If No, please answer #17.

15. Did you receive the product you applied for? ❑ Yes ❑ No
If, no, what form of product did you receive? (i.e. loan or line of credit) ______________________

16. What percent of your request was approved? _______%
What was the interest rate you received and/or any other terms? Interest Rate: ________%
Other terms: ______________________

17. If your request was denied, what were the reasons you were given? (check all that apply)
❑ Rejection of business plan. What aspect(s) of your plan was rejected? ______________________
❑ Lack of collateral
❑ Credit Issues (i.e. lack of credit history, poor credit history). Explain: ______________________
❑ Other. Explain: ______________________

Please fax completed survey to the attention of Tamara Olsen at 617-424-7693, or mail to:
Organization for a New Equality, 364 Boylston Street, Third Floor, Boston, MA 02116
phone: (800) 766-6631 • fax: (617)424-7693 • email: one119@idt.net

Rhode Island Community Reinvestment Association
1043 Broad Street • Providence, Rhode Island 02905 • (401) 467-2050

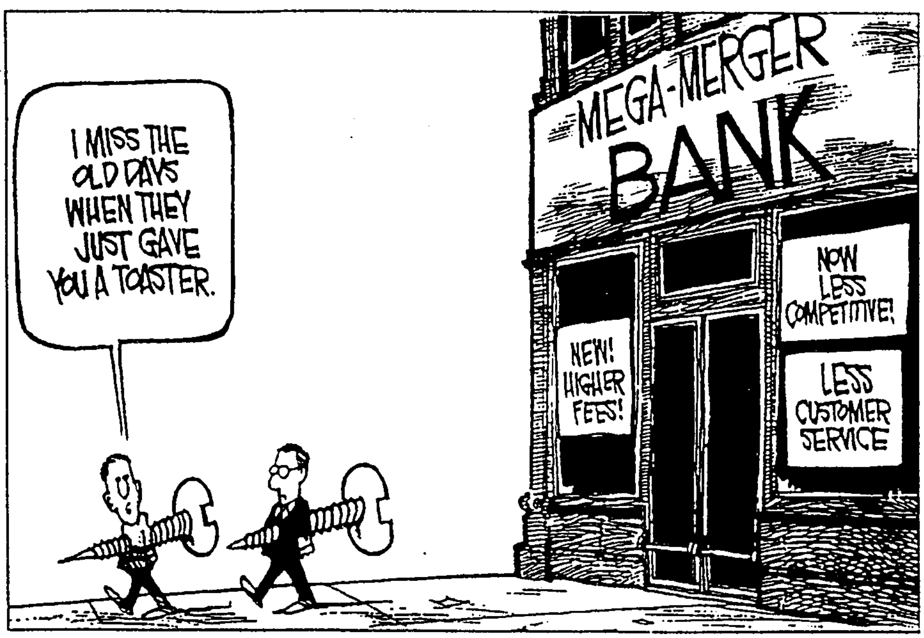
CLOSE TO HOME JOHN MCPHERSON

"I'm sorry, sir, but there's a $4 fee for asking questions."

FLEET-BANKBOSTON FEDERAL RESERVE PUBLIC HEARING.

July 7, 1999

Testimony



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July 7, 1999

"WE HAVE TO DISTRUST EACH OTHER. IT'S OUR ONLY DEFENSE AGAINST BETRAYAL." Cat on a Hot Tin Roof -Tennesse Williams-

Public Testimony

Presiding Officer
Federal Reserve Bank of Boston

My name is Raymond Neirinckx. I am the coordinator of the Rhode Island Community Reinvestment Association (RICRA). RICRA is a thirteen year old statewide organization working to encourage the public and private reinvestment in the housing and community economic development of our low and moderate income neighborhoods. Back in 1985, I worked with the "21 Protestants" that opposed Fleet's acquisition of First Connecticut Bancorp. and Merill Bankshares. Fourteen years later, RICRA again returns to protest the proposed merger of Fleet and BankBoston.

RICRA worked hard with a number of organizations in the region to call for a series of public hearings on the merger. Therefore, we are extremely disappointed that the Board of Governors of the Federal Reserve had granted only one hearing. Two weeks after the comment period ended and just two days after the Fourth of July long holiday weekend and prime vacation time. Clearly, July 7th must be "Bankers Independence Day" with this one-time public hearing. RICRA contends that not only should the comment period be extended but three public hearing should be held on the $14.6 billion "pledge" that Fleet has proposed without any public, written program being available for review.

RICRA opposes the merger for several reasons, including Fleet's poor performance in the areas of mortgage servicing, high consumer product fees, lending activity and commitment to previous agreements with RICRA.

Foreclosure prevention or home owner retention is vital to any "affordable lending program". The ease and flexibility to put folks into homes has not been balanced when families experience some financial hardship to keep their home. RICRA's foreclosure prevention involves direct advocacy with individual cases and larger public policy issues. Since the Shawmut merger, mortgage servicing has been more difficult and frustrating with Fleet. Since the US Department of Housing & Urban Development began publishing the "Loss Mitigation Performance Analysis" , Fleet

has consistently been at the bottom of the "High Volume" servicers. In the just the past year, RICRA has filed several compliants to HUD for intervention in preventing foreclosures. In May, we called a special meeting of the Providence Banklincs Foreclosure Prevention Committee to review our problems with Fleet's servicing of this special fair housing-first -time buyer program. Unlike other major lenders in the state, Fleet does not provide for local access to resolve problems. Fleet's approach is to pass you along to whatever far-flung region in "deal with" their collection people. Our written protest to Federal Reserve provided further documentation of Fleet's treatment of homeowners in distress. The euphemism - "Non-performing Loans" justify Fleet's transfer and sale of these loans to high-pressure collectors. While Fleet receives credit and in many states a "high satisfactory" lending rating yet there is no mention how disposable these homeowners are when Fleet decides in transferring these loans it is more "efficiently and profitably (sic)" for them. This is unacceptable. Fleet promised RICRA in 1996, that homeowner retention would be a critical piece of INCITY. We are still waiting.

In the area of consumer fees. We fear that Fleet will continue to set pricing to push low income, moderate income and some middle income customers out of the bank. Since, the Shawmut merger, Fleet was the bank to introduce ATM surcharges. Fleet imposed the first teller fee product in the region. Fee income is not based on competitive pricing it is pure greed. According to a Rhode Island Monthly (February 1999) article on bank fees, which bank had the highest ATM "foreign" surcharge? Fleet. The FDIC just reported that bank profits increased 21.6% to a new record of $18 billion for the First Quarter!. Where did most of that increase come from? Fees. Fleet is not alone. BankBoston has just raised its returned check fee to $29, I guess we should be grateful it's not $30. We should note that this action only served to replace BankBoston over Fleet with that highest fee in the state. Also, BankBoston according to the Boston Globe (5/16/99) has joined the league of credit card issuers to change the billing schedule to almost insure that customer will be accessed a fee for late payment. BankBoston has raised their on-line bill payment feature from $3.50 to $4.50 per month. Once again, the promises of ATM surcharges would benefit bank customers and that on-line banking saves money only means higher profits for banks and higher fees for consumers. For far too long, bank mergers have been allowed with no regard to rising fees on personal and small business accounts.

In reviewing Fleet's performance, we once again examined Fleet's participation with our state housing finance agency; RIHMFC. Promise of 1 plus 1 with the Shawmut approval has seen these numbers. In 1995, when the merger of Shawmut was approved, Fleet/Shawmut made 404 RIHMFC mortgages. One year later it was down to 247 (1996). In 1998, the figure is 83. The HMDA data provided in our protest further indicates Fleet's declining role as any type of leader. Lending to

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In reviewing Fleet's performance, we once again examined Fleet's participation with our state housing finance agency; RIHMFC. Promise of 1 plus 1 with the Shawmut approval has seen these numbers. In 1995, when the merger of Shawmut was approved, Fleet/Shawmut made 404 RIHMFC mortgages. One year later it was down to 247 (1996). In 1998, the figure is 83. The HMDA data provided in our protest further indicates Fleet's declining role as any type of leader. Lending to

African-Americans in Rhode Island has been abysmal from Fleet. For three years, we have asked for the hiring of an African-American originator for Fleet. To date, Fleet still hasn't acted upon that request. RICRA contends this is related to a lack of any branches in substantially minority areas. RICRA has fought for ten years plus to try and work with Fleet to open new full service bank branches in the Smith Hill and South Providence neighborhoods of Providence. Fleet has done nothing but drag their feet and all but abandoned these areas. The proposed divestiture will only serve to continues Fleet's position of lacking a credible presence in the community of color.

The past performance of Fleet with RICRA not only with the Shawmut protest in 1995 but all subsequent incarnations, INCITY, Fleet Focus and 20/20 should alone be judgement to deny this merger. Fleet bank signed an agreement and 1986, we worked successfully to amend it in 1989. RICRA enjoyed a positive, contentious relationship to improve program, practices and products. However, since the changes within Fleet, RICRA's has not been able to agree to any improvements, changes, deletions or extensions of our agreement. Let us state, RICRA's agreement has no financial benefit to RICRA or any of the groups we work with in the state. The CRA agreement is based on providing the best loans, products, and assistance to any and all organizations that seek to improve the quality of life in our communities. What difference does it make? It is our position that Fleet's failure to receive nothing higher than a "Satisfactory" CRA rating since breaking our agreement is prove that Fleet INCITY is buff and fluff. In Fleet's 20/20 Vision, they choose not to invite RICRA to their DC CRA love-fest and that was fine. RICRA did choose to participant in the Rhode Island follow-up 20/20 Vision seminar. RICRA found nothing a substantive in that event either. However, in the spirit of Fleet's remarks that the bank wanted input, RICRA presented a nine-point initiative for consideration. Just so Fleet does not accuse us of a unrealistic or radical plan some of the points were: agree to apply for Affordable Housing Program (AHP) with the Federal Home Loan Bank of Boston; agree to explore a securitization pool for the refinancing of multi-family developments at risk of expiring use of HUD subsidies; agree to seek OCC approval to tract small business lending by race/gender, and to not charge an EBT ATM charge for five years. The letter was hand delivered on May 21, 1998, RICRA is still awaiting a written reply. All of this relates to the "pledge" which has not been made available in writing to RICRA. $14.6 billion as a promise of what? The failure of INCITY. The failure of 20/20. Once the public has the opportunity to review the actual program that is based upon this figure of $14.6 billion then a separate public hearing should be held in a minimum of three states. In addition, we agree with Inner City Press that the starting point should not be the $14.6 billion but a figure much higher. If we take Fleet at its word, in a conversation RICRA had on June 25 that Fleet wants to achieve an "Outstanding" CRA rating then the starting point of our discussion must be $60 billion.

Finally, Fleet has announced their sponsorship-affiliation with Major League Baseball. In looking at the Office of the Comptroller of the Currency (OCC) "Summary of State and Multistate MSA Ratings", Fleet would have a .500 batting average for its performance in the three test ratings. A guarantee to being inducted in the Hall of Fame but deplorable for a bank. In fact, if you apply a community credit scoring model then your answer is very simple: MERGER DENIED.

Thank You.

Appendix

Summary of State and Multistate MSA Ratings

State or multistate MSA name	Lending test rating	Investment test rating	Service test rating	Overall rating state/ multistate
New London - Norwich, CT-RI	LS	LS	HS	S
Providence - Fall River, RI-MA	HS	O	LS	S
Connecticut	HS	O	HS	S
Massachusetts	O	O	LS	O
New York	LS	O	LS	S
Rhode Island	LS	LS	LS	S

Testimony of Rev. Joseph E. Washington, Chairman & CEO
Organization for a New Equality,
Regarding the Proposed Merger of
Fleet Financial Group, Inc. and BankBoston, Inc.

When Terrence Murray, CEO of Fleet Bank, and Charles Gifford, CEO of BankBoston, announced the proposed merger of their corporations at a press conference on March 15, 1999, they declared that the combined institution resulting from the merger would be able to do more for its stockholders, customers, and communities than the sum of what the two pre-merger institutions have done separately. The two CEO's stated that *"1 plus 1 will be greater than 2"* in the proposed merger.

The Organization for a New Equality (O•N•E), a national civil rights and economic advocacy organization based in Boston and Queens, wants to ensure that the above promise is realized in low- and moderate-income and minority communities. Historically, large bank mergers have not always yielded net benefits to these communities, which are often particularly vulnerable to the negative repercussions of reduced competition and more limited access to banking services.

Because the two biggest banks in New England are involved in this merger, and because their combination will dwarf any regional competitor even after divestiture, it is especially critical that steps be taken to ensure that the new bank's ability to meet the needs of low- and moderate-income and minority consumers is not jeopardized by the merger. Maintaining and expanding programs and products that Fleet and BankBoston have successfully introduced into low- and moderate-income (LMI) and minority communities will be an important part of guaranteeing that *1 plus 1 is greater than 2* in these communities. O•N•E will outline a number of such products and programs below and submit comments relevant to the implementation of the proposed FleetBoston Corporation's community reinvestment strategy.

The proposed FleetBoston Corporation will be the eighth largest commercial bank holding company in the United States. It will have an opportunity to emerge as a leader in its industry, not only through the financial services and products it offers, but also through its commitment to and investment in its communities. The merged institution should make obtaining a CRA rating of Outstanding in lending, service and investment in all of its service areas a top priority and goal.[1]

As a first and critical step towards meeting this goal, we believe it is essential that the merging institutions work directly with community representatives and organizations in the service areas of the new institution to design and implement community reinvestment plans. The needs of different cities, towns and states are distinct, and working in partnership with community members and organizations who know those needs best is the only way for the bank to design effective programs. Examples of the detailed local knowledge community groups can bring to bear on the banks' community reinvestment strategy are Massachusetts-wide proposals submitted to Fleet and BankBoston by O•N•E along with the Massachusetts Affordable Housing Alliance and the Massachusetts Association of Community Development Corporations and in conjunction with the Community Advisory Committee convened by State Senator Dianne Wilkerson.[2]

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[1] O•N•E's "10 Principles for Bank Mergers and Acquisitions and Responsible Community Reinvestment" is attached to these comments as Appendix A.
[2] This proposal is attached to these comments as Appendix B.

Along with other community organizations, O•N•E has urged the merging institutions since the announcement of the proposed merger to enter into written and verifiable accords regarding their community investment plans with community representatives around the New England region as part of the merger process. We continue to maintain that it is of critical importance for the banks to find a productive way of working in partnership with community organizations throughout the service area of the proposed institution both in the design and implementation phases of their community reinvestment plan.

O•N•E believes that it is critical for the proposed bank to address the needs of low- and moderate-income and minority consumers in the following areas: homeownership, small business development and lending, banking services, equity products and community development grants. Specific comments and recommendations for each of these areas follow.

Homeownership

The merged institution must take steps to ensure that the availability of affordable mortgages for low- and moderate-income and minority consumers is not adversely affected by the merger. Professor James Campen's June 1999 study "Does One Plus One Equal More than Two? - Or Less than One?" raises serious concerns about the mortgage lending track record of Fleet in the wake of previous mergers. His analysis demonstrates that mortgage lending to Black, Latino and LMI consumers declined dramatically following the merger of Fleet and Shawmut, while lending to minority borrowers actually increased following the merger of BayBanks and Bank of Boston.[3] As Campen points out, the decrease in mortgage lending to minority and LMI consumers following the Fleet/Shawmut merger is of greater concern than the decrease in overall mortgage lending that followed both this merger and that of Bank of Boston and BayBanks. Big banks play an important role in mortgage lending to these traditionally underserved borrowers, one that is not likely to be duplicated by smaller banks should the proposed FleetBoston corporation abandon these borrowers.

In addition, the merged bank should maximize efforts to make sure that LMI and minority borrowers can afford and sustain loan payments for all mortgages, home improvement, and other home equity loans offered. The merged institution should work with community based organizations (CBOs) to ensure that members of LMI and minority communities can access such loans at amounts and prices that are sustainable by the borrower and that reflect the most accurate value of the collateral, verified by thorough appraisals consistent with comparable properties. To address difficulties that may arise during repayment of such loans, the merged institution should retain the servicing of all of its products targeted to LMI and minority borrowers and contract with CBOs to provide credit counseling, early default intervention, foreclosure prevention and workout assistance.

Small Business Lending

Community Reinvestment Act small business lending data reported to the FFIEC for 1997 demonstrates that Fleet and BankBoston have distinct small business lending track records within their respective assessment areas. BankBoston tends to make a slightly lower percentage of its small business loans in low- and moderate-income areas than Fleet does, but it makes a significantly greater percentage of smaller loans, both within and outside of LMI areas. Fleet, for its part, makes a greater percentage of loans to businesses with annual revenues of less than $1,000,000.

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[3] Professor Campen's report is attached to these comments as Appendix C.

	BankBoston	Fleet[4]
Total number of small business loan originations made in assessment areas in 1997	7563	21301
Percentage made in LMI areas	18.7%	19.7%
Percentage of loans made for amounts less than $100,000	88.4%	69%
Average size of loans under $100,000	$18,000	$43,000
Percentage of loans made to businesses with annual revenues of less than $1,000,000	42%	49.4%
Average size of loans made to businesses with annual revenues of less than $1,000,000	$22,300	$72,581

Based on the above figures, we recommend that the banks made the following commitments to ensure that the merged institution is able to continue serving the distinct markets now served by the banks separately. To maintain BankBoston's success in meeting smaller capital needs of businesses, the merged bank should make no fewer than 74.1% of its small business loans for amounts under $100,000, and it should aim to make smaller-sized loans available within this category. To maintain Fleet's success in meeting the needs of smaller firms (those with annual revenues of less than $1,000,000), the merged bank should commit to making at least 47.5% of its small business loans to firms in this category.

The merged bank should also commit to making at least 19.5% of its small business loans in LMI areas. It is worth noting that Fleet's record in this area is inconsistent among the various subsidiary banks. Fleet National Bank, which originated the greatest number of loans among the four subsidiaries analyzed(13273), made 22.6% of its loans in LMI areas within its assessment areas in Connecticut, Massachusetts, New York and Rhode Island. Fleet Bank, N.A., which made 5582 loans within its assessment areas in New Jersey and New York City, made only15.7% of its loans in LMI areas. We urge the new entity to make consistent commitments to LMI area small business lending throughout its service areas.

Small Business Development

O•N•E urges the banks to take special measures to provide credit products and associated services to minority-owned small businesses. In February of 1999, O•N•E published its Second Annual Report on Minority-Owned Businesses and their Banking Relationships.[5] This report, which was based on survey research and analysis of publicly available national data, documented the difficulties and frustrations many minority entrepreneurs and small business owners encounter in attempting to gain access to bank credit products. We would like to call the banks' attention to three principle recommendations that emerged from this study.

First, it is clear that there is an urgent need for technical assistance services and training in the intricacies of small business financing. Our study found that many rejected loans applicants are left without a clear idea of why their application was rejected and how they could improve their chances the next time they apply. Banks have an opportunity and a responsibility to bolster potential customers by helping them understand what they need to do to meet underwriting criteria. The new bank should agree to honor BankBoston's commitment to programs such as Community Express, which offer loans and technical assistance to small businesses in partnership with community based organizations.

[5] The report is attached as Appendix D.

	BankBoston	Fleet[4]
Total number of small business loan originations made in assessment areas in 1997	7563	21301
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Second, we urge banks to help provide credit to small businesses with needs that are best served by community based alternative loan funds. These funds are critical sources of capital to start-up businesses. At a minimum, the new bank should maintain the combined efforts of Fleet and BankBoston in providing grants to capitalize these loan funds as well as equity investments, loans and lines of credit at or below the bank's cost of funds.

Finally, we urge the new bank to develop and implement a highly visible and effective vendor program to purchase products and services from certified minority-owned businesses. The bank should set and publicize a specific goal for qualified purchases from these firms reflective of their proportion in the market place.

Banking Services

In order for the needs of low-income and minority communities to be adequately met by the merged bank, it is critical that the new bank be actively present in these communities. BankBoston's First Community Bank serves as a model of how services may be effectively delivered to lower-income and minority communities. First Community Bank, BankBoston's "bank within a bank" whose mission is to serve the banking and credit needs of inner city communities, has grown from seven failing Boston branches to a 42-branch network in 3 states. It offers user-friendly products such as $500 entry-level loans, programs for first-time homebuyers and shortened credit applications.

It is also critical that the merged bank provide and aggressively market affordable deposit accounts throughout its service areas. In Massachusetts, both Fleet and BankBoston have had success through participation in the "Basic Banking for Massachusetts" program that offers low cost checking and savings accounts targeted to low-income consumers who have been discouraged from using the banking system by high transaction fees. The new bank should expand this program so that such low cost accounts are offered throughout its service area and should adopt BankBoston's pricing of these accounts, which allows 10 checks and ATM transactions per month with a $2.50 fee and $.75 per additional check, versus Fleet's 8 allowable transactions for the same price and $1.00 per additional check.

An important component of expanding the availability of basic banking accounts will be implementing a detailed campaign to market the products in LMI and minority communities. Such a campaign could include advertisements strategically placed in buses, trains and other public areas; brochures describing the products in various languages and also strategically placed; and direct comparisons demonstrating the advantages of these products over those available at check cashing competitors. The bank could partner with CBOs experienced in targeted economic literacy outreach to implement this campaign.

Equity Products

To protect the interests of LMI and minority communities in the proposed merger, successful products and programs launched by the BankBoston Community Development Corporation (BBDC) and the Fleet Community Development Corporation (Fleet CDC) should be maintained. Between April 1997 and February 1999, BBDC - the first urban investment bank in America to be chartered by a commercial bank – had committed well over $20 million in equity investments and had made $82.5 million low income housing tax credit commitments for the creation/rehabilitation of 2,500 units of affordable housing.

Fleet Community Development Corporation is building capacity in faith-based institutions that are involved in community and economic development in low- and moderate-income communities through financing church buildings, retail and community development projects and health and education programs. Fleet CDC has entered into partnerships with organizations like the Urban League of Northeastern New York to provide technical assistance to minority small business owners, helping them develop the management and operational skills they need to grow their businesses.

The important and innovative services both BBDC and Fleet CDC provide in unlocking the untapped potential in low- and moderate-income and urban neighborhoods through access to capital and technical assistance <u>must not be diminished</u> through the proposed merger.

<u>Philanthropy</u>

The merged bank should commit to maintaining and expanding the combined charitable giving of Fleet Bank and BankBoston. It should in particular commit to honoring existing agreements and multi-year pledges of both banks.

Goals and budgets for charitable giving should prioritize and treat separately grants to community-based development organizations, intermediaries and collaboratives. Community development should be defined as: 1) affordable housing including homebuyer and homeowner counseling, the development of affordable rental and special needs housing, and related programs for LMI people; 2) community and economic development including small business technical assistance, micro and peer lending programs, entrepreneurship training, job training and workforce development programs, and the development of commercial or industrial real estate; 3) economic education including credit counseling and programs expanding access to credit and banking services for LMI and minority communities; and 4) civil rights related advocacy such as community organizing, diversity education, expanding awareness and understanding of racial and gender economic disparities, research and litigation to enforce civil rights laws, and other such efforts which can affect public policy and business grants.

<u>Concluding comments</u>

The proposed merger of BankBoston and Fleet Financial Group presents an opportunity to expand on the successes of both banks. The working proposal Fleet and BankBoston have disclosed for a $14.6 billion investment in products and programs for LMI communities throughout the proposed bank's service area and over a 5-year period has the potential to address a number of our concerns. However, critical steps remain to be taken in order to ensure that LMI and minority communities are not negatively impacted by the merger.

The banks must engage in partnerships with community groups and representatives who know the needs of different cities, towns and states best. These partnerships need to play an active role in determining both the design and the implementation of the proposed FleetBoston Corporation's community investment commitments.

The second, and related step, is putting substance behind its numbers. Fleet and BankBoston must enable community groups and concerned citizens to judge the adequacy of their proposed commitments to low- and moderate-income and minority consumers by providing detailed descriptions of what money will be allocated to which programs where. Without such detail, the commitments made by the banks will be neither verifiable nor enforceable. O•N•E therefore requests that the Federal Reserve Board extend the public comment period on and withhold any approval of the proposed Fleet/BankBoston merger until such time as the banks' community investment commitments may be completed and adequately reviewed.

Appendix A

10 PRINCIPLES
FOR BANK MERGERS AND ACQUISITIONS AND RESPONSIBLE COMMUNITY REINVESTMENT

PREAMBLE

Over the past several years bank mergers and acquisitions have taken place at a dizzying pace.

In the current climate some analysts suggest that if a bank wishes to remain independent it must reach a threshold of $100 billion in assets. If this is true, we can expect this trend of mergers and acquisitions to continue, at least, into the near future.

This unprecedented consolidation in the banking industry is occurring for several reasons:

• One reason is the pressure from Wall Street to maximize the short-term rate of return on investment for investors and stockholders.

• Another reason is the competition banks face from other segments of the financial services industry. The struggle for profitability in which banks are locked is different than it was years ago. Today the competition is not the bank on the other side of the street, it's from the insurance company or brokerage house on the other side of the country.

• A third reason, related to the second, is that as banks become larger they are able to position themselves to move into other areas of financial services as the nation moves towards an era in which banks have expanded powers.

• A fourth, and probably the least important, reason is that mergers have become the "in" thing to do.

While bankers and regulators have bought into the proposition that bigger banks are necessary for the industry to survive, a corollary needs to be considered: If bigger banks do not make for better banking options for the average person, then maybe the industry does not deserve to survive.

The following PRINCIPLES offer a framework for such consolidation that would bode favorably for merging institutions and the communities they have an obligation and opportunity to serve:

THE PRINCIPLES

▼ Merging institutions should commit a minimum of 4.5% of assets per year for the purpose of banking activities covered under CRA, and such related initiatives including philanthropy, minority vendor programs, etc.;

▼ Merging institutions should establish an "OUTSTANDING" CRA rating as a business objective and develop training, management, marketing, product development, and compensation systems to assist and reward bank personnel for achieving this objective;

▼ Merging institutions should commit to no inner-city or underserved community branch closings without first ensuring effective alternative access to electronic banking and should positively explore alternatives to substantially increase inner-city access;

▼ Merging institutions should develop options for access to credit and capital for small businesses, generally smaller than those serviced by the institution's Commercial Banking Group. There should be a specific effort to reach minority- and women-owned businesses;

▼ Merging institutions should develop consumer loan products that would enable lower income individuals, whose histories might not conform to traditional criteria, to have access to credit;

▼ Merging institutions should, as a matter of corporate policy, develop a home mortgage product that has flexible underwriting criteria in order to qualify low-moderate income applicants;

▼ Merging institutions should develop and implement aggressive hiring programs for minority and women employees at every level - particularly in decision-making and board positions. Minorities should not be confined to "urban lending" or "community affairs" positions, but should be represented in decision-making positions throughout the lending institution;

▼ Merging institutions should develop demographically reflective purchasing goals for minority, women, and disabled vendors. They should commit to the creation of new jobs through small business loans to inner-city and minority-owned businesses;

▼ Merging institutions should commit 1% of after-tax profits to support groups dealing with CRA advocacy, economic development, employment, and housing. They should, in addition, commit 5% of the annual cost savings resulting from the merger to support community groups that deal with CRA advocacy, economic development, employment, and housing;

▼ The CEO of the newly-merged institution should personally pledge that the new financial institution will be a leader in issues affecting the community and as a matter of corporate policy, build alliances and partnerships with community-based organizations with the aim being to develop the most effective strategies and products for servicing minority and low-and moderate-income communities.

Issued on Martin Luther King Day, January 15, 1996 at the National Urban Economic Summit

ORGANIZATION FOR A NEW EQUALITY
Rev. Charles R. Stith, National President
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Appendix B

A Proposal to Fleet Bank and BankBoston to Fulfill the Promise that

"1 plus 1 will equal more than 2"

for Low and Moderate Income and Minority Communities in Massachusetts

Preamble

On March 15, 1999, Terrence Murray, CEO of Fleet Bank, and Charles Gifford, CEO of BankBoston, declared that the proposed merger of their banks would result in a combination benefitting both shareholders and the community, stating that ***"1 plus 1 will equal more than 2."*** However, large bank mergers have not always yielded net benefits to low and moderate income (LMI) and minority communities that can be negatively impacted by reduced competition and more limited access to banking services.

Consequently, community based organizations (CBOs) throughout the Commonwealth, including the Massachusetts Affordable Housing Alliance (MAHA), the Massachusetts Association of Community Development Corporations (MACDC), and the Organization for a New Equality (O·N·E), propose that Fleet Bank and BankBoston fulfill the promise that ***"1 plus 1 will equal more than 2"*** for low and moderate income and minority communities by committing that the merged bank will provide loans, investments and services that are beyond what the two banks have provided separately.

Such a commitment is particularly important at this time for two reasons. First, mega-mergers such as this have tended to negatively impact LMI and minority communities in the past. Often, despite the promises by the leaders of merging institutions, we have seen declines in mortgage loans to low and moderate-income and minority home buyers, less funding for rental housing development, reduced grant making to community development organizations, branch closings, and withdrawals from rural markets.

Secondly, the merged bank will dominate banking in Massachusetts. Unlike the present situation — with two very large banks competing in the market place — the new "Fleet Boston Corp." alone will set the standard for community investment practices throughout the state. In all likelihood, this will remain the case even after divestiture.

For these reasons, our organizations are opposed to these types of mergers, unless and until the merging banks make a written and measurable commitment to provide critically needed loans, investments, and services that will counter the negative impact that is otherwise likely for LMI and minority communities.

The commitment to making sure that ***"1 plus 1 will equal more than 2."*** should include specific and verifiable efforts to maintain and increase Fleet's and BankBoston's lending, investment, and services efforts in the key areas of:

- ⇨ increasing sustainable ***home ownership*** by offering mortgages with below market interest rates at terms that support low default and foreclosure rates
- ⇨ improving ***resources for rental housing*** by enabling the Massachusetts Housing Partnership Fund to meet the equity needs of affordable rental housing projects
- ⇨ increasing ***community development resources*** through membership in the Federal Home Loan Bank
- ⇨ meeting local savings, checking and credit needs by aggressively marketing ***"Basic Banking"*** accounts and developing ***local lending authority***
- ⇨ ***keeping open branches*** that serve LMI and minority communities
- ⇨ strengthening ***small businesses*** by making loans at reasonable rates and flexible terms
- ⇨ enabling ***community based lenders*** to meet the needs of start-up entrepreneurs and home owners by offering them lines of credit, equity investments, and grants
- ⇨ ensuring ***fair housing and fair lending*** practices in all bank business areas
- ⇨ offering ***grants*** to support community development

Critical Products and Programs for Low/Moderate-Income and Minority Communities

To help reach these goals, Fleet and BankBoston should commit to implementing the following specific programs upon their merger:

Home Ownership

The merged bank should build on Fleet and BankBoston's record of making loans in the state's most affordable mortgage plan, the Soft Second Program, by committing to originate 2600 such mortgages throughout the state over the next five years. This product has the advantage of being affordable to low income buyers, helping banks to meet their goals under the Community Reinvestment Act and having a lower than average delinquency rate.

In addition, the merged bank should maximize efforts to help make sure that LMI and minority borrowers can afford and sustain loan payments for all mortgages, home improvement, and other home equity loans offered. The merged institution should work with CBOs to ensure that members of the LMI and minority community can access such loans at amounts and prices that are sustainable by the borrower and that reflect the most accurate value of the collateral, verified by thorough appraisals consistent with comparable properties. To address difficulties that may arise during the repayment of such loans, the merged institution should retain the servicing of all of its products targeted to LMI and minority borrowers and contract with CBOs to provide credit counseling, early default intervention, foreclosure prevention and workout assistance.

Rental Housing

It is currently estimated that the merged bank's Chapter 102 obligation to the Massachusetts Housing Partnership Fund (MHP) could reach hundreds of millions of dollars in debt finance. The merged bank could help to meet critical equity needs in the affordable housing development market by converting all or a majority of that debt finance to a grant that can be administered by MHP Fund. This would greatly contribute to the development of affordable rental housing and build on the success of BankBoston's debt-to-grant conversion created at the time of its last merger, which yielded approximately one grant dollar for every nine dollars of debt. As a result of the grant investment by BankBoston, MHP was able to capitalize the Perm Plus program and the Loan Acquisition Fund. Three years since the conversion, over 367 affordable rental units have been financed through the Perm Plus program and over 241 units through the Acquisition Loan Fund.

Federal Home Loan Bank Membership

The merged bank should help to increase critically needed resources through the Federal Home Loan Bank (FHLB). Currently, Fleet Bank is a member of the FHLB and BankBoston is not. Therefore, significant resources that have been available through the FHLB as a result of Fleet's membership will be lost if the merged bank is not a member. However, if the merged bank retains membership, approximately $3.5 to $4 billion in very low cost funds will be available for community development loans and investments throughout Massachusetts and New England. The merged bank should commit to maintaining membership and using the available resources in partnerships with non-profit community based development organizations through the Affordable Housing and Community Investment Programs of the Federal Home Loan Bank.

Basic Banking Services

The merged bank should build on the success of Fleet and BankBoston's participation in the "Basic Banking for Massachusetts" program that offers low cost checking and savings accounts targeted to low-income consumers who have been discouraged from using the banking system by high transaction fees. The new bank should adopt BankBoston's pricing of these accounts which allows 10 checks and ATM transactions per month with a $2.50 fee and $.75 per additional check, versus Fleet's 8 allowable transactions for the same price and $1.00 per additional check.

in LMI communities and those with annual revenues of less than $1 million. To maintain and build on BankBoston's success, the new bank should commit to making 80% of its small business loans for amounts under $100,000. To maintain and build on Fleet Bank's success, the new bank should commit to making 21% of its small business loans in LMI areas and at least 52% of its small business loans to businesses with annual revenues of less than $1 million. 13

To help achieve these goals, the new bank should maintain several programs currently available through BankBoston, including but not limited to the BankBoston Development Corporation and the First Community Bank (FCB). In particular, the strategic approach used by FCB lenders to create and maintain relationships with local borrowers and help to build their capacity should be maintained. The new bank should also agree to honor BankBoston's commitment to programs such as Community Express, which offers loans and technical assistance to small businesses in partnership with community based organizations.

In addition, the merged bank should help to provide credit to small businesses with needs that are best served by community based alternative loan funds throughout the state. At a minimum, the new bank should maintain the combined efforts of Fleet and BankBoston in providing grants to capitalize these loan funds as well as equity investments, loans and lines of credit at or below the bank's cost of funds.

Fair Lending Practices

The merged bank should create and publish a comprehensive marketing program to insure that bank products are available for people of all backgrounds in all communities in which the bank does business. This includes advertisements in local media and in appropriate languages with program information also available in appropriate languages. In addition, the bank should train all bank personnel in fair housing and fair lending laws and regulations using a qualified fair housing organization. Such training should insure that lending officers are aware of and sensitive to the needs and experiences of the racially and ethnically diverse communities the bank serves. Finally, the bank should display the fair lending logo in all advertisements and at all business locations. 17

Grants for Community Development

Fleet and BankBoston should ensure that *"1 plus 1 will be greater than 2"* in charitable contributions for community development. This should include establishing a $5 million statewide charitable budget for the year 2000 that will provide grants to community-based development organizations, intermediaries, and collaboratives. In subsequent years, this budget should grow commensurate with the company's annual growth in earnings per share. This is currently estimated to be 6% in the year 2001 and 10% annually starting in the year 2002.

Community development should be defined as: 1) affordable housing including home buyer and homeowner counseling, the development of affordable rental and special needs housing, and related programs for LMI people; 2) community and economic development including small business technical assistance, micro and peer lending programs, entrepreneurship training, job training and workforce development programs, and the development of commercial or industrial real estate; or 3) economic education including credit counseling and programs expanding access to credit and banking services for LMI and minority communities.

A Long-Term Commitment to Community Investment

Fleet and BankBoston can best assure that these goals are met by negotiating and signing a community investment agreement with MAHA, MACDC, and ONE, covering the critical products and programs defined above. This agreement should cover at least five years, and should include a process and commitment to renegotiate an extension of this agreement for an on-going partnership. This agreement should also include provisions for regular communication among the parties during the term of the agreement, plus specific mechanisms for reporting and verifying that the goals of the agreement are being met.

COMMONWEALTH OF MASSACHUSETTS
MASSACHUSETTS SENATE
STATE HOUSE, BOSTON 02133-1053

SENATOR DIANNE WILKERSON
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CHAIR
STATE ADMINISTRATION
VICE-CHAIR
LOCAL AFFAIRS

MEMBER
SENATE WAYS AND MEANS COMMITTEE
COMMERCE AND LABOR COMMITTEE
REDISTRICTING COMMITTEE

June 4, 1999

Terry Murray
Chief Executive Officer
Fleet Bank

Chad Gifford
Chief Executive Officer
BankBoston

Agnes Bundy Scanlan
Managing Director
Fleet Financial Group

Gail Snowden
Executive Vice President
BankBoston

Dear Messieurs and Madams:

We look forward to our meeting this afternoon. I also thank you for your May 26 letter in which you detailed Fleet Bank/BankBoston's process of soliciting community comments and ideas. As you know, we too have been in an exhausting, grueling fact finding process to solicit community input. It is our goal and expectation that working together we can fashion a set of bank products and policies that represent defined, measurable, and programmatic responses to meet the convenience and financial needs of urban and rural low income, minority, and women communities.

We will provide you comments provided to us from our fact-finding process. We will do this via transmittal of a video tape of the public town meeting and an outline of what we believe to be the basis for the kind of product/policies that would enable us to achieve our goal.

Unfortunately, we have no way of knowing what information you gathered in the meetings with more than 110 community organizations. Therefore, it is impossible for us to know whether your proposed focused community investment strategy for the new Fleet Boston Corporation is responsive to the input you received.

We suggest one way to reconcile the bank's process with the community's goals would be for us to provide you with a list of issues, concerns, and ideas raised in our fact finding process and have you identify the following:

1. whether similar issues were brought to your attention in your meetings;
2. how the bank proposes to address the issues;
3. whether the information submitted in the proposed merger application (section on CRA) was written in response to the issues raised in the 110 meetings;
4. how you propose to measure progress/success of your proposed strategy; and,
5. what measure can the community and the bank use to document success.

3. Charitable giving:

Presently, Fleet Bank and Bank Boston, combined, give $30 million to worthy causes. Recent statements by the banks suggest that together they presently give $25 million and that this will continue. Please explain the discrepancy in the amount contributed.

This list is not exhaustive. We have not completed the transcription of the May 26th meeting. We will make it available to the Federal Reserve Boston and to the Antitrust Division of the Justice Department the same materials given to you.

We believe it to be in the best interest of the citizen customers of Massachusetts to maintain a major financial institution with a Massachusetts corporate office. The troubling fact is, however, that according to our statistics and information, in virtually no area, relevant and important to the LMI/ Minority communities that we represent, has the net result of any of the three (3) major mergers Fleet Bank/ BankBoston completed in Massachusetts in the last nine (9) years, been greater or equal to, than the individual activity of the two banks pre-merger. This appears to be the case in the area of mortgage lending, commercial lending, minority business lending, charitable giving, and M/WBE vendor purchasing. However, we still have an obligation to ensure that the benefit of the proposed merger does, in the words of Messieurs Murray and Gifford, total greater than 2 for our community.

Working together, we can accomplish this goal. Obviously for us, as for you, time is of the essence as we continue to prepare for a public meeting conducted by the Federal Reserve Bank. We believe the best case scenario to be one in which we are able to work with you to fashion a negotiated written document with a measurable and verifiable community investment strategy. Such an agreement must not only satisfy issues of competition, financial matters, and management, but also the most important goal of meeting the convenience and financial needs of the urban and rural low income, minority, and women communities of this Commonwealth.

We anxiously anticipate your response and comments.

On behalf of the Community Advisory Committee,

Dianne Wilkerson

Dianne Wilkerson
State Senator
Second Suffolk District

IV. RESOURCES THROUGH THE FEDERAL HOME LOAN BANK MEMBERSHIP

The merged bank should help to increase critically needed resources through the Federal Home Loan Bank (FHLB). Currently, Fleet Bank is a member of the FHLB and BankBoston is not. Therefore, significant resources that have been available through the FHLB as a result of Fleet's membership will be lost if the merged bank is not a member. However, if the merged bank retains membership, approximately $3.5 to $4 billion in very low cost funds will be available for community development loans and investments throughout Massachusetts and New England. The merged bank should commit to maintaining membership and using the available resources in partnerships with non-profit community based development organizations through the Affordable Housing and Community Investment Programs of the Federal Home Loan Bank.

V. SITING/CONTINUED OPERATION OF BRANCHES SERVING LMI/MINORITY COMMUNITIES

Many of the branches sited in urban low income communities were done in the last nine years as a result of the aggressive advocacy groups working with federal regulators, elected officials. These branches were sited in these communities specifically of the failure of banks to provide access to capital and to meet the community banking needs. Under no circumstance can these low income, minority communities be left post merger with less access to banking needs. Therefore, no divestment of branches as a result of this merger should be made to purchaser who does not attend to keep it open.

VI. MAINTENANCE & ENHANCEMENT OF DIVERSITY FOR STAFF, SENIOR MANAGEMENT AND BOARD OF DIRECTORS

The BankBoston Diversity Training Program should be adopted by the new bank to teach employees at all levels conflict resolution skills, effective listening, how to manage dialogue across group lines and a rationale for creating a welcoming workplace that becomes everyone's responsibility. The training should increase participants' awareness of individual, ethnic, religious, gender, sexual orientation and cultural differences.

The combined Board of Directors membership of Fleet Bank/ Bank Boston total 39 consisting of the following:

- 32 White males
- 2 White females
- 2 African American males
- 2 African American females
- 1 Latino male

The numbers with respect to women and people of color seem disproportionately low especially given their percentage of representation in

> *Recent statistics from SBA and Professor Jim Campen, Associate Professor of Economics at UMASS Boston, show very troubling racial disparities in denials for commercial loans. Establishment of an external monitoring process reporting on a quarterly basis for 5 years post merger must be done.*
>
> *There are also troubling statistics which document a major drop in commercial lending after the last two major mergers. While BankBoston commercial lending appears to have rebounded, the same did not occur for Fleet Bank. Further, Fleet Bank, under an agreement with the Attorney General of the Commonwealth signed as a condition of the Fleet Bank/ Shawmut merger, has not complied with obligations it committed to on commercial lending.*

VIII. RESOURCES COMMITTED TO AN EQUITY FUND POOL FOR ECONOMIC DEVELOPMENT

Both Fleet Bank and BankBoston operate community development corporations. These combined services provide vital resources necessary to support small business enterprises, low income housing and other important economic development activities that create jobs and wealth in urban and rural markets.

BankBoston's development corporation provides direct equity in the low income and minority areas to minority and women owned businesses. The new banks development corporation must include an equity investment fund of at least an initial capitalization of $150,000,000 as part of its banking products.

IX. RESOURCES TO HONOR ALL EXISTING MULTI-YEAR AGREEMENTS/PLEDGES FOR LOAN AND CHARITABLE POOLS

The merged bank should commit to maintaining and expanding the combined charitable giving of Fleet Bank and BankBoston. While Fleet bank/ BankBoston have agreed to continue their combined total of $25,000,000 in charitable giving, our records suggest the current combined total to be $30,000,000. This discrepancy needs to be clarified.

The merged bank should commit to maintaining existing agreements or multi-year pledges of Fleet Bank and BankBoston. Several agreements were made over the last several years as a result of mergers, bad bank practices, charitable and business lending commitments. Many of these agreements are still outstanding resources to honor all existing commitments and pledges must be set aside and cannot be counted as new commitments for purposes of the expected and anticipated obligations of the merger. (1990 Fleet Bank & Bank of New Engand, 1994 Fleet Bank & Shawmut Merger, 1995 Agreement with Attorney General, 1996 Agreement from BankBoston & Bay Bank merger, 1996 HUD Enhanced Enterprise Zone) This is list is not intended to be exhaustive. An inventory should be taken to ensure inclusion of all outstanding agreements.

ever more important. How we confront the ramifications of the merger, such as the potentially detrimental effects on competition and the relevant community's interests, will shape the progress of economic development in every corner of Massachusetts. The Department of Justice and Federal Reserve Board can ensure that "competition" and "community interests," factors of utmost importance in its review of the proposed merger, are addressed by directing Fleet Bank and BankBoston to make some of their divested branches available to a CDFI.

XI. HOW THE BANK WILL SUPPORT THE SBA-PREFERRED LENDING PROGRAM

XII. DEGREE TO WHICH A LACK OF ADHERENCE TO THE FLEET FINANCIAL/ MASSACHUSETTS ATTORNEY GENERAL AGREEMENT AFFECTS PREDICTIONS ABOUT FUTURE PERFORMANCE. (SEE SEC. 4(B) (C) (D) OF SEPTEMBER 1995 AGREEMENT)

Self-explanatory

XIII. FLEET BANK/BANK BOSTON/SHAWMUT BANK/BAYBANK WERE SIGNATURES ON THE $60 MILLION COMMITMENT TO THE ENHANCED ENTERPRISE ZONE IN THE CITY OF BOSTON, WHAT IS THE PLAN AND COMMITMENT TO HONOR THIS AGREEMENT

Self-explanatory

XIV. MINORITY AND WOMEN OWNED BUSINESS VENDOR PROGRAMS

The merged bank should establish a Vendor Procurement program which is designed to ensure purchases, at prescribed levels and amounts, from minority- and women-owned businesses resulting in a combined purchase level which exceeds the amount of the current level of the two merging banks.

XV. MAINTENANCE & ENHANCEMENT OF BI-LINGUAL SERVICES

There is an ever growing number of banking customers who are of the Latino and Asian decent. The maintenance of current bi-lingual services is crucial to meeting the needs of this part of the population. There is grave concern that this merger could result in a decreased level of bi-lingual branch services including staff and support for newcomer communities, a service currently being received from the First Community Bank. We heard constantly from Asian and Latino bi-lingual communities a fear that the new large bank would not see them as profitable markets to serve and cultivate.

Appendix C

Does One Plus One Equal More Than Two? – Or Less Than One?

A Study of Mortgage Lending Before and After Recent Mergers by Fleet and BankBoston

by

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June 1999

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Introduction

At the March 15 press conference held to discuss the proposed merger of their two companies, CEO's Terry Murray of Fleet and Chad Gifford of BankBoston emphasized a theme that was featured prominently on several of the slides projected for their audience: "1 + 1 > 2." They argued, in other words, that the combined institution resulting from the merger would be able to do more for its stockholders, customers, and communities than the sum of what the two pre-merger institutions have done separately.

On that same day, I completed a brief study that examined the impact on mortgage lending in Boston of the mid-1990s mergers that had reduced the number of big banks in the city from four to two. That study compared the combined lending of Bank of Boston and BayBanks before their merger to the lending of BankBoston in 1997, and the combined lending by Fleet and Shawmut before their merger to the lending of Fleet in 1997. In addition to looking at total home purchase loans in Boston, it presented data on lending to black, Latino, and low- and moderate-income (LMI) borrowers. The findings were dramatic: Fleet's 1997 lending, both overall and to each of these three categories of traditionally underserved borrowers, was approximately half of what Fleet and Shawmut had done jointly in 1995. In contrast, while BankBoston made 32% fewer total loans in 1997 than Bank of Boston and BayBanks had made in 1997, it actually made more loans to black and LMI borrowers in 1997 than had been made by its two predecessor banks in 1995, and its loans to Latinos were down by only 10%.[1]

The present study expands my earlier study in three ways. First, I have updated the analysis of lending in the city of Boston through 1998 (Table 1), using data obtained directly from Fleet and BankBoston.[2] Second, I have provided a parallel analysis of all lending in the state of Massachusetts (Table 2). Finally, I have prepared a summary presentation that juxtaposes my analysis of Fleet's lending in Massachusetts to the results of before-and-after analyses (by others) of Fleet's mortgage lending in New Jersey, New York, Connecticut, and New Hampshire from 1995 to 1997 (Table 3).

Summary of Major Findings

- In the aftermath of Fleet's recent mergers, mortgage lending has fallen far short of the "1 + 1 > 2" standard emphasized by CEOs Murray and Gifford. In fact, **in the great majority of cases, Fleet's post-merger results can be characterized as "1 + 1 <1." That is, post-merger mortgage loans by Fleet have been less than half as great as the combined number of loans by the pre-merger institutions.** This is true whether one looks at mortgage lending in Boston, in all of Massachusetts, or in any of the four other northeastern states examined. It is true whether one looks at overall lending, at lending to blacks, at lending to Latinos, or at lending to low- and moderate-income (LMI) borrowers. It is true whether one looks at data for 1997 or for 1998. And it is true whether one looks at just Fleet and Shawmut (in MA, CT, and NH) or at Fleet, Shawmut, and NatWest (in NJ and NY).

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[1] This one-page study, entitled "Does One Plus One Equal More than Two? Or Is It Less? Data on Mortgage Lending in the City of Boston by Boston's Big Four Banks of the Early and Mid-1990s – Before and After the Mergers that Resulted in Two Big Boston Banks for the Late 1990s," received considerable publicity. Its findings were featured in a Boston *Herald* article by Joe Bartolotta ("Merger Worries Housing Advocates," March 17) and in a Boston *Globe* lead editorial ("BankBoston's Good Example," March 22). Soon after this, a Fleet staff member contacted me to say that Fleet's numbers didn't agree with mine; we arranged an April 8 conference call to discuss the differences. It turned out that Fleet's numbers were larger than mine, in every category for every year, but that they showed very similar percentage reductions. For example, while I found that loans to blacks had declined from 439 in 1995 to 200 in 1997 – a decrease of 54.4%% – Fleet's numbers indicated that loans to blacks had declined from 517 to 244 – a decrease of 52.8%. (Much, but not all, of the differences between our numbers can be explained by my elimination of double-counting of Soft Second loans in Fleet and Shawmut's HMDA data [see footnote to Tables 1 and 2]).

[2] Although the Federal Financial Institutions Examination Council will not release its comprehensive, processed Home Mortgage Disclosure Act (HMDA) data for 1998 until late this summer, individual lending institutions must provide their own HMDA data within thirty days of a request made any time after March 1.

- The right hand columns of Tables 1 - 3 present the percentage changes from pre-merger to post-merger in the numbers of loans made by Fleet overall, and to black, Latino, and LMI borrowers. All of the approximately twenty changes were decreases, and all but two of these decreases were greater than 50%. The only smaller decreases were a 39.2% drop in lending to Latinos in Boston (from 143 loans in 1995 to 87 in 1998); and a 49.6% drop in lending to Latinos statewide (from 536 loans in 1995 to 270 in 1998). The biggest decreases were in loans to blacks and Latinos in New York, and to LMI borrowers in New Hampshire, all of which fell by more than 70%. The following specific examples are representative, rather than particularly dramatic:
    - In Boston, Fleet and Shawmut combined made 674 loans to LMI borrowers in 1995, while Fleet made just 335 loans to LMI borrowers in 1998 – a decrease of 50.3%.
    - In Massachusetts, Fleet and Shawmut combined made 702 loans to black borrowers in 1995, while Fleet made just 334 loans to black borrowers in 1998 – a decrease of 52.4%.
    - In the four northeastern states for which analyses were conducted, Fleet, Shawmut, and NatWest made a total of 1,575 loans to Latino borrowers in 1995, while Fleet made just 600 loans in 1997 – a decrease of 61.9%. The decreases in Latino lending in individual states ranged from 53.4% in New Jersey to 72.8% in New York.
- In strong contrast, **the merger of Bank of Boston and BayBanks has been followed by levels of mortgage lending to traditionally underserved categories of borrowers that are generally consistent with a standard of "1 + 1 = 2."** That is, the numbers of loans made to black, Latino, and LMI borrowers made by the post-merger BankBoston have been, on average, approximately equal to the total numbers of loans made by Bank of Boston plus BayBanks before the merger. This has been the case even though BankBoston's total lending to all borrowers fell substantially between 1995 and 1998 – by 38.0% in Boston and by 51.1% statewide.
    - Black borrowers purchasing homes in Boston received 123 loans from Bank of Boston and BayBanks combined in 1995, while they received 143 loans from BankBoston in 1998 – an *increase* of 16.3%. Statewide, lending to blacks decreased by less than one percent.
    - Latino borrowers purchasing homes in Boston received 50 loans from Bank of Boston and BayBanks combined in 1995, and exactly the same number from BankBoston in 1998. Statewide, lending to Latinos *increased* by 83.3% – from 192 loans in 1995 to 352 loans in 1998.
    - LMI borrowers purchasing homes in Boston received 269 loans from Bank of Boston and BayBanks combined in 1995, while they received 255 loans from BankBoston in 1998 – a decrease of 5.2%. Statewide, lending to LMI borrowers fell by 17.9%.

A Concluding Comment on Why These Findings Matter

Although the substantial decreases in *overall* mortgage lending that followed the recent mergers of Fleet and BankBoston represent a notable departure from the "1 + 1 > 2" standard emphasized by the two banks' CEOs, they provide little reason for community or public policy concern. Middle-class and affluent homebuyers face no shortage of mortgage lenders eager to provide mortgages at competitive rates. For example, even though overall mortgage loans in the City of Boston by Fleet and BankBoston and their merger partners fell by 42.2% between 1995 and 1997, overall lending in the city by all lenders still increased by 28.7%.[3]

[3] My calculations, from HMDA data. Loans by the biggest banks fell from 1,714 in 1995 to 990 in 1997, while loans by all lenders rose from 4,637 to 5,970. Statewide, the pattern was very similar: loans by the biggest banks fell by 51.3% (from 10,920 loans in 1995 to 5,320 in 1997), while loans by all lenders rose 29.3% (from 65,056 loans in 1995 to 84,091 in 1997).

The case is quite different, however, when it comes to traditionally underserved borrowers. Minority and lower-income households have benefited greatly in the 1990s from special mortgage loan programs offered by the biggest Boston banks. The big banks' capabilities and resources have allowed them to offer loan products, plus marketing and delivery systems, that smaller lenders can't match and that large out-of-state mortgage companies – not subject to regulatory review of their performance with respect to the mandates of the Community Reinvestment Act – have shown no interest in duplicating. As a result, Fleet and BankBoston, combined with Shawmut and BayBanks, gained disproportionately large market shares of all lending to these households. For example, while they made 37.0% of all home-purchase loans in Boston in 1995, they made 63.8% of all loans to black and Latino borrowers in Boston in that year.

Given the special role played by the biggest banks in lending to traditionally underserved borrowers, there are strong grounds for fearing that a drop in post-merger mortgage lending to these borrowers by the proposed Fleet Boston could result in their experiencing a net loss of loans. Indeed, this is precisely what happened following the last round of mergers. **Between 1995 and 1997, a 40.1% decrease in Fleet plus BankBoston's lending to blacks and Latinos was accompanied by a decrease of 1.1% in total lending to these borrowers – even though, as noted above, a slightly larger (42.2%) decrease in Fleet plus BankBoston's overall lending was accompanied by a 28.7% increase in total lending by all lenders.**[4]

Accordingly, there are excellent reasons for communities to insist – and for regulators to require – that the new institution be committed to achieving its stated standard of "1 + 1 > 2" for mortgage lending to traditionally underserved borrowers. While the record of Fleet in its recent mergers offers grounds for deep concern, the record of BankBoston – by showing that the standard is one that can be achieved – offers grounds for hope.

[4] My calculations, from HMDA data. Loans to blacks and Latinos by the biggest banks fell from 755 in 1995 to 542 in 1997, while loans by all lenders fell from 1,183 to 1,170. Statewide, the pattern was similar: loans to blacks and Latinos by the biggest banks fell 39.5% (from 1,642 in 1995 to 993 in 1997), while loans by all lenders rose 7.3% (from 4,262 in 1995 to 4,575 in 1997).

Table 1

MORTGAGE LOANS FOR HOME PURCHASES IN THE CITY OF BOSTON

Before and After Recent Mergers by BankBoston and Fleet, 1994 - 1998

Lender	1994	1995	1996	1997	1998	% change 1995 to 1998
A. Total Loans						
BankBoston	281	237	366	477	434	
BayBanks	314	463	240	0	0	
SubTotal	595	700	606	477	434	-38.0%
Fleet	497	462	687	513	525	
Shawmut	492	552	41	0	0	
SubTotal	989	1,014	728	513	525	-48.2%
B. Loans to Black Borrowers						
BankBoston	94	65	102	135	143	
BayBanks	64	58	45	0	0	
SubTotal	158	123	147	135	143	16.3%
Fleet	250	187	246	200	199	
Shawmut	171	252	28	0	0	
SubTotal	421	439	274	200	199	-54.7%
C. Loans to Latino Borrowers						
BankBoston	27	27	40	45	50	
BayBanks	9	23	11	0	0	
SubTotal	36	50	51	45	50	0.0%
Fleet	73	70	77	72	87	
Shawmut	67	73	4	0	0	
SubTotal	140	143	81	72	87	-39.2%
D. Loans to Low- and Moderate-Income Borrowers						
BankBoston	160	135	189	274	255	
BayBanks	116	134	97	0	0	
SubTotal	276	269	286	274	255	-5.2%
Fleet	320	274	421	323	335	
Shawmut	282	400	36	0	0	
SubTotal	602	674	457	323	335	-50.3%

Data sources: Loan Application Registrar (LAR) data made available in accordance with the Home Mortgage Disclosure Act (HMDA). 1994-1997 data from CDs distributed by the Federal Financial Institutions Council. 1998 data obtained directly from BankBoston and Fleet. Data include all loans by identifiable affiliates of lenders named.

Data adjustment: Loan totals have been adjusted, for loans in the city of Boston only, so that only one loan is counted for each home purchased under the Soft Second Loan Program. In many cases, HMDA data include both the first and the (soft) second mortgage loans originated for these home purchases. This time-consuming adjustment, which I believe improves the meaningfulness of the data, results in loan totals lower than those calculated by others from the raw HMDA data. However, the effects of this adjustment on the percentage changes reported in the right-hand column of the table above are minor. The total number of duplicate (soft second) mortgages eliminated from my database are:

BankBoston+BayBanks: '94 – 54 loans; '95 – 29 loans; '96 – 10 loans; '97 – 7 loans, '98 – no loans

Fleet+Shawmut: '94 – 135 loans; '95 – 142 loans; '96 – 99 loans; '97 – 91 loans; '98 – 68 loans

Low/Moderate Income (LMI): Defined for this study as up to 80% of the median family income in the Boston area. The maximum income to qualify as LMI was $41,000 in 1994, $42,000 in 1995, $45,000 in 1996, and $48,000 in 1997 & 1998.

Table Prepared by: Jim Campen, UMass/Boston, June 7, 1999

Table 2

MORTGAGE LOANS FOR HOME PURCHASES IN THE STATE OF MASSACHUSETTS

Before and After Recent Mergers by BankBoston and Fleet, 1994 - 1998

Lender	1994	1995	1996	1997	1998	% change 1995 to 1998
A. Total Loans						
BankBoston	1,790	1,396	2,240	2,304	2,368	
BayBanks	2,579	3,444	1,697	0	0	
SubTotal	4,369	4,840	3,937	2,304	2,368	-51.1%
Fleet	2,466	2,997	4,356	3,016	3,240	
Shawmut	3,558	3,083	192	0	0	
SubTotal	6,024	6,080	4,548	3,016	3,240	-46.7%
B. Loans to Black Borrowers						
BankBoston	170	97	166	187	210	
BayBanks	119	115	83	0	0	
SubTotal	289	212	249	187	210	-0.9%
Fleet	410	342	461	345	334	
Shawmut	333	360	41	0	0	
SubTotal	743	702	502	345	334	-52.4%
C. Loans to Latino Borrowers						
BankBoston	97	114	218	238	352	
BayBanks	58	78	34	0	0	
SubTotal	155	192	252	238	352	83.3%
Fleet	271	351	389	223	270	
Shawmut	269	185	16	0	0	
SubTotal	540	536	405	223	270	-49.6%
D. Loans to Low- and Moderate-Income Borrowers						
BankBoston	736	582	862	1,038	1,145	
BayBanks	781	812	470	0	0	
SubTotal	1,517	1,394	1,332	1,038	1,145	-17.9%
Fleet	1,326	1,458	2,247	1,513	1,503	
Shawmut	1,693	1,589	144	0	0	
SubTotal	3,019	3,047	2,391	1,513	1,503	-50.7%

Data sources: Loan Application Registrar (LAR) data made available in accordance with the Home Mortgage Disclosure Act (HMDA). 1994-1997 data from CDs distributed by the Federal Financial Institutions Council. 1998 data obtained directly from BankBoston and Fleet. Data include all loans by identifiable affiliates of lenders named.

Data adjustment: Loan totals have been adjusted, for loans in the city of Boston only, so that only one loan is counted for each home purchased under the Soft Second Loan Program. In many cases, HMDA data include both the first and the (soft) second mortgage loans originated for these home purchases. This time-consuming adjustment, which I believe improves the meaningfulness of the data, results in loan totals lower than those calculated by others from raw HMDA data. However, the effects of this adjustment on the percentage changes reported in the right hand column of the table above are minor. The total number of duplicate (soft second) mortgages eliminated from my database are:

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Low/Moderate Income (LMI): Defined for this study as up to 80% of the median family income in the Boston area. The maximum income to qualify as LMI was $41,000 in 1994, $42,000 in 1995, $45,000 in 1996, and $48,000 in 1997 & 1998.

Table Prepared by: Jim Campon, UMass/Boston, June 7, 1999

Table 3
MORTGAGE LOANS FOR HOME PURCHASES IN SELECTED NORTHEASTERN STATES
Before and After Recent Fleet Mergers, 1995 - 1997

	1995	1996	1997	% change 1995 to 1997
A. Massachusetts (includes Fleet all years and Shawmut in 1995 & 1996)				
Total Loans	6,080	4,548	3,016	-50.4%
Loans to Black Borrowers	702	502	345	-50.9%
Loans to Latino Borrowers	536	405	223	-58.4%
Loans to Low & Mod Income Borrowers	3,047	2,391	1,513	-50.3%
B. New Jersey (includes Fleet all years, Shawmut in 1995, and NatWest in 1995 & 1996)				
Total Loans	3,716	1,292	1,293	-65.2%
Loans to Black Borrowers	232	105	100	-56.9%
Loans to Latino Borrowers	279	114	130	-53.4%
Loans to Low & Mod Income Borrowers	1,159	517	482	-58.4%
C. New York (includes Fleet all years, Shawmut in 1995, and NatWest in 1995 & 1996)				
Total Loans	8,059	4,300	2,415	-70.0%
Loans to Black Borrowers	873	431	227	-74.0%
Loans to Latino Borrowers	467	239	127	-72.8%
Loans to Low & Mod Income Borrowers	1,646	1,083	603	-63.4%
D. Connecticut (includes Fleet all years, Shawmut in 1995 & 1996)				
Total Loans	2,391	1,693	1,223	-48.8%
Loans to Black Borrowers	331	258	125	-62.2%
Loans to Latino Borrowers	293	192	120	-59.0%
Loans to Low & Mod Income Borrowers	1,016	749	456	-55.1%
E. New Hampshire (includes Fleet all years, Shawmut in 1995 & 1996)				
Total Loans	99	39	31	-68.7%
Loans to Low & Mod Income Borrowers	35	13	9	-74.3%
F. Five State Total (includes Fleet all years, Shawmut & NatWest in 1995 & 1996)				
Total Loans	20,345	11,872	7,978	-60.8%
Loans to Black Borrowers	2,138	1,296	797	-62.7%
Loans to Latino Borrowers	1,575	950	600	-61.9%
Loans to Low & Mod Income Borrowers	6,903	4,753	3,063	-55.6%

Sources:

MA: HMDA data analysis by Jim Campen, UMass/Boston (from Table 2)
NJ, NY, & CT: HMDA data analysis by Research Department, National Community Reinvestment Coalition, Washington DC
NH: HMDA data analysis by Granite State Community Reinvestment Association, Concord NH

Notes:

Massachusetts data adjusted to eliminate double counting of Soft Second Loans in Boston (see note to Table 2); without this adjustment, my numbers for Massachusetts are very close to those calculated by the NCRC.
Data include loans by all identifiable affiliates of Fleet, NatWest, and Shawmut.
New Hampshire data are for conventional loans only; data for other states include all home purchase loans.

Table Prepared by: Jim Campen, UMass/Boston, June 4, 1999

Appendix D

The Commonwealth of Massachusetts
HOUSE OF REPRESENTATIVES
STATE HOUSE, BOSTON 02133-1054

SHIRLEY OWENS-HICKS
REPRESENTATIVE
6TH SUFFOLK DISTRICT
ROOM 156, STATE HOUSE
TEL. (617) 722-2256
FAX (617) 722-2774

Chair
Committee on
Federal Financial Assistance

July 7, 1999

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

Dear Mr. Brady:

Thank you for allowing me this opportunity to express my concerns about the Fleet/Bank Boston merger.

Given the fact that this merger will result in the closing of over 200 branches; the loss of approximately 5,000 jobs; and the renegotiation of critically important programs that address homeownership and rental housing; we respectfully urge that, prior to the approval of this merger, the Federal Reserve Bank of Boston mandate that Fleet/Bank Boston offer a significant, written and measurable commitment that will provide the loans, investments, and services needed.for low and moderate income communities, as well as people of color.

We believe that flexibility in underwriting guidelines is absolutely necessary in order to make homeownership a reality for low and moderate income populations. In the past, the Massachusetts Association of Community Organizations for Reform Now (ACORN) offered a very successful First Time Homebuyers Program, in collaboration with Fleet Mortgage Corporation, BankBoston and Citizens Mortgage Corporation. This program allowed loan applicants to certify funds, including social security, WIC, foodstamps, unemployment benefits, foster care money, and other entitlements as part of their income in order to qualify for loans. The program focused on income continuity, rather than job continuity and only one year of good credit was required.

ACORN informs me that, over the life of their program with Fleet, only three mortgages were foreclosed; and that the delinquency rate was 6%. Clearly, this delinquency rate is lower than that of conventional loan delinquencies; therefore, we encourage Fleet to renegotiate this program and similar community lending programs. **In fact, collaboration with local partners must be expanded, not dissolved.**

Homeownership fosters community stability. Families who have a vested interest in the neighborhoods where they live become involved in neighborhood improvement activities; maintain their properties, thus eliminating blighted and vacant buildings; and add to the safety and economic viability of our cities. Programs that serve this basic need must acknowledge the reality that families who are currently forced to pay exorbitant amounts of rental money have the ability to pay reasonable mortgages. Therefore, relaxed underwriting guidelines, together with community homeownership programs, are crucial to the revitalization of our cities.

With the potential loss of jobs that this merger will precipitate, we are concerned that last hired **not** become first fired. Approximately 5,000 individuals will soon find themselves without pay checks to support their families, unless the institutions that purchase these branches decide to hire them; and we sincerely hope this will occur. In the event that these employees are not hired, we urge the Federal Reserve to use its powers to ensure that these employees have access to a combination of private/public resources that will enable them to secure transitional income, training and access to other employment. Additionally, we ask that our concerns about the potential loss of bilingual employees (and how this will affect the needs of the Latino, Asian and other populations who depend upon this assistance in order to transact banking business) be addressed so that the critcal needs of non-English speaking populations will not be negatively impacted..

The location of the merged entity's branches is also of concern. Residents and community-based organizations representing various underserved neighborhoods have worked long and hard to negotiate the opening of branches in low and moderate income neighborhoods. We feel that limiting access to banking services will negatively impact individuals who need to establish credit histories; who wish to cash checks; and or who wish to access any other service that banks offer.

REPRESENTATIVE SHIRLEY OWENS-HICKS
HOUSE OF REPRESENTATIVES BOSTON, MA 02133-1054

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Finally, we believe that the nation is looking at this merger and how Fleet/BankBoston will respond to the needs of low and moderate income communities, as well as how they intend to honor the commitments that they have made in the past. This is an excellent opportunity for Fleet/BankBoston to set the standard for community investment practices. We sincerely hope that they will accept this challenge and turn this into a win-win situation for all concerned.

Sincerely,

Shirley Owens-Hicks
SHIRLEY OWENS-HICKS
State Representative/ Chairwoman
Federal Financial Assistance Committee

Boston City Council

Gareth R. Saunders
District 7
635-3510

Wednesday, July 7, 1999

Dear Jennifer J. Johnson,

Below is the written portion of my oral testimony of the Federal Reserve Bank of Boston's July 7 hearing on proposed Fleet/ BankBoston merger.

Good afternoon, I am Boston City Councilor Gareth Saunders.

I am a member of the City of Boston's Linked Deposit Commission and have worked in the banking industry in Boston in various positions. As the manager of a loan office, I worked as a mortgage originator and business development officer. My duties as the business development officer included assisting the bank with outreach to the Boston community concerning The Community Reinvestment Act.

I ask the Federal Reserve Bank of Boston to listen carefully to what the people are saying. As a regulatory agency we look to you for guidance as it relates to the formulation of monetary policy and overseeing many aspects of the New England banking system. What is true from my experiences is that the people, the customers, the affect communities of New England must get a clearly spelled - out commitment from the proponents of this proposed merger in writing prior to any approvals.

First and foremost, a strong commitment must come from the top - Terry Murray and Chad Gifford - accompanied with and aggressive plan of implementation. This plan should include a comprehensive marketing plan of the actual and potential customer base with a strong emphasis on low-to-moderate-income earners and specifically tailored programs that ensure equitable credit availability to traditionally undeserved borrowers because they unfortunately will be disproportionately and adversely affected by this proposed merger.

Below is a list of general types of commitments, which are needed in writing:

1. Diversity of workforce, with emphasis on decision-makers.
2. Mortgage products, home improvement and other consumer loans targeting undeserved populations.
3. Small business loan programs.

New City Hall • One City Hall Square • Boston • Massachusetts • 02201

4. Maintain programs like BankBoston's First Community Banking (Community Development Bank).
5. A comprehensive approach to this proposed merger that still provides the consumer choices, for example, there is a niche for smaller banks like the Boston Bank of Commerce. This bank has submitted a proposal to purchase18 branches that would make it the largest minority-owned bank in New England. And with regards to the more than two hundred remaining branches that must be sold, i.e., selling of assets, divestiture, it makes good sense to look at one of our strong regional banks that would be headquartered in Boston or the First District of the Federal Reserve Bank.
6. Additional Banking and ATM Services.

Sincerely,

Gareth R. Saunders
Boston City Council
District 7

TO: Federal Reserve Bank Boston, MA

FROM: Sam Hamilton, Executive Director
Hartford Economic Development Corporation
Greater Hartford Business Development Center, Inc.

DATE: July 7, 1999

SUBJECT: Fleet Bank/Bank Boston Proposed Merger

My name is Samuel C. Hamilton and I am the Executive Director of the Hartford Economic Development Corporation (HEDCo) and the Greater Hartford Business Development Center, Inc. (GHBDC). I rise to speak in favor of the proposed merger of Fleet Bank and Bank/Boston.

HEDCo and GHBDC are private not for profit Local Development Corporations which provide technical assistance and loans to small businesses in the Metro Hartford Area. Currently, we manage a little over 20 million dollars in funds which is utilized as an alternate source of capital for local economic development activities. Since 1975 we have packaged $65,000,000 plus in loans to a portfolio that is 70% minority (35% African American, 33% Hispanic/Latino and 2% Asian American) Interestingly, 70% of the loans are to businesses in Hartford who in turn have hired residents of Hartford to fill their employment needs.

During the course of our 25 year existence, both Fleet Bank and Bank/Boston have been active supporters of small business development with respect to access to capital and the technical assistance to support, sustain and grow businesses. I have experienced first hand the continuation of their strong commitment during and after previous mergers and acquisitions. In my opinion, I believe the same will be true in this proposed merger.

I have found both Fleet and Bank Boston to be especially sensitive to the needs of the community. The creation of Fleet Community Development Corporation and First Community Bank are prime examples of each institutions initiative to provide means for greater access to the Bank's products and services. Fleet and Bank Boston have supported other entities in the Hartford Community who provide alternative means of access to capital, technical assistance and support with particular emphasis on increasing the number of women and minority owned businesses.

In closing, in my capacity as Chairman of the Board of Directors of the United Way of the Capital Area, Past Chairman of the Hartford Neighborhood Housing Support Collaborative and a member of the Local Initiatives Support Corporation Local Advisory Committee, I am also able to confirm Fleet and Bank Boston's involvement and support of innumerable programs and activities that empower people, provides comprehensive youth development, enhances educational opportunity and performance, strengthens families and creates a strong healthy community for all. They do this not only with their financial resources, but also with the personal involvement of people from all levels of the organization in every aspect of our Community. Again, I support the proposed merger and truly believe the new entity will provide more rather than fewer opportunities.

SCH/fp

TESTIMONY FOR
FLEET/BANKBOSTON MERGER
Henry M. Thomas III, PRES./CEO
URBAN LEAGUE OF SPRINGFIELD, MA
Wednesday, July 07, 1999

On behalf of he Urban League of Springfield, we are in support of the merger between BankBoston and Fleet Bank. There are a couple of reasons why we support this merger that I would like to share with the panel. Our position is based on our direct experience and our working knowledge of the communities in which we serve- Western Mass and we own and operate a residential summer youth camp in Central Ma., Camp Atwater.

First, it is a significant advantage to this entire region to have a merger of two large banks that are both domiciled in this region. Continuity of relationships will stay in tact and institutional memory of community needs will not suffer.

Secondly, the Urban League has enjoyed a long working relationship with both banks and it has been an excellent experience in both cases. Further, we have witness their work in the Western Mass community and there CRA records are commendable.

More specifically, over the last 5years the Urban League has had an opportunity to work with Fleet Bank on local and regional issues. While serving as vice president of Natl. Urban League on special assignment for two years, I had privy to the extraordinary work of Fleet Bank in the area of community development. Through Agnes Bundy Scalan's leadership and foresight Fleet Bank funded Urban Leagues throughout it's footprint to levels over one and half million dollars. This funding was for the purpose of building capacity to deliver economic and workforce development services throughout the northeast region. In addition, Ms. Scanlan has forge a partnership with the National Urban League to produce conferences aimed at improving Fleet Bank's understanding of multi-dimensional needs in the market place and to effectively communicate it's CRA strategies.

In Springfield alone the Urban League has experienced and observed Ms Scanlan and Mr. Neal McBride exhibit remarkable leadership in not only providing much needed funding support to community base organizations, but more significantly Fleet Bank has served as a catalyst in mobilizing business community support for critical economic and social initiatives that make a difference in quality of live all residents. Fleet has a demonstrative understanding and is sensitive to regional community issues; which is one of the strongest assets they bring to this merger, in our view.

<u>The only coveat the Urban League would like to offer,</u> is that, whatever economic business benefit accruing to these two institutions (that, in our opinion have earn the right to become one) should be shared with consumers to some extent.
Additional capacity in equity programs, mortgage loan products and philanthropic giving should all be reasonable expectations resulting from this merger.

<u>LET US NOT FORGET AN IMPORTANT COMMON SENSE POINT:</u>
<u>IT IS NOT THE FEDERAL RESERVE AND THE APPLICANTS ALONE THAT MAKES THIS MERGER POSSIBLE;</u>

<u>ITS IS THE CONSUMER!</u>

<u>NO COSTOMERS --NO CAPACITY TO MERGE. THUS, THE CONSUMER SHOULD BE IN A BETTER PLACE THAN THEY WERE BEFORE THE MERGER!</u>

<u>THANK YOU FOR YOUR ATTENTION.</u>

MONEY & TECHNICAL ASSISTANCE FOR SMALL BUSINESS

July 7, 1999

STATEMENT OF LONG ISLAND DEVELOPMENT CORPORATION
SOL SOSKIN, DIRECTOR PROCUREMENT TECHNICAL ASSISTANCE PROGRAM

Re: Proposed Merger Fleet Financial Corp. with Bank of Boston

Gentlemen:

Thank you for the opportunity to testify before you today on behalf of Fleet Financial Corporation. Long Island Development Corporation supports the proposed merger. I am Sol Soskin, the Director of the Procurement Technical Assistance Program of the Long Island Development Corporation (LIDC), a not-for-profit 501C3 membership organization in Long Island, New York. LIDC is a regional economic development organization whose mission is to assist small businesses in Nassau and Suffolk Counties with loans and technical assistance. In business since 1980, LIDC is a certified development company under the US Small Business Administration 504 Loan Program as well as a branch bank of the New York Job Development Authority, administrator of several US Department of Commerce/Economic Development Administration Revolving Loan Funds, underwriter of a Department of Housing and Urban Development Section 108 Small Business Revolving Loan Fund, partner in a national US Small Business Administration Small Business Investment Company, and manager of a newly formed micro loan fund with Community Development Financial Institution status pending at US Treasury. In addition to its loan programs, Long Island Development Corporation is the designated Department of Defense Procurement Technical Assistance Center for Long Island.

Fleet has been a long time supporter of the various programs of Long Island Development Corporation and has partnered with LIDC to help small business, including small disadvantaged businesses, minority owned and women owned businesses on Long Island. Representatives of Fleet serve on LIDC's board of directors, advisory board and committees. Currently, our President is John Garvey, Sr. Vice President of Fleet Bank. These Fleet representatives devote a considerable amount of time to helping guide LIDC's activities. In addition to personnel time, Fleet provides meeting places for LIDC activities, assists LIDC with marketing its programs through Fleet's internal publications, by hosting events highlighting LIDC programs, and through paid advertising sponsored by Fleet. Fleet Bank has been the leading first mortgage lender on Long Island under the SBA 504 loan program for the past 5 years. With Fleet's assistance, LIDC has been able to make over 1,000 small business loans totaling approximately $350 million to Long Island companies.

255 Executive Drive, Plainview, Long Island, NY 11803
Phone: 516 349 7800 Fax: 516 349 7881 URL: www.lidc.org
E-Mail: biz-loans@lidc.org or gov-contracts@lidc.org

Fleet Bank is a financial supporter of the Procurement Technical Assistance Program (PTAP). The Procurement Technical Assistance Program provides free counseling to very small businesses, chiefly small disadvantaged businesses, to help them obtain and perform on government and private sector contracts. PTAP is supported by grants from the DOD matched by the private sector. Fleet Bank has been providing matching funds for PTAP since 1996. In addition, Fleet actively refers small businesses for PTAP assistance. Fleet also seeks out vendors from our PTAP clients. Representatives of Fleet serve on the PTAP governing committee and help set policy and access resources for PTAP clients. Thanks to Fleet's participation, the Long Island Procurement Technical Assistance Program has successfully helped over 2,000 Long Island small businesses obtain approximately $275 million in government and other contracts.

In connection with the Procurement Program, LIDC and Fleet co-venture in an initiative of Black Women Enterprises, a New York statewide coalition of Black women owned small businesses whereby BWE has partnered with the National Women Business Owners Corporation to help these companies be certified as women owned businesses and obtain and perform on corporate contracts with Fortune 500 companies. Fleet is a financial sponsor of BWE's efforts, provides BWE with computer and e-commerce capabilities and Fleet works together with LIDC to run the certification program.

Fleet has been an active advocate for small business on Long Island for many years. Fleet's activities with Long Island Development Corporation have been instrumental in helping LIDC to become one of the leading SBA 504 Certified Development Companies in the nation as well as helping LIDC to become one of the most active DOD Procurement Technical Assistance Programs in the nation.

The proposed merger will bring additional resources to the table which will benefit our small business customers. The sheer size of The Bank of Boston will magnify the financial abilities of Fleet Financial Corporation which will make more products and services available to our Long Island small business market.

Thank you again for this opportunity to support Fleet Financial Corporation in its proposal to merge with the Bank of Boston.

Testimony of Peter A. Gagliardi
Executive Director, HAP, Inc.
322 Main St., Springfield, MA

Wednesday, July 7, 1999
Federal Reserve Bank Public Meeting
on the Fleet/Bank Boston Merger

Thank you for the opportunity to offer public comment on the Fleet/Bank Boston merger at this public meeting.

My name is Peter A. Gagliardi. I have served for the past 8 years as the Executive Director of HAP, Inc., the Hampden Hampshire Housing Partnership. Our organization works to provide affordable housing and to promote revitalization of neighborhoods by providing a comprehensive array of housing services, promoting the creation and preservation of affordable housing, and forging partnerships with public officials, community groups, and private institutions. Founded in 1973, HAP, Inc. is a major provider of housing services in the 43 cities and towns of Hampden and Hampshire Counties, an area with a population in excess of 600,000 people.

As a partnership, we have looked to the major lenders which serve our region to participate in our efforts to carry out our mission. Both Fleet Bank and BankBoston have been among our key private sector partners.

From the perspective of our region, I must express renewed anxiety over the loss of yet another major lending institution. Fleet Bank will become the successor to six or more institutions that played a long and important role in the life of our communities. Yet, I think that we all recognize the inevitability of bank mergers -- and we understand full well that the process will not end with this merger. In that vain, I express a sense of relief that these two institutions have had the foresight to take this step which, we hope, will maintain a major lender with headquarters in New England.

At the same time, I must also express a note of caution or concern. In another year, or two, or five, we may well be in this place once again discussing a bank merger, this time with an entity headquartered hundreds or thousands of miles away. At that time, a written record of what we agreed to here may be our communities' best hope of maintaining a commitment to lending and other bank services essential to the economic revitalization of our cities and towns and to opportunities for families to lift themselves from poverty. In that vain, I offer my testimony as a statement of the current levels of community reinvestment activities by these two institutions, hopeful that it will serve as a benchmark from which to measure the future success of our continued partnership.

Having worked in partnership with both banks, I am in a position to speak to some of the contributions which each has made to the effort to revitalize communities and to promote the creation and preservation of affordable housing, both rental and ownership. It has been our policy to recognize the good things which have been done as well as to comment when we feel that community reinvestment efforts have been lagging.

Let me first speak to the contributions which Fleet Bank has made to our initiatives:

> -- Fleet Bank was instrumental in creating our **FIRST HOME** program, an initiative which has educated more than 3000 potential homebuyers and which has resulted in more than 500 first time homebuyers in our region. Fleet's initial three year commitment, which was a challenge to other lenders to join our partnership, made the difference. Fleet has continued it support of this initiative.
>
> -- Fleet Bank provided the construction financing, some $2.75 million, for our successful Quadrangle Court project in the heart of Springfield. The 33-unit project is the cornerstone in a neighborhood revitalization effort.
>
> -- Recently, as HAP has expanded it's efforts to rehabilitate one and two family homes for resale to first time homebuyers, Fleet has made a commitment through the Fleet CDC of $500,000 in the form of a line of credit for that activity. This will make it possible for agency to increase the number of houses rehabilitated each year, enhancing our efforts to intervene in troubled neighborhoods at level that will truly make a difference. In addition, Fleet has offered an additional $250,000 operating line of credit to further facilitate expansion of our efforts.
>
> -- Fleet has also provided HAP with volunteer efforts, particularly in the person of Neal McBride who has served as a board member, including several terms as President of the corporation. Another Fleet staff member, Paul Tierney, serves on our Real Estate Investment Committee. This level of involvement truly makes ours a partnership.

Throughout our partnership with Fleet Bank, we have enjoyed and appreciated the responsiveness of Fleet's Agnes Bundy Scanlan in particular. Her understanding of the needs of the community and her efforts to bring that agenda into the bank has resulted in a significant and positive change in Fleet's Community Reinvestment efforts.

BankBoston, and previously Bank of Boston and Bay Bank, has been another of HAP's stalwart partners. In particular, we cite the following participation by BankBoston:

-- Bank Boston, over the past several years, has become one of the principal supporters of HAP's **FIRST HOME** program. In addition to providing significant operating support, Bank Boston has become the region's major "Soft Second" loan program lender, originating a steadily increasing number of loans in each of the past three years.

-- To address the need for renovation at the time of purchase, Bank Boston pioneered the **FIRST HOME Plus** initiative with HAP, committing $5 million in mortgage loans that can be used for both acquisition and renovation by first time homebuyers.

-- BankBoston has become a partner with the City of Springfield and the Lower Liberty Heights Action Team to spearhead the redevelopment a key neighborhood near the center of the city. The bank matched funds provided by the City through the neighborhood organization, allowing HAP, at the invitation of the City and the neighborhood, to develop a plan to purchase, rehabilitate, and re-sell a number of one and two family houses to first time homebuyers. This initiative, in conjunction with the work of Habitat for Humanity, will significantly restore this neighborhood, allowing the private market to once again function properly.

-- Bank Boston demonstrated great sensitivity to the need to preserve the affordable housing stock in working with HAP to restructure 1980's era debt on developments that were endangered due to funding cuts in the state's rental assistance program, now known as the Massachusetts Rental Voucher Program. As a result, 20 single room occupancy units in Springfield and 19 apartments in Holyoke, including 10 dedicated to a transitional housing program for pregnant and parenting teens, were preserved as affordable housing.

Both Fleet Bank and BankBoston have invested in affordable housing through the Massachusetts Housing Investment Corporation. MHIC's equity participation in several rental projects developed by HAP has been instrumental in revitalizing neighborhoods while providing affordable housing. In addition, MHIC has recently made a commitment to provide construction financing for a new construction project in Chicopee that will provide opportunities for first time homebuyers in that city.

The Massachusetts Housing Partnership Fund, another entity that has utilized resources from both Fleet Bank and Bank Boston, has provided permanent financing for several projects developed by HAP, including Quadrangle Court.

My comments about Bank Boston would not be complete without pointing out the contributions made by BankBoston's Community Bank, particularly in the area of lending to first time homebuyers. BankBoston's Benjamin Cartegena, Jr., a loan originator headquartered in Holyoke, has been responsible for much of the Bank's substantial effort to assist first time homebuyers. He, along with Sue Seaver, has originated a substantial volume of Massachusetts Soft Second Loans. Recently, Ben was selected to represent BankBoston on HAP's Board of Directors as well.

While providing this generally favorable account of our experience with Fleet Bank and Bank Boston, I would be remiss if I did not raise several concerns:

> -- It has been noted elsewhere that Fleet's level of LMI loan originations has dropped after past mergers. This appears to be the case in Western Massachusetts as well as overall. It would be a substantial loss to our region should that again be the case. This is a very serious concern.
>
> -- Following the retirement of BankBoston Regional President Richard Stebbins, the bank moved the regional presidency to Hartford. Fleet Bank currently maintains a regional president in Springfield in the person of Richard Zilewicz. Should the merged bank not continue Fleet's commitment to maintain this position, it would represent a significant loss of leadership and reduce the level of the bank's participation in community affairs in Western Massachusetts.
>
> -- In some of the public dialogue leading up to today's hearing, there has been much speculation about Fleet's divestiture of nearly $14 billion in assets and the impact that might have on the merged bank's level of activity in everything from mortgage lending to corporate philanthropy. In Western Massachusetts, we are concerned that any reduction in activity in the state as a whole might also affect our region in spite of the fact that none of the bank's holdings in our region will be divested. In our case, there will be no new competitors buying Fleet assets who could be looked to for the purpose of filling any resulting gaps. We feel that the bank should be held to its promise, made at the time of the merger announcement; for Western Massachusetts, in particular, one plus one must equal two for there will be no one else to turn to.

There has been disagreement over whether or not there will be a written agreement whereby the merged bank pledges to undertake certain Community Reinvestment activities over some period of time. As I mentioned at the beginning of my remarks, it is our feeling that a written commitment, binding upon successor banks should there be another merger, would be the most effective safeguard for what I believe are shared community reinvestment goals. Regardless of the outcome, we ask that the regulators overseeing this merger continue to take steps to ensure that the new bank maintains the efforts of its predecessors to reinvest in the communities from which it accepts deposits and that the record of these proceedings be considered a record of the banks' commitments. For the bank, community reinvestment lending is good business; for the community, it is essential. The level of productive community reinvestment activity that I have cited in my remarks should be seen as a starting point upon which to build.

Again, I would like to thank the Federal Reserve Bank for conducting this open public meeting. While bank mergers may be routine for the Fed, they are momentous occasions that are far from routine for the communities that find themselves further and further removed from banking leaders and decision makers.

GREATER Jamaica Development CORPORATION

Federal Reserve Bank of Boston

Public Hearing
on
Fleet Bank Merger with Bank Boston
July 7, 1999

Statement
F. Carlisle Towery
President
Greater Jamaica Development Corporation
New York City

Greater Jamaica Development Corporation (GJDC) is a private, not-for-profit local development organization whose mission is to encourage and facilitate the economic recovery and revitalization of downtown Jamaica, Queens, New York City, and its environs.

GJDC was formed in 1967 by business, civic and community leaders -- including commercial banks -- and has worked since that time in close partnership with all sectors to carry out the plan to transform Jamaica's older downtown into a modern center of business, commercial and industrial employment, higher education, the arts, transportation and housing improvements. This plan was prepared by Regional Plan Association -- the venerable organization which monitors the economy and growth of the 31 - county, tri-state New York Metropolitan region -- by City government, and local leaders to service some half-million residents who live in 21 neighborhoods around this downtown. Our mission is challenging and high in public purpose.

We appreciate this opportunity. We are, after all, end-users of financial products and our success is fundamentally affected by the efforts of financial institutions. Our community is the beneficiary when these products are shaped and tailored and prioritized to enable community development and to capacitate its practitioners.

Jamaica has benefitted indeed from Fleet Bank's efforts. My comments are to emphasize the involvement and support we have received from Fleet and its predecessors over the 32 years of our economic development and community reinvestment work in Jamaica. This community -- working to recover from a ten-year period, 1975 to 1985, of severe economic trauma, uncertainty and a general loss of public confidence -- has recovered and advanced significantly, with some progress attributable directly to Fleet's good works.

GATEWAY G JAMAICA
90-04 161 Street, Jamaica, New York 11432 Tel: 718-291-0282 Fax: 718-658-1405

Fleet, and previously Nat West, has provided strong and on-going leadership for Greater Jamaica Development Corporation's work, serving consistently on our Board with able, active and involved senior representation. Two senior executives from Nat West served as our chairmen for a four-year period. Contributions to our Board's responsibilities and to staff's activities have included a high level of intelligence and interest in our general governance, sponsorship of retreats, meetings and special events -- including chairing our annual fund-raising gala -- advocacy with government, financial contributions at leadership levels toward our general operations, construction and permanent financing for several projects we initiated, and a flexible line-of-credit that has enabled us to undertake numerous small strategic developments.

Fleet has participated in the provision of local small business loans through our revolving loan fund, which is capitalized by the U.S. Economic Development Administration, NYS Empire State Development and the City of New York's Department of Business Services using federal Community Development Block Grant Funds. Fleet has provided operating support for two of our associated or affiliate organizations -- Jamaica Arts Center and Jamaica Business Resource Center.

Just last month, two senior Fleet executives hosted a working session to explore ways and means for York College to capitalize on the aviation/airport economy which could be enabled by the recently - approved light rail system from Jamaica to JFK Airport. York is another key project for Jamaica in which we were instrumental.

Working with Fleet's people is inevitably a pleasant and productive process for us. They are thoroughly professional, responsive and responsible, and eager to facilitate results -- to get things done. Their personal and corporate involvement in Jamaica have been material in the success of this community's revitalization. At conferences with my peers, I have learned of Fleet's impressive community development and reinvestment roles in numerous places. Clearly, Fleet Bank is a serious, committed and exceptionally good corporate citizen.

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WESTERN MASSACHUSETTS ENTERPRISE FUND

308 Main Street, Suite 2-B • Greenfield, MA 01301• (413) 774-4033 • Fax (413) 774-3673

Testimony of Christopher Sikes
Executive Director, Western Massachusetts Enterprise Fund, Inc.
For the Federal Reserve Hearing on the Fleet/Bank Boston merger
July 7, 1999

Thank you for the opportunity to offer public comment on the Fleet/Bank Boston merger at this public meeting. I am Christopher Sikes, the Executive Director of the Western Massachusetts Enterprise Fund, a Community Development Financial Institution (CDFI) serving that vast subcontinent of the four counties of western Massachusetts and Northern Worcester County. We form partnerships with twelve Community Development Corporations (CDCs) in the region. WMEF's Board of Directors includes members from both Fleet and BankBoston. In addition, I have a seat on the Fleet CDC Board of Directors.

We have established excellent relationships with all levels of the Fleet and BankBoston staff. When we need to reach someone or get a quick answer to a question, we know whom to reach from the office staff. When we need to talk to loan officers about potential loans to our customers, we know who to speak with. Just as importantly, they know us. When we need to speak with upper level administrators we have easy access to the people we need to reach. They have been responsive to us and we have been responsive to them.

Over the past five years Fleet made significant capital and operating grants to WMEF. In addition, it provided us with a $500,000 line of credit which is the cornerstone of our small business lending program. BankBoston also supported us with capital and operating grants. These contributions came at a time when we were most vulnerable.

Of particular note has been the support of Neal McBride, our community development manager from Fleet. Over the years Neal has provided consistent support and wise counsel. Agnes Bundy Scanlan has also been a strong supporter of WMEF. Martin Geitz, the President of the Fleet CDC has been actively working with WMEF to provide it the financial backing to get federal funding from the CDFI fund through the U.S. Department of the Treasury. Michael Glavin from BankBoston has been a strong supporter of WMEF providing us with critical matching funding for our CDFI application.

While I speak in some jest of being located in this vast hinterland comprising about one-third of the geography of Massachusetts, it is no joke that the resources for economic development are far less than they are here in Boston. The disparity between the economies of eastern and western Massachusetts is only growing larger with the impact of private and public investment into technology.

It is therefore with a very wary eye that we examine any bank mergers. We have lost many local banks in the region through mergers. In particular, we recently experienced an outside purchase of a regional bank that had the unfortunate effect of reducing the bank's presence in the community.

In the instance of the Fleet and BankBoston merger, we believe that having the largest bank in New England headquartered in Massachusetts is better for our region than having an out-of-state bank calling all the shots. This allows us to build upon our existing relationships in a mutually productive manner.
We have some concerns however. First, there are no scheduled divestitures in our region. That means that two banks will truly become one bank. Both banks have been very active small business lenders. We would expect small business lending to continue at least at the current rate of both banks together, especially in low income and rural communities. They should also maintain their collective rate of lending to businesses with less than $1 million in revenue and their rate of making loans under $100,000.

Second, WMEF is a partnership of CDCs, community based organizations. We have been dismayed that there have not been direct negotiations with the community groups discussing the impact of the merger. WMEF makes a commitment to making sure that our partners are well served by this merger for truly the success of our partners is our success.

Third, we are concerned that even though the institute remains headquartered in Massachusetts that the local lending decisions that have been in effect at Fleet will continue. Specifically, we would request that local lenders have the authority to make loans up to $250,000.

Finally, we applaud the efforts made by Fleet CDC to make substantial investments to Community Development Financial Institutions. Our concern is that it will continue.

We are hopeful that this new institution will bring us more needed resources to the region.

Thank you for your time and consideration.

LONG ISLAND HOUSING PARTNERSHIP, INC.
AND AFFILIATES

TESTIMONY OF JIM MORGO

BEFORE

FEDERAL RESERVE BANK OF BOSTON

FOR FLEET/BANK BOSTON MERGER HEARINGS

July 7, 1999

180 Oser Avenue, Suite 800
Hauppauge, Long Island, N.Y. 11788
Tel: (516) 435-4710 • Fax: (516) 435-4751

My name is Jim Morgo. I am President of the Long Island Housing Partnership. The mission of the Long Island Housing Partnership is to provide housing opportunities for those who, through the unaided operation of the marketplace, would be unable to afford decent and safe homes.

The Long Island Housing Partnership is a private-sector initiative that invests private and public funds and offers expertise to create housing, which in turn, spurs economic development and neighborhood revitalization.

The Housing Partnership is the nation's first not-for-profit, public/private housing development company based solely in the suburbs. It is a consortium of Long Island-based business, religious, civic, professional, and labor organizations. The Housing Partnership builds affordable homes for sale to low-and moderate-income Long Islanders; administers down payment assistance programs; rents affordable units to low-income Long Islanders; arranges financing for socially-worthy housing developments; offers technical assistance to community housing groups; and provides free mortgage counseling to first-time buyers.

The Housing Partnership has enabled more than 2,500 low-and moderate-income families attain home ownership in high priced Long Island. The Housing Partnership's success is due, in great part, to the support of its private sector partners and one of the most involved partners is Fleet.

Fleet (formerly Norstar Bank) was one of the founding members of the Housing Partnership. As a founding member, Fleet committed $10,000 per year for the first three years of our operation. Even after its three-year commitment expired, Fleet continued its support through the payment of annual dues and the authorization of additional grant funds.

Fleet co-sponsors educational seminars in mortgage counseling and financing for first-time homebuyers.

Fleet serves as host for LIHP's monthly Board of Directors meetings.

Fleet has provided construction financing for several of our affordable housing projects (both to LIHP directly and to its general contractors). In addition, Fleet Mortgage has provided end loans to many of our first-time homebuyers.

Fleet has acted as escrow agent for LIHP's New York State Housing Development Fund loan without any service charge. Further, Fleet has consistently waived its service fees for LIHP accounts.

In short, Fleet has been a dedicated Housing Partnership member. Fleet is a responsible financial institution that is committed to community service.

LONG ISLAND HOUSING PARTNERSHIP, INC.

1998 ANNUAL REPORT

OPENING DOORS TO HOME OWNERSHIP

LONG ISLAND HOUSING PARTNERSHIP, INC.

1998 ANNUAL REPORT

OPENING DOORS TO HOME OWNERSHIP

The Mission of the Long Island Housing Partnership

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In all its efforts, the Housing Partnership is building a better future for Long Islanders.

Change, even very positive change, seldom comes easily. South Wind Village, the Housing Partnership's/ Town of Islip's 78 unit mix of new home ownership and rental housing, represents cutting-edge, positive change for Long Island. And it hasn't come easy.

Eradicating more than eight acres of blight, acquiring and then demolishing and disposing of more than 40 dilapidated properties, relocating more than 80 people to superior living conditions, building new homes for moderate-income homebuyers and rentals for low-income families and seniors, all in the middle of a once thriving, and soon to be revitalized downtown, is difficult, frustrating and costly. And to complicate matters further, South Wind Village challenges the conventional Long Island mindset of a subdivision.

South Wind Village will provide an intelligent, well-designed alternative to suburban sprawl and create a thriving community with a sense of place where people can walk to bakeries, barber shops and train stations. The once neglected stepchild of downtown development housing will soon turn out to be its golden child.

South Wind Village has had many productive partners, especially from the Town of Islip, under the leadership of Supervisor Pete McGowan, New York State, under Governor George Pataki, and the Federal Government's HUD, under Secretary Andrew Cuomo. New York State provided innovative use of its National Guard unit which helped dispose of demolished structures. All the public sector partners are supplying funds and needed cooperation.

The Bay Shore revitalization has the involvement of several Bay Shore community-minded groups: the Bay Shore Chamber of Commerce, the Bay Shore Citizens Liaison Committee, and the Bay Shore School District. But the project would never have materialized were it not for Islip Town continuing their professional and visionary work to create affordable housing and to lead Long Island in planning for positive change.

Through the work of many public/private partners, blighted Smith Avenue will become vibrant South Wind Village.

To Our Members

This was a year of expansion and a year of milestones achieved for the Long Island Housing Partnership.

The Housing Partnership moved into brand new space, more than twice the size of its old offices, and opened its first office in Nassau County.

The enlarged space was necessary because the Housing Partnership joined its Babylon Community Development operation with its main operation in Hauppauge, and because its pre-purchase and foreclosure prevention counseling programs attract more and more Long Islanders to its headquarters.

In 1998 the Housing Partnership counseled its one thousandth pre-purchase family since the service began in 1994 and, in 1998 alone, the Housing Partnership educated 359 families for responsible home ownership. For the second consecutive year, the Long Island Housing Partnership was named the most productive not-for-profit mortgage counseling organization in the tri-state region.

The popularity of and the need for the Nassau County Down Payment Assistance Program required an office in that county.

From the Housing Partnership's founding, access to affordable home ownership in Nassau and Suffolk Counties has been at the center of its agenda. Home ownership remains an important goal for almost every Long Island family, but its benefits, we have learned, go well beyond the individual families. Home ownership encourages families to invest in their properties, to take pride in their neighborhoods, and to become active in their communities. Owner-occupied homes bring stability to neighborhoods, and new homes add to Long Island's prosperity.

Nowhere will this be more evident than in the Housing Partnership's major project, South Wind Village, the residential revitalization of downtown Bay Shore. Here the Housing Partnership is not only creating its trademark affordable home ownership, but it is also eradicating blight, creating rentals and renewing a downtown. South Wind Village is new housing on the cutting edge of smart growth for Long Island.

Whether it's building new homes through its development company, bringing jobs to low-income communities through its community development corporation, or creating knowledgeable and responsible new homeowners through counseling and down payment assistance programs, the Long Island Housing Partnership continues to improve access to credit and housing for those who have been denied decent housing, jobs and the credit to achieve both.

None of our goals could be achieved without you, our active members. Whether you are a partner from the public or private sector, the Housing Partnership would accomplish little without your involvement.

We welcome your comments.

Bob McMillan

Bob McMillan
Chairman

Jim Morgo

Jim Morgo
President

Peter Elkowitz

Peter Elkowitz
Executive Vice-President, CFO

From the Housing Partnership's founding, access to affordable home ownership in Nassau and Suffolk Counties has been at the center of its agenda.

South Wind Village will provide an intelligent, well-designed alternative to suburban sprawl and create a thriving community

Courtesy of L.I. Business News

Sgt. Brown of the National Guard proudly supervises the demolition of blighted Smith Avenue.

Alfred Rodriquez of Associated Supermarkets signs ground lease to bring a supermarket to Wyandanch.

Counseling

The Housing Partnership's pre-purchase counseling program achieved significant milestones in 1998. It counseled its one thousandth family since the service's 1994 beginning, and in 1998 alone, the Housing Partnership prepared 359 families for home ownership, an all time high for a single year. For the second consecutive year, the Long Island Housing Partnership led all not-for-profit housing counseling agencies in the tri-state area in numbers of families qualified for home ownership with 113 mortgages committed and 94 mortgages closed.

Executive Vice-President Peter Elkowitz counsels hopeful South Wind Village purchaser.

Hundreds of families are now homeowners because of the counseling program. The Housing Partnership receives letter after letter expressing gratitude for the free counseling. The Housing Partnership does not have the land to build an affordable home for every low-and moderate-income Long Islander who needs one, but it does have the ability to help him/her secure an affordable and fair mortgage.

As a certified HUD counseling agency, the Long Island Housing Partnership also provides landlord and reverse mortgage counseling. Because of Long Island's high living costs, many senior citizens find it difficult to remain here. Reverse mortgages allow elderly homeowners to remain on Long Island by utilizing the equity they have in their homes. These mortgages can be complicated, and the Housing Partnership provides aid for seniors in navigating these funding sources.

For the second consecutive year, the Long Island Housing Partnership led all not-for-profit housing counseling agencies in the tri-state area

Unfortunately, many of the requests received for counseling under LIHP's HUD grant are for default counseling. Every effort is made in an attempt to work with the lending institutions to come up with solutions that allow families facing default to remain in their homes. This is not easy.

With the help of Congressman Rick Lazio, the Long Island Housing Partnership began the Long Island Foreclosure Prevention Task Force. The Task Force has been successful in having a bill introduced in both the New York Senate and Assembly that would establish a Homeowner's Emergency Mortgage Assistance Pilot Program in Nassau and Suffolk Counties.

If approved, this fund would provide Long Island homeowners facing mortgage default, assistance with their monthly mortgage payments. Once on their feet, they would repay their no-interest loan thereby creating a revolving loan fund to help others facing similar problems.

LIHP Counselor Lynn Law details the ins and outs of home purchasing to attentive first-time purchasers.

The Town of Babylon Community Development Program provides housing and community development programs for town residents. Some are town wide, others represent comprehensive efforts to work in partnership with community residents to revitalize their communities.

A major highlight of 1998 was full occupancy of NACEC Plaza in North Amityville. The opening of the European American Bank (EAB) branch, "going where no bank had gone before," and the commitment of Good Samaritan Hospital to open a medical facility completed the transformation of the once severely blighted area into a vibrant commercial center. The Housing Partnership joined with the Grass Roots Economic Development Organization, the North Amityville Community Economic Council (NACEC), and the Town of Babylon to achieve this community rebirth. NACEC will be assuming full property management.

In Wyandanch, the Housing Partnership has begun planning for Straight Path, the depressed community's main throughfare. The provision of a supermarket is a top priority and looks very promising for 1999.

The Housing Partnership was active in a wide variety of other endeavors including beautification projects for Copiague and Deer Park, and working with community groups to provide services, ranging from homeless housing to after school child care.

Finally, in furtherance of its mission, the Housing Partnership has been actively involved in creating and maintaining safe and decent affordable homes in Babylon. Using Federal HOME funds, the Housing Partnership is working with the North Amityville Taxpayers Association (NATA) and the Wyandanch Community Development Corporation (WCDC) to acquire and rehabilitate dilapidated abandoned structures that will become affordable and safe homes for low-income families.

None of the Housing Partnership's work in Babylon would occur without the dynamic and cooperative leadership of Supervisor Richard Schaffer. Nor would it be possible without the community-based organizations that work with the Housing Partnership and the Town because of their commitment to their communities.

The opening of an EAB branch, the first bank ever in North Amityville, highlighted the Babylon Community Development program in 1998.

	December 31, 1998	December 31, 1997
ASSETS		
Cash and cash equivalents	$ 874,256	$ 731,087
Receivables	523,178	608,882
Investments	666,352	1,229,819
Limited use assets	1,198,573	1,069,449
Construction advance	1,098,000	—
Capitalized project costs	1,098,228	865,213
Furniture, equipment, and leasehold improvements	336,742	41,174
Other assets	40,717	39,011
	$ 5,836,046	$ 4,584,635
LIABILITIES AND NET ASSETS		
LIABILITIES		
Payables	$ 498,044	$ 356,181
Home buyers' deposits	16,097	8,355
Project funds	75,495	92,053
Notes payable	1,638,000	500,000
NYS Housing Development Fund loan	840,000	840,000
Loans payable	409,992	464,756
Total liabilities	3,477,628	2,261,345
NET ASSETS		
Unrestricted	2,047,804	2,102,330
Temporarily restricted	295,114	205,460
Permanently restricted	15,500	15,500
Total net assets	2,358,418	2,323,290
	$ 5,836,046	$ 4,584,635

Nassau County, where the desire for affordable ownership is overwhelming and property is in short supply, joined with the Housing Partnership to address this shortage. Nassau County Executive Thomas Gulotta authorized the Nassau County Down Payment Assistance Program to give the County's "best and brightest" the chance to own a home and remain close to family and friends.

In 1998 Nassau County's Down Payment Assistance program surpassed the $1 million mark in assistance provided to more than 120 moderate-income, first-time homebuyers.

Because of the incredible interest in and need for the program, the Housing Partnership opened its first Nassau County office at 80 North Franklin Avenue, Hempstead, NY. Here families from Nassau learn the qualifications and criteria for the program from a trained first-time homebuyer counselor.

The Nassau need is daunting, but the innovative Down Payment Assistance Program is helping more young families remain in the county they love.

Additionally, the Housing Partnership is working with Nassau's Office of Housing and Intergovernmental Affairs to strengthen community-based, not-for-profits, and with for-profits to create affordable rentals for needy senior citizens.

Nassau County Executive Thomas S. Gulotta congratulates recipients of the HOME assisted Down Payment Program.

1998 Clips

"but my wife and I feel in our hearts that it's right to say' thank you' in as big a way as we can to God, to Jim, the LIHP, and North Fork. And to any other families out there who are feeling that home ownership is impossible, never give up hope. "

"Though it was a long emotional process, we finally found a great home in a great neighborhood with great schools. After nine years of renting, we have finally made our dream come true."

	Years ended December 31, 1998	1997
CHANGES IN UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Support	$ 397,024	$ 655,417
Receipts from transfer of units	315,122	573,446
Other revenue	937,103	857,371
Total support and revenue	1,649,249	2,086,234
Net assets released from restrictions:		
Satisfaction of program restrictions	207,817	162,925
Total support and revenue	1,857,066	2,249,159
EXPENSES		
Program services	1,442,094	1,811,213
Supporting services	469,498	450,662
Total expenses	1,911,592	2,261,875
Decrease in unrestricted net assets	(54,526)	(12,716)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Support	297,471	197,000
Net assets released from restrictions	(207,817)	(162,925)
Increase in temporarily restricted net assets	89,654	34,075
INCREASE IN NET ASSETS	35,128	21,359
NET ASSETS, beginning of year	2,323,290	2,301,931
NET ASSETS, end of year	$ 2,358,418	$ 2,323,290

The above data has been condensed from the financial statements audited by Holtz Rubenstein & Co., LLP Certified Public Accountants of Melville, New York. Copies of the audited statements, including the accountant's unqualified opinion dated March 9, 1999 are available from the Long Island Housing Partnership, Inc. office upon request.

When the Housing Partnership is a not-for-profit developer, as in Bay Shore and North Bellport, it is responsible for the entire process from site plan approval to issuance of certificates of occupancy. This labor-intensive endeavor is often the only way to create affordable homes on Long Island.

However, in certain instances, there is another way. Under the Sponsorship Program, the Housing Partnership sponsors for-profit developers for public-sector grants. The Housing Partnership prepares grant applications and monitors grant compliance, while the developer does most of the rest. The result: affordable homes.

Victorian Homes at Medford, a beautiful 50 town home development, represents the second time the Housing Partnership sponsored quality builder David Scro. This time, only 20 of the homes received a public subsidy while the remaining 30 are being sold at a market rate without any restrictions. Both the affordable and market rate homes sold out immediately indicating that subsidized homes, if designed and constructed well, bring no downside to a development. More importantly, economic integration is achieved.

At the Partnership for New Homes Program at Westhampton Beach, the Housing Partnership is sponsoring J. Andreassi and continues to provide affordable housing for young families on Long Island's pricey East End.

Many young people are forced to leave the East End because of the lack of affordable housing. This project, with the cooperation of the Town of Southampton and Suffolk County, will provide eleven families with their first homes. These beautiful ranch style homes with three bedrooms and one and one-half bathrooms on half acre plots were sold for under $84,000. The families will all be in their homes before the summer of 1999 begins!

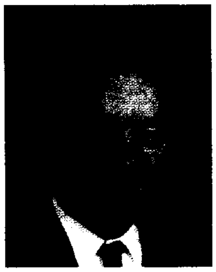
The public sector, with the involvement of Southampton Supervisor Vince Cannuscio and Suffolk County Executive Bob Gaffney, is a key partner in private sector sponsorships.

Housing Partnership sponsored homes in Medford.

"Ten years ago, you couldn't even mention affordable housing on L.I. and now it's a reality."

"It's people like you who care about what happens to others, and that's important in life...I thank you from the heart for all you have done."

Board of Directors



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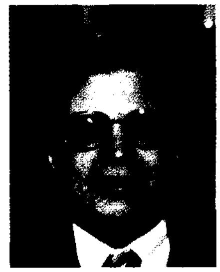

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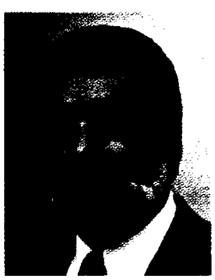

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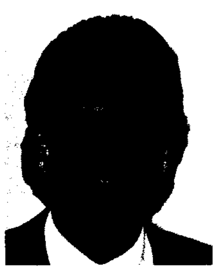


Michael Dubb
Long Island
Builders Institute

Reverend
Thomas W. Goodhue
Long Island
Council of Churches

Patricia Burnagiel
Newsday

"They stand out like beautiful thumbs," said a long time North Bellport community leader, describing the 15 homes built by the Housing Partnership on scattered sites throughout North Bellport.

The second phase of the North Bellport revitalization effort will focus on one new neighborhood, and in so doing, will create a vibrant and stable environment for the once troubled community.

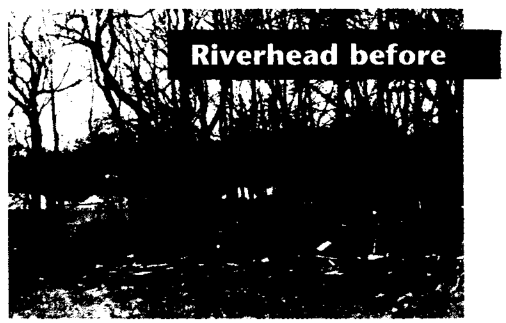
The planning for South Country Estates is complete. The builder, Tom Datre, was selected by the North Bellport Committee. The new homes will be built on a street within the New York Designated Economic Development Zone (EDZ). The 19 homes will be unattached single family houses with 1,400 feet of living space. They will have three bedrooms, one and one-half bathrooms, and attached garages.

The North Bellport revitalization has the active cooperation of community groups as well as the Partnership's numerous public and private partners. Brookhaven Supervisor, Felix Grucci and the Town Board continue their strong leadership in their efforts to revitalize North Bellport.

Riverhead began with five homes on scattered sites. Now its focus is the transformation of an entire neighborhood.

Following the sale of the five homes, the Housing Partnership contracted with Riverhead to complete a Master Plan for the redevelopment of blighted Millbrook Gables; the Master Plan is completed.

A builder has been chosen and LIHP is working closely with Town officials to make this development plan a reality. An interest free, recoverable grant from Citibank has enabled the Partnership to enter into a contract to purchase a 3.2-acre parcel at the entrance to Millbrook Gables on which the first new homes will be constructed. This construction is exciting because it will be the project's showcase and will signal the beginning of the revitalization of the entire community.



In addition to Citibank's contribution, the Suffolk County National Bank has contributed $10,000, while many member banks have indicated interest in the Millbrook Gables revitalization. North Fork Bank has contributed $10,000, Apple Bank contributed $1,000, and Chase Manhattan Bank is interested in providing financing for future phases. The Citigroup Foundation has named the Partnership a Strategic Partner and awarded the project a $50,000, two-year grant.

By providing high-quality, affordable housing and coordinating the first major redevelopment of an entire neighborhood on the east end of Suffolk County, the Housing Partnership fulfills its mission to provide housing opportunities to those who could not experience home ownership without intervention and assistance and, in so doing, stabilizes a community. But the revitalization of Millbrook Gables will not occur without the leadership of Suffolk County Executive Bob Gaffney and Riverhead Supervisor Vincent Villella. The citizens of Millbrook Gables deserve a safe and stable community.

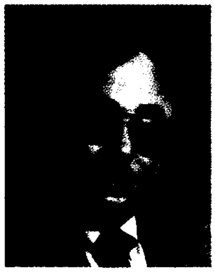
Its people are the backbone of the Housing Partnership. Whether a person has been with LIHP for more than ten years or fewer than one, he/she realizes its mission and the obligation to work together to achieve it. In the final analysis, the Housing Partnership exists to serve the people of Long Island, and the Long Island Housing Partnership's people are up to the assignment.

Seated from left: Karen Borrelli, Kristie Raynor, Andrew Buonantuono, Sandra Graves, Carol Woods.

Standing from left: Jeanette Perra, Ginny Watral, Linda Mathews, Diane Patrizio, Suzanne Perra, Ann Marie Jones, Patti Bourne, Jean Morris, Renee Knight, Marion Glandorf.

Not pictured: Lynn Law, Siela Bynoe

EXECUTIVE
VICE PRESIDENT, CFO
Peter J. Elkowitz, Jr.



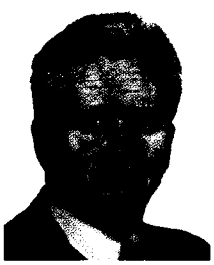
SECRETARY
Peter Klein
Long Island
Builders Institute

The Housing Partnership makes good things happen. The most involved members and representatives of the entire membership are LIHP's Officers and Directors. In 1998 they guided the Housing Partnership through an intense year of planning for new developments.

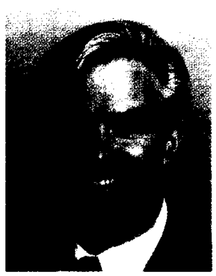
Wesley A. Wainwright
Chase Manhattan Bank

Michelle DiBenedetto
Citibank

John Hill
Dime Savings Bank

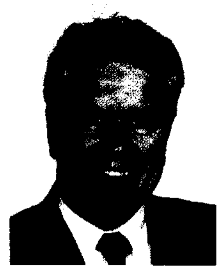


William Lindsay
IBEW, Local 25



Patrick G. Halpin
Institute for Student
Achievement

Timothy J. Mertins
Key Bank National
Association



David Manning
KeySpan Energy

Dr. Robert S. Widom
New York Board of Rabbis

Edward F. Ribaudo
North Fork Bank

Karen E. Gunkel
Counsel

Howard Gross
Counsel
Weinberg, Kaley,
Gross & Pergament

LONG ISLAND HOUSING PARTNERSHIP, INC.
LONG ISLAND PARTNERSHIP HOUSING DEVELOPMENT FUND COMPANY, INC.
LONG ISLAND PARTNERSHIP COMMUNITY DEVELOPMENT CORPORATION, INC.
BAY SHORE PARTNERSHIP HOUSING DEVELOPMENT FUND COMPANY, INC.

1999/2000 DIRECTION

Since its inception in 1988, the mission of the Long Island Housing Partnership, Inc. (LIHP) has been to provide affordable housing opportunities to those who, through the ordinary, unaided operation of the marketplace, would be unable to secure decent and safe homes. LIHP realizes this mission through the development and sponsorship of affordable ownership and rental units, as well as through related services. To further its mission through 1999, the following priorities have been established by the Board of Directors of the Long Island Housing Partnership and its affiliates. The membership votes to approve these priorities at the Annual Meeting when it ratifies actions taken by the Board of Directors for 1998:

NOT FOR PROFIT DEVELOPER/SPONSOR

The Housing Partnership will continue to work as a not-for-profit developer to create affordable homeownership and rental housing through new construction, rehabilitation of existing housing and the sponsorship of for-profit developers. A major emphasis will be a creative reuse of downtown blighted neighborhoods like Smith Avenue in Bay Shore.

EDUCATION

The Housing Partnership will continue mortgage counseling through the Long Island Financial Training to Home Ownership Mortgage Eligibility (LIFT HOME) program, the New York Mortgage Coalition, and the Long Island Thrift Mortgage Initiative (LITMI). Post-purchase counseling and default prevention education will be expanded. The Housing Partnership will continue to advocate for affordable housing by working with public and private entities to strengthen public housing policies on the local, state and federal levels.

COMMUNITY DEVELOPMENT

The Long Island Partnership Community Development Corporation, Inc. will work to revitalize neighborhoods through residential and economic development. It will work to increase the supply of affordable housing, support existing businesses, and encourage new businesses in communities in need of revitalization. The Housing Partnership will continue to provide technical assistance to municipalities in the administration of their community development programs.

TECHNICAL ASSISTANCE PROVIDER TO FACILITATE THE CREATION OF AFFORDABLE HOUSING

The Housing Partnership will continue to provide technical assistance to community-based, not-for-profit housing organizations and for-profit developers.

COMMUNITY LENDING

The Housing Partnership will continue to work with the private, public and not-for-profit sectors on innovative community lending and related programs including the Regional Lending Consortium, the Chase Recoverable Loan Program, and the Episcopal Diocese Loan Fund.

The Long Island Housing Partnership — A Genuine Public/Private Partnership

It seems that just about every day someone is announcing a new "public/ private partnership." The Long Island Housing Partnership is a public/private partnership where people from the private sector have been partnering with people from the public sector to make good things happen like home ownership, community development and lending programs short on bureaucratic red tape and long on tangible results.

Senator Charles Schumer visited the Housing Partnership's meeting following his November election. Congressman Gary Ackerman accompanied Senator Schumer.

This year's keynote speaker is uniquely qualified to address the members of a public/private partnership. Franklin D. Raines, Chairman and Chief Executive Officer of FannieMae, a government sponsored enterprise but a private New York Stock Exchange Company and the world's largest non-bank financial services company, brings outstanding public and private credentials to his position. And FannieMae's corporate mission of bringing down the barriers to home ownership throughout the United States mirrors the Housing Partnership's Long Island mission. FannieMae has been an exemplary private sector partner with the Housing Partnership.

The Housing Partnership's public-sector partners are many including HUD Secretary Andrew Cuomo, United States Senators Patrick Moynihan and Charles Schumer, the Long Island Congressional Delegation, especially Rick Lazio, the Chairman of the House's Sub-Committee on Housing and Community Opportunity, Long Island Assembly and Senate Delegations, Nassau and Suffolk County Executives Gulotta and Gaffney. This list would be incomplete if it did not acknowledge the Town Supervisors and Town Boards where the Housing Partnership creates affordable home ownership as well as the Nassau and Suffolk County Legislators.

While some may see them as faceless, nameless bureaucrats, we at the Housing Partnership view the federal, state, county, and town housing, planning, and community development professionals as invaluable public partners without whom our accomplishments would simply not be possible.

Congressman Rick Lazio at Bay Shore briefing in LIHP's offices.

Our private sector members are the banks, businesses, universities, professional and labor organizations that contribute time, money and expertise to LIHP's programs.

Whether it is to discuss the best way to site a sewage treatment plant, help Long Islanders avoid home foreclosures, have minority citizens avail themselves of Housing Partnership programs, or express a myriad of other concerns, the Housing Partnership offices are filled almost daily with bankers, lawyers, builders, community activists and government workers volunteering to find methods to make Long Island a better place to live and do business.

That's a public/private partnership with perseverance and professionalism.

BUSINESS

Arthur Anderson, LLP
Bankers Security Life Insurance Society
The Beechwood Organization
Breslin Realty Development Corp.
Burton, Behrendt, & Smith
Candy Falcon Realty
Casa Blanca Agency
Certilman, Balin, Adler & Hyman
Michael P. Chiarelli, Engineer P.C.
Chicago Title Insurance Co.
Commonwealth Land Title Ins. Co.
Community Preservation Corp.
Computer Associates International Inc.
Cullen & Dykman
Victoria Cronacher, Professional Engineers P.C.
EMJ Construction Consultants, Inc.
Engel & Partners, Inc.
Ernst & Young
Estee Lauder Companies
Executive Towers at Lido
Fanning, Phillips and Molnar
Farrell, Fritz, Caemmerer, Cleary, et. al.
First American Title Insurance Co. of N.Y.
Fortunoff
Freudenthal & Elkowitz Consulting Group
Gold Hammer Ltd.
Goldman, Sachs & Co.
Harbour Club, LLC
Hartford Funding Corp.
Henron Development Corp.
Home Depot
James & Leonard Engineers
J.E. Levine Builder, Inc.
Kenneth H. Beckman
KeySpan Energy
The Klar Organization
Kleet Lumber Company, Inc.
Klein & Eversoll, Inc.
Land Design Associates
Long Island Power Authority
Lumex, Inc.
Margolin, Winer & Evens
McMillan, Rather, Bennett & Rigano, P.C.
Mill Max Mfg. Corp.
Mincone & Mincone, P.C.
MJCL Architects & Interiors
Mountco Construction & Development Corp.
Nassau/Suffolk Lumber & Supply
National Land Tenure Co, Inc.
Nationwide Collection Systems, Inc.
Nelson & Pope, LLP
Nixon, Hargrave, Devans & Doyle, LLP
P.C. Richard & Son
The Park Ridge Organization
Pat T. Seccafico, Professional Land Surveyor
PricewaterhouseCoopers
Raiche, Ende,Malter, Lerner & Company
Eric T. Reeps Appraisals, Inc.
Riverhead Building Supply Corp.
S. B. Bowne & Son
Saccardi & Schiff, Inc.
St. Gerard Printing
Scro & Scro Properties, Inc.
John F. Shea III, Esq.
Site Selection Advisory Group, Inc.
Slant/Fin Corp.
Sobel, Kelly & Kotier, PC.
Soil Mechanics Drilling Corp.
Southland Corporation
South Shore Waste Corp.
Sterling Carpet Co., Inc.
Sterling Equities Inc.
Sterling & Sterling
Suffolk Regional Off-Track Betting Corp.
Triangle Building Products Corp.
United States Trust Company of NY
Waldbaum, Inc.
Watral & Sons, Inc.
Weinberg, Kaley, Gross and Pergament
Whitman-Thaw & Associates

EDUCATION

Brookhaven National Laboratory
Stony Brook University
Touro Law Center

FINANCE

Alliance Mortgage Bankers Corp.
Apple Bank for Savings
Astoria Federal Savings & Loan Assoc.
Bank of America
Bank of New York
Bank of Smithtown
Chase Manhattan Bank
Citibank
CFS Bank
Commonwealth Mortgage Assurance Co.
Community Home Mortage Corp.
Dale Mortgage Bankers Corp.
Dime Savings Bank
European American Bank
First National Bank of L. I.
Fleet Bank
Flushing Savings Bank
GMAC Mortgage Corp.
GreenPoint Bank
HSBC Bank
Independence Savings Bank
Jamaica Savings Bank
Key Bank National Association
Long Island Commercial Bank
M & T Mortgage Corp.
Mortgage Lending of America
North Fork Bank
Parmann Mortgage
Reliance Federal Savings Bank
Republic National Bank of NY
Residential First, Inc.
Ridgewood Savings Bank
Roslyn Savings Bank
Southern Star Mortgage Corp.
State Bank of Long Island
Suffolk County National Bank
Suffolk Federal Credit Union

FOUNDATIONS

Allstate Foundation
Institute for Student Achievement
Long Island Community Foundation

LABOR

AFL-CIO Housing Investment Trust
IBEW, Local 25

MEDIA

Cablevision
CMP Media, Inc.
Newsday
WBAB FM Radio

PROFESSIONAL

Hauppauge Industrial Association
Long Island Association
Long Island Board of Realtors
Long Island Builders Institute
Oil Heat Institute of Long Island

RELIGION

Diocese of Rockville Centre
Long Island Council of Churches
New York Board of Rabbis

UNITED STATES GOVERNMENT

Andrew Cuomo, *Secretary, HUD*

Patrick Moynihan, *U.S. Senator*

Charles Schumer, *U.S. Senator*

Gary Ackerman, *Congressman*

Michael Forbes, *Congressman*

Peter King, *Congressman*

Rick Lazio, *Congressman*

Carolyn McCarthy, *Congresswoman*

Bill deBlasio, *Secretary's Representative, New York-New Jersey, HUD*

Bill Chung, *Special Assistant, HUD*

Joseph D'Agosta, *Director, Community Planning Development, HUD*

Mirza DelRosario, *Director of Public Housing, HUD*

Vincent Hom, *Financial Analyst, HUD*

Kathy Mullins, *Program Manager, HUD*

Bill Wong, *Development Director, HUD*

Ken Trapata, *Congressman Lazio's Office*

NEW YORK STATE GOVERNMENT

George E. Pataki, *Governor*

Senate, Long Island Delegation, New York State Kenneth LaValle, James Lack, Caesar Trunzo, Owen Johnson, Carl Marcellino, Kemp Hannon, Michael Balboni, Dean Skelos, Charles Fuschillo

Joseph Bruno, *Senate Majority Leader*

Joseph Bonacic, *Senate Housing Chairman*

Assembly, Long Island Delegation, New York State Patricia Acampora, Fred Thiele, Debra Mazzarelli, Steven Englebright, Paul E. Harenberg, Phil Boyle, John J. Flanagan, Robert K. Sweeney, Steven Labriola, David Sidikman, Donna Ferrara, Thomas P. DiNapoli, Earlene Hooper Hill, Harvey Weisenberg, Kathleen Murray

Sheldon Silver, *Assembly Speaker*

Vito Lopez, *Assembly Housing Chairman*

John Longo, *NYS Assembly Communications*

Steven Hunt, *President, CEO, HFA, AHC, SONYMA, PFA, MBBA*

Jennifer Carucci, *Special Project Coordinator, AHC*

Frank Cobelli, *Senior Program Executive, AHC*

Hector Del Toro, *Vice-President, Special Programs, AHC*

Wanda Ferguson Graham, *Director, AHC*

Fred Ringler, *Vice-President, Construction, Development & Environment Services, AHC*

Joseph Lynch, *Commissioner, NYS DHCR*

Judy Calogero, *Deputy Commissioner, NYS DHCR*

Kevin Carlisle, *Assistant Commissioner, DHCR*

Frank DeSalvo, *Program Administrator, DHCR*

Brian Lawler, *Supervising Attorney, DHCR*

NASSAU COUNTY GOVERNMENT

Thomas S. Gulotta, *Nassau County Executive*

Nassau County Legislators

Kenneth Cynar, *Special Assistant to Nassau County Executive*

Donald Campbell, *Commissioner, Nassau County Office of Housing & Intergovernmental Affairs*

Michael Stufano, *Asst. to the Commissioner*

SUFFOLK COUNTY GOVERNMENT

Robert J. Gaffney, *Suffolk County Executive*

John Cochrane, *Suffolk County Treasurer*

Edward Romaine, *Suffolk County Clerk*

Suffolk County Legislators

Patrick Mahoney, *Suffolk County Sheriff*

Eric Kopp, *Chief Deputy County Executive*

Anthony Apallaro, *Deputy County Executive*

Joseph Baier, *Director, Environmental Qualify, Health Services*

Charles Bartha, *Commissioner, Suffolk County Department of Public Works*

Ken Christensen, *Project Coordinator, Community Development*

John Gallagher, *Police Commissioner*

Clifford Foy, *Regional Director, Water Authority*

Peter Scully, *County Executive Communication*

Lt. Kevin Cronin, *Police Department, BADD Office*

George Gatta, *Deputy County Executive, Economic Development*

Michael LoGrande, *Chairman, Water Authority*

Joseph Michaels, *Police Department*

Lt. Edward Reilly, *Police Department*

Joseph Sanseverino, *Director, Suffolk County Community Development*

Ben Wright, *Department of Public Works*

TOWN OF BABYLON

Richard H. Schaffer, *Babylon Town Supervisor*

Town Council

Anita Katz, *Chief of Staff*

Sondra Bachety, *Director, IDA*

Michael Bernard, *Commissioner of Public Works*

John Burke, *Town Attorney*

Peter Casserly, *Commissioner, Planning & Development*

Douglas Jacob, *Director of Finance*

Thomas Kelly, *Deputy Comptroller*

Michael Mercurio, *Deputy Town Attorney*

Ellen McVeety, *Town Clerk*

James Nemley, *Commissioner of General Services*

Aileen Ronayne, *Assessor*

TOWN OF BROOKHAVEN

Felix Grucci, *Supervisor*

Town Council

Marty Kerins, *Chief of Staff*

Paulette Brinka, *Citizens Advocate*

Annette Eaderesto, *Town Attorney*

John Girandola, *Planning Department*

Vincent Gragone, *Chief Building Inspector*

Karen Loguercio, *Assistant Town Attorney*

Robert Reutzel, *Commissioner, Brookhaven Community Development*

Jim Ryan, *Town Assessor*

TOWN OF ISLIP

Pete McGowan, *Supervisor*

Town Council

Jeanette Messina, *Deputy Supervisor*

Virginia Allen, *Receiver of Taxes*

Ron Devine, *Assessor*

Paul Fink, *Director, Community Development*

Tom Isles, *Commissioner, Planning*

Joan Johnson, *Town Clerk*

Carl Maltesse, *Commissioner, Building & Engineering*

Vincent Messina, Jr,. *Town Attorney*

Gene Murphy, *Deputy Commissioner of Planning*

William Rutkoske, *Housing Authority*

Richard Scheger, *Chairman, Zoning Board of Appeals*

TOWN OF RIVERHEAD

Vincent Villella, *Supervisor*

Town Council

Adam Grossman, *Town Attorney*

Andrea Lohneiss, *Director, Community Development*

TOWN OF SOUTHAMPTON

Vincent Cannuscio, *Supervisor, Town of Southampton*

Town Council

Paul Houlihan, *Principal Building Inspector*

Lisa Kombrink, *Town Attorney*

Tom Talmage, *Town Engineer*

BAY SHORE LIAISON COMMITTEE

Susan Barbash

Barbara Fishkind

Jack Hurt

JoAnne Mitidieri Sanders

Donna Periconi

Marilyn Schulman

Nikki Thompson

Catherine Yeager

PRIVATE SECTOR

Naomi Bayer, Director, *NY Office, FannieMae*

Leonard Canton, *Chairman, North Amityville Community Economic Council*

Joanne Cardinali, *Community Development Director, KeySpan Energy*

Joe Catalano, *Newsday*

Warren Cronacher, *PE*

Tom Datre, *Long Island Builders Institute*

Bill Davidson, *Long Island Lighting Company*

Gail Owens, *President, Greater Gordon Heights Civic Assoc.*

Rosemarie Dearing, *Executive Director, NACEC*

Tom DeJesus, *KeySpan Energy*

Howard DeMartini, *Chairman, Suffolk County Republican Committee*

Pat Dolan, *Cablevision*

Randy Feigenbaum, *Newsday*

JoAnn C. Fiorentino, *Allstate Insurance*

Paul Fauci, *Slant/Fin*

Dennis Garabedian

Anthony J. Greico, *Architect*

Sharon Grosser, *Roslyn Foundation*

Tara Kavanagh, Esq.

Robert Keller, *Regional Director, Community Development, KeySpan Energy*

Joe Keneally, Esq. *Meyer, Meyer & Metli*

Herb Kotler, Esq. *Sobel, Kelly & Kotler P.C.*

Stacey Kowalski, *Assistant to Bob McMillan*

Karen Krautheim, *KLK Realty Services*

Marilyn Larsen, *N. Amityville Taxpayers Association*

John Howard Lynch, Esq.

Dan Martin, *Roslyn Savings Bank*

Helen Martin, *Director, Bellport,Hagerman, East Patchogue Alliance*

Valerie Manzo, Esq.

Michael McCarthy, Esq., *McCarthy & Modelewski*

John Mincone, *Mincone & Mincone, Attorneys*

Daniel Mooney, Esq.

Kristin Nygren, *Citigroup Foundation*

Jacqueline O'Garrow, *Deputy Director, NY Office, FannieMae*

Elsie Owens, *NAACP*

Mitch Pally, *Long Island Association*

Jim Paolella, *Chase Manhattan Bank*

Franklin D. Raines, *President, CEO, FannieMae*

Mary Reid, *Bay Shore CHDO*

Ron Roel, *Newsday Real Estate Editor*

John Rigrod, *Hammer Magazine*

Richard Rosenberg, Esq. *Berkman, Henoch, Peterson & Peddy P.C.*

Buzz Schwenk, *Omnibuzz*

David Scro, Esq.

Diana Shamon, *NY Times, Real Estate Reporter*

Andrea Staub, *KeySpan Energy*

Suzy Sonenberg, *LI Community Foundation*

Dick Thompson, *Slant/Fin*

Edward Travaglianti, *President, EAB*

William Tutt, Valerie Tutt, *United N. Amityville Youth Organization*

Ralph Vasquez, *JJR*

Joseph Ucci, *CPA*

Alfred Werner, *MTA Board, Islip MacArthur Airport*

Abass Wessen, *Concerned Citizens for Better North Bellport*

Bob Wieboldt, *Long Island Builders Institute*

Ann Marie Wheelock, *President, CEO, FannieMae Foundation*

Michelle Whetten, *The Enterprise Foundation*

Donald Donaudy, Jr., *Donaudy Munch Marketing Communications*

LONG ISLAND HOUSING PARTNERSHIP INC.

LONG ISLAND PARTNERSHIP HOUSING DEVELOPMENT FUND COMPANY
BAY SHORE PARTNERSHIP HOUSING DEVELOPMENT FUND COMPANY
LONG ISLAND PARTNERSHIP COMMUNITY DEVELOPMENT CORPORATION
1988-1998

DEVELOPMENT/REHABILITATION	ADDRESS	COUNTY	SCAT.SITES/ SUBDIVISION	TYPE OF HOME	# OF HOMES	SALES PRICE
Amity Villas	Schleigel Blvd Amityville	Suffolk	Subdivision	Townhouse	72	$58,584
Babylon	Amityville	Suffolk	Scat. Sites	Ranch	1	$61,000
Brookside Estates	Flanders	Suffolk	Sub.Division	Colonial	40	$58,990 to $83,990
Cobbleridge	Chapman Blvd Manorville	Suffolk	Subdivision	Townhouse	72	$79,499
Country View I	Middle Island	Suffolk	Subdivision	Condo	33	$73,990
Country View II	Middle Island	Suffolk	Subdivision	Condo	33	$73,990
Freeport	Freeport	Nassau	Scat.Sites	Cape/ Ranch/Col	9	$76,045 to $86,705
Gordon Heights	Gordon Heights	Suffolk	Scat. Sites	Colonial/ Ranch	9	$69,000 to $78,000
Islip I	C.Islip, Brentwood Bayshore, Ronkonkoma	Suffolk	Scat. Sites	Colonial/ Ranch	11	$67,064 to $68,047
Islip II	C.Islip, Brentwood Bayshore, Ronkonkoma	Suffolk	Scat. Sites	Colonial/ Ranch	42	$61,350 to $79,527
Islip III	Brentwood	Suffolk	Scat.Sites	Ranch	4	$62,811
Islip III	Brentwood	Suffolk	Subdivision Vasquez Park	Colonial	6	$73,460
Islip III	Bayshore	Suffolk	Subdivision East Third/Third	Colonial 2-Family/Rental	19	$87,580 to $116,730
Islip V	Brentwood	Suffolk	Scat. Sites	Colonial	1	$29,950
Long Beach	East Market & Hudson St. City of Long Beach	Nassau	Subdivision	Townhouse	15	$70,731
North Bellport	North Bellport	Suffolk	Scat.Sites	Colonial/ Ranch	13	$39,752 to $46,950
The Pines	Old Country Rd East Quogue	Suffolk	Subdivision	Cape/ Salt Box	30	$83,590 to $94,930
REO	Brentwood	Suffolk	Scat.Sites	Ranch	2	$80,000
Riverhead	Riverhead	Suffolk	Scat.Sites	Ranch	5	$41,550 to $49,475
Long Beach II	City of Long Beach	Nassau	Scat. Sites	Two Family	2	TBD
Northern Sites	Westhampton	Suffolk	Sub. Division	Single Family	11	$85,786
South Wind Village	Bay Shore	Suffolk	Redevelopment of Downtown Area	Family Rental/ Senior Rental/ Homeownership	10 16 52	TBD
South Country Estates	East Patchogue	Suffolk	Sub. Division	Colonial Ranch	19	$83,748
Victorian Homes	Medford	Suffolk	Sub. Division	Condo	20	$84,990
TOTAL # OF HOMES					547	

PLANNED PROGRAMS						
Mastic/Shirley	Town of Brookhaven	Suffolk	Scat. Sites	Single Family	16	TBD
Milbrook Gables	Riverhead	Suffolk	Sub Division	Attached	13	TBD
TOTAL # OF UNITS FOR PLANNED PROGRAMS					29	

LOAN FUND PROGRAMS - REGIONAL LENDING CONSORTIUM / EPISCOPAL DIOCESE / CHASE RECOVERABLE GRANT				TYPE OF LOAN		LOAN AMOUNT
Bellport, Hagerman East Patchogue Alliance	North Bellport	Suffolk	Single Site	Acquisition	3	$156,000
Central Islip Civic Council Inc	Central Islip	Suffolk	Single Site	Acquisition/Rehab	1	$50,000
Love'm	Town of Brookhaven	Suffolk	Scat.Sites	Acquisition	8	$432,108
Main Street School	Port Washington	Nassau	Single Sites	Construction/ Bridge/Permanent	59	$5,400,000
Rivoli House	Hempstead	Nassau	Subdivision	Construction/ Permanent	112	$12,050,000
South Shore Restoration Group Inc.	Bay Shore	Suffolk	Single Site	Acquisition/Rehab	6	$80,000
ARTCO, LLC	Bay Shore	Suffolk	Scat. Sites	Acquisition/Rehab	7	$426,400
Broardway West LLD	Brentwood	Suffolk	Senior Subdivision	Acquisition/Bridge	72	$450,000
Surburban	Bay Shore/Central Islip	Suffolk	Scat.Sites	Acquisition	6	$380,000
Housing Help, Inc.	Huntington Station	Suffolk	Scat. Site	Acquisition	1	$120,000
TOTAL # OF UNITS FOR LOAN FUND - REGIONAL LENDING CONSORTIUM / EPISCOPAL DIOCESE / CHASE RECOVERABLE GRANT					275	$19,424,508.00

TECHNICAL ASSISTANCE PROGRAM						
Fairway Manor Senior Housing Development	Hamlet of Bayport	Suffolk	Subdivision	Senior Apartment Complex	174	$500 - $700 (rents)
Fairlawn Property	Village of Patchogue	Suffolk	Subdivision	Senior Housing	37	TBD
Nassau County 31 Groups	Various Communities in Nassau County	Nassau	Scattered Sites	Various Unit Types	513	
Down Payment Assistance Program I & II	Various Communities in Nassau County	Nassau	Scattered Sites	Various Unit Types	121	Not to exceed $190,000
Suffolk County Weatherization Program Last Resort	Various Communities in Suffolk County	Suffolk	Scattered Sites	Various Unit Types	32	N/A
Town of Huntington	East Northport	Suffolk	Subdivision	TBD	TBD	TBD
Island Park	Island Park	Nassau	TBD	TBD	TBD	N/A
Catholic Charities	Various Communities	Nassau/Suffolk	TBD	TBD	TBD	N/A
Broardway West LLD	Brentwood	Suffolk	Subdivision	Senior Rental Housing	72	$520 to $690 (rents)
TOTAL # OF UNITS FOR TECHNICAL ASSISTANCE PROGRAMS					949	

COMMUNITY & ECONOMIC DEVELOPMENT					
Tutor Time	North Amityville	Suffolk	Commercial	10,000 Sq. Ft.	
EAB	North Amityville	Suffolk	Commercial	1,000 Sq. Ft.	
Police Sub-Station	North Amityville	Suffolk	Commercial	365 Sq. Ft.	
Rite Aid	North Amityville	Suffolk	Commercial	12,000 Sq. Ft.	
Town of Babylon	3 Villages & 15 Subrecipients	Suffolk	Various Community/Economic Develoment Programs		$2,356,234.00

EDUCATION - MORTGAGE TRAINING AND ASSISTANCE		Type of Counseling
NY Mortgage Coalition - Mortgage Counseling	1517 Have been counseled	First Time Homebuyers Mortgage Counseling
	450 Mortage Applications have been submitted	First Time Homebuyers Mortgage Counseling
HUD Counseling Services	356 Applicants Counseled	Foreclosure, Reverse Annunity Mortgage, Default & Pre-purchase Counseling
Long Island Thrift Mortgage Initiative (LITMI)	64 Mortgages reviewed	First Time Homebuyers Mortgage Counseling
	4 Homebuyers Expo (2,117 participants)	First Time Homebuyers Mortgage Counseling

a/o 4/01/99 TBD=To be determined N/A=Non applicable

Long Island Housing Partnership, Inc.
180 Oser Avenue, Hauppauge, New York 11788
516 435-4710 FAX 516 435-4751
e-mail:lihpinc@aol.com

Testimony Before The Federal Reserve Board

Wednesday, July 7, 1999

Boston, Massachusetts

Keith W. Stokes

Mr. Chairman and members of the Federal Reserve Board, thank you for the opportunity to present my views on the proposal by Fleet Financial Group to merge with BankBoston Corporation. My name is Keith W. Stokes of Newport, Rhode Island and I am presently executive director of the Newport County Chamber of Commerce in Newport. I am also a member of the Fleet Bank InCity Advisory Board that advises the bank on community development and financial needs in its marketplace. My testimony before you today is in strong support of the proposed merger that would create the 8^{th} largest financial institution in the nation. My support is based upon many years of professional experience in affordable housing, community development, business development and urban planning. I will add that the most important part of my work has included serving on the Affordable Housing Advisory Board of the Federal Home Loan Bank of Boston, Vice Chair of the Rhode Island Main Street Corporation and Vice Chair of the Rhode Island Enterprise Zone Council. As you can see, my professional background and experience has been an effort to improve the economic and social conditions within urban communities, with much of that experience coming from working with financial institutions.

It is well known that access to capital and financial stability are critical issues facing our urban and rural communities, particularly as we move into the next millennium. Guided by a strong national and local economy, our region has seen unprecedented employment growth and business investments. Rather than waiting for these economic benefits to trickle down to low and moderate-income communities, institutions such as Fleet and Bank Boston have pioneered the way financial institutions promote access to credit and capital in the communities of greatest need. Even though separately they have made significant charitable, investment and capital contributions to New England's communities, combined they have the financial potential to become one of the nation's leading participants in community revitalization and stabilization.

From my personal and professional viewpoint, this merger represents a key opportunity for advocates of community reinvestment and development to create new strategic partnerships that will stimulate innovation and enhance investment opportunities for our urban and rural communities. Some community leaders might worry that one less major bank may reduce the amount of community reinvestment activities in the regional marketplace. It has been my experience that both Fleet and BankBoston have historically demonstrated the highest level of community reinvestment initiative and involvement. It is my belief that this level of involvement would only be enhanced with the combined financial resources created by this merger. I would also point out that the creation of a larger, more efficient and effective financial institution would under existing federal Community Reinvestment Act (CRA) requirements, be even more diligent in the way they are required to invest in their communities. As a direct demonstration of this new commitment, the newly formed Fleet Boston Corporation has announced it will establish a new $100 million philanthropic foundation. This is a real commitment offering real dollars for charitable endeavors across the region. Additionally, the merger will create a stronger financial institution that will be able to provide banking services for a larger number of businesses in the marketplace. I will add that under the CRA requirements, this would mean more dollars and services for small business support and affordable mortgage underwriting.

In closing, as you continue to hear testimony and collect information relating to the merger, I ask that you seriously take into consideration that this unification of two highly regarded banks is an opportunity to not only create the strongest financial institution in and for our region, but a means to create more community investment opportunities for our urban and rural communities. Plainly speaking, the newly created FleetBoston will be able to increase its level of business and charitable contributions throughout their Northeast market. This is good for business and our community.

Thank you.

NEW HAMPSHIRE
BUSINESS
DEVELOPMENT
CORPORATION

NHBDC
NH BUSINESS DEVELOPMENT CORP.

1001 Elm Street
Manchester
New Hampshire
03101-1828
Tel: (603) 623-5500
Fax: (603) 623-3972

June 18, 1999

Mr. Richard Walker
Vice President & Community Affairs Officer
Federal Reserve Bank of Boston
600 Atlantic Avenue
Boston, MA 02106

Dear Mr. Walker,

This letter is written to offer my strong support of the merger between Fleet Financial Group (Fleet) and the BankBoston Corporation (BankBoston). My comments are offered in response to the notice of intention to file a Federal Reserve Application that was published in the *Boston Globe* on May 14, 1999.

The New Hampshire Business Development Corporation (NHBDC) exists to promote economic development in the state by addressing under-served market segments with financial services, both directly and in partnership with the banking industry. As evidence of our commitment to the small business community, it is a pleasure to note that the US Small Business Administration recently recognized us as the national Financial Services Advocate of the Year for 1999.

We have worked very closely with Fleet over the years and have seen first-hand the bank's commitment to promoting small business financing using the partnership model. Fleet has participated in three NHBDC investment pools during the past four years alone, two of which are through its Fleet Community Development Corporation (Fleet CDC) subsidiary. With the cooperation of Fleet and others, we have been able to use these proceeds to stimulate over $125 million of venture capital and higher-risk lending activity that otherwise may not have occurred in New Hampshire. In a small state such as ours, this is a most meaningful volume.

Ever since BankBoston achieved its New Hampshire presence in the past couple of years the bank has been active in community affairs, particularly in the small business arena. The bank's BankBoston Development Company (BBDC) was quick to invest in our new venture capital fund, an initiative targeted to smaller companies that are overlooked by the established venture capital industry. Employing a direct investment business model, BBDC sees participation in our fund as a means for establishing a foothold for future New Hampshire investment opportunities in partnership with NHBDC.

I am supportive of the merger because I see synergy rather than redundancy in the combination of these two institutions. From the community development perspective, it is quite exciting to envision the potential of Fleet CDC's partnership model in combination with BBDC's direct investment strategy. On the flip side, I believe New England will suffer a tremendous loss of community commitment in the event that it does not remain home to one of the banking leaders after the industry consolidates. To this end, witness the mayor of San Francisco threatening to remove city funds from the Bank of America now that decisions are made in its new Charlotte, NC headquarters.

It is my good fortune to serve on the Fleet In-City Advisory Board in representation of New Hampshire's interests. Based on this experience, I have first-hand knowledge of Fleet's commitment to community development. In this regard, the bank recognizes that the best interests of the community are best served by helping its citizens to create wealth. Some people confuse this market orientation with a lack of interest in community affairs. For my part, I share the view of renowned Harvard professor, Michael Porter, that this is the only *sustainable* means of community support in a market-oriented economy. This, in fact, is the philosophy with which we approach our work at NHBDC.

It is my great hope that you will grant due weight to these facts in the process of considering the Fleet/BankBoston merger application. Thank you for the opportunity to comment.

Very truly yours,

Jeffrey M. Pollock
President

Testimony of the Initiative for a Competitive Inner City
Community Investment and the BankBoston/Fleet Bank Merger
Boston Federal Reserve Bank
July 7, 1999

My name is Anne Habiby and I am the Director of Research & Communications at the Initiative for a Competitive Inner City. ICIC, which is based in Boston, is a national, non-partisan, not-for-profit organization established by Harvard Business School Professor Michael Porter in 1994.

One of the most important things that anyone can do for inner-city revitalization is provide access to capital. As one of our board members recently stated "capital goes where it's invited and stays where it's welcome."

Bank Boston's Community Development Bank under Chad Gifford and Gail Snowden's exemplary leadership has proven that it is committed to this premise. In fact, ICIC has been outspoken in our support of BankBoston's community bank model and strong inner-city franchise and often cite it to the media as the preeminent community bank in the country. We are encouraged that the proposed merger of BankBoston and Fleet Bank anticipates an increased role for community banking.

Over the past five years, ICIC has chronicled the competitive potential of inner cities across the country, including Boston. A recent ICIC study, to be released this week entitled "**Inner-City Business Development: Benchmarking Federal Spending and Guidelines for Action**", found that between 1996 and 1997, BankBoston and Fleet have been leaders in making SBA 7(a) guaranteed loans to Boston inner-city businesses. Boston's inner city was defined as Dorchester, East Boston, Mattapan, Roxbury and South Boston.

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In 1996, BankBoston led all banks in lending, giving out 9 loans out of a total of 27 and was 1997's second most frequent lender in Boston's inner city, giving out 8 loans out of a total of 43. Fleet alone more than doubled lending in Boston's inner city, from 7 to 16 loans during this period. 7(a) lending in Boston's inner cities increased dramatically from $1.8 million in 1995 to $6.9 million in 1997, with a substantial increase in loan size from $67,000 to $160,000. Interestingly, Boston's inner city share of 7(a) loans as a percentage of total Boston 7(a) loans has increased from 18% in 1995 to 43% in 1997, in large part due to the lending practices of BankBoston and Fleet Bank.

We would urge both banks to sustain and extend these lending practices and their community involvement more broadly – lending as much as possible, profitably. In so doing, the banks will not only provided necessary capital for business growth and economic revitalization, but will be proving the value of the inner-city market to the wider investment community.

FBO Advocate's Response to the Fleet/BankBoston Merger

Public Information Meeting ◆ Federal Reserve Bank, Boston, MA
July 7, 1999 ◆ Frank Kelley, testifying

I. The Introduction

A. My voice is one of many. The Faith Based Organizations, a constituency of over 200 strong, will be sent a press release along with a copy of my request to testify here and this statement.

B. In greater Boston, over 200 Faith Based Organizations, or "FBO's" as they are popularly known, service over 100,000 people and that includes 25,000 plus families. My affiliation with these FBO's grew out of my early career of twenty years in Boston banking. From there I was called out into full time community service in 1987 and then into the pastoral ministry in 1990. Founding and chairing the United Christian Financial Services Association, a broad-based non-profit corporation, opened doors for networking and relationship building.

II. The Concern: Questionable Resources and Options

A. There are questionable resources for the people.

B. There are questionable facilities and options for the community, i.e., our neighborhoods and the FBO's that serve them.

1. Significant Gaps

a. 5000 Job losses – Family wipeout.

b. 270 Branch closings - Introduces barriers to service access.

c. **Two** banks having "Committed Monies" down to **one** bank –
Commitments could be withdrawn or significantly changed.

2. The Resulting Need

a. Viable programs written into the plans of the new mega bank, to address these gaps.

b. A *Community Voice* is needed now as a necessary tool in program planning:

- to be present at the planning tables,
- to provide input on specifics of programs to address these gaps,
- and to link the community with the approval process.

III. The Necessary Tool – Boston's Network of Faith Based Organizations (FBO's)

A. The Faith Based Organizations are continuously being challenged to grow; challenged by the community and, lately, by government and other sectors – AND THEY HAVE "GROWN UP"!

1. Under the IRS guidelines of the 501(C)3 and related nonprofit structures, a diverse representation of the city have increasingly taken on responsibility for the prosperity of their neighborhoods and surrounding communities, resulting in corporate financial accountability as never before. Listed here are 12 examples of the many who edify our urban community:

Black Church Capacity Building Project	Mattapan Dorchester Churches in Action
Black Ministerial Alliance	NETWORK
Boston Education Collaborative	Organization Leadership Training Center
Christian Economic Coalition	TenPoint Coalition
Emmanuel Gospel Center	United Christian Financial Services Association
Greater Boston Interfaith Organization	United Pentecostal Ministers Conference

2. Since dismantling the old welfare system and proposing more local solutions, the Federal Government and others are looking to the FBOs for proven expertise in service delivery at the community level.

   a. City of Boston Empowerment/Enterprise Zone Initiatives (Round I & II)

   b. A Faith Based Organization Initiative tied to the Boston Empowerment Zone.

3. Interest has been heightened among University Academicians toward the Faith Based Organizations in recent years.

   a. Harvard University – Kennedy School of Government

   b. Brandeis University – The Thermostat Institute for Political & Social Action

   c. Yale University – Campus Chaplain's Initiative.

   d. AND OTHER …several colleges and universities have been reorganizing curriculum through the experienced participation and leadership of the FBO's.

IV. A Three Step Call to Action

A. Be intentional about being inclusive when addressing the above mentioned gaps and needs!

B. Provide a seat at the table for representatives of the organized FBO community to contribute their knowledge and networking resources to the research and proposal writing process.

C. Call upon the FBO community to issue support for the merger approval process from the needs assessment through the program writing and approval sign-off.

Continuous community input is welcome through an FBO voice mailbox at 617-929-0352.

VALLEY OPPORTUNITY COUNCIL, INC.

The Community Action Agency Serving Chicopee and Holyoke

Geraldine S. Bilik, *Executive Director*

Edward J. Geaughan, *Deputy Director Finance*
Gail D. Pisacane, *Deputy Director Programs*

300 High Street, Holyoke, MA 01040
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My name is Gail Pisacane and I am the Deputy Director of the Valley Opportunity Council, the Federally designated Community Action Agency for the cities of Chicopee and Holyoke, MA. With an annual budget of approximately nine million dollars we provide services to all 24 cities and towns of Hampden County including Westfield, Ludlow, West Springfield and on occasion, Springfield. Last year we provided direct services to over 26,000 low income and disadvantaged residents of our service areas.

I testify today on behalf of the Valley Opportunity Council and the low-income residents we represent.

John Rubins, author of Main Street, Not Wall Street (Morrow, 1998) writing in the July/August 1999 edition of Consumers Digest writes, "With few exceptions, big banks have traditionally been inhospitable places for small savers…And their penchant for combining into bigger entities doesn't seen to be changing that. The recent mergers are producing higher fees, fewer branches, fewer ATM's and fewer tellers." He cites Brian O'Connor, managing editor of Bank Rate Monitor.

Our experiences suggest that low-income individuals cannot be expected to maintain minimum balances, which might qualify them for lower or no cost services within the bank. They need inexpensive checking and ways to access their minimal savings without accruing service charges. They need bank branches and/or ATM's located in their neighborhood. Few, if any, banks seem willing to accommodate to these needs.

According to O'Connor. We are seeing banks charging \$25-\$35 to print a couple of hundred checks when a customer can get that done for \$5 by mail. Some banks hit you for \$20, \$25 or even \$30 for a bounced check when returning the check costs approximately \$2. "When you open a checking account with a large bank you're inviting (it) to find every way (it) can to rake you over the coals".

Why then should we, or any organization that serves the poor and low income, support this merger? Without some assurances that the needs of those whom we represent will be addressed, we would be remiss in our duty as an advocate for the poor were we to do so.

In human services there is an expectation that as the number of clients increase, that costs per client decrease. "Economy of scale" is the mantra of those who espouse the "bigger is better" theory of service provision.

In the private sector however, the elimination of competition through merger frequently serves as the prelude to increased costs to the consumer.

In addition to the effect of the merger on clients, we must consider the effects on the Valley Opportunity Council itself. As an agency that has been involved in housing development, rehabilitation and management, we have had cordial relationships with the local banking community. As the merger takes place and decision making is centralized, our ability to deal with decision-makers on the local level is impaired. Currently, the only way to call the Fleet Bank Branch located across the street form our headquarters is to call Boston.

We would hope that prior to approval of this merger the Federal Reserve will require that Fleet and BankBoston develop a detailed and publicly verifiable reinvestment plan which has been negotiated with community organizations and elected officials, with specific commitments ensuring a net benefit to low and moderate income and minority communities. We also ask that the public comment period be extended for two weeks after such a plan has been released to the public and that no approval be issued unless and until these conditions are met.

It is essential that if and when this merger is approved that stipulations regarding lifeline-banking service for the poor, access to branches and ATMs and economies of scale for service fees are attached to said approval. We would also hope that some allocation of money to support <u>local</u> non-profit needs and committed bank involvement in the <u>local</u> community is considered.

Thank you for the opportunity to comment.

Arc Massachusetts

Families making a difference for more than 40 years

Formerly Massachusetts Association for Retarded Citizens
217 South Street, Waltham, MA 02453-2769 Phone (781) 891-6270
Fax (781) 891-6271
Email arcmass@gis.net

Donald Stewart, President
Leo V. Sarkissian, Executive Director

To:	Robert M. Brady, Vice President Federal Reserve Bank of Boston
Fr:	Leo Sarkissian, Executive Director
Re:	Fleet Financial and BankBoston
Date:	July 8, 1999

I appreciate the opportunity to testify on behalf of Arc Massachusetts. Our organization's mission is to enhance the quality of life for individuals with specific developmental disabilities. Arc Massachusetts accomplishes this mission by promoting quality community services and advocating for enlightened public policy.

There are a number of systems issues to resolve when a merger such as this is proposed. I'm sure there are professionals who have testified to the level of community investment on the part of community banks versus larger institutions. I would think any review of this merger should include an analysis of community investment that has been made by both institutions.

I am here to help represent the voice of people with disabilities who have been shut out of the housing market over the past several years. "Priced Out in 1998", is a report published by the Technical Assistance Collaborative, Inc (TAC) and the Consortium for Citizens with Disabilities (CCD) It documents the severity and nature of the housing crisis for people with disabilities. The report cites that the crisis is most evident in the affordability of "efficiency" or studio and one-bedroom apartments. On a national average, the cost of a one-bedroom apartment is 60% of SSI (supplemental security income) monthly income and more than a person's total monthly income in 125 housing markets of the United States. For many people with disabilities, especially cognitive disabilities such as mental retardation, SSI is the primary source of personal income. In Massachusetts this income is under 17% of the 1-Person Median Income (Opening Doors, May 1999). People with disabilities often end up in the category of 'extremely low income'. HUD studies estimate that 70% of households with incomes below 30% of median income who are not receiving HUD assistance have priority housing problems.

In Massachusetts, the percentage of SSI income to rent an efficiency unit is 94.89% while to rent a one-bedroom, the percentage are over 100% (116.79%), higher than most states including New York. But it is not easy for families either. Families are forced to accept housing units sometimes on upper floors where they must carry their children up the stairs. Once upstairs, they go down again to carry up the wheelchair or other equipment.

There are many cities and towns in the Boston metropolitan area where less than 10% of housing stock is considered "affordable housing." (1995, CHAS, Executive Office of Communities and Development-Massachusetts) Over half the state's population lives in this metropolitan area. Cities/Towns, which are below the 10% threshold, include Newton (3.8%), Arlington (4.4%), Waltham (5%), Malden (8.9%), Framingham (9%), and Medford (6.9%).

FEDERAL RESERVE BANK OF BOSTON
Public Hearing July 7, 1999
Merger Proposal by Fleet Financial Group Inc. and BankBoston Corporation

TESTIMONY OF ANDREW R. GRAINGER
President, New England Legal Foundation

1. My name is Andrew Grainger. I appear today as President of New England Legal Foundation, a not-for-profit public interest law firm which has as its mission the defense of traditional economic liberties, support of our system of free enterprise and balanced economic growth throughout our six state region.

2. NELF is represented throughout New England by a Board of Directors comprised of General Counsel and senior partners from leading businesses and law firms. We also have a network of Advisory Councils, one in each New England state, which provide the Foundation with an "ear to the ground" on issues affecting business, the economy and property rights on a state and local level.

3. The Foundation's primary activity consists of filing amicus briefs in lawsuits where a policy or constitutional position requires consideration in the resolution of a dispute affecting economic rights and obligations. We typically are involved in more or less 30 cases every year in state and federal courts, primarily in New England but also throughout the country, as well as two or three in the United States Supreme Court.

4. The Foundation also engages in advocacy outside of the courtroom on behalf of free enterprise interests and the business climate in New England. In this context I speak today as the Foundation's President in support of the proposed merger between Fleet and BankBoston.

5. The economic well being of New England and the best interests of individuals and companies doing business here are better served if we can preserve a large strong regionally based commercial lender, as this merger contemplates. We are all aware that institutions the size of Fleet and BankBoston are vulnerable to out-of-region acquirers many times their size.

6. While large national and international businesses based in New England can select on a national and international basis to meet their capital requirements, middle market and smaller companies are hurt when deposit and credit decisions are removed to other parts of the country. In particular the branch system and cash management services that New England based lenders can provide are important to New England businesses. If, as it should, the proposed merger preserves a local presence, then Boston and the rest of New England will benefit.

Testimony of John T. O'Connor
Re: Proposed merger of Fleet Bank and BankBoston

Submitted to The Federal Reserve Bank of Boston
July 7, 1999

Good afternoon. My name is John O'Connor. I am a longtime community organizer with substantial experience in consumer and urban empowerment issues, and the president of a Cambridge environmental firm, as well as a member of State Senator Dianne Wilkerson's Community Advisory Committee. For all these reasons, I have followed with great interest and growing concern the planned merger of Fleet Bank and BankBoston.

I speak today to express my strong opposition to that proposal. This merger would substantially lessen competition in Massachusetts and around New England, nor would there be sufficient (if any) net positive benefits to the public interest to justify its approval.

Put simply, this is a deal that may "greenline" the pockets of Fleet and BankBoston shareholders, but it redlines the needs and concerns of Massachusetts consumers, small businesses and urban communities.

Let me start by stating the obvious. Although what's being proposed here is usually described as a merger of two, Fleet and BankBoston, it in fact represents the consolidation of what had been—just a few short years ago—four of the largest banks in Massachusetts, into a single entity. Surely, going from four to two, and now two to one, cannot be a recipe for robust, healthy competition.

Not surprisingly, even after divestiture, this new Fleet Boston entity would utterly dominate regional markets, commanding a roughly one-third share across Massachusetts, and possibly even more in greater Boston. In other areas, like Worcester, Hartford CT, and Rhode Island, Fleet Boston's overwhelming presence would be even more dramatic. Ironically, many of these markets are already over-concentrated in the hands of Fleet alone at its current size.

Likewise, the new Fleet Boston would be by far the biggest holder of ATMs in Massachusetts. Again, even after divestiture, Fleet Boston is likely to control upwards of half of all bank-owned ATM machines in our state—many times the number held by any other institution.

Some say the solution lies in recruiting some financial behemoth from Charlotte or San Francisco to come up to New England and compete with Fleet-Boston on its own terms, while others favor helping our existing smaller banks to do more. Let's be clear: this is a no-win situation. If history is any guide, small banks probably will better serve their customers and our communities than mega-giants like the proposed Fleet Boston. But they cannot effectively compete in the super-heavyweight division occupied by a Fleet-Boston. Eventually many of these smaller banks will be acquired, squeezed out, or just plain run over.

So I, for one, cannot see how this proposed merger—no matter how it's handled—can do anything other than substantially lessen competition. At best, it pushes us farther in the direction of a market oligarchy, which is not an acceptable substitute for true competition.

The question then becomes: will consumers and our communities see sufficient new benefits from Fleet Boston in terms of convenience or service to offset the bad side-effects of diminished competition? Again, the answer is a clear "no."

BankBoston and Fleet are both plenty big enough now to be able (in theory anyway, if not always in practice) to offer the full range of services and products needed by our consumers and our economy. This isn't a case of two little community banks teaming up to be able to do more lending to mid-sized businesses, say.

Nor is there any reason to think that, when it comes to banks, bigger inherently means better for consumers. Just the opposite, in fact. Big banks charge more, not less, for the basic services most individual and small business customers count on. According to one 1997 study, big banks charge 15% higher fees on checking accounts; require substantially higher minimum balances; and impose more and higher surcharges for ATM usage.

Significantly, Fleet and BankBoston have been very quiet on the subject of customer fees and consumer issues. So unless and until they make some public commitments to the contrary, I see no evidence to assume the outcome here will be any different: more money for less service. Fleet and BankBoston may consider that perfectly "convenient," but consumers and small businesses will probably think otherwise.

Finally, there's the vital issue of how this deal meets (or fails to meet) the needs of all our communities, and whether the proposed merger and the component banks are truly in compliance with the purposes of the Community Reinvestment Act.

A couple of weeks ago, Fleet and BankBoston unveiled what they're touting as a $14 billion-plus CRA commitment that allegedly addresses these concerns. Having examined it closely, I concur totally with the many others who have criticized it as both woefully insufficient in funding, lacking in forward-looking innovations that anticipate likely changes in the financial services landscape, and, critically, missing an enforcement mechanism.

Parse the numbers and you find that the Fleet / BankBoston CRA proposal falls short of representing what the two institutions have achieved separately. Even taking into account shrinkage due to expected divestitures, the CRA plan would constitute a 12 percent decline in small business lending and a whopping 46 percent drop in lending and investment for community development.

That CRA shortfall is even more striking when you consider that Fleet's present level of effort is already insufficient, and is reflective of the fact that the previous generation of takeovers and consolidations involving Fleet have generally lessened, rather than increased, the availability of banking products and services for many residents, especially in urban areas.

One recent study finds, for example, that following its acquisitions just a few years ago of Shawmut National and NatWest bank, total Fleet mortgage lending to African-American, Latino and low-income borrowers in the Boston area dropped sharply relative to what had been achieved previously by the separate institutions. Other data show a similar falloff in New York State.

Under the CRA statute, these kind of facts alone should be sufficient grounds to deny Fleet the right to expand its franchise still further—whether through this merger or some other means—until Fleet proves it has cleaned up its act.

Let me close by going back to the beginning.

Fleet and BankBoston kicked off this process some months ago with the now-famous phrase that "one plus one is greater than two." Asked to attach some specifics to that promise, Fleet officials soon asserted their statement was meant to apply only to supposed business "synergies"—a synonym, I take it, for shareholder profits.

But I suggest today that Fleet must be held to its word, and that the merits of this proposed merger must be tested against the same benchmark Fleet has set for itself.

Does Fleet plus BankBoston really add up to more than the sum of its parts, for all our people and all our communities? In short, does it work for us, all of us?

Or is it actually the case that Fleet / BankBoston's deal asks us to work for them, through higher fees, fewer choices, and less attention to the pressing needs of so many of our communities?

I respectfully submit to you that this proposal does not and will not pass these tests, and should therefore be rejected.

Thank you.

John T. O'Connor

JOHN T. O'CONNOR
160 Second Street
Cambridge, MA 02142

Testimony Prepared for
Public Hearing on Proposed Merger of Fleet and BankBoston

at the

Federal Reserve Bank of Boston

on

July 7, 1999

by

Jim Campen
Associate Professor of Economics
University of Massachusetts Boston

My name is Jim Campen and I am an Associate Professor of Economics at the University of Massachusetts Boston. Last year I completed a two-year term as a member of the Boston Fed's Community Development Advisory Council. I will focus my comments today on the issue of mortgage lending to traditionally underserved borrowers, an issue on which I have completed several studies in recent years.

1. My June report. In early June I released a report entitled "Does One Plus One Equal More Than Two? – Or Less Than One? A Study of Mortgage Lending Before and After Recent Mergers by Fleet and BankBoston." (A copy is attached; it has previously been entered into the record for this application.) The main finding of this study was that – both in the city of Boston and in all of Massachusetts – lending to black, Latino, and low- and moderate-income (LMI) borrowers by Fleet in 1998 was approximately half of the total lending to these borrowers by Fleet and Shawmut combined in 1995. That is, the result of this most recent Fleet merger was "1 + 1 = 1." In contrast, I found that lending to these borrowers by BankBoston in 1998 was approximately equal to the total lending to these borrowers by Bank of Boston and BayBanks combined in 1995. That is, the result of the most recent BankBoston merger was "1 + 1 = 2." Fleet's performance, but not that of BankBoston, fell far short of meeting the criteria of "1 + 1 > 2" that was emphasized by CEO's Murray and Gifford at their joint March 15 press conference.

My findings may be illustrated by one example (from Panel D of Table 1). LMI borrowers purchasing homes in the city of Boston in 1995 received 274 loans from Fleet and 400 loans from Shawmut, for a total of 674 loans. In 1998, Fleet made 335 loans, for a decrease of almost exactly half (the percentage decrease of 50.3% is reported in the right hand column). The same borrowers received almost as many loans from BankBoston in 1998 as from Bank of Boston and BayBanks combined three years earlier (the total fell from 269 loans to 255, a decrease of 5.2%). This particular finding is chosen as representative, not extreme; the same general pattern exists whether one looks at Boston or the entire state; at loans to blacks, to Latinos, or to LMI borrowers; at starting dates of 1994 or 1995 or ending dates of 1997 or 1998. And the findings reported for New York, New Jersey, New Hampshire, and Connecticut in Table 3 are even stronger than those for Boston in Table 1 and Massachusetts in Table 2.

2. Fleet's response. Fleet's principal response to my findings was stated in a June 29 letter from William Mutterperl to the Boston Fed's CRA Officer, Richard Walker. Mr. Mutterperl points out that Fleet has ranked first in market share of lending to black, Latino, and LMI borrowers and that the percentage of its total loans that go to these borrowers is substantially above the industry average. This, of course, is not a refutation of my findings. Rather, Mr. Mutterperl has, perhaps unwittingly, underlined exactly why the substantial drop in Fleet's mortgage lending to these borrowers following its merger with Shawmut is so

significant. It is precisely because Fleet and Shawmut had such strong performance in lending to traditionally underserved borrowers that their decline matters so much.

When a major lender cuts back its lending to middle- and upper-income households there is no reason for public policy concern, because there are plenty of other lenders aggressively seeking to lend to these borrowers. But when the largest lender to traditionally underserved borrowers cuts back substantially, there *is* a shortage of other lenders who will step in and take up the slack. Thus, even though Fleet's cutback in lending to minority and LMI borrowers was approximately proportional its cutback in overall lending, while total lending (by all lenders) to all borrowers rose by 29% between 1995 and 1997, total lending (by all lenders) to black and Latino borrowers fell by 1% during the same period.

When the two largest lenders to minority and LMI borrowers merge, it is possible for the subsequent lending of the surviving institution to fall to the level of the merger partner with the lower level of lending (that is, to fall by more than 50%, so that "1+1<1), while that surviving institution retains the positions of the largest single lender to blacks, Latinos, and LMI borrowers. Indeed, Fleet and Shawmut were by far the largest such lenders in 1995, and Fleet remains, as Mr. Mutterperl says, the largest lender.

At this time, Fleet and BankBoston are the two largest lenders to minority and LMI borrowers. I doubt that Mr. Mutterperl means to suggest that it would be all right if the lending to these borrowers by the institution resulting from the proposed merger were to fall by 50% – as long as that institution retained a number one market share and continued to make a high percentage of its loans to these borrowers.

3. New results for six Massachusetts MSAs. I have attached to the written version of my testimony six newly completed tables that replicate for six Massachusetts metropolitan areas (MSAs) the analysis previously done for the City of Boston and the state of Massachusetts. These tables, numbered Tables 4 – 9 so as to not duplicate the table numbers from my June report, present new results for the three biggest MSAs in the state – Boston, Worcester, and Springfield – as well as for the three MSAs in the southeastern part of the state.) I particularly call your attention to the tables for Springfield (Table 5) and New Bedford (Table 7).

In Springfield, the state's second most populous MSA, between 1995 and 1998 Fleet's home-purchase loans to blacks fell from 46 loans to just 2, to Latinos from 99 loans to just 10, and to LMI borrowers from 226 loans to just 38. (The corresponding percentage declines, shown in the right-hand column were 95.7%, 89.9%, and 83.2%, respectively.) Meanwhile BankBoston's lending to blacks and Latinos combined, as well as their lending to LMI borrowers, increased.

In New Bedford, the state's poorest MSA, (Table 7) total lending by both Fleet and BankBoston dropped precipitously. Total loans to blacks and Latinos by the two banks combined fell from 23 loans to 3, while total lending to LMI borrowers by the two banks combined fell from 127 loans to just 11. These dramatic numbers seem to me to offer grounds for serious concern, although I calculated them too recently to have had an opportunity to pursue any explanation of why lending in that city by these two banks fell so far and so fast.

4. The impact of branch/deposit divestitures on the "1 + 1 > 2" criteria. Fleet and BankBoston have suggested that the criterion of "1 + 1 > 2" should be modified to take into account the fact that the post-merger, post-divestiture institution will be only about 80% as large as the combined size of the two current banks – that is, that the appropriate criterion should be "1 + 1 > 1.6."

However, there is no guarantee that a bank acquiring divested branches will in fact engage in mortgage lending that will make up for a drop in lending by the divesting institution. I am aware of two cases in the last round of mergers where a substantial number of branches and deposits in a single MSA were divested to a single institution.

Table 8
MORTGAGE LOANS FOR HOME PURCHASES IN THE MASSACHUSETTS PART OF THE PROVIDENCE, FALL RIVER, WARWICK MSA*
Before and After Recent Mergers by BankBoston and Fleet, 1994 - 1998

Lender	1994	1995	1996	1997	1998	% change 1995 to 1998
A. Total Loans						
BankBoston	35	49	53	34	46	
BayBanks	48	47	31	0	0	
SubTotal	83	96	84	34	46	-52.1%
Fleet	114	157	179	77	94	
Shawmut	137	102	4	0	0	
SubTotal	251	259	183	77	94	-63.7%
B. Loans to Black Borrowers						
BankBoston	1	0	1	0	0	
BayBanks	0	1	0	0	0	
SubTotal	1	1	1	0	0	-100.0%
Fleet	1	2	3	2	1	
Shawmut	0	0	0	0	0	
SubTotal	1	2	3	2	1	-50.0%
C. Loans to Latino Borrowers						
BankBoston	0	0	0	0	1	
BayBanks	1	1	0	0	0	
SubTotal	1	1	0	0	1	0.0%
Fleet	5	2	3	1	0	
Shawmut	2	3	0	0	0	
SubTotal	7	5	3	1	0	-100.0%
D. Loans to Low- and Moderate-Income Borrowers						
BankBoston	12	11	11	5	10	
BayBanks	8	6	4	0	0	
SubTotal	20	17	15	5	10	-41.2%
Fleet	31	38	61	26	26	
Shawmut	36	38	3	0	0	
SubTotal	67	76	64	26	26	-65.8%

* Most of this MSA is in Rhode Island; this table includes only loans in th Massachusetts part of the MSA.

Data sources: Loan Application Registrar (LAR) data made available in accordance with the Home Mortgage Disclosure Act (HMDA). 1994-1997 data from CDs distributed by the Federal Financial Institutions Council. 1998 data obtained directly from BankBoston and Fleet. Data include all loans by identifiable affiliatates of lenders named.

Low/Moderate Income (LMI): Defined for this table as up to 80% of the median family income in the Boston MSA. The maximum income to qualify as LMI was $41,000 in 1994, $42,000 in 1995, $45,000 in 1996, and $48,000 in 1997 & 1998.

Table Prepared by: Jim Campen, UMass/Boston, July 6, 1999

Table 9
MORTGAGE LOANS FOR HOME PURCHASES IN THE BARNSTABLE-YARMOUTH MSA
Before and After Recent Mergers by BankBoston and Fleet, 1994 - 1998

Lender	1994	1995	1996	1997	1998	% change 1995 to 1998
A. Total Loans						
BankBoston	56	64	54	109	151	
BayBanks	50	96	42	0	0	
SubTotal	106	160	96	109	151	-5.6%
Fleet	55	96	215	128	109	
Shawmut	121	109	7	0	0	
SubTotal	176	205	222	128	109	-46.8%
B. Loans to Black Borrowers						
BankBoston	2	1	0	1	1	
BayBanks	1	1	0	0	0	
SubTotal	3	2	0	1	1	-50.0%
Fleet	0	1	0	0	0	
Shawmut	1	2	0	0	0	
SubTotal	1	3	0	0	0	-100.0%
C. Loans to Latino Borrowers						
BankBoston	0	2	3	1	1	
BayBanks	0	1	0	0	0	
SubTotal	0	3	3	1	1	-66.7%
Fleet	0	0	1	1	0	
Shawmut	1	2	0	0	0	
SubTotal	1	2	1	1	0	-100.0%
D. Loans to Low- and Moderate-Income Borrowers						
BankBoston	22	18	7	23	22	
BayBanks	13	14	7	0	0	
SubTotal	35	32	14	23	22	-31.3%
Fleet	14	19	57	31	23	
Shawmut	28	30	2	0	0	
SubTotal	42	49	59	31	23	-53.1%

Data sources: Loan Application Registrar (LAR) data made available in accordance with the Home Mortgage Disclosure Act (HMDA). 1994-1997 data from CDs distributed by the Federal Financial Institutions Council. 1998 data obtained directly from BankBoston and Fleet. Data include all loans by identifiable affiliatates of lenders named.

Low/Moderate Income (LMI): Defined for this table as up to 80% of the median family income in the Boston MSA. The maximum income to qualify as LMI was $41,000 in 1994, $42,000 in 1995, $45,000 in 1996, and $48,000 in 1997 & 1998.

Table Prepared by: Jim Campen, UMass/Boston, July 6, 1999

Does One Plus One Equal More Than Two? – Or Less Than One?

A Study of Mortgage Lending Before and After Recent Mergers by Fleet and BankBoston

by

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June 1999

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Introduction

At the March 15 press conference held to discuss the proposed merger of their two companies, CEO's Terry Murray of Fleet and Chad Gifford of BankBoston emphasized a theme that was featured prominently on several of the slides projected for their audience: "1 + 1 > 2." They argued, in other words, that the combined institution resulting from the merger would be able to do more for its stockholders, customers, and communities than the sum of what the two pre-merger institutions have done separately.

On that same day, I completed a brief study that examined the impact on mortgage lending in Boston of the mid-1990s mergers that had reduced the number of big banks in the city from four to two. That study compared the combined lending of Bank of Boston and BayBanks before their merger to the lending of BankBoston in 1997, and the combined lending by Fleet and Shawmut before their merger to the lending of Fleet in 1997. In addition to looking at total home purchase loans in Boston, it presented data on lending to black, Latino, and low- and moderate-income (LMI) borrowers. The findings were dramatic: Fleet's 1997 lending, both overall and to each of these three categories of traditionally underserved borrowers, was approximately half of what Fleet and Shawmut had done jointly in 1995. In contrast, while BankBoston made 32% fewer total loans in 1997 than Bank of Boston and BayBanks had made in 1997, it actually made more loans to black and LMI borrowers in 1997 than had been made by its two predecessor banks in 1995, and its loans to Latinos were down by only 10%.[1]

The present study expands my earlier study in three ways. First, I have updated the analysis of lending in the city of Boston through 1998 (Table 1), using data obtained directly from Fleet and BankBoston.[2] Second, I have provided a parallel analysis of all lending in the state of Massachusetts (Table 2). Finally, I have prepared a summary presentation that juxtaposes my analysis of Fleet's lending in Massachusetts to the results of before-and-after analyses (by others) of Fleet's mortgage lending in New Jersey, New York, Connecticut, and New Hampshire from 1995 to 1997 (Table 3).

Summary of Major Findings

- In the aftermath of Fleet's recent mergers, mortgage lending has fallen far short of the "1 + 1 > 2" standard emphasized by CEOs Murray and Gifford. In fact, **in the great majority of cases, Fleet's post-merger results can be characterized as "1 + 1 <1." That is, post-merger mortgage loans by Fleet have been less than half as great as the combined number of loans by the pre-merger institutions**. This is true whether one looks at mortgage lending in Boston, in all of Massachusetts, or in any of the four other northeastern states examined. It is true whether one looks at overall lending, at lending to blacks, at lending to Latinos, or at lending to low- and moderate-income (LMI) borrowers. It is true whether one looks at data for 1997 or for 1998. And it is true whether one looks at just Fleet and Shawmut (in MA, CT, and NH) or at Fleet, Shawmut, and NatWest (in NJ and NY).

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[1] This one-page study, entitled "Does One Plus One Equal More than Two? Or Is It Less? Data on Mortgage Lending in the City of Boston by Boston's Big Four Banks of the Early and Mid-1990s – Before and After the Mergers that Resulted in Two Big Boston Banks for the Late 1990s," received considerable publicity. Its findings were featured in a Boston *Herald* article by Joe Bartolotta ("Merger Worries Housing Advocates," March 17) and in a Boston *Globe* lead editorial ("BankBoston's Good Example," March 22). Soon after this, a Fleet staff member contacted me to say that Fleet's numbers didn't agree with mine; we arranged an April 8 conference call to discuss the differences. It turned out that Fleet's numbers were larger than mine, in every category for every year, but that they showed very similar percentage reductions. For example, while I found that loans to blacks had declined from 439 in 1995 to 200 in 1997 – a decrease of 54.4%% – Fleet's numbers indicated that loans to blacks had declined from 517 to 244 – a decrease of 52.8%. (Much, but not all, of the differences between our numbers can be explained by my elimination of double-counting of Soft Second loans in Fleet and Shawmut's HMDA data [see footnote to Tables 1 and 2]).

[2] Although the Federal Financial Institutions Examination Council will not release its comprehensive, processed Home Mortgage Disclosure Act (HMDA) data for 1998 until late this summer, individual lending institutions must provide their own HMDA data within thirty days of a request made any time after March 1.

- The right hand columns of Tables 1 - 3 present the percentage changes from pre-merger to post-merger in the loans made by Fleet overall, and to black, Latino, and low- and moderate-income (LMI) borrowers. All of the approximately twenty changes were decreases, and all but two of these decreases were greater than 50%. The only smaller decreases were a 39.2% drop in lending to Latinos in Boston (from 143 loans in 1995 to 87 in 1998), and a 49.6% drop in lending to Latinos statewide (from 536 loans in 1995 to 270 in 1998). The biggest decreases were in loans to blacks and Latinos in New York, and to LMI borrowers in New Hampshire, all of which fell by more than 70%. The following examples are representative, rather than particularly dramatic:
    - In Boston, Fleet and Shawmut combined made 674 loans to LMI borrowers in 1995, while Fleet made just 335 loans to LMI borrowers in 1998 – a decrease of 50.3%.
    - In Massachusetts, Fleet and Shawmut combined made 702 loans to black borrowers in 1995, while Fleet made just 334 loans to black borrowers in 1998 – a decrease of 52.4%.
    - In the four northeastern states for which analyses were conducted, Fleet, Shawmut, and NatWest made a total of 1,575 loans to Latino borrowers in 1995, while Fleet made just 600 loans in 1997 – a decrease of 61.9%. The decreases in Latino lending in individual states ranged from 53.4% in New Jersey to 72.8% in New York.
- In strong contrast, **the merger of Bank of Boston and BayBanks has been followed by levels of mortgage lending to traditionally underserved categories of borrowers that are generally consistent with a standard of "1 + 1 = 2."** That is, the numbers of loans made to black, Latino, and LMI borrowers made by the post-merger BankBoston have been, on average, approximately equal to the total numbers of loans made by Bank of Boston plus BayBanks before the merger. This has been the case even though BankBoston's total lending to all borrowers fell substantially between 1995 and 1998 – by 38.0% in Boston and by 51.1% statewide.
    - Black borrowers purchasing homes in Boston received 123 loans from Bank of Boston and BayBanks combined in 1995, while they received 143 loans from BankBoston in 1998 – an *increase* of 16.3%. Statewide, lending to blacks decreased by less than one percent.
    - Latino borrowers purchasing homes in Boston received 50 loans from Bank of Boston and BayBanks combined in 1995, and exactly the same number from BankBoston in 1998. Statewide, lending to Latinos *increased* by 83.3% – from 192 loans in 1995 to 352 loans in 1998.
    - LMI borrowers purchasing homes in Boston received 269 loans from Bank of Boston and BayBanks combined in 1995, while they received 255 loans from BankBoston in 1998 – a decrease of 5.2%. Statewide, lending to LMI borrowers fell by 17.9%.

A Concluding Comment on Why These Findings Matter

Although the substantial decreases in *overall* mortgage lending that followed the recent mergers of Fleet and BankBoston represent a notable departure from the "1 + 1 > 2" standard emphasized by the two banks' CEOs, they provide little reason for community or public policy concern. Middle-class and affluent homebuyers face no shortage of mortgage lenders eager to provide mortgages at competitive rates. For example, even though overall mortgage loans in the City of Boston by Fleet and BankBoston and their merger partners fell by 42.2% between 1995 and 1997, overall lending in the city by all lenders still increased by 28.7%.[3]

[3] My calculations, from HMDA data. Loans by the biggest banks fell from 1,714 in 1995 to 990 in 1997, while loans by all lenders rose from 4,637 to 5,970. Statewide, the pattern was very similar: loans by the biggest banks fell by 51.3% (from 10,920 loans in 1995 to 5,320 in 1997), while loans by all lenders rose 29.3% (from 65,056 loans in 1995 to 84,091 in 1997).

The case is quite different, however, when it comes to traditionally underserved borrowers. Minority and lower-income households have benefited greatly in the 1990s from special mortgage loan programs offered by the biggest Boston banks. The big banks' capabilities and resources have allowed them to offer loan products, plus marketing and delivery systems, that smaller lenders can't match and that large out-of-state mortgage companies – not subject to regulatory review of their performance with respect to the mandates of the Community Reinvestment Act – have shown no interest in duplicating. As a result, Fleet and BankBoston, combined with Shawmut and BayBanks, gained disproportionately large market shares of all lending to these households. For example, while they made 37.0% of all home-purchase loans in Boston in 1995, they made 63.8% of all loans to black and Latino borrowers in Boston in that year.

Given the special role played by the biggest banks in lending to traditionally underserved borrowers, there are strong grounds for fearing that a drop in post-merger mortgage lending to these borrowers by the proposed Fleet Boston could result in their experiencing a net loss of loans. Indeed, this is precisely what happened following the last round of mergers. **Between 1995 and 1997, a 40.1% decrease in Fleet plus BankBoston's lending to blacks and Latinos was accompanied by a decrease of 1.1% in total lending to these borrowers – even though, as noted above, a slightly larger (42.2%) decrease in Fleet plus BankBoston's overall lending was accompanied by a 28.7% increase in total lending by all lenders.**[4]

Accordingly, there are excellent reasons for communities to insist – and for regulators to require – that the new institution be committed to achieving its stated standard of "1 + 1 > 2" for mortgage lending to traditionally underserved borrowers. While the record of Fleet in its recent mergers offers grounds for deep concern, the record of BankBoston – by showing that the standard is one that can be achieved – offers grounds for hope.

[4] My calculations, from HMDA data. Loans to blacks and Latinos by the biggest banks fell from 755 in 1995 to 542 in 1997, while loans by all lenders fell from 1,183 to 1,170. Statewide, the pattern was similar: loans to blacks and Latinos by the biggest banks fell 39.5% (from 1,642 in 1995 to 993 in 1997), while loans by all lenders rose 7.3% (from 4,262 in 1995 to 4,575 in 1997).

Table 1

MORTGAGE LOANS FOR HOME PURCHASES IN THE CITY OF BOSTON

Before and After Recent Mergers by BankBoston and Fleet, 1994 - 1998

Lender	1994	1995	1996	1997	1998	% change 1995 to 1998
A. Total Loans						
BankBoston	281	237	366	477	434	
BayBanks	314	463	240	0	0	
SubTotal	595	700	606	477	434	-38.0%
Fleet	497	462	687	513	525	
Shawmut	492	552	41	0	0	
SubTotal	989	1,014	728	513	525	-48.2%
B. Loans to Black Borrowers						
BankBoston	94	65	102	135	143	
BayBanks	64	58	45	0	0	
SubTotal	158	123	147	135	143	16.3%
Fleet	250	187	246	200	199	
Shawmut	171	252	28	0	0	
SubTotal	421	439	274	200	199	-54.7%
C. Loans to Latino Borrowers						
BankBoston	27	27	40	45	50	
BayBanks	9	23	11	0	0	
SubTotal	36	50	51	45	50	0.0%
Fleet	73	70	77	72	87	
Shawmut	67	73	4	0	0	
SubTotal	140	143	81	72	87	-39.2%
D. Loans to Low- and Moderate-Income Borrowers						
BankBoston	160	135	189	274	255	
BayBanks	116	134	97	0	0	
SubTotal	276	269	286	274	255	-5.2%
Fleet	320	274	421	323	335	
Shawmut	282	400	36	0	0	
SubTotal	602	674	457	323	335	-50.3%

Data sources: Loan Application Registrar (LAR) data made available in accordance with the Home Mortgage Disclosure Act (HMDA). 1994-1997 data from CDs distributed by the Federal Financial Institutions Council. 1998 data obtained directly from BankBoston and Fleet. Data include all loans by identifiable affiliatates of lenders named.

Data adjustment: Loan totals have been adjusted, for loans in the city of Boston only, so that only one loan is counted for each home purchased under the Soft Second Loan Program. In many cases, HMDA data include both the first and the (soft) second mortgage loans originated for these home purchases. This time-consuming adjustment, which I believe improves the meaningfulness of the data, results in loan totals lower than those calculated by others from the raw HMDA data. However, the effects of this adjustment on the percentage changes reported in the right-hand column of the table above are minor. The total number of duplicate (soft second) mortgages eliminated from my database are:

BankBoston+BayBanks: '94 -- 54 loans; '95 -- 29 loans; '96 -- 10 loans; '97 -- 7 loans; '98 -- no loans
Fleet+Shawmut: '94 -- 135 loans; '95 -- 142 loans; '96 -- 99 loans; '97 -- 91 loans; '98 -- 68 loans

Low/Moderate Income (LMI): Defined for this study as up to 80% of the median family income in the Boston area. The maximum income to qualify as LMI was $41,000 in 1994, $42,000 in 1995, $45,000 in 1996, and $48,000 in 1997 & 1998.

Table Prepared by: Jim Campen, UMass/Boston, June 7, 1999

Table 2
MORTGAGE LOANS FOR HOME PURCHASES IN THE STATE OF MASSACHUSETTS
Before and After Recent Mergers by BankBoston and Fleet, 1994 - 1998

Lender	1994	1995	1996	1997	1998	% change 1995 to 1998
A. Total Loans						
BankBoston	1,790	1,396	2,240	2,304	2,368	
BayBanks	2,579	3,444	1,697	0	0	
SubTotal	4,369	4,840	3,937	2,304	2,368	-51.1%
Fleet	2,466	2,997	4,356	3,016	3,240	
Shawmut	3,558	3,083	192	0	0	
SubTotal	6,024	6,080	4,548	3,016	3,240	-46.7%
B. Loans to Black Borrowers						
BankBoston	170	97	166	187	210	
BayBanks	119	115	83	0	0	
SubTotal	289	212	249	187	210	-0.9%
Fleet	410	342	461	345	334	
Shawmut	333	360	41	0	0	
SubTotal	743	702	502	345	334	-52.4%
C. Loans to Latino Borrowers						
BankBoston	97	114	218	238	352	
BayBanks	58	78	34	0	0	
SubTotal	155	192	252	238	352	83.3%
Fleet	271	351	389	223	270	
Shawmut	269	185	16	0	0	
SubTotal	540	536	405	223	270	-49.6%
D. Loans to Low- and Moderate-Income Borrowers						
BankBoston	736	582	862	1,038	1,145	
BayBanks	781	812	470	0	0	
SubTotal	1,517	1,394	1,332	1,038	1,145	-17.9%
Fleet	1,326	1,458	2,247	1,513	1,503	
Shawmut	1,693	1,589	144	0	0	
SubTotal	3,019	3,047	2,391	1,513	1,503	-50.7%

Data sources: Loan Application Registrar (LAR) data made available in accordance with the Home Mortgage Disclosure Act (HMDA). 1994-1997 data from CDs distributed by the Federal Financial Institutions Council. 1998 data obtained directly from BankBoston and Fleet. Data include all loans by identifiable affiliates of lenders named.

Data adjustment: Loan totals have been adjusted, for loans in the city of Boston only, so that only one loan is counted for each home purchased under the Soft Second Loan Program. In many cases, HMDA data include both the first and the (soft) second mortgage loans originated for these home purchases. This time-consuming adjustment, which I believe improves the meaningfulness of the data, results in loan totals lower than those calculated by others from raw HMDA data. However, the effects of this adjustment on the percentage changes reported in the right hand column of the table above are minor. The total number of duplicate (soft second) mortgages eliminated from my database are:

BankBoston+BayBanks: '94 -- 54 loans; '95 -- 29 loans; '96 -- 10 loans; '97 -- 7 loans; '98 -- no loans
Fleet+Shawmut: '94 -- 135 loans; '95 -- 142 loans; '96 -- 99 loans; '97 -- 91 loans; '98 -- 68 loans

Low/Moderate Income (LMI): Defined for this study as up to 80% of the median family income in the Boston area. The maximum income to qualify as LMI was $41,000 in 1994, $42,000 in 1995, $45,000 in 1996, and $48,000 in 1997 & 1998.

Table Prepared by: Jim Campen, UMass/Boston, June 7, 1999

Table 3
MORTGAGE LOANS FOR HOME PURCHASES IN SELECTED NORTHEASTERN STATES
Before and After Recent Fleet Mergers, 1995 - 1997

	1995	1996	1997	% change 1995 to 1997
A. Massachusetts (includes Fleet all years and Shawmut in 1995 & 1996)				
Total Loans	6,080	4,548	3,016	-50.4%
Loans to Black Borrowers	702	502	345	-50.9%
Loans to Latino Borrowers	536	405	223	-58.4%
Loans to Low & Mod Income Borrowers	3,047	2,391	1,513	-50.3%
B. New Jersey (includes Fleet all years, Shawmut in 1995, and NatWest in 1995 & 1996)				
Total Loans	3,716	1,292	1,293	-65.2%
Loans to Black Borrowers	232	105	100	-56.9%
Loans to Latino Borrowers	279	114	130	-53.4%
Loans to Low & Mod Income Borrowers	1,159	517	482	-58.4%
C. New York (includes Fleet all years, Shawmut in 1995, and NatWest in 1995 & 1996)				
Total Loans	8,059	4,300	2,415	-70.0%
Loans to Black Borrowers	873	431	227	-74.0%
Loans to Latino Borrowers	467	239	127	-72.8%
Loans to Low & Mod Income Borrowers	1,646	1,083	603	-63.4%
D. Connecticut (includes Fleet all years, Shawmut in 1995 & 1996)				
Total Loans	2,391	1,693	1,223	-48.8%
Loans to Black Borrowers	331	258	125	-62.2%
Loans to Latino Borrowers	293	192	120	-59.0%
Loans to Low & Mod Income Borrowers	1,016	749	456	-55.1%
E. New Hampshire (includes Fleet all years, Shawmut in 1995 & 1996)				
Total Loans	99	39	31	-68.7%
Loans to Low & Mod Income Borrowers	35	13	9	-74.3%
F. Five State Total (includes Fleet all years, Shawmut & NatWest in 1995 & 1996)				
Total Loans	20,345	11,872	7,978	-60.8%
Loans to Black Borrowers	2,138	1,296	797	-62.7%
Loans to Latino Borrowers	1,575	950	600	-61.9%
Loans to Low & Mod Income Borrowers	6,903	4,753	3,063	-55.6%

Sources:

MA: HMDA data analysis by Jim Campen, UMass/Boston (from Table 2)

NJ, NY, & CT: HMDA data analysis by Research Department, National Community Reinvestment Coalition, Washington DC

NH: HMDA data analysis by Granite State Community Reinvestment Association, Condord NH

Notes:

Massachusetts data adjusted to eliminate double counting of Soft Second Loans in Boston (see note to Table 2); without this adjustment, my numbers for Massachusetts are very close to those calculated by the NCRC.

Data include loans by all identifiable affiliates of Fleet, NatWest, and Shawmut.

New Hampshire data are for conventional loans only; data for other states include all home purchase loans.

Table Prepared by: Jim Campen, UMass/Boston, June 4, 1999

Testimony

of

Robert R. Davis

Director of Government Relations

America's Community Bankers

on

The Fleet Financial Group, Inc./BankBoston Merger

before

The Federal Reserve Bank of Boston

on

July 7, 1999

My name is Robert R. Davis and I am Director of Government Relations for America's Community Bankers. We appreciate the opportunity to present our views on the acquisition of BankBoston by Fleet Financial. Your day has been long and I promise to be as brief as possible.

America's Community Bankers is a national banking trade association representing progressive community banks of all sizes. In New England, our membership covers the complete range of institutions other than Fleet and BankBoston, consisting of savings banks, co-operative banks, savings associations and commercial banks. Our New England members include multi-billion dollar regional banks such as Peoples Heritage Bank, Webster Bank and People's Bank, which may be among Fleet's large-institution competitors in the future. ABC membership also includes the smallest institutions in the region, including co-op banks with less than $10 million in assets. ACB also represents almost all banks that operate as mutual institutions. We are the only national trade group that represents the entire spectrum of banks in New England, other than money center banks.

Our testimony will focus on the divestiture of branches, ATMs and other assets necessary for the proposed acquisition to comply with antitrust law, as well as other competitive considerations. Our concerns can be summarized into five points:

1. Community banks in New England are fierce and effective competitors that should be afforded a significant role in resolving the anti-trust problems inherent in a large acquisition in a concentrated banking market.

2. Unlike other regions of the country, savings institutions in New England have well-diversified portfolios, and are strong competitors for the business customer.

3. The unprecedented potential concentration in ATM ownership that could result from the proposed acquisition raises economic concerns that must be addressed by the regulators' anti-trust analysis. The divestiture plan being developed must take into account the unique economic implications of such a high concentration of ATM ownership, particularly within the Route 128 corridor.

4. So as not to revisit problems that have emerged in the past, the government should provide careful scrutiny of any restrictive real estate covenants that would hamper future competition.

5. Similarly, other contract provisions, such as restrictions on communications between potential consortia partners in bidding or restrictions on future hiring practices of banks that bid for divested branches, must be prohibited.

Community Banks As Effective Competitors

America's Community Bankers recognizes that the government, as part of its consideration of divestitures resulting from acquisitions, has the objective to introduce other large competitors into the New England banking scene. We have no disagreement with this goal. However, we firmly believe that the most competitive banking environment in New England can be created only by also enhancing the position of the many community banks. Community banks of all sizes are well positioned to assume this role. Each of our members in New England -- from the multi-billion dollar institutions, to those of several hundred million, to those that are much smaller -- effectively compete in their market niche for both the business and the retail customer.

New England banks have the oldest and strongest tradition in America, and have illustrated their competitive mettle by pioneering the move to nation-wide NOW accounts almost 20 years ago. These same institutions currently are at the cutting-edge of efforts to bring interest-bearing demand accounts to businesses as well as consumers, and will continue to be a driving competitive force in other areas.

Savings Institutions As Strong Competitors For The Business Customer

Savings institutions in New England are unique because of the extent of their business lending, and current trends indicate that business lending is a rapidly growing part of their balance sheets. State-chartered savings banks hold approximately 5 percent of their assets in commercial loans, an amount almost as great as their consumer loan portfolios. Savings associations, which elsewhere in the country frequently are only beginning to engage in business lending, hold over four percent of their assets in commercial loans. Even co-op banks, which historically have had the strongest mortgage lending orientation among New England banks, hold almost 2 percent of their assets in commercial loans, and some of the co-ops are quite active commercial lenders. Commercial banks other than Fleet and BankBoston hold over 6 percent of their assets as commercial loans. Following current trends and aided by an open divestiture process, commercial lending by community banks will continue to grow, bringing strong competitive benefits to both community and middle market business borrowers.

ATM Concentration

New England has the highest concentration of ATM ownership of any region in the country, and Massachusetts has the highest concentration of any state. After the acquisition, Fleet will control two-thirds of the ATM machines in Massachusetts, with a much higher concentration within the Route 128 corridor.

ATM placement has become a much keener competitive tool in recent years. A combination of this trend and the unprecedented potential concentration of ownership means that it is essential that ATM concentration assume a central position in the current anti-trust analysis. Although Federal Reserve analysis may once have relied primarily on Herfindahl-Hirshman indices to measure deposit concentration or business loan concentration, today the same rigorous analysis must be applied to ATM concentration.

Restrictive Real Estate Covenants

Prior merger experiences in the New England area have shown the need for divestiture plans also to address covenants which may restrict future uses of divested real estate. In particular, restrictions on real estate use and requirements for placements of competitor's ATMs have discouraged entry of effective community bank competition into certain markets. We are concerned that this remains a problem area that has not been adequately addressed, particularly in view of the unique problems associated with ATM concentration.

Restrictive Contract Provisions

We are aware that at least two provisions in confidentiality agreements that must be signed by bidders may serve to chill the bidding process and diminish the competitive role of growing community banks in serving in New England. We brought these to the attention of Federal Reserve staff and understand that some relief may have been provided. However, we believe these provisions, and perhaps others, are serving to hamper community bank bidding for divested branches. In particular, the confidentiality agreements require blanket restrictions on hiring of Fleet or BankBoston employees under a variety of circumstances. Only upon demand has this restriction been partially relaxed. Obviously, community banks are hampered in the bidding process if in order to bid they must voluntarily agree to give up the right to hire employees that now, in the past or in the future might work for the largest bank employer in the region.

A second restriction limits any bidding company from "discussing with or offering to any third party any equity participation in a possible transaction or any other form of joint acquisition by the receiving party and such third party." Of course, this effectively limits preliminary discussions with possible consortia partners without a case-by-case approval by Fleet, which may or may not be granted. Although it is my understanding and this contract provision is negotiable, I know of no instance when such a negotiation has been successful.

Conclusion

America's Community Bankers has no interest whatsoever in impeding the BankBoston acquisition by Fleet. To the contrary, we believe the transaction can bring new efficiencies and competition to the marketplace. For that to occur, the Federal Reserve and the Department of Justice must carefully construct a divestiture plan to resolve anti-trust concerns, and that divestiture plan should take into account the points raised above. We strongly believe that the acquisition and divestitures in question can result in gains for the entire banking industry and all of its customers in New England. We are just as strongly convinced that the best solution will be a divestiture that ensures a strong role for competitive community banking throughout the region.

Statement of Donald S. Glass
President, Community Bank League of New England
Boston, Massachusetts

Federal Reserve Board Public Meeting
July 7, 1999
Re: Merger of Fleet Financial Group and BankBoston Corporation

Good morning. For the record my name is Donald Glass. I am the President of the Community Bank League of New England, a regional trade association representing 118 community banks located throughout the six New England states. Our members range in size from $9 million to $1.2 billion with an average asset size of $147 million.

We believe that generally this merger will have a very positive impact on the economic vitality of the New England region. It is good for the two companies and the region as a whole. We advocate a win-win scenario where community banks, small businesses, local communities and consumers win as well, as a consequence of this transaction.

Community banks are a vital source for financial services to small businesses, local communities, and consumers. Community banks strive to provide quality products and services at affordable prices while demonstrating a strong commitment to and investment in their local communities. A key principle in the League's mission statement is to foster an environment in which community banks can operate in a productive, profitable manner. In line with our mission, we believe it is essential and in the best interest of the banking industry as a whole that this proposed transaction be conducted in a way that allows community banks to play a role in the completion of this merger.

We have three key concerns regarding the proposed merger between Fleet Financial Group and BankBoston Corp. They are as follows:

1. There are a number of anti-trust issues such as overall market dominance, state imposed deposit caps as well as the concentration of ATM ownership. The latter is of primary concern to our members, since together Fleet and BankBoston own the largest number of bank-owned ATM machines in use today in Massachusetts. In the metropolitan Boston area their combined ATM ownership is well over 50 percent. This gives them the ability to employ predatory pricing practices, such as surcharging. We strongly urge that these anti-trust concerns be thoroughly evaluated and that serious consideration be given to requiring the divestiture of a specific percentage of ATM machines both those located in branches and free-standing alike.

2. In the past, large banks in this region have included non-compete clauses in sale and other documents relating to the divestiture of bank branches and real estate. In this regard, we would urge you to make sure that this practice is prohibited.

3. We believe that community banks should be allowed to have the opportunity to participate in the purchase of deposits and branches to be divested. Their participation in the divestiture process will help ensure that the community banking industry remains a strong and vibrant player serving local communities in their respective markets.

Thank you for considering our views.

FAIR HOUSING IN THE SUBURBS: THE ROLE OF A MERGED FLEET BOSTON IN THE DIVERSIFICATION OF THE SUBURBS

Report to the Federal Reserve Board
Concerning the Merger of BankBoston Corp. and Fleet Financial Group

Presented on Behalf of:

Belmont Fair Housing Committee/Belmont Housing Partnership
Town of Belmont

Prepared and Presented by:

Roger D. Colton
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July 7, 1999

INTRODUCTION

One question presented to federal regulators by the proposed merger of Fleet Financial Group and BankBoston Corporation is whether the merged bank will adequately address the credit needs of the community. In assessing whether this will occur, there is a need to differentiate between the urban and the suburban communities. There is a significant focus of attention today on developing affordable housing in the urban community. That focus is clearly necessary. Unfortunately, however, there is much less attention focused on the suburbs. One of the next major steps that must occur in community development and fair housing is to facilitate the diversification of suburban communities.

The data discussed below present a compelling argument on this need for diversification in the suburban community. The following discussion focuses on one slice of Boston's suburbia, beginning with Belmont and radiating north and west eventually to capture the following ten communities:

Belmont	Winchester	Sudbury
Waltham	Arlington	Concord
Lexington	Bedford	
Woburn	Burlington	

Information on Lincoln was sought but was not available. The data show a need for:

- Greater socio-economic diversification; and
- Greater racial and ethnic diversification.

Each of these needs will be documented below. In addition, a proposal for action to be imposed as a condition of the merger will be advanced.

THE BELMONT FAIR HOUSING COMMITTEE

The Belmont Fair Housing Committee is a Committee of the Town of Belmont. The Committee has been in existence since 1989. In the *Policy Statement and Preamble* to the creation of the Fair Housing Committee, the Belmont Board of Selectmen stated, amongst other things, that:

> IT IS HEREBY RESOLVED that the Town of Belmont affirms its commitment to ensure equal opportunity in housing for all persons who are or who desire to reside within its boundaries. In the conduct of all Town of Belmont programs and activities affecting the housing of town residents, the

policy of the Town of Belmont shall be to promote equal choice and access to housing for all persons.

* * *

The Town of Belmont recognizes that discriminatory practices are detrimental to its citizens and to the future development of Belmont, and manifests its support for Fair Housing Legislation. The Town of Belmont shall take necessary action to remedy the effects of discrimination and prevent the growth of such practices. The Town will aggressively move to counteract any activities which restrict the potential for equal opportunity in housing.

The Town of Belmont encourages all real estate brokers, agents, home builders, and developers, mortgage holders, and landlords to review operating practices and work with the Town in providing equal housing opportunities.[1]

SOCIO-ECONOMIC DIVERSITY IN HOMEOWNERSHIP

The first major credit need in the suburban community, as relevant from the perspective of this report, involves the promotion of socio-economic diversity. One lesson found in the available data is that the affordability of units is not the only barrier to homeownership in the ten communities studied. Homeownership is unavailable even when affordable homeownership opportunities exist. Information was obtained for each of the study communities on the number of units that are affordable at different levels of median income. This information shows that merely because a unit is affordable at a designated income level does not mean that it is actually occupied by a family (or household) with that income. "Occupancy distribution" has been discussed in detail elsewhere.[2]

Not surprisingly, there are few affordable homeownership units available at the lowest levels of median income in the ten study communities. Belmont, for example, has only five homeownership units affordable for households at or below 30 percent of median income and only 24 units affordable at or below 80% of median income. Only Sudbury has fewer affordable homeownership units. Even the three communities with the most units that are affordable at or below 80% of median income (Waltham: 241; Burlington:

\1\ ***Belmont Fair Housing Plan***, Section I, Policy Statement and Preamble, adopted by Belmont Board of Selectmen (June 6, 1989).

\2\ Roger Colton (Spring 1997). "Fair Housing and Affordable Housing: Availability, Distribution and Quality." ***Colloqui*** (Cornell University journal of planning).

217; Woburn: 213) do not have a large number units relative to the total size of those communities. This data is presented in Table 1.

The lack of affordable housing in these suburban communities, however, is not the story to take notice of in this context. Even aside from the lack of available affordable units, even those affordable homeownership units that *are* available are not occupied by households with lower incomes. Of the 101 homeownership units affordable at 0 - 30% of median income in Bedford, for example, 0 are occupied by households with incomes at 0 - 30% of median income. Of the 106 homeownership units affordable at 50 - 80% of median income in Burlington, only 27 are actually occupied by households with incomes at or below 80% of median income. The totals for the ten communities are set forth in Table 2 below.

As can be seen, the lack of a supply of affordable housing units is not the only barrier to socio-economic diversity in the ten study communities. Less than one-fifth of the units affordable at 0 - 30% of median income are actually occupied by households with those incomes (91 / 477 = 19.1%). Only roughly half of the homes affordable at 31 - 50% of median (116 / 241 = 48.1%), as well as at 51 - 80% of median (234 / 468 = 50.0%), are occupied by households with incomes at or below the affordable levels.

It is often asserted that Boston's suburban community lacks a greater socio-economic diversity because of the lack of affordable housing. The data above confirm that this is frequently the case. The data further show, however, that something more stands as a barrier to socio-economic diversification. The data present a compelling case that even when and where affordable homeownership units exist, they are not being purchased by households at lower incomes. To meet the needs of diversifying the suburbs, specific proactive steps are necessary. The need is more than simply to "avoid discrimination." A proposal for action is presented below.

Table 1
Availability of Affordable Homeownership Units vs. Occupancy of Affordable Homeownership Units
By Percent of Median Income of Unit Occupant
By Individual Community (10 Northwest Boston Suburbs)

	Units Affordable at 0 - 30% Median Income		Units Affordable at 31 - 50% Median Income		Units Affordable at 51 - 80% Median Income	
	Total Units	Units Occupied by HHs @ 0 - 30%	Total Units	Units Occupied by HHs @ 0 - 50%	Total Units	Units Occupied by HHs @ 0 - 80%
Arlington	34	0	9	0	49	25
Bedford	101	0	21	0	3	3
Belmont	5	0	6	6	13	13
Burlington	77	15	34	0	106	27
Concord	29	23	11	0	6	0
Lexington	52	0	28	24	71	24
Sudbury	6	0	0	0	0	0
Waltham	103	44	45	41	93	48
Winchester	21	0	30	8	10	0
Woburn	49	9	47	37	117	94

SOURCE:

U.S. Department of Housing and Urban Development, Comprehensive Housing Affordability Strategy (CHAS) CD-ROM (1993).

Table 2
Availability of Affordable Homeownership Units vs. Occupancy of Affordable Homeownership Units
By Percent of Median Income of Unit Occupant
Cumulative Totals (10 Northwest Boston Suburbs)

	0 - 30% of median		31 - 50% of median		51 - 80% of median	
	Affordable	Occupied /a/	Affordable	Occupied /b/	Affordable	Occupied /c/
Total (10 communities)	477	91	241	116	468	234

NOTES:

/a/ Occupied by households with incomes at 0 - 30% of median income.
/b/ Occupied by households with incomes at 0 - 50% of median income.
/c/ Occupied by households with incomes at 0 - 80% of median income.

Racial and Ethnic Diversity in Homeownership

The second major credit need in the suburban community, as relevant for purposes of this report, involves the promotion of racial and ethnic diversification. The data from the ten study communities used for this report show a lack of diversification even when controlling for income (as measured by percent of median income). Merely because units may be affordable to households of color[3] does not mean that households of color are becoming homeowners in these suburban communities.

Table 3 presents data on the distribution of African-American homeowners with incomes at or above 80% of median income. Table 4 presents data for Hispanic homeowners.

The lack of racial and ethnic diversity in the ten study communities cannot be attributed exclusively to the lack of affordable housing availability. As Table 3 reveals, throughout the ten communities, the number of total African-American homeowners with incomes at or above 80% of median income is consistently less than one percent of the total number of homeownership units affordable at those levels. The performance is nearly identical relative to Hispanic homeowners at that income level.

By definition, the price of housing is not the limiting factor in this analysis. The data is limited to housing determined to be affordable at 80% of median income or more with which to begin. The data is also limited to African-American and Hispanic households who have incomes of at least that amount. Something more than the mere unaffordability of homeownership is creating barriers to suburban homeownership for households of color.

Consider the total numbers rather than simply the percentages. In Arlington, there are 10,638 homeownership units affordable to households with incomes at or above 80% of median income, but only 41 African-American homeowners with incomes above 80% of median income. In Concord, while there are 4,393 homeownership units affordable above 80% of median income, there are only six (6) African-American homeowners with incomes at that level. In total, while there are 65,628 homeownership units affordable at or above 80% of median income in the ten study communities, there are only 356 African-American homeowners with those incomes in the ten study communities.

The data is nearly identical for Hispanics. While there are 65,628 homeownership units affordable at or above 80% of median income in the ten study communities, there are only 376 Hispanic homeowners with those incomes in those communities.

\3\ Persons of color are defined to include black (not of Hispanic descent) and Hispanic.

Table 3
The Number of African-American Homeowners in Ten Northwest Boston Suburban Communities
Controlling for Incomes at or Above 80% of Median Income

Northwestern Boston Suburbs	Units Available Above 80%	Black (not Hispanic) Homeowners			
		81-95%	95%+	Total 81%+	Percent
Arlington	10,638	0	41	41	0.4%
Bedford	3,070	0	44	44	1.4%
Belmont	5,735	0	0	0	0.0%
Burlington	6,013	0	29	29	0.5%
Concord	4,393	0	6	6	0.1%
Lexington	8,476	6	58	64	0.8%
Sudbury	4,304	0	45	45	1.1%
Waltham	9,282	20	53	73	0.8%
Winchester	5,690	11	25	36	0.6%
Woburn	8,027	0	18	18	0.2%
Total 10 Communities	65,628	37	319	356	0.5%

SOURCE:

U.S. Department of Housing and Urban Development, Comprehensive Housing Affordability Strategy (CHAS) CD-ROM (1993).

Table 4
The Number of Hispanic Homeowners in Ten Northwest Boston Suburban Communities
Controlling for Incomes at or Above 80% of Median Income

Northwestern Boston Suburbs	Units Available Above 80%	Hispanic Homeowners			
		81-95%	95%+	Total 81%+	Percent
Arlington	10,638	0	79	79	0.7%
Bedford	3,070	0	16	16	0.5%
Belmont	5,735	0	21	21	0.4%
Burlington	6,013	0	37	37	0.6%
Concord	4,393	0	5	5	0.1%
Lexington	8,476	6	51	57	0.7%
Sudbury	4,304	0	12	12	0.3%
Waltham	9,282	17	35	52	0.6%
Winchester	5,690	0	6	6	0.1%
Woburn	8,027	18	73	91	1.1%
Total 10 Communities	65,628	41	335	376	0.6%

SOURCE:

U.S. Department of Housing and Urban Development, Comprehensive Housing Affordability Strategy (CHAS) CD-ROM (1993).

As can be seen, the lack of a supply of affordable housing units is not the only barrier to socio-economic diversity in the ten study communities.

Identifying and seeking remedies for these barriers to diversity in homeownership is one essential element in fair housing lending. Fair housing lending involves more than merely "avoiding discrimination." Fair housing lending has as its ultimate goals the elimination of the effects of any fair housing impediments identified through the lender's analysis outside the lender's control and the elimination of any identified impediments within the control of the lender. Translating these goals into objectives and programs is discussed below.

PROPOSED REMEDY

Based on the two credit needs of the suburban communities identified above, it would be appropriate for Fleet Boston to commit to working with the greater Boston fair housing community to develop, by the end of Calendar Year 2000, a Plan of Action to promote the diversification of the suburbs. This Plan would include a stated goal; supported by quantifiable, verifiable short-term (1-year; 3-year) and long-term (5-year) objectives; a written work plan in furtherance of accomplishing the objectives, including an overall strategy and implementing tasks; an evaluation mechanism to determine performance relative to the stated objectives; and a review mechanism (including both internal and external persons) charged with utilizing the evaluation to formulate recommendations on modifications, as needed, to the Plan of Action should the objectives not be achieved.

The Program Model

This Plan of Action should be based on fundamental planning principles. Bank lending programs to further fair housing in the suburbs are but one type of a "program."\4\ Basic planning principles dictate that certain steps are as applicable to the planning and implementation of fair housing lending as they are to any program of any nature. The program design for a fair housing initiative to support diversity in the suburbs should include the following steps:

1. **Articulating the program goal:** The program goal is the ultimate end-in-view resulting from the program.

\4\ "A 'program' may be any activity, project, function, or policy that has an identifiable purpose or set of objectives." U.S. General Accounting Office, ***Performance Measurement and Evaluation: Definitions and Relationships, Glossary***, at 1 (April 1998).

2. **<u>Establishing one or more program objective(s)</u>:** Program objectives are to be both attainable and measurable. It is against program objectives that program performance is subsequently measured.

3. **<u>Identifying the strategy to accomplishing the objective(s)</u>:** The "strategy" of a program is the overall direction in which the program intends to move.[5]

4. **<u>Identifying one or more tactics through which to implement the strategy</u>:** Program "tactics" are the specific action steps through which a strategy is implemented. Tactics are those program elements which would be included in a work plan. A program may, and likely will, have multiple tactics to implement the strategy.

5. **<u>Measuring program performance</u>:**[6] Measuring a program's performance involves measuring outcomes.[7] Measuring outcomes is different from measuring outputs or activities. Neither output measures nor activity measures contribute to a determination of whether the program objective is being met. Accomplishment of an objective can only be measured through an analysis of program outcomes.

6. **<u>Evaluating program performance in light of the program objectives</u>:** Program performance should be measured relative to the program objective.[8] This involves creating a feedback loop. The feedback loop

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\5\ The strategy is important in that it is disconnected from tactics. A tactic may be effective and yet still not accomplish the program goal if the strategy is flawed with which to begin.

\6\ "Performance measures may address the type or level of program activities conducted (process), the direct products and services delivered by a program (outputs), and/or the results of those products and services (outcomes)." ***Performance Measurement and Evaluation***, *supra.*

\7\ "Performance measurement focuses on whether a program has achieved its objectives, expressed as measurable performance standards." ***Performance Measurement and Evaluation***, *supra.* As is thus evident, it is possible to know that a program reduces energy burdens and/or energy bills, without documenting what *outcome* that program result generates.

\8\ "Performance measurement is the ongoing monitoring and reporting of program accomplishments, particularly progress towards preestablished goals." ***Performance Measurement and Evaluation***, *supra.*

provides the planner with the ability to determine if the objective was met, and if not, what changes need to be made to improve performance.[9]

These program planning steps are illustrated in Figure 1. Two important observations need to be made about this planning process. First, it is critical to distinguish between strategy and tactics. Even successful tactics fail if the strategy is flawed in the first place. If a strategy is in error, the effectiveness of the tactics becomes irrelevant, since successful tactics cannot be used within a flawed strategic framework to accomplish program objectives. Second, an appropriate strategy can fail due to unsuccessful tactics. Under these circumstances, the appropriate planning response is to determine whether the tactics had some underlying flaw, or whether they were poorly implemented.

The Evaluation Model: Outcomes/Not Activities

The model proposed above represents an important change in the approach to fair housing lending in the suburban communities. Rather than focusing attention on "activities" or "outputs" on the part of a merged Fleet Boston, the proposed program focuses instead on performance or "outcomes." An outcome-based focus is not merely a different word for "quotas." Outcome-based planning and evaluation is a recognized and growing planning tool for all types of program design and development.

Of the performance measurement obligations that are increasingly being applied to both public and private programs today, perhaps best known is the Government Performance and Results Act of 1993 (GPRA). GPRA was designed to address the same conceptual issues a lender must address for its fair housing programs: "to grapple() with how to best improve effectiveness and service quality while limiting costs."[10] GPRA was enacted in response to:

> the need to shift the focus of government decisionmaking and accountability away from a preoccupation with the activities that are undertaken. . .to a focus on the results of those activities. . . The key concepts of this performance-based management are the need to define clear agency missions, set results-oriented goals, measure progress toward achievement

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\9\ "A program evaluation's typically more in-depth examination of program performance and context allows for an overall assessment of whether the program works and identification of adjustments that may improve its results." ***Performance Measurement and Evaluation***, *supra.*

\10\ James Hinchman (Acting Comptroller General). (June 24, 1997). ***Managing for Results: The Statutory Framework for Improving Federal Management and Effectiveness***, at 1, Testimony before U.S. Senate Committee on Appropriations and Committee on Governmental Affairs (GAO/T-GGD/AIMD-97-144).

> of those goals, and use performance information to help make decisions and strengthen accountability.[11]

The transformation to performance-based management is not easy under GPRA. But the substantial difficulties which federal agencies will face are much the same that Fleet Boston will face with its fair housing programs. As the U.S. General Accounting Office (GAO) has observed, one goal of the statute for the federal government is to:

> ensur(e) that agencies are managing to achieve results rather than just focusing on activities or processes. Many agencies have a difficult time moving from measuring program activities to establishing results-oriented goals and performance measures. The fundamental reason that this is so difficult is that, to manage on the basis of results, agencies must move beyond what they control--that is, their activities--to focus on what they merely influence--their results.[12]

In this observation, one could replace the word "agencies" with the words Fleet Boston and the fundamental truth of the statement would still attend.

Federal agencies have been provided substantial guidance on the aspects of GPRA that relate to the issue of definition of adequate and appropriate performance measures. The *Executive Guide: Effectively Implementing the Government Performance and Results Act*[13] states that its review of private, as well as state and foreign government agencies "that were successful in measuring their performance" had developed performance measures that were based on four characteristics:

- o They were tied to program goals and demonstrated the degree to which the desired results were achieved;
- o They were limited to a vital few that were considered essential for producing data for decisionmaking. "These vital few measures should cover the key performance dimensions that will enable an organization to assess accomplishments, make decisions, realign processes, and assign accountability."[14]

\11\ *Id.*

\12\ *Id.*, at 8.

\13\ Comptroller General of the United States, U.S. General Accounting Office, GAO/GGD-96-118 (June 1996).

\14\ *Id.*, at 25.

- They were responsive to multiple priorities, forcing managers and policymakers to take "competing interests into account and create incentives for managers to strike the difficult balance among competing demands."[15] and

- They were responsibility-linked to establish accountability for results. "A clear connection between performance measures and program offices helps to reinforce accountability and ensure that, in their day-to-day activities, managers keep in mind the outcomes their organization is trying to achieve."[16]

As implementation of GPRA has made clear:

> Even the best performance information is of limited value if it is not used to identify performance gaps, set improvement goals, and improve results. . .[S]uccessful organizations recognize that it is not enough just to measure outcomes. Instead, they must also assess the main processes that produce the products and services that lead to outcomes. Such organizations typically assess which steps or activities of a process are the most costly, consume the most labor resources, and take the most time to complete. By analyzing the gap between where they are and where they need to be to achieve desired outcomes, management can target those processes that are in most need of improvement, set realistic improvement goals, and select an appropriate process improvement technique.[17]

As can be seen, a crucial element of performance management is, indeed, establishing and reporting the desired goals and outcomes so that gaps in performance can be identified and rectified. There should be monitoring, reporting, evaluation and feedback within the Fleet Boston fair housing planning process, with program modifications flowing therefrom as appropriate. An appropriate feedback loop is illustrated in Figure 2.[18]

\15\ *Id.*, at 25.

\16\ *Id.*

\17\ Johnny C. Finch (Assistant Comptroller General) and Christopher Hoenig (Director, Information Resource Management/Policies and Issues). (June 20, 1995). ***Managing for Results: Critical Actions for Measuring Performance***, at 9, testimony before the U.S. House Subcommittee on Government Management, Information and Technology, Committee on Government Reform and Oversight.

\18\ This analysis does not set forth proposed objectives and performance indicators since establishing those objectives and indicators is an essential step in the program planning process. Fleet Boston, in cooperation with the local fair housing community, should develop both the objectives and the performance indicators.

CONCLUSIONS AND SUMMARY

Based upon the above discussion, the following conclusions are appropriate:

1. Fair housing lending requires more than simply avoiding discrimination. It involves seeking to eliminate the effects of any fair housing impediments outside the lender's control and to eliminate any identified impediments within the control of the lender.

2. Two major credit needs have been identified for Boston's suburban community. The first major credit need in the suburban community, as relevant from the perspective of this report, involves the promotion of socio-economic diversity. The second major credit need in the suburban community, as relevant for purposes of this report, involves the promotion of racial and ethnic diversification.

3. The data confirm that Boston's suburban community frequently lacks a greater socio-economic diversity because of the lack of affordable housing. Something more, however, stands as a barrier to socio-economic diversification. Even when and where affordable homeownership units exist, they are not being purchased by households at lower incomes. To meet the needs of diversifying the suburbs, specific proactive steps are necessary.

4. The lack of a supply of affordable housing units is not the only barrier to socio-economic diversity in Boston's suburban communities. The data from the ten study communities used for this analysis show a lack of diversification even when controlling for income (as measured by percent of median income). Merely because units may be affordable to households of color does not mean that households of color are becoming homeowners in these suburban communities. By definition, the price of housing is not the limiting factor in this analysis. Something more than the mere unaffordability of homeownership is creating barriers to suburban homeownership for households of color.

5. Based on the above conclusions, it is appropriate to impose as a condition of this merger, the requirement that Fleet Boston commit to working with the greater Boston fair housing community to develop, by the end of Calendar Year 2000, a Plan of Action to promote the diversification of the suburbs. This Plan would include a stated goal; supported by quantifiable, verifiable short-term (1-year; 3-year) and long-term (5-year) objectives; a

written work plan in furtherance of accomplishing the objectives, including an overall strategy and implementing tasks; an evaluation mechanism to determine performance relative to the stated objectives; and a review mechanism charged with utilizing the evaluation to formulate recommendations on modifications, as needed, to the Plan of Action should the objectives not be achieved.

BACKGROUND OF PERSON PROVIDING COMMENTS

Roger Colton is a member of the Belmont (MA) Fair Housing Committee (a committee of local government) and the Belmont Housing Partnership. Colton is also a member of the Advisory Committee of the Fair Housing Center of Greater Boston.

An attorney and an economist, Colton is a principal in the research and consulting firm of Fisher, Sheehan and Colton, Public Finance and General Economics (FSC). FSC has prepared fair housing analysis of impediments studies for local governments. In addition, Colton is a member of the national *LIHEAP Advisory Committee on Managing for Results*, for the U.S. Department of Health and Human Services, Administration on Children and Families (HHS/ACF), charged with developing outcome-based performance standards for the federal Low-Income Home Energy Assistance Program (LIHEAP). Under contract to the U.S. Department of Labor, Occupational Safety and Health Administration (OSHA), Colton prepared an *ex ante* performance review of OSHA's proposed standard to control the occupational exposure of workers to tuberculosis in homeless shelters.

FIGURE 1: BASIC PROGRAM PLANNING STEPS

1. Articulate the program goal

The program goal is the ultimate end-in-view resulting from the program.

Illustration: To maintain better contacts within one's family.

2. Establish one or more program objective(s)

Program objectives are to be both attainable and measurable. It is against program objectives that program performance is subsequently measured.

Illustration: To be home for holidays.

3. Identify the strategy through which to accomplish the objective(s)

The "strategy" of a program is the overall direction in which the program intends to move.

Illustration: To acquire frequent flyer miles to fund airplane tickets for holiday trips home.

4. Identify one or more tactics through which to implement the strategy

Program "tactics" are the specific action steps through which a strategy is implemented. Tactics are those program elements which would be included in a work plan. A program may, and likely will, have multiple tactics to implement the strategy.

Illustration: To limit all business trips solely to a single airline to increase the accumulation of frequent flyer miles.

FIGURE 1: BASIC PROGRAM PLANNING STEPS

5. Measure program performance

Measuring performance involves measuring outcomes, a process that differs from measuring either outputs or activities. Neither output measures nor activity measures contribute to a determination of whether a program objective is being met. Accomplishment of an objective can only be measured through an analysis of program outcomes.

Illustration (outcome measure): Was I home for New Years Day, Labor Day, Fathers Day?

Illustration (activity measure): Did I fly all my business trips on one airline?

Illustration (output measure): Did I accumulate sufficient frequent flyer miles to fund a trip home for the holidays?

6. Evaluate program performance in light of the program objectives

Program performance should be measured relative to the program objective. This involves creating a feedback loop. The feedback loop provides the planner with the ability to determine if the objective was met, and if not, what changes need to be made to improve performance.

Illustration (flawed strategy): I flew enough business trips on one airline to accumulate sufficient miles for an airline ticket, but my home town does not have an airport.

Remedy (change strategy): To dedicate one week of vacation per year to be home for Christmas.

Illustration (flawed tactic design): I flew 100% of my business trips on one airline, but I took only three business trips.

Remedy (change tactics): To purchase all business supplies using a credit card offering frequent flyer miles.

Illustration (flawed tactic implementation): I flew enough business trips on one airline to accumulate sufficient miles for an airline ticket, but the airline on which I took all my business trips does not fly to my home town.

Remedy (improve implementation): To change airline on which I fly business trips.

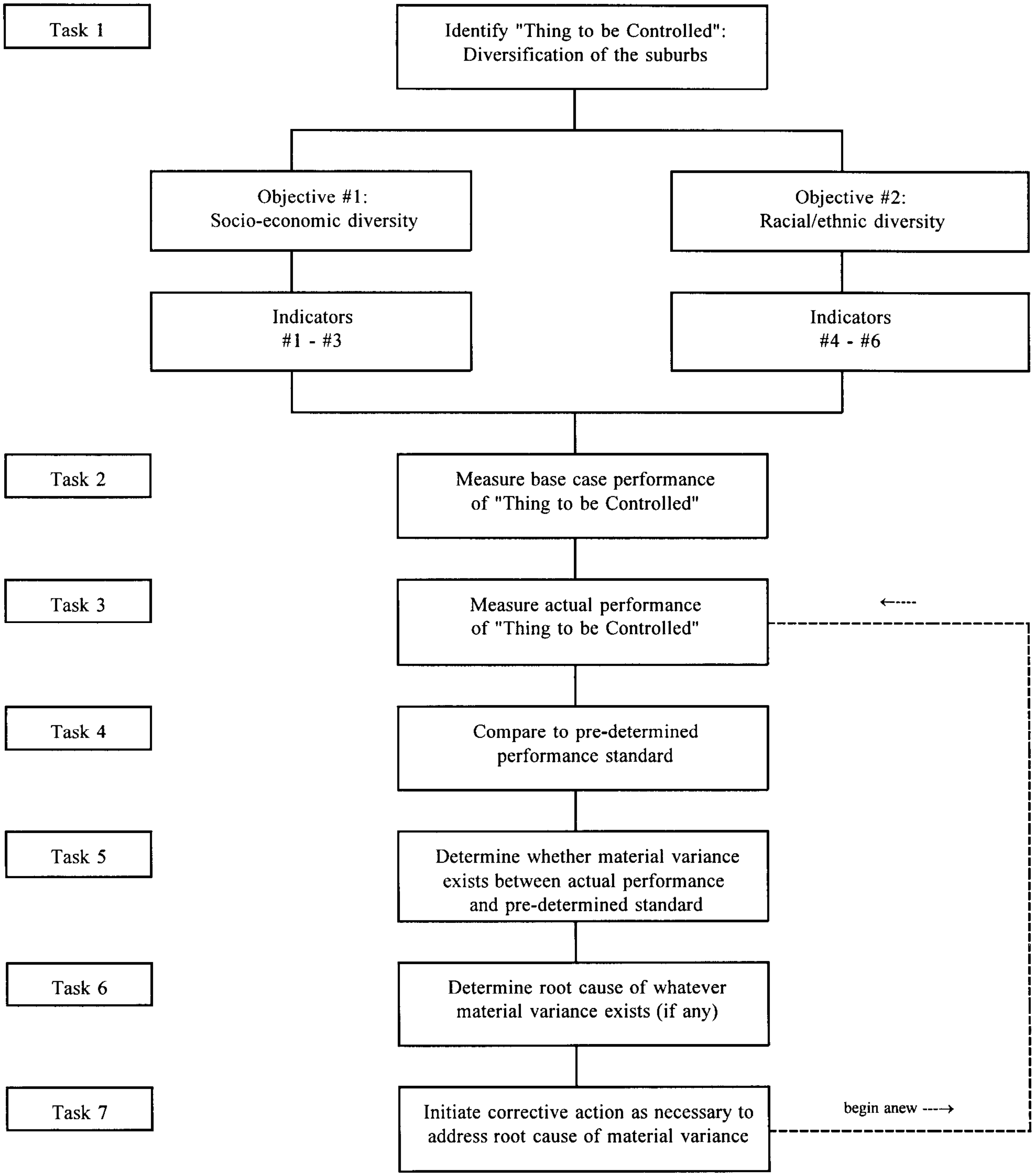

FIGURE 2: USE OF PERFORMANCE INDICATORS IN EVALUATING PROGRAM PERFORMANCE

South End Neighborhood Action Program

South End Neighborhood Service Center of ABCD
554 Columbus Avenue Boston MA 02118-1116
Phone: (617) 267-7400 Fax: (617) 536-8678

July 6, 1999

Robert M. Brady, Vice President
Federal Reserve Bank of Boston
P.O. Box #2076
Boston, MA 02106-2076

BY FACSIMILE AND MAIL

Dear Mr. Brady,

I appreciate the opportunity to present comments at the public meeting regarding the proposal by Fleet Financial Group, Inc. to merge with BankBoston Corporation. I understand that I shall be on a panel from 6:30 - 7:00 P.M. on July 7^{th}.

Attached is a copy of my comments.

Sincerely,

Pat Cusick
Executive Director

cc. Senator Dianne Wilkerson
Robert M. Coard, President & CEO, ABCD

Comments for the Public Meeting by the Federal Reserve Bank on the Proposed Fleet Financial Group/BankBoston Merger.
Presented by Pat Cusick, Executive Director, SNAP

My name is Pat Cusick, the Executive Director of the South End Neighborhood Action Program (SNAP) and, for the record, I reside at 521 Shawmut Avenue in Boston.

My focus is, principally, on the area of home loans and mortgages. The access to home ownership is more than shelter, more than a stabilizing force for families, more than neighborhood revitalization. Fundamentally, homeownership in the minority and low income community (LMI) is the sinking of roots in communities which have few roots and therefore are vulnerable. A portion of my neighborhood, Lower Roxbury has less than 5% homeownership, which is the least amount in the city of Boston. We need an increase in the amount of home loans and mortgages.

However, the amount which the merged bank intends to extend in home loans and mortgages, $4.0 billion, leads us to assume that in this area, "1+1" does not equal "2" as vaunted by the two bank CEO's, but "1+1" probably equals "1" or less than "1."
In a recent Boston Herald column about the Fleet/BankBoston merger, Beth Healy wrote "Say goodbye to banking with a soul". We trust that's not the case, because we are convinced that banking with a soul is a profitable business. We know that the long-term wealth of financial institutions depends on the health of the communities they serve. We believe that the banks that will grow, thrive and become national institutions are builders, and not parasites. Great banks are builders of cities and cultivators of community.

The city-building that banks do is not just a matter of building <u>up</u>—building skyscrapers and megaplexes. Effective city-builders cultivate the <u>roots</u> of community as well. This is a banking role that is particularly critical to Boston and to its neighborhoods.

The long history of economic disenfranchisement in our low-income neighborhoods has left us, in all too many cases, without the networks of property and financial resources our more affluent neighbors take for granted. We are communities with great strengths of history and kinship, but with weak economic roots. Our families and neighborhoods can be torn apart and scattered by economic forces—such as gentrification and the end of rent control.

What we need most from our banking partners is the chance for each family to put down strong roots of ownership, entrepreneurship and local citizenship, which weave together to build positive futures for the whole community. <u>Banks can help grow roots in communities which have no roots.</u>

What, specifically, does this mean to us as we look at the Fleet/BankBoston merger?

The Background Trends in Boston

When we look at lending patterns in Greater Boston from 1990 to 1997, using the data assembled by UMass/Boston Economics Professor James Campden, we see good news and bad news.

Overall Mortgage Lending Data in Boston

With the strong housing market, denial rates for whites, blacks and Latinos in Boston have dropped over 35% between 1990 and 1997. Denial rates in Boston for minorities and low-income applicants are also lower compared to nationwide denial rates.

However, denial rates for blacks and Latinos have begun to rise in the last two to three years. For Latinos, the percentage of loans (out of all Boston home purchases) fell to 5.9% in 1997, after a high of 7.2% in 1996. (Latinos made up 8.1% of the city's households in 1990.) For blacks, the percentage fell for the third year in a row to 14.7% in 1997, after a high of 20.8% in 1994. (Blacks made up 20.6% of Boston households in 1990.) Meanwhile, lending to white homebuyers rose from 68.5% in 1996 to 71.6% in 1997

Much of the problem is linked to escalating housing costs which hinder many prospective first-time home buyers. James Campden: "The single most important reason for these numbers is that Latinos and African Americans have lower incomes, and housing in the Boston area is more and more expensive. So a big issue is affordability."

Lending Data by Types of Lenders

These data indicate that the large banks in Boston (Fleet, BankBoston, Citizens, Boston Safe Deposit) have a much stronger lending record with minorities, compared to small banks/credit unions and mortgage companies. However, the large banks are losing market share.

The large Boston banks made 29.4% of all of their home loans to blacks, compared to 9.5% by mortgage companies and 7.3% by small banks/credit unions. The large banks made 12.1% of their loans to Latinos, while only 3.2% of mortgage company loans and 4% of other bank loans were made to Latinos.

Much of this disparity is due to the fact that many large banks have specialized loan programs, run by non-profit groups, to target minority and low-income borrowers. Banks also have a greater presence in low-income neighborhoods through branch networks, as well as the pressure of meeting Community Reinvestment Act regulations.

However, the large banks have lost significant market share to mortgage companies. Mortgage companies not affiliated with banks or credit unions made a record 54.2% of loans in the area in 1997, compared to 23.5% in 1990. Meanwhile, the large banks captured only 25.1% of all loans in 1997, compared to 43.6% in 1995. (In 1995, the large Boston banks also included BayBanks and Shawmut.)

Much of the growth in mortgage company market share can be attributed to national mortgage companies entering the Boston market and sending mass mailings, according to Julie Connelly, V.P. of Community Relations for Citizens Bank.

Community Experience with the Principals

While Boston has had a very mixed experience overall in the past seven years, we find cause for concern in the records of the merging institutions.

Fleet's record in providing access to homeownership is troubling. For example, Fleet Real Estate Funding's conventional home purchase lending shows major disparaties in denial rates in cities across the country. In the Boston area, the company denied 26% of applications from African Americans and 29 % from Latinos, compared to 11% for whites.

Fleet's record in making financial services affordable is also problematic. In 1996, Fleet settled discrimination charges with the US Department of Justice that it systematically overcharged minorities in its two New York area mortgage offices. In Georgia, Fleet Finance used "bird dog" salespeople to target up to 18,000 Georgians for high-rate mortgages , many of which led, predictably, to foreclosure. In 1997, in the New York area, Fleet Home Equity USA denied every home improvement loan application it received from Latino homeowners. We must do much better than this.

Given these concerns and the background of critical issues in Boston, what do we ask of our banking partners?

First, we need mortgage lending which allows families to stay in their own neighborhood-and to invest in their neighborhood.

Second, we need home equity and home improvement lending programs which help ensure that the family homestead can be passed on to the next generation.

Third, we need small business lending that helps ensure that neighborhoods can sustain their local infrastructure, while local entrepreneurs are encouraged to continue investing their own blood, sweat and tears in their communities.

Fourth, we need a local banking presence in which bank employees look like the people in our neighborhoods and are hired from our neighborhoods-with a helping hand in the area of training or education, if need be.

We are concerned about this merger because the records of the parties give us pause. We have seen other mergers in which our communities lost out-for example, it has been reported recently that in the last two major bank mergers in Boston, home loan lending dropped by up to 50%. Our only protection is to work out an agreement with Fleet/Boston, which is verifiable and whose essence in accountability. And, of course, the agreement must be signed. I would not be furnished any transactions with my bank without my signature. The community must have a signed agreement.

TESTIMONY TO THE FEDERAL RESERVE BANK BY DAVID HARRIS, EXECUTIVE DIRECTOR OF THE FAIR HOUSING CENTER OF GREATER BOSTON REGARDING THE FLEET/BANKBOSTON MERGER, JULY 7, 1999

My name is David Harris and I am the Executive Director of the Fair Housing Center of Greater Boston. The Center is a membership organization promoting equal housing opportunities for all people throughout the greater Boston metropolitan area. Our service area includes the 150-plus cities and towns in Eastern Massachusetts and our activities center around advocacy, education, enforcement and legislation. We join others who have expressed concerns about the impact the proposed new bank will have on the fulfillment of our mission. While many of the discriminatory practices associated with Fleet may have occurred outside of Massachusetts, they betray an institutional culture which placed profit above all else, including trust and reputation, and conformance with fair housing laws. The Federal Reserve Bank must consider the kind of corporate citizen a new entity will become and, where such consideration raises questions, place specific requirements on any approval it grants.

We are among the 100-plus groups with whom the banks so proudly boast of meeting. While our meeting was cordial and the discussion open, we were distressed by the suggestion that we return at the end of the year to explore specific fair housing issues *after* the merger is complete and the new entity has consolidated. Given the history of housing discrimination in this country and Fleet's chapter in that history, a firm, public and detailed commitment to fair housing must precede and not follow a merger.

The banks have widely publicized their 14.6 billion dollar commitment "to the community." We would like to expand the conversation to a broader notion of community. The Center holds that fair housing is a regional concern which demands local attention. The cities and towns in our service area vary greatly in terms of household income and housing mix Others today have discussed specific Community Reinvestment Act-inspired activities. Most of these are, appropriately, targeted at persons and communities of low to moderate income. Obviously, the new entity must make substantial and measurable commitment to serving these needs. But our scope goes beyond the CRA formula *as a baseline* and we believe the Federal Reserve Bank must look beyond that horizon as well. We know, for example, that with certain glaring exceptions, most cities and towns in the region remain predominantly white. We have analyzed 1990 census household income data which reveal that the populations of color in the vast majority of cities and towns fall far short of what would be expected based on income alone. It is no accident that these are also the more affluent communities. The result is that the typical CRA-driven approach to "community" *ignores most of the communities in the region.*

Data published by the Massachusetts Community and Banking Council in its report, *Changing Patterns V: Mortgage Lending to Traditionally Underserved Borrowers and Neighborhoods in Greater Boston, 1990-1997*, underscore our concerns.. In addition to analyzing mortgage lending in the City of Boston, the study looked at two "rings" of communities outside the city. The study found that the share of loans received by blacks and Latinos fell between 1995 and 1997 and that the denial rates for blacks and Latinos exceed those of whites. Moreover, loans in the suburban rings were concentrated in several towns with a large number of low to median income census tracts, many of which have relatively large black and Latino populations.

While data for individual banks are not reported, Fleet and BankBoston are included among the category of "large banks" who, according to the report, "accounted for a significantly larger share of loans to each of the traditionally underserved categories than they did of overall lending in each of the geographic areas considered." Though the data are aggregated and merit more detailed analysis, we surmise that the focus of these two banks – as well as other "large banks" -- is on the low-to-moderate income segment. But what of those people of color who seek homes in other communities? Who is serving them? Clearly it is possible that people of color are choosing not to apply for mortgages in every city and town. Indeed, these same data show that the large banks wrote relatively more mortgages to African Americans who are not low-to-moderate income in Milton and Randolph.

These residential patterns may all be a matter of choice or they may also constitute a subtle form of steering. Both may be true. Or these patterns may reflect the failure of banks and other institutions involved in housing provision to take steps to affirmatively further fair housing. The new entity must take a leadership role in identifying impediments to fair housing in its market area. This goes beyond LMI. To be sure, affordability is an issue and no one is suggesting the banks make bad loans or convince people to get in over their heads. On the other hand if a careful analysis indicates, as national data on wealth differentials between races suggest, that people of color have sufficient income but lack the accumulated wealth for certain housing markets, a bank may institute programs specifically designed to help such buyers create the necessary wealth.

The Federal Reserve Bank should require the new entity to announce specific actions to affirmatively further fair lending in the metropolitan-wide area. The first such action must be a comprehensive review of the two banks' policies, practices and procedures to identify possible impediments to fair housing, the results of which review will be made available to the public. This review should be conducted by internal and external analysts and analyze impediments within the lender's control as well as more general impediments in the market.

The Federal Reserve Bank should require the new entity to develop, by the end of calendar year 2,000, a *Plan of Action* to increase lending to persons of color and other protected classes throughout the region (rather than merely within LMI census tracts). This Plan will include: quantifiable, verifiable short-term and long-term objectives; a written work plan to accomplish the objectives; and a review mechanism, including both internal and external experts charged with evaluating performance and formulating recommendations for modifications to the *Plan*. The new entity should include qualified fair housing organizations among its resources for meeting both requirements. Where no such organization exists, as is the case in Providence, for example, the new entity should take a leadership role in creating such an organization.

The real cost of our proposal is firm and measurable commitment, but the benefit is a step toward credibility. A new entity with this particular history must take a leadership role, must do more than others; indeed, must set the pace for others. We are not so naïve as to think any business can take credibility alone "to the bank"; but what should be clear from the testimony today is that no business can hope to succeed without it. In terms of actual dollar costs, they are largely internal and will enhance performance. Moreover, any such costs pale by comparison to other commitments already made by the banks *and* to the costs of litigation and settlement of successful discrimination claims.

The practice of effective fair housing is, or certainly should be, a basic element of good banking. Basic, but not simple. The practice requires lasting institutional commitment driven by honest and ongoing self-criticism. Effective practice does not occur in isolation, but is, by nature, cooperative and open. It depends upon developing and maintaining internal mechanisms as well as partnerships with external organizations across institutional lines – from public officials to non-profit agencies, from insurers to realtors. Of course creating these partnerships requires a basic element sorely missing from the proposal you are considering: trust.

The Fair Housing Center will certainly be watching and, where indicated, investigating. But the Center is also available to assist in designing and implementing an affirmative fair lending strategy.

TRINITY CHURCH
IN THE CITY OF BOSTON

July 7, 1999

To: The Federal Reserve Bank of Boston
From: Rev. William Barnwell of the Greater Boston Interfaith Organization (GBIO)

GBIO is a large and active social reform organization consisting of about seventy-five faith communities, ten community development corporations, and five other community groups, across race, class, denomination, and geographic lines. Over four thousand people attended our founding assembly last November.

I am here today to represent our organization, which has made affordable housing, especially for low-income people, its top priority. After many small group meetings my church, Trinity Episcopal Church, Copley Square, decided to make affordable housing our top outreach concern as well.

We at GBIO and at Trinity Church believe that if we are not able to make housing available to all of our citizens, we will quickly become a one-class city, forcing most of our church members and other low to moderate income people into the distant suburbs. Not only would that make life extremely difficult for those persons, it would also have the effect of greatly diminishing the diversity of the city that we cherish so much.

Specifically, GBIO urges that you approve the merger only if these conditions are met:

Copley Square Boston, Massachusetts 02116 Telephone: 617-536-0944 Facsimile: 617-536-8916

1. That you require a detailed written and signed reinvestment agreement. The idea that such an agreement not be signed is unthinkable to us and we believe should be unthinkable to banks that rely entirely on signed agreements with their customers.

2. That the merger result in at least the same amount of benefits to low income areas that both banks have offered before the merger.

3. That Fleet Bank convert its obligation for a loan pool to the Massachusetts Housing Partnership into an affordable housing grant (equity conversion). Here Fleet would be following the model of the Bank of Boston when they merged with Bay Bank. By our calculations, thirty to sixty million dollars would be available for affordable housing grants. This we believe would help many more low to moderate income families buy their homes or rent than a small reduction in interest payments would allow.

4. That Fleet Bank and BankBoston meet their commitments to the soft second mortgages programs that they made to the community on May 12th at Roxbury Community College in the amount of about one hundred million dollars.

5. That the new bank extend the soft second mortgages to other parts of the state.

6. That low to moderate income neighborhoods continue to have nearby branches of the new bank and that none be closed or sold unless two of the old banks were in the same immediate neighborhood.

William Barnwell

MassAlliance
FIFTH ANNIVERSARY

AT THE CENTER OF SMALL BUSINESS DEVELOPMENT

Massachusetts Alliance for Small Contractors, Inc
Bruce C. Bolling ◆ Executive Director

PUBLIC MEETING REGARDING THE PROPOSED MERGER OF FLEET FINANCIAL GROUP, INC. AND BANKBOSTON CORPORATION

BRUCE C. BOLLING, EXECUTIVE DIRECTOR
MASSACHUSETTS ALLIANCE FOR SMALL CONTRACTORS, INC.

Testimony before the Federal Reserve Bank of Boston

July 7, 1999

145 South Street, Sixth Floor, Boston, Massachusetts 02111 ◆ Phone (617)556-2350 ◆ Fax (617) 574-9003 ◆ E-mail: MAalliance@aol.com

MassAlliance
FIFTH ANNIVERSARY

AT THE CENTER OF SMALL BUSINESS DEVELOPMENT

Massachusetts Alliance for Small Contractors, Inc
Bruce C. Bolling ♦ Executive Director

MASSACHUSETTS ALLIANCE FOR SMALL CONTRACTORS, INC.

INTRODUCTION

The Massachusetts Alliance for Small Contractors, Inc. (MassAlliance) is a non-profit corporation that provides business-development and capacity-building services to small, minority, and women-owned business enterprises (M/WBEs). MassAlliance helps M/WBEs acquire the financial resources, technical capabilities, and management skills needed to successfully compete for projects in the construction industry, including:

- Bonding approval
- Credit worthiness
- Management and accounting systems
- Technical expertise
- Estimating capacity
- Project experience

Business Development Support Services Program

MassAlliance's BDSSP program provides technical assistance and support to M/WBE's through one-on-one management and technical consulting services. We also assist M/WBE with the financing, tax, and insurance issues many contractors face while managing the growth of their companies. These services are provided by construction contracting industry experts, including engineers, estimators, project managers, lawyers, and accountants. These expert consultants provide our clients with a wide range of experience in the construction industry. This expertise includes:

- Construction management services
- Operational management
- Estimating
- Construction financing
- Tax and accounting
- Construction law
- Credit capital services

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To date, more than 350 companies have benefited from one or more of MassAlliance's wide range of technical assistance and capacity-building services.

Education & Training Program

MassAlliance's E&T program presents skill development courses in construction management, as well as business seminars and technical assistance workshops to assist M/WBEs to conduct business more effectively.

We have provided education and training services to 1,753 participants from 490 companies. The E&T program allows contractors to acquire the skills and techniques necessary to compete in the construction marketplace. MassAlliance's instructors represent a wide cross-section of the New England construction industry and are all experts in construction and construction-related fields. Their practical, hands-on experience provides a real-world approach to the E&T programs and course offerings.

The BDSSP and E&T programs work hand in hand to develop technical assistance programs and education and training course offerings that best meet the needs of our clients.

MassAlliance
FIFTH ANNIVERSARY

AT THE CENTER OF SMALL BUSINESS DEVELOPMENT

Massachusetts Alliance for Small Contractors, Inc
Bruce C. Bolling ◆ Executive Director

PUBLIC MEETING REGARDING THE PROPOSED MERGER OF FLEET FINANCIAL GROUP, INC. AND BANKBOSTON CORPORATION
BRUCE C. BOLLING, EXECUTIVE DIRECTOR
MASSACHUSETTS ALLIANCE FOR SMALL CONTRACTORS, INC.

Testimony before the Federal Reserve Bank of Boston

SUMMARY OF FINDINGS

- It is estimated that the commonwealth of Massachusetts, through its various subdivisions and agencies, will spend $3B a year on construction projects during the next 5 years, excluding municipal and private construction/development.

- Most projects will be awarded to prime and general contractors who in turn will assume a management role and will subcontract most of the work to small contractors creating tremendous business opportunities. They will require the small contractor to bond and finance labor, material, and capital expenditures.

- Undercapitalized small contractors will struggle and in many instances, be unable to finance new projects because of their traditional cash flow problems. Adding to the dilemma has been the inflexibility of traditional financing models to stimulate company growth.

- The construction industry is a mature industry with low margins requiring large capital investments and high concentration of sales in one project. Financial characteristics of small contractors are:

  - Small contractors are undercapitalized from inception due to lack of personal wealth and interest from investors
  - Contractors experience slow collection of accounts receivable
  - 5% of their revenue is retained until completion of the project
  - Due to the low margins of some projects, just slightly higher than the retainage amount of their revenue, a great portion of the profit is carried in the balance sheet as accounts receivable
  - Working capital needs are financed by stretching out vendors as long as possible, jeopardizing business relationships
  - Historically, there has been a lack of funding sources to finance capital expenditures and working capital

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- Lack of collateral base either in the business or personally
- It is very difficult and it takes years for a small contractor to internally finance growth under the above circumstances, if at all.

In summary, small contractors had to start their businesses undercapitalized, resulting in long-standing liquidity problems that substantially remain today. We welcome the opportunity to work with you and meet this challenge together to create a new lending model which will result in a family of financial products designed to promote **investment in equity and working capital financing** for small contractors.

The following report was prepared for the internal use of MassAlliance. Given the subject matter of our meeting today, I would like to share with you our findings.

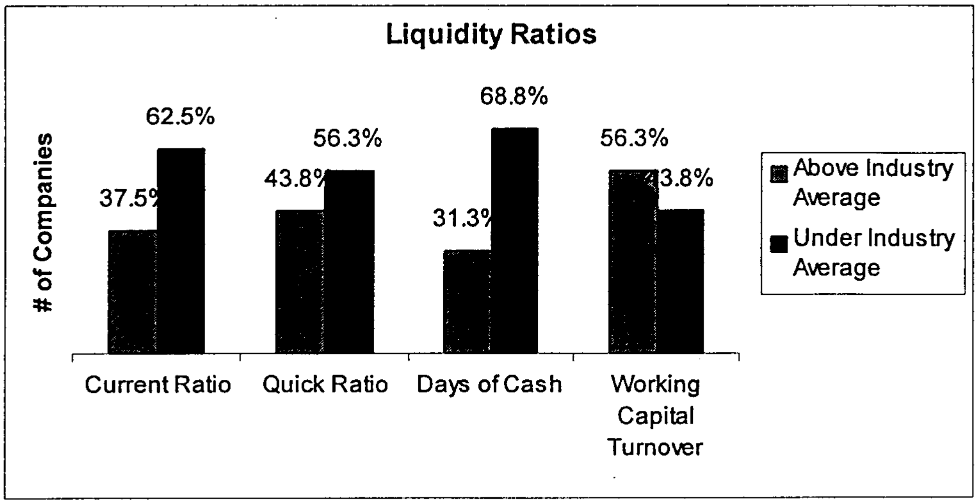
Objective

The objective of this analysis is to evaluate and profile the financial position of the companies actively receiving services from the Mass Alliance to determine trends, common characteristics, and strong and weak points. The findings will allow MassAlliance to maximize the delivery of the various programs offered and will assist in the design of new programs.

Findings

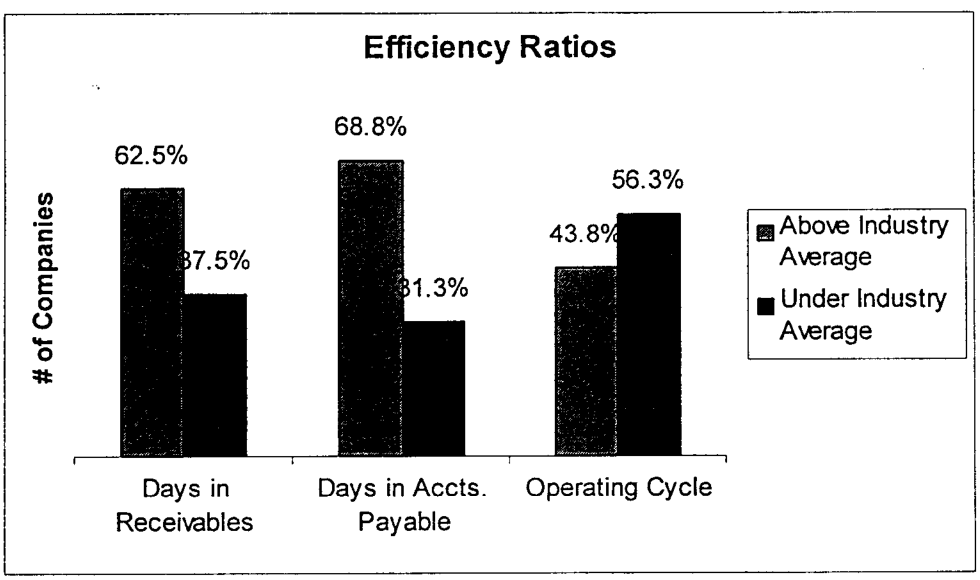
The main financial obstacle that small contractors are experiencing is undercapitalization resulting in high leverage ratios and lack of liquidity.

Liquidity reflects the ability of a company to cover its current obligations. Liquidity is measured by several ratios, i.e., current ratio, a high ratio depicts high liquidity. Assets that are readily available to convert to cash (highly marketable investments, accounts receivable, etc.) are more desirable since it allows the company to pay its obligation as they come due. The following chart compares the liquidity ratios of our clients to the industry standards (industry standards reflect the results of an annual survey conducted by the Construction Financial Management Association by SIC #):



In all the ratios in the previous chart, more than 50% of the participants in our study rated worse than the industry. To understand some of the reasons causing this situation we should start with the high percentage of companies having very low Days of Cash as shown in the above chart. This means they have below normal cash reserves and depend on the timely collection of receivables to meet their obligations.

The following chart provides us with a comparison of the accounts receivable balance as compared to sales and the accounts payable balance as compared to cost of goods sold. One hidden factor in the accounts receivable numbers is the retainage of 5% that is required in public projects. Payment of the retainage is not available until the end of the project. For some small contractors that perform their work at the front end of the project, the waiting period can be over a year or two. Further analysis of the retainage balance for specific companies reveals that in some cases it represents as much as 20% of the outstanding accounts receivable balance.



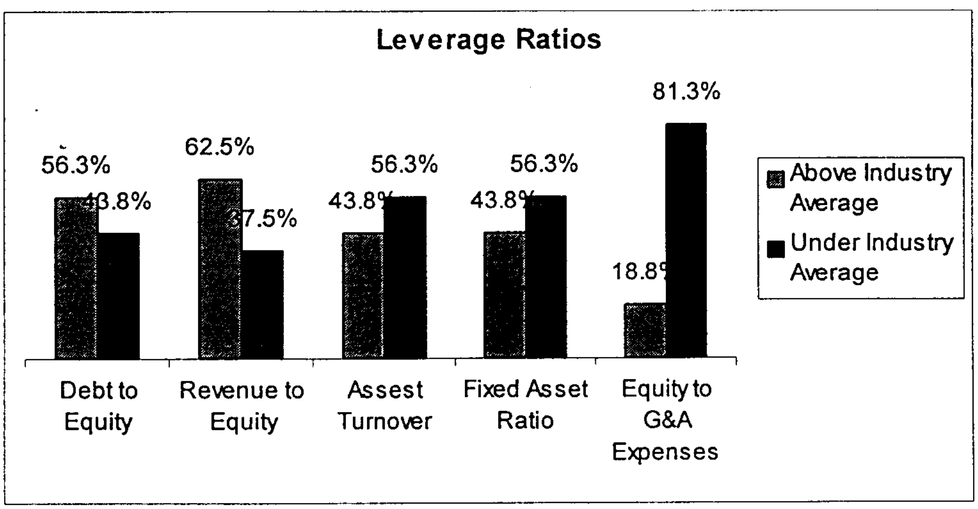
More than 60% of our clients are slower than their peers and competitors, in collecting their receivables and paying their vendors. The disparity with industry is more dramatic when compared to the individual companies. The ratios in Table I below are from a company that has been in business for more than 10 years and with sales close to $5.7MM.

Table I

	Client # 1	Industry Average	Difference
Days in Receivables	114.2	65.2	75.2%
Days in Accts. Payable	107.7	30.9	248.5%
Operating Cycle	24.2	55.1	-56.1%

The above company is not atypical or unique to the client pool of Mass Alliance. In this case, one can see that vendors are financing most of the short-term needs of the company. The gap between collecting receivables and paying their vendors is only 7 days (114.2 days to 107.7days). In other words, vendors' balances are being extended as much as possible to finance the slow collections of payables. This gap is so short that the company is in danger of missing a vendor payment. The long Days in Accounts Payables is a result of the higher than normal accounts payable balances which affects negatively the debt equity ratio.

Compounding this situation is the undercapitalization typical in small businesses. The following chart shows how our clients as a group fare against the industry:



Leverage ratios are a measurement that traditional funding entities use to determine the relationship between resources and owners. This ratio is used to assess the financial risk of a company and to structure loans accordingly. Our group of companies rated lower than industry standard in almost every leverage ratio.

Evidence of the undercapitalization of our clients is the combination of lower Debt to Equity Ratio, Revenue to Equity Ratio and Equity to G&A expense Ratio than industry standards. To determine how low they are let us examine the example in the next table. Again the company selected is the same as in Table I is a well-established business with sales of $5.7MM.

Table II

	Client # 1	Industry Average	Difference
Debt to Equity	2.5	1.6	56.5%
Revenue to Equity	7.3	7.3	0%
Asset Turnover	2.1	2.5	-16.2%
Fixed Asset Ratio	6.5%	18.2%	-64.3%
Equity to G&A Expenses	1.4	1.4	0%

This company carries 56.5% more debt than its peers in relation to its capital base. Thus, carrying more financial risk than a typical company in the same line of business. Also, its assets are producing 16.2% less sales per dollar than the industry. In this case the Equity to G&A Expense, an indication of the coverage of overhead by equity, is in line with industry standards, must probably due to a lack of infrastructure found in companies of the same size. In our analysis, 81% of the companies' Equity to G& A ratio are under industry standard (see leverage ratio chart above). In many cases we found this ratio to be less than 1, that is, the G&A expense is higher than the entire equity of the company. This low coverage of G&A expenses is alarming when one considers the fact that in many cases these companies are not well staffed and the infrastructure is substandard. Please refer to analysis by company attached to the report for further detail.

One last important point regarding the undercapitalization of small businesses. There are two ways to increase capital in a company: internally and externally. The internal way to raise the capital investment in a company is through the accumulation of earnings. The composite Net Profit Margin for the industry is less than 2%. For the various SIC codes examined in our analysis we noted a similar Net Profit Margin. With the high retainage balances (5% of the billings) and thin margins (2% or less) small contractors can not convert their earnings into cash quickly, instead the profits remain on the balance sheet in the form of accounts receivable. Retainage is not paid until the project is completed, that may take more than one year. Hence, financing growth with internal funds is very difficult.

External forms of financing, outside investors, partners and others are not plentiful to our clients. Due to the financial factors discussed above, the type of industry (matured) low growth, with a high concentration of sales in one project, thin returns, etc., capital money is almost out of reach to our client base.

Methodology

- We requested the 1997 financial statements and the SIC # of all companies receiving services from Mass Alliance.
- Financial ratios for each respondent were computed
- We matched each respondent to the SIC # by size of the Construction Financial Management Association industry survey
- We compared the ratios we computed to those reported by CFMA
- We determined if the significant ratios were over or under the industry average.

SENSES
STATEWIDE EMERGENCY NETWORK
FOR SOCIAL AND ECONOMIC SECURITY

275 State Street • Albany, N.Y. 12210-2101 • Telephone (518) 463-5576 Fax (518) 432-9073

July 6, 1999

Robert M. Brady
Vice President
Federal Reserve Bank of Boston
P.O. Box 2076
Boston, MA 02106-2076

Dear Mr. Brady,

Below is my testimony on the Fleet Financial Group, BankBoston merger as presented at the public hearing on July 7th, 1999. I have also attached a proposal presented to Fleet at a local meeting and supporting documents showing HMDA and other analyses of Fleet's lending in two areas of New York State -- the Capital District and Orange County.

I am requesting that the comment period be extended for two weeks after the day on which Fleet makes it lending pledge available for public viewing and that the Federal Reserve Board hold off on deciding about this merger until this request is met.

Public Hearing Testimony

Good evening. I would like to thank the Federal Reserve Bank of Boston for holding this public hearing about the Fleet merger. My name is Vickie Hurewitz. I work for SENSES, a New York State organization, the acronym stands for the Statewide Emergency Network for Social and Economic Security. We advocate on a variety of issues that affect low-income New Yorkers, I work on community reinvestment matters for SENSES. I am here today to testify about Fleet's lending in New York State, particularly our Capital District and Orange County , two areas where I have been very active in CRA work. On its last CRA exam Fleet got a Low Satisfactory on the lending and service tests in New York State.

The Capital District of New York State is roughly a six county area, consisting of Albany, Schenectady, Rensselaer, Saratoga, Schoharie and Montgomery counties. Fleet Bank is the region's largest with over $3 billion in deposits and it has branches in all Capital Districts counties. Within these counties are several declining central cities and pockets of rural poverty. Orange County is downstate, many residents commute to Manhattan to work, however the county has two distressed central cities, Newburgh and Middletown and Kiryas Joel, a Haisidic Jewish community in need of reinvestment.

On Friday July 2, myself and representatives of 17 other community organizations met with Fleet representatives, including Mr. Hermes Ames, President of Fleet National Bank to discus Fleets' lending in the Capital District. I am attaching to this testimony a proposal that was presented to Fleet and served as the focus of our Capital District meeting.

Over the last several years, in New York State, Fleet has acquired two banks, Shawmut National Bank and Natwest. An analysis done by the National Community Reinvestment Coalition showed that in 1995, before the mergers, the three banks made over 8,000 home purchase loans. In 1997, after the mergers, Fleet made only 2,000 home purchase loans, a drop of 70%. In low-income communities around the state the drop was 76%. I had also done my own analysis of Fleet's 1997 home purchase lending in the Capital District and Orange County and found that the bank had extremely low market shares no matter whether the geography was the counties, the cities, or the distressed neighborhoods. This was not surprising given the findings for the state.

Prior to our meeting with Fleet I had called Don Prusak of Fleet and asked him about obtaining the results of Fleet's INCITY Program - the mega-pledge Fleet made when it acquired Shawmut in 1995. He told me the results could be found in the HMDA data. When I related to him the poor results of the NCRC analyses he said "there are some problems with those numbers, you need to look at our 1998 HMDA data." Subsequently he supplied me with the 1998 data for the Capital District counties and Orange County.

During our meeting with Fleet we discussed Fleet's home purchase lending. I had analyzed the 1997 data and then Fleets' 1998 data for Capital District counties, cities and distressed neighborhoods. Meanwhile observers in the Capital District had noted that Fleet has good affordable products, however the bank appears reluctant to use them and is not actively seeking applications.

As I mentioned, in 1997, I found that Fleet had very low market shares for home purchase loans no matter the geography. By 1998 Fleets home purchase lending had increased by 115% in Albany County however the bank made no loans in the distressed neighborhoods in the City of Albany. In Rensselaer County the lending stayed flat, the bank made no loans in the City of Troy in either 1997 or 1998. In Schenectady County lending went down by 41%, although the dollar amount in the distressed neighborhoods went from $59,000 to $82,000, a small increase of small dollars.

During our meeting Fleet related that there had been a problem with their mortgage origination department after the mergers -- 60 mortgage originators had left to form their own company. Fleet informed us that it had hired new originators, however when I mentioned that they had not penetrated the low-income neighborhoods in our region in 1998 they additionally informed us that they had recently reworked their commission structure so that each originator got a minimum of $500 per loan. We encouraged them to hire a non-commission "community service loan officer" like some of their competitors to outreach to community organizations and actively seek applications.

I belabor these points about home purchase lending because these problems occurred while Fleet had a megapledge in place , the INCITY program I mentioned. Fleet has currently offered another $14.6 billion pledge with very few specifics. I urge the Federal Reserve to ensure that this pledge be made locally specific and locally accountable so we can be certain that this new pledge does not go the way of INCITY.

During our meeting we also spoke about home improvement lending, bank services and investments. A disturbing trend noted in all the distressed neighborhoods is that the depository institutions are leaving and the sub-prime lenders are arriving, not good news for low-income households. For example, in Arbor Hill a low-income neighborhood in Albany, Fleet made no home improvement loans in either 1997 or 1998. In 1997 the three largest lenders were Green Tree Financial, The Money Store, and United Companies Lending Corporation in this neighborhood. Fleet expressed concern about the quality of loans being offered by these sub-primes and offered to explore setting up a home improvement pilot program with a local non-profit.

Fleet has recently decided to keep a branch open in a low-income neighborhood that it had announced would close. During neighborhood meetings it was made clear that Fleet had not been actively offering New York State's Basic Banking account to encourage the neighborhood residents to become a customer. Fleet said it would rectify the situation.

A meeting in Orange County is pending. Fleet has $108 million on deposit in the City of Newburgh, a distressed community. In 1997 the bank only made $54.000 in HMDA reportable loans in this city. In Middletown the bank is considerably smaller, with $14 million in deposits it lent $110,000 in HMDA reportable dollars. I hope the pending meeting with Fleet can result in much larger dollar amounts being lent and invested into into these communities.

Fleet had an Outstanding on its investments in New York State. In our communities in there is a continuous and great need for investments, for non-profit operating expenses, for financial literacy training for low-income citizens, for community revitalization and for capital for alternative lending institutions. I hereby ask Fleet to be an active participant in these endeavors in New York and I ask the Federal Reserve Board to hold off on deciding this merger until we are assured that Fleet's mega-pledge will truly be a mechanism for community reinvestment. To restate, we need a locally accountable pledge and we need time to review it to ensure that it meets the needs of our low-and moderate- income citizens.

Thank you.

Vickie Hurewitz

INITIAL DRAFT PROPOSAL FOR FLEET NATIONAL BANK
LENDING -INVESTMENT-SERVICES
CAPITAL DISTRICT OF NEW YORK STATE

INTRODUCTION

Fleet Financial Group and Bank Boston, have announced they will be merging their institutions to form Fleet Boston which will become the eighth largest bank in the United States. The Community Reinvestment Act states that regulated financial institutions have "continuing and affirmative obligation[s] to help meet the credit needs of the local communities, in which they are chartered, including low-and moderate income communities." The law also states that banking regulators must take into account an institution's performance under the CRA in considering an application to merge. Below are an analysis, and some comments on Fleet's "CRA performance" in the Capital District of New York State.

LENDING

Home Purchase - New York State

Since 1995 Fleet Financial Group has acquired two banks which had branches in New York State, Natwest Bank and Shawmut Bank. A Home Mortgage Disclosure Act (HMDA) analysis for all Fleet entities, NatWest, and Shawmut in New York showed that the three institutions made 1,146 home purchase loans in LMI census tracts in 1995. In 1997, after the three institutions combined, this number had dropped to 268, a 77% decrease. The same pattern is found for all census tracts in the state, going from 8,069 for the three institutions in 1995, to 2,415 in 1997 after the mergers, a drop of 70%.

In 1998, Fleet National Bank received a Low Satisfactory on its lending test for New York State. During this same period (from 1995 to 1997) Fleet's deposits in New York State increased 95%.

Capital District

1997 analyses of HMDA data for owner units for all Fleet entities in Albany, Schenectady and Rensselaer counties shows very low market shares for home purchase loans, 1.9%, 3.4% and 2.1% respectively. When compared to its fellow Capital District depositories the bank had significantly below average rankings for home purchase loan to deposit ratios in all three Capital District counties.

In low-income areas in these counties Fleet's market share was uneven, in some cases non-existent. In others higher than for the county as a whole but still not over 3%. In most cases, the higher market shares were gained through applications taken by Fleet Mortgage Corporation.

For non-owner unit's small landlord unit applications, Fleet had a 4% market share in Albany County, an 11% share in Schenectady County, and a 5% share in Rensselaer. However, the bank took no applications in the City of Albany or the City of Troy. In the City of Schenectady the bank loaned $80,000 for non-owner home purchases.

A comparison of Fleet National Bank's owner home purchase lending in 1997 and 1998 showed that lending went up in Albany County and down significantly in Schenectady with very little change in Rensselaer. The bank did no home purchase lending in the City of Troy, in Albany slightly more in 1997 than in 1998, and in the City of Schenectady somewhat less. The only target neighborhoods that saw <u>any</u> home purchase lending in 1998 from Fleet National Bank was the LMI Tracts in the City of Schenectady with 3 applications.

General Observations

Fleet has several affordable housing products available. Observers in the Capital District have noted that the bank does not actively seek applicants and seems reluctant to use the products.

Observers in the Capital District have noted that Fleet's turnaround time on mortgage applications (when they are submitted) is two or three months. This results in clients not being recommended to Fleet for loans.

Fleet Mortgage Corporation is selling its loans into the secondary market, as do all mortgage corporations. Although the secondary market provides an important source of capital for lending, flexibility of loan products can be limited by the required underwriting criteria as can be seen by the chart in Appendix C.

In low-income areas in the Capital District B and C lenders are taking a higher proportion of applications than are the depository lenders for home purchase loans, especially non-owner applications.

Home Purchase Recommendations for Fleet in the Capital District
(These recommendation are intended to assist Fleet overcoming its lending weaknesses and improving its test score for New York State on the next CRA exam)

1. Fleet should affirmatively market its home purchase products in the Capital District.
2. Fleet should hire dedicated community loan officers and partner with community groups to generate applications and institute home purchase counseling.
3. Establish a Purchase/Repair Program as many properties in low-income neighborhoods are in need of remodeling
4.. Conduct home buying seminars in partnership with non-profits
5. Low down payment program in non-CRA target areas
6. Mixed use (residential and commercial) building financing
7. Flexible credit scoring and underwriting criteria for potential low-income homeowners
8. Fleet should market a small landlord homeowner product for the cities of Albany and Troy.
9. Fleet should support our local IDA program.
10. Fleet should continue its ongoing support of the Affordable Housing Partnership.
11. Fleet should support community-based housing groups.

Home Improvement - Capital District
In Albany, Schenectady, and Rensselaer Fleet had considerably higher market shares of applications for owner home improvement loans than it did for home purchase applications, 8.2%, 9.5% and 8.0% in these counties, respectively. The bank was below average on loan to deposit rankings in Albany and Schenectady counties and at the top in Rensselaer.

In the central cities of these counties the market shares were lower than in the counties and a breakout of low-income target areas showed even lower shares. Only the bank, not the Mortgage Company, took home improvement applications.

In the City of Albany target neighborhoods, Fleet only originated $16,000 dollars in home improvement dollars. In Schenectady and Rensselaer target neighborhoods the bank had low market shares but at least did some lending, $114,000 in Schenectady (check City number) and 134,000 in Rensselaer.

Fleet had good market shares for non-owner Home Improvement applications for the counties, cities, and even target areas in the Capital District. However, the banks denial rates were extremely high in all these markets ranging from 100% in the City of Albany to 63% in Albany County. In the City of Albany the bank did not originate any loans in spite of a 19% market share of applications, nor did it make any loans in the City of Troy. In Schenectady the bank denied 75% of the applications and only did $8,000 in lending for small landlord home improvement.

A comparison of Fleet National Bank's owner home improvement lending in 1997 and 1998 showed that lending stayed the same in Schenectady, dropped somewhat in Rensselear and took a huge decline in Albany. Home Improvement lending went up in the cities of Schenectady and Troy and dropped sharply in Albany. In the target neighborhoods lending dropped sharply in the LMI tracts in Schenectady, went up somewhat in Troy and up in the Capitol Hill, South End and West Hill neighborhoods in Albany. Arbor Hill saw no home improvement loans in either year.

General Observations

A HUD list of Title One FHA Home Improvement lenders revealed that the vast majority of participants in the program were the B and C lenders.

Both depository banks and finance companies are taking owner home improvement applications in the three Capital District Service cities and their target areas, although Green Tree financial took the most applications in the cities of Schenectady and Troy. For non-owner loans the situation is similar.

Average home improvement prices range from $16,545 to $11,133 in the target neighborhoods. These may be somewhat higher than might be needed by LMI households.

Home Improvement Recommendations for Fleet in the Capital District

(These recommendation are intended to assist Fleet overcoming its lending weaknesses and improving its test score for New York State on the next CRA exam)

1. No minimum home improvement loans.
2. Refinance and repair program for properties in low-income neighborhoods.
3. Non-Owner (small landlord) home improvement loans, explore with community groups ways to offset risk of these loans.
4. Explore becoming a Title One home improvement lender - finance companies are taking full advantage of this program.

Refinance - Capital District

In Albany, Schenectady and Rensselaer counties Fleet had considerably higher market shares for owner home refinance loans than it did for home purchase applications, 8.4%, 9.8% and 5.8% in these counties, respectively. When compared to its fellow depositories the bank was below average in Albany and Schenectady counties and close to the middle in Rensselaer. Fleet Mortgage Corporation also took some Refinance applications.

In the target areas of Albany and Rensselaer counties the bank did some lending although market shares were lower than in the county as a whole. The bank took 2 owner refinance applications in the target area of Schenectady, both of which were denied.

Fleet did no non-owner refinance lending in the City of Albany or Schenectady County and originated one application in the City of Troy. The Mortgage Corporation originated very few applications.

A comparison of Fleet National Bank's owner refinance lending in 1997 and 1998 showed that lending stayed the same in Schenectady, went up slightly in Rensslaer and down somewhat in Albany. In the cities lending went down slightly in Schenectady, up in Troy and down somewhat in Albany. The target areas of Schenectady and Troy saw increases and only Arbor Hill in Albany saw an increase. The bank made no refinance loans in the South End in either year.

General Observations

B and C lenders are extremely active in the target areas of the Capital District for Refinance loans.
Fleet has a streamlined FHA refinance program but local observers report that the bank seems reluctant to use it.

Refinance Recommendations for Fleet in the Capital District

(These recommendation are intended to assist Fleet overcoming its lending weaknesses and improving its test score for New York State on the next CRA exam)

1. Provide trained bank staff to assist borrowers and community group representatives in obtaining refinance loans.
2. Institute first mortgage refinance program to prevent foreclosures.
3. Refinance and repair program for properties in low-income neighborhoods as many are saddled with burdensome debt.

Business Lending -Capital District

Fleet has lower market shares in low- and moderate-income census tracts in Albany and Rensselaer counties than it does in middle and high-income tracts. In Schenectady the bank had a higher market share in middle and high-income tracts.

General Observations

Throughout the Capital District there is an ongoing critical need for technical, monetary, and mentoring assistance for low-income entreprenuers. Graduates of micro-enterprise programs cannot get appointments to meet with loan officers at local banks.

Business Lending Recommendations for Fleet in the Capital District

1. Provide operating support for small-business technical assistance providers, intermediary lenders and micro-enterprise developers in the Capital District.
2. Provide low-cost capital to intermediary lenders.
3. Make business loans more user friendly - quick turnaround times, reduce paperwork and have flexible underwriting criteria.
4. Support for formal business training programs and individualized technical assistance.
5. Support local IDA programs.

SERVICES

New York State

Fleet received a Low-Satisfactory rating on its CRA exam for New York State. Twenty-two percent of its branches are located in low- and moderate-income areas of the state.

Capital District

Fleet recently agreed to keep a bank branch open in a low-and moderate-income area in the City of Albany that it had already announced would close. The bank has asked for community input to help it increase the branch's deposit and business base.

General Observations

During negotiations on the bank branch closure neighborhood residents expressed concerns that the bank's checking accounts were too costly.

Low-income areas of Albany and Schenectady are under-served by current bank branching structures.

Observers have noted that Fleet does not appear interested in the small consumer and fees are way too excessive for low-income citizens.

Service Recommendations for Fleet in the Capital District

1. Promote New York State's basic banking account at all branches.
2. Offer free checking like your competitors in the region.
3. Keep the Scotland Avenue branch opened indefinitely.

4. Partner with community groups and do focus groups to determine the credit needs and perceptions about Fleet of low-income people.
5. Explore the development of new branches, partner with local municipalities and form a banking development district.
6. Support alternative financial institutions in the Capital District.

INVESTMENTS

New York State

Fleet received an Outstanding on its CRA exam for New York State. According to the exam Fleet invested $11 million in the state.

Some specific investments are:

Purchase of $310,00 of stock in a statewide business development corporation
Supports the New York Small Business Venture Fund
$10,000 to Leviticus Fund
$25,000 to Westhab
Fleet Micro-Enterprise Development Center - Urban League of Northeastern New York, $75,000
Schenectady Community Action Program - $100,000
Center City Neighborhood Development Corporation - $5,000

General Observations

Fleet is generous with local groups in giving grants, however observers have noted that the grant process is complicated. Non-profits have on-going needs for operating support and in-kind technical assistance.

Investment Recommendations for Fleet in the Capital District

Partner with local non-profits for on-going credit counseling, foreclosure prevention, and landlord training for low-income citizens.
Establish a pool of funds for community revitalization projects that will be accessed through an application process and tie in with ongoing local efforts.
Establish a foundation using stock dividends from mergers for funding and make the funds available for community development lending.
Simplify your application process to obtain grants.
Support and help grow local business incubators.

Fleet Community Meeting
July 2 1999

Name / Group	Address	Phone
Herm Ames Fleet	Kiernan Place 12207	447-377
Hugh Flynn Fleet	69 State St	447 3111
Mike Pulver Fleet	1 EAST Av, Roch	716-546-9610
Tamika Webb (Albany Center for Economic Success)		427-7804
Michael Chaires Sr. MCTAP		372-4409
Donna George AUMS	23 Beechwood Pl. Alb 12202	462-9605
JoAnne Charboneau Fleet	69 State St.	447-236
Judy Eisgruber ACRHA	P.O.B 407 Voorheesville	765-24
Eric Dahl SICM Housing Task Force / BN		372-6460
Marion Porterfield-Pierce Bottomless Closet	160 Jay St Sch'dy	346-934
Inno Ake - 117 N. Lake Ave. Alb. NY 12206 (West Hill Corp.)		462-6469
John Mies Fleet	268 Genesee Utica 13502	315 7982
S Cotton Affordable Housing Partnership	90 State Alb	434-1730
Hilary Lamishaw TRIP	415 River St ~~Alb~~ Troy 12180	272-8289
Louise McNeilly Community Loan Fund	255 Orange St	436-8586
SUSAN SPANG ALBANY COMM. LAND TRUST		426-1296
Jackie Bokus Cornell Cooperative Ext, Saratoga	50 West High St B.Spa	885-89
Laurie Gloeri Consumer Credit Counseling	2 Computer Dr West Alb.	482-2
Mark Bean CHIC	148 Rowe St. 12205	462
Bob Radliff CAP. DIST. COMMUNITY LOAN FUND		436-85
Michelle DeGarmo Saratoga Neighborhood Development		581-5955
Maureen Dunnes (Altamont etc)		465-8034 X 136 - 489-1738
Roger Markovics United Tenants of Albany	33 Clinton Ave Alb 12207	436-8997 426-1590

Fleet Financial Group
Owner 1-4

1997-1998 Comparison

	Fleet National Bank				
		$ Loaned 1997		$ Loaned 1998	% Change 1997-1998
Schenectady					
Home Purchase					
Schenectady County	$	547,000	$	321,000	**-41%**
Schenectady City	$	137,000	$	116,000	-15%
LMI Tracts -Schenectady City	$	59,000	$	82,000	39%
Home Improvement					
Schenectady County	$	1,476,000	$	1,465,000	-1%
Schenectady City	$	87,000	$	151,000	74%
LMI Tracts -Schenectady City	$	114,000	$	29,000	**-75%**
Refinance					
Schenectady County	$	3,799,000	$	3,892,000	2%
Schenectady City	$	504,000	$	477,000	-5%
LMI Tracts -Schenectady City	$	-	$	50,000	#DIV/0!
Rensselaer					
Home Purchase					
Rennselaer County	$	298,000	$	309,000	4%
Troy City	$	-	$	-	#DIV/0!
TRIP Service Area	$	-	$	-	#DIV/0!
Home Improvement					
Rennselaer County	$	1,396,000	$	1,206,000	**-14%**
Troy City	$	147,000	$	193,000	31%
TRIP Service Area	$	134,000	$	183,000	37%
Refinance					
Rennselaer County	$	2,457,000	$	2,879,000	17%
Troy City	$	225,000	$	367,000	63%
TRIP Service Area	$	119,000	$	127,000	7%
Albany					
Home Purchase					
Albany County	$	1,087,000	$	2,334,000	115%
Albany City	$	139,000	$	165,000	19%
Capitol Hill	$	53,000	$	-	-100%
South End	$	-	$	-	#DIV/0!
Arbor Hill	$	-	$	-	#DIV/0!
West Hill	$	53,000	$	-	-100%
Home Improvement					
Albany County	$	8,330,000	$	2,371,000	**-72%**
Albany City	$	3,230,000	$	318,000	**-90%**
Capitol Hill	$	-	$	60,000	#DIV/0!
South End	$	-	$	60,000	#DIV/0!
Arbor Hill	$	-	$	-	#DIV/0!
West Hill	$	16,000	$	109,000	**581%**
Refinance					
Albany County	$	8,368,000	$	6,153,000	**-26%**
Albany City	$	931,000	$	709,000	**-24%**
Capitol Hill	$	125,000	$	116,000	-7%
South End	$	-	$	-	#DIV/0!
Arbor Hill	$	-	$	100,000	#DIV/0!
West Hill	$	250,000	$	125,000	**-50%**

THE LIST

AREA'S LARGEST BANKS

(Ranked By 1998 Local Deposits)

1998 Financial Statement (Thousands)

Rank	Name Address Telephone, (Fax) (Year Founded) E-mail Address Internet Address	Last Rank[1]	Local Deposits % Change	Total Deposits	Total Assets Loans	Total Interest Expense Non-Interest Expense	Total Interest Income Non-Interest Income	Total Net Income	Average ROA[2] Average ROE[3]	Loan/Deposit Ratio	Percent Loans Commercial Consumer	N En
1	Fleet Bank 1 Peter D. Kiernan Plaza, Albany, N.Y. 12207 447-3743, (447-6120) (1803) www.fleet.com	1	$3,167,089[4] -10.47	$69,678,000[5]	$104,382,000[5] $69,396,000[5]	$2,896,000[5] $4,129,000[5]	$3,905,000[5] $3,237,000[5]	$1,532,000[5]	1.61[5] 18.61[5]	99.60[5]	N.R.[12] N.R.[12]	3
2	KeyBank N.A. 66 S. Pearl St., Albany, N.Y. 12207 486-8197, (486-8216) (1825) keyexpress@keybank.com www.Key.com	2	$2,747,803 2.85	$42,583,000[6]	$80,020,000[6] $62,012,000[6]	$2,776,000[6] $2,548,000[6]	$5,525,000[6] $1,575,000[6]	$996,000[6]	1.32 17.97	1.46	53.90 41.50	2 2
3	Trustco Bank N.A. 192 Erie Blvd. Schenectady, N.Y. 12305 377-3311, (381-3839) (1902)	3	$2,068,725 2.32	$2,068,725	$2,433,238 $1,323,769	$88,347 $48,765	$174,050 $22,122	$35,015	1.44 21.47	62.76	14.40 85.60	
4	Albank, a division of Charter One Bank FSB 10 N. Pearl St., Albany, N.Y. 12207 432-2200, (432-2013) (1820) www.charterone.com	4	$1,305,089[4] 7.61	$15,165,064[7]	$24,467,255[7] $17,502,729[7]	$1,031,299[7] $492,513[7]	$1,760,371[7] $211,645[7]	$215,361[7]	1.31[7] 16.97[7]	86.64[7]	11.11[7] 88.89[7]	N 6,
5	Evergreen Bank N.A. 237 Glen St., Glens Falls, N.Y. 12801 792-1151, (761-6851) (1853) dburke@evergreenbank.com www.evergreen.banknorth.com	5	$806,714[8] 10.02	$971,944[8]	$1,117,313[8] $707,788[8]	N.R.[12] N.R.[12]	N.R.[12] N.R.[12]	N.R.[12]	N.R.[12] N.R.[12]	N.R.[12]	N.R.[12] N.R.[12]	N. N.
6	HSBC Bank USA 126 State St., Albany, N.Y. 12207 432-2002, (432-2036) (1850) www.HSBC.com	6	$692,007[4] 9.15	$27,291,246[9]	$33,775,945[9] $24,009,332[9]	$1,143,657[9] $771,769[9]	$2,323,540[9] $452,834[9]	$538,021[9]	1.65[9] 23.15[9]	88.00[9]	45.24[9] 50.29[9]	4 9,
7	The Troy Savings Bank 32 Second St., Troy, N.Y. 12180 270-3200, (270-3397) (1823) webmaster@troysavingsbank.com www.troysavingsbank.com	7	$599,770 0.95	$599,770	$738,815 $499,824	$24,403 $19,187	$48,152 $2,973	$2,462	0.36 3.48	83.34	48.31 51.69	26 26
8	Glens Falls National Bank and Trust Co. 250 Glen St., Glens Falls, N.Y. 12801 793-4121, (745-1976) (1851) AFCMKTG@netheaven.com www.Adirondack.net/finance/gfnbank	9	$594,115 7.41	$698,224	$850,481 $459,968	$25,123 $22,465	$56,663 $8,316	$11,115	1.43 16.01	65.90	21 79	361 388
9	The Hudson City Savings Institution[14] 1 Hudson City Centre, P.O. Box 76 Hudson, N.Y. 12534 828-4600, (828-0082) (1850) www.Regionnet.com/colberk/hcs.html	8	$577,276 1.75	$600,675	$833,711 $539,948	$26,419 $25,559	$61,675 $2,837	$2,889	0.365 1.54	89.89	23.25 76.75	26 27
10	Cohoes Savings Bank 75 Remsen St., Cohoes, N.Y. 12047 233-6572, (233-6575) (1851) www.cohoessb.com	11	$520,543 0.824	$520,543	$715,828 $470,088	$20,393 $16,955	$40,143 $2,613	$2,558	0.48 2.83	0.90	21.00 79.00	21 21
11	The Chase Manhattan Bank[11] 12 Corporate Woods Blvd., Fourth Floor Albany, N.Y. 12211 433-2500, (433-0295) (1972)	NR	$513,403[4] NR	$212,437,000	$365,875,000 $169,202,000	$13,723,000 $11,383,000	$22,289,000 $10,090,000	$3,782,000	1.03 17.27	79.60	51.00 49.00	53 70,00
12	Mohawk Community Bank 11 Division St., Amsterdam, N.Y. 12010 842-7200, (843-5501) (1886) info@amsterdam.com www.amsterdamsb.com	10	$445,106 -33.56	$461,413	$735,472 $420,933	$22,441 $15,075	$38,973 $1,144	$1,031	0.18 1.64	91.20	N.R.[12] N.R.[12]	N.R. 182
13	Pioneer Savings Bank 21 Second St., Troy, N.Y. 12180 274-4800, (274-1060) (1889) info@pioneersb.com www.pioneersb.com	12	$444,357 5.16	$444,357	$498,556 $332,762	$19,282 $11,860	$34,425 $2,161	$3,423	0.71 6.80	74.89	1.00 99.00	239 239
14	The Adirondack Trust Co. 473 Broadway, Saratoga Springs, N.Y. 12866 584-5844, (584-1107) (1902) www.adirondacktrust.com	14	$349,512 6.64	$349,512	$403,658 $200,971	$10,814 $10,203	$26,962 $2,575	$6,006	1.60 12.09	0.58	23.00 77.00	148 148
15	Central National Bank, Canajoharie 24 Church St., Canajoharie, N.Y. 13317 673-3243, (673-5447) (1855) shcnb@telenet.net www.canajocnb.com	15	$336,457 28.76	$628,276	$705,689 $380,952	$25,894 $19,425	$52,354 $4,178	$7,825	1.15 14.55	60.66	33.00 67.00	232 296
16	M&T Bank[11] 80 State St., Albany, N.Y. 12207 426-6363, (432-5518) (1856) www.mandtbank.com	13	$332,906 -12.76	$14,737,152	$20,583,891 $15,791,530	$687,503 $566,123	$1,351,794 $270,595	$207,974	1.14 13.86	1.07	N.R.[12] N.R.[12]	212 6,500
17	Catskill Savings Bank 341 Main St., Catskill, N.Y. 12414 943-3600, (943-3778) (1868) [illegible]	16	$219,400 6.8	$219,400	$321,124 $144,528	$10,433 $6,121	$21,634 $577	$3,732	1.24 6.23	65.87	13.30 [illegible]	68 [illegible]
18	City National Bank and Trust Co. 10-24 N. Main St., Gloversville, N.Y. 12078		$206,393 [illegible]	$206,393	$255,568	$7,918	$16,843	$3,224	1.36	59.03	26.51	71

NCRC Analysis - State of New York

Fleet Lending Before and After Mergers
Home Purchase Lending

	1995	1996	1997	% Chg. 95-96	%Chg. 96-97	%Chg. 95-97	% of Total 1995	% of Total 1996
Loans to All Borrowers								
Fleet	4,994	3,788	2,415	-24.1%	-36.2%	-51.6%	62.0%	88.1%
NatWest	2,995	512	0	-82.9%	-100.0%	-100.0%	37.2%	11.9%
Shawmut	70	0	0	-100.0%	N/A	-100.0%	0.9%	0.0%
Total	8,059	4,300	2,415	-46.6%	-43.8%	-70.0%	100.0%	100.0%
Loans to Blacks								
Fleet	716	393	227	-45.1%	-42.2%	-68.3%	82.0%	91.2%
NatWest	153	38	0	-75.2%	-100.0%	-100.0%	17.5%	8.8%
Shawmut	4	0	0	-100.0%	N/A	-100.0%	0.5%	0.0%
Total	873	431	227	-50.6%	-47.3%	-74.0%	100.0%	100.0%
Loans to Hispanics								
Fleet	363	224	127	-38.3%	-43.3%	-65.0%	77.7%	93.7%
NatWest	101	15	0	-85.1%	-100.0%	-100.0%	21.6%	6.3%
Shawmut	3	0	0	-100.0%	N/A	-100.0%	0.6%	0.0%
Total	467	239	127	-48.8%	-46.9%	-72.8%	100.0%	100.0%
Loans to Low- and Moderate-Income Borrowers								
Fleet	1358	1019	603	-25.0%	-40.8%	-55.6%	82.5%	94.1%
NatWest	270	64	0	-76.3%	-100.0%	-100.0%	16.4%	5.9%
Shawmut	18	0	0	-100.0%	N/A	-100.0%	1.1%	0.0%
Total	1,646	1,083	603	-34.2%	-44.3%	-63.4%	100.0%	100.0%
Loans to Substantially-Minority Census Tracts								
Fleet	695	432	244	-37.8%	-43.5%	-64.9%	80.2%	91.3%
NatWest	171	41	0	-76.0%	-100.0%	-100.0%	19.7%	8.7%
Shawmut	1	0	0	-100.0%	N/A	-100.0%	0.1%	0.0%
Total	867	473	244	-45.4%	-48.4%	-71.9%	100.0%	100.0%
Loans to Low- and Moderate-Income Census Tracts								
Fleet	964	603	268	-37.4%	-55.6%	-72.2%	84.1%	95.3%
NatWest	171	30	0	-82.5%	-100.0%	-100.0%	14.9%	4.7%
Shawmut	11	0	0	-100.0%	N/A	-100.0%	1.0%	0.0%
Total	1,146	633	268	-44.8%	-57.7%	-76.6%	100.0%	100.0%

Fleet Financial Group						
Analysis - Owner 1-4/Home Lending 1998						
Albany Neighborhoods						
	Fleet National Bank			*Fleet Mortgage Corporation*		
	# of Applications	% Denied	$ Loans	# of Applications	% Denied	$ Loans
Home Purchase						
Albany County	15	27%	$ 2,334,000	36	6%	$ 333,700
Albany City	3	33%	$ 165,000	5	0%	$ 345,000
Capitol Hill	1	100%	$ -	0	N/A	$ -
South End	0	N/A	$ -	0	N/A	$ -
Arbor Hill	0	N/A	$ -	0	N/A	$ -
West Hill	0	N/A	$ -	0	N/A	$ -
Home Improvement						
Albany County	118	32%	$ 2,371,000	0	N/A	$ -
Albany City	15	27%	$ 318,000	0	N/A	$ -
Capitol Hill	2	50%	$ 60,000	0	N/A	$ -
South End	1	0%	$ 60,000	0	N/A	$ -
Arbor Hill	0	N/A	$ -	0	N/A	$ -
West Hill	6	17%	$ 109,000	0	N/A	$ -
Refinance						
Albany County	244	32%	$ 6,153,000	212	12%	$ 14,174,000
Albany City	38	37%	$ 709,000	33	12%	$ 1,572,000
Capitol Hill	3	0%	$ 116,000	4	0%	$ 212,000
South End	3	100%	$ -	1	0%	$ -
Arbor Hill	2	50%	$ 100,000	0	0%	$ -
West Hill	3	0%	$ 125,000	5	40%	$ 218,000
Fleet Total Dollars Loaned						
Albany County			**$ 10,858,000**			
Albany City			**$ 1,192,000**			
Capitol Hill			**$ 176,000**			
South End			**$ 60,000**			
Arbor Hill			**$ 100,000**			
West Hill			**$ 234,000**			
Albany County Deposits=			**3,167,089,000**			
Loan to Deposit Ratio (County)			**0.34**			

Fleet Financial Group
Market Share Analysis - Owner 1-4/Home Lending 1997
Albany Neighborhoods

	Fleet National Bank				*Fleet Mortgage Corporation*			
	# of Applications	Market Share	% Denied	$ Loans	# of Applications	Market Share	% Denied	Total Applications
Home Purchase								
Albany County	16	0.5%	38%	$ 1,087,000	47	1.4%	12%	3,332
Albany City	5	0.6%	40%	$ 139,000	12	1.5%	14%	796
Capitol Hill	1	0.7%	0%	$ 53,000	4	3.0%	13%	135
South End	0	0.0%	N/A	$ -	1	1.2%	23%	86
Arbor Hill	0	0.0%	N/A	$ -	0	0.0%	22%	67
West Hill	2	1.5%	50%	$ 53,000	2	1.5%	24%	134
Home Improvement								
Albany County	159	8.2%	33%	$ 8,330,000	0	0.0%	27%	1,942
Albany City	19	4.1%	47%	$ 3,230,000	0	0.0%	37%	469
Capitol Hill	2	2.5%	100%	$ -	0	0.0%	39%	80
South End	0	0.0%	N/A	$ -	0	0.0%	32%	62
Arbor Hill	0	0.0%	N/A	$ -	0	0.0%	47%	64
West Hill	7	6.8%	71%	$ 16,000	0	0.0%	50%	103
Refinance								
Albany County	275	7.4%	36%	$ 8,368,000	37	1.0%	29%	3,722
Albany City	39	3.8%	33%	$ 931,000	8	0.8%	39%	1,033
Capitol Hill	3	2.3%	0%	$ 125,000	1	0.8%	40%	131
South End	0	0.0%	N/A	$ -	1	1.1%	42%	89
Arbor Hill	6	2.2%	100%	$ -	0	0.0%	56%	278
West Hill	7	3.5%	29%	$ 250,000	0	0.0%	40%	200

Fleet Total Dollars Loaned

Albany County	**$ 17,785,000**
Albany City	**$ 4,300,000**
Capitol Hill	**$ 178,000**
South End	**$ -**
Arbor Hill	**$ -**
West Hill	**$ 319,000**

Albany County Deposits= $2,256,635,000

Fleet National Bank
Lending Indicators For Albany County
Owner Housing

Home Purchase	Albany County
Loan to Deposit Ratio Rank	14 of 17
% Market Share LMI HH	1.2
% Market Share Non-LMI HH	0.2
% Market Share Black HH	0.9
% Market Share White HH	0.5
Home Improvement	
Loan to Deposit Ratio Rank	11 of 17
% Market Share LMI HH	6.5
% Market Share Non-LMI HH	7.8
% Market Share Black HH	9.1
% Market Share White HH	9.4
Refinance	
Loan to Deposit Ratio Rank	12 of 17
% Market Share LMI HH	4.1
% Market Share Non-LMI HH	6.1
% Market Share Black HH	7.1
% Market Share White HH	7.6
Business Lending	
6 Market Share Low-Income Tracts	5.9%
ket Share Moderate Income Tracts	5.7%
larket Share Middle Income Tracts	6.8%
Market Share Upper Income Tracts	6.2%

11.6

13

Market Share Analysis / Non-Owner 1-4/Home Lending 1997
Albany Geographies

	Fleet National Bank				
	# of Applications	Market Share	% Denied	$ Loaned	Total Applications
Home Purchase					
Albany County	9	4.3%	33%	$ 644,000	210
Albany City	0	0.0%	N/A	$ -	73
Capital Hill	0	0.0%	N/A	$ -	17
South End	0	0.0%	N/A	$ -	3
Arbor Hill	0	0.0%	N/A	$ -	6
West Hill	0	0.0%	N/A	$ -	24
Home Improvement					
Albany County	8	15.7%	63%	$ 50,000	51
Albany City	3	18.8%	100%	$ -	16
Capital Hill	2	50.0%	100%	$ -	4
South End	1	20.0%	100%	$ -	5
Arbor Hill	0	0.0%	N/A	$ -	2
West Hill	0	0.0%	N/A	$ -	4
Refinance					
Albany County	5	1.7%	40%	$ 250,000	299
Albany City	1	0.6%	100%	$ -	158
Capital Hill	0	0.0%	N/A	$ -	23
South End	0	0.0%	N/A	$ -	21
Arbor Hill	0	0.0%	N/A	$ -	38
West Hill	1	1.8%	100%	$ -	57

Fleet Total Non-Owner Lending

Albany County	$ 694,000
Albany City	$ -
Capital Hill	$ -
South End	$ -
Arbor Hill	$ -
West Hill	$ -

Albany County Deposits = $2,256,635,000

Fleet Financial Group						
Market Share Analysis - Owner 1-4/Home Lending 1998						
Rennselaer County						
	Fleet National			***Fleet Mortgage***		
	Bank			***Corporation***		
	# of	%	$	# of	%	$
	Applications	Denied	Loans	Applications	Denied	Loans
Home Purchase						
Rennselaer County	6	50%	$ 309,000	14	7%	$ 827,000
Troy City	1	100%	$ -	0	N/A	$ -
TRIP Service Area	0	N/A	$ -	0	N/A	$ -
Home Improvement						
Rennselaer County	86	36%	$ 1,206,000	0	N/A	$ -
Troy City	17	29%	$ 193,000	0	N/A	$ -
TRIP Service Area	15	27%	$ 183,000	0	N/A	$ -
Refinance						
Rennselaer County	119	36%	$ 2,879,000	76	20%	$ 4,994,000
Troy City	18	28%	$ 367,000	12	25%	$ 644,000
TRIP Service Area	11	45%	$ 127,000	6	33%	$ 353,000
Fleet Total Dollars Loaned						
Rennselaer County			**$ 4,394,000**			
Troy City			**$ 560,000**			
TRIP Service Area			**$ 310,000**			
Rennselaer County Deposits =						
Loan to Deposit Ratio (County)						

Fleet Financial Group
Market Share Analysis - Owner 1-4/Home Lending 1997
Rennselaer County

	Fleet National Bank				*Fleet Mortgage Corporation*			
	# of Applications	Market Share	% Denied	$ Loans	# of Applications	Market Share	% Denied	Total Applications
Home Purchase								
Rennselaer County	11	0.6%	45%	$ 298,000	26	1.5%	8%	1,772
Troy City	0	0.0%	N/A	$ -	7	1.7%	29%	408
TRIP Service Area	0	0.0%	N/A	$ -	5	1.9%	40%	266
Home Improvement								
Rennselaer County	94	8.0%	40%	$ 1,396,000	0	0.0%	N/A	1176
Troy City	15	5.3%	53%	$ 147,000	0	0.0%	N/A	281
TRIP Service Area	11	5.9%	45%	$ 134,000	0	0.0%	N/A	187
Refinance								
Rennselaer County	109	4.9%	39%	$ 2,457,000	20	0.9%	25%	2,242
Troy City	14	2.3%	43%	$ 225,000	2	0.3%	0%	610
TRIP Service Area	9	2.0%	44%	$ 119,000	1	0.2%	0%	453

Fleet Total Dollars Loaned	
Rennselaer County	**$ 4,151,000**
Troy City	**$ 372,000**
TRIP Service Area	**$ 253,000**
Rennselaer County Deposits =	**$ 105,000,000**
Loan to Deposit Ratio (County)	**$ 4.0**

Market Share Analysis / Non-Owner 1-4/Home Lending 1997
Rensselaer Geographies

	Fleet National Bank # of Applications	Market Share	% Denied	$ Loaned	Total Applications
Home Purchase					
Rensselaer County	4	4.8%	50%	$ 65,000	83
Troy City	0	0.0%	N/A	$ -	30
TRIP Service Area	0	0.0%	N/A	$ -	25
Home Improvement					
Rensselaer County	2	7.1%	50%	$ -	28
Troy City	1	7.1%	0%	$ -	14
TRIP Service Area	1	9.1%	0%	$ -	11
Refinance					
Rensselaer County	3	2.4%	0%	$ 435,000	123
Troy City	1	2.3%	0%	$ 35,000	44
TRIP Service Area	1	2.6%	0%	$ 35,000	39

Fleet Total Non-Owner Lending

Rensselaer County	**$ 500,000**
Troy City	**$ 35,000**
TRIP Service Area	**$ 35,000**

Rensselaer County Deposits **$ 105,000,000**

Fleet National Bank
Lending Indicators For Rensselaer County - 1997

	Rensselaer County
Home Purchase	
Loan to Deposit Ratio Rank	10 of 11
% Market Share LMI HH	1.3
% Market Share Non-LMI HH	0.2
% Market Share Black HH	0
% Market Share White HH	0.7
Home Improvement	
Loan to Deposit Ratio Rank	2 of 11
% Market Share LMI HH	7.6
% Market Share Non-LMI HH	7.3
% Market Share Black HH	0
% Market Share White HH	8.3
Refinance	
Loan to Deposit Ratio Rank	5 of 11
% Market Share LMI HH	3.8
% Market Share Non-LMI HH	3.4
% Market Share Black HH	3.8
% Market Share White HH	4.8
Business Lending	
% Market Share Low-Income Tracts	4.8
% Market Share Moderate Income Tracts	1.3
% Market Share Middle Income Tracts	8.9
% Market Share Upper Income Tracts	3.1

6.1

12

Fleet Financial Group
Market Share Analysis - Owner 1-4/Home Lending 1998
Schenectady Neighborhoods

	Fleet National Bank			*Fleet Mortgage Corporation*		
	# of Applications	% Denied	$ Loaned	# of Applications	% Denied	$ Loaned
Home Purchase						
Schenectady County	8	25%	$ 88,850	27	15%	$ 1,777,000
Schenectady City	3	0%	$ 116,000	7	14%	$ 379,000
LMI Tracts -Schenectady City	1	0%	$ 82,000	0	0%	$ -
Home Improvement						
Schenectady County	89	45%	$ 1,465,000	0	N/A	$ -
Schenectady City	23	61%	$ 151,000	0	N/A	$ -
LMI Tracts -Schenectady City	10	80%	$ 29,000	0	N/A	$ -
Refinance						
Schenectady County	187	39%	$ 3,892,000	122	12%	$ 12,000
Schenectady City	44	61%	$ 477,000	22	10%	$ 10,000
LMI Tracts -Schenectady City	11	72%	$ 50,000	1	0%	$ -

Fleet Total Lending		
Schenectady County	**$ 5,445,850**	**$ 1,789,000**
Schenectady City	**$ 744,000**	**$ 389,000**
LMI Tracts -Schenectady City	**$ 161,000**	**$ -**

Fleet Deposits- Schenectady County = N/A for 1998

Fleet National Bank
Lending Indicators by Geography

	Schenectady County
Home Purchase	
Loan to Deposit Ratio Rank	14 of 15
% Market Share LMI HH	0.3%
% Market Share Non-LMI HH	1.7%
% Market Share Black HH	1.6%
% Market Share White HH	0.7%
Home Improvement	
Loan to Deposit Ratio Rank	9 of 15
% Market Share LMI HH	6.8%
% Market Share Non-LMI HH	8.7%
% Market Share Black HH	0.0%
% Market Share White HH	9.0%
Refinance	
Loan to Deposit Ratio Rank	10 of 15
% Market Share LMI HH	4.2%
% Market Share Non-LMI HH	8.1%
% Market Share Black HH	4.3%
% Market Share White HH	9.6%
Business Lending	
% Market Share Low-Income Tracts	25%
% Market Share Moderate Income Tracts	11%
% Market Share Middle Income Tracts	16%
% Market Share Upper Income Tracts	16%

36

32

Market Share Analysis / Non-Owner 1-4/Home Lending 1997
Schenectady Geographies

	Fleet National Bank				
	# of Applications	Market Share	% Denied	$ Loaned	Total Applications
Home Purchase					
Schenectady County	13	11.1%	15%	$ 551,000	117
Schenectady City	3	4.7%	0%	$ 80,000	64
LMI Tracts -Schenectady City	1	3.6%	0%	$ 44,000	28
Home Improvement					
Schenectady County	5	16.1%	80%	$ 8,000	31
Schenectady City	4	26.7%	75%	$ 8,000	15
LMI Tracts -Schenectady City	1	16.7%	0%	$ 8,000	6
Refinance					
Schenectady County	2	1.9%	100%	$ -	105
Schenectady City	1	1.4%	100%	$ -	71
LMI Tracts -Schenectady City	1	2.8%	100%	$ -	36

Fleet Total Non-Owner Lending

Schenectady County	**$ 559,000**
Schenectady City	**$ 88,000**
LMI Tracts -Schenectady City	**$ 52,000**

Fleet Deposits Schenectady County = $639,000,000

Fleet Findings for Orange County

1-4 Owner

Applications

Largest market share in Home Improvement, Refinance Applications of all loan types.
Home Improvement, Refinance market share lower in Middletown then in Orange County
Market share among LMI HH for Home Improvement and Refinance loans comparable to Non-LMI HH
Market share among Black HH for Home Improvement and Refinance loans lower than among White HH

Denials

Fleet's denial rates for Home Improvement and Refinance loans much higher than the County rate
All Home Improvement applications denied in Newburgh
Most Home Improvement applications denied in Middletown

Loan to Deposit Ratio

Fleet taking very few Home Purchase applications

Non Owner 1-4

Applications

Fleet has a higher market share among Non-Owners than Owners for Home Purchase applications
Home Purchase applications are being denied at a slightly higher rate than the County rate
Fleet took no applications for Home Purchase, Home Improvement or Refinance loans from Middletown or Newburgh cities for Non-Owner loans.

Denials

Fleet denied all Home Improvement applications for the County

Business Lending

Fleet had a higher market share in low-income census tracts than other tracts

Community Development Lending

Fleet ranks 3 out of 9 in the Community Development to Asset ratio, giving back 7 tenths of a cent on the dollar.

Community Needs

Better marketing of Home Improvement and Refinance loans among Black borrowers
Better marketing of Home Improvement and Refinance loans in Middletown
Marketing OK in Newburgh
Find a way to close Owner Home Improvement loans in Middletown and Newburgh
Find a way to get Home Improvement and Refinance loans to Non-Owners in Orange County
Housing Counseling needs
Foreclosure Prevention

Market Share Analysis / Non-Owner 1-4/Home Lending 1997
Orange Geographies

	Fleet National Bank			
	# of Applications	Market Share	% Denied	Total Applications
Home Purchase				
Orange County	13	5.6%	62%	231
City of Newburgh	0	0.0%	N/A	50
City of Middletown	0	0.0%	N/A	16
Kiryas Joel	0	0.0%	N/A	6
Home Improvement				
Orange County	3	4.7%	100%	64
City of Newburgh	0	0.0%	N/A	1
City of Middletown	0	0.0%	N/A	3
Kiryas Joel	0	#DIV/0!	N/A	0
Refinance				
Orange County	3	1.0%	67%	299
City of Newburgh	0	0.0%	N/A	23
City of Middletown	0	0.0%	N/A	23
Kiryas Joel	0	0.0%	N/A	1

Fleet National Bank
Lending Indicators For Orange County - 1997

	Orange County
Home Purchase	
Loan to Deposit Ratio Rank	18 of 21
% Market Share LMI HH	0.9
% Market Share Non-LMI HH	0.2
% Market Share Black HH	0
% Market Share White HH	0.4
Home Improvement	
Loan to Deposit Ratio Rank	3 of 21
% Market Share LMI HH	11
% Market Share Non-LMI HH	8
% Market Share Black HH	5.5
% Market Share White HH	8.7
Refinance	
Loan to Deposit Ratio Rank	8 of 21
% Market Share LMI HH	3.9
% Market Share Non-LMI HH	3.7
% Market Share Black HH	2
% Market Share White HH	4.9
Business Lending	
% Market Share Low-Income Tracts	8.8
% Market Share Moderate Income Tracts	5.5
% Market Share Middle Income Tracts	5.9
% Market Share Upper Income Tracts	3.5

Fleet Deposits 1995-1997

Location County		Fleet 95		Fleet 96		Fleet 97	% Change 95-96	% Change 95-97
Albany	$	1,618,011,000	$	2,159,129,000	$	2,256,635,000	33%	39%
Allegany	$	134,366,000	$	132,802,000	$	124,810,000	-1%	-7%
Bronx	$	22,882,000	$	259,496,000	$	256,534,000	1034%	1021%
Cattaraugus	$	144,678,000	$	133,906,000	$	135,196,000	-7%	-7%
Cayuga	$	124,971,000	$	167,405,000	$	118,413,000	34%	-5%
Chautauqua	$	173,860,000	$	145,371,000	$	129,869,000	-16%	-25%
Chemung	$	18,556,000	$	18,861,000	$	16,540,000	2%	-11%
Clinton	$	60,833,000	$	64,279,000	$	-	6%	-100%
Columbia	$	87,271,000	$	83,718,000	$	84,914,000	-4%	-3%
Cortland	$	11,079,000	$	10,666,000	$	10,424,000	-4%	-6%
Dutchess	$	39,900,000	$	41,429,000	$	42,354,000	4%	6%
Erie	$	1,083,123,000	$	1,090,915,000	$	858,860,000	1%	-21%
Essex	$	37,765,000	$	38,988,000	$	-	3%	-100%
Franklin	$	12,469,000	$	12,096,000	$	11,007,000	-3%	-12%
Fulton	$	33,664,000	$	21,769,000	$	23,940,000	-35%	-29%
Genesee	$	78,707,000	$	75,058,000	$	72,176,000	-5%	-8%
Greene	$	41,408,000	$	40,743,000	$	39,807,000	-2%	-4%
Herkimer	$	157,226,000	$	150,222,000	$	142,079,000	-4%	-10%
Jefferson	$	35,187,000	$	33,123,000	$	31,166,000	-6%	-11%
Kings	$	106,003,000	$	384,252,000	$	340,700,000	262%	221%
Lewis	$	11,449,000	$	11,187,000	$	10,214,000	-2%	-11%
Livingston	$	67,800,000	$	70,299,000	$	71,630,000	4%	6%
Monroe	$	628,147,000	$	607,792,000	$	540,590,000	-3%	-14%
Montgomery	$	40,175,000	$	122,529,000	$	101,913,000	205%	154%
Nassau	$	711,232,000	$	2,994,629,000	$	2,582,379,000	321%	263%
New York	$	313,473,000	$	1,252,240,000	$	1,134,340,000	299%	262%
Niagara	$	273,364,000	$	269,672,000	$	259,764,000	-1%	-5%
Oneida	$	507,492,000	$	462,477,000	$	429,306,000	-9%	-15%
Onondaga	$	674,773,000	$	676,429,000	$	626,361,000	0%	-7%
Ontario	$	61,156,000	$	55,086,000	$	54,322,000	-10%	-11%
Orange	$	329,038,000	$	330,811,000	$	313,220,000	1%	-5%
Orleans	$	49,200,000	$	42,676,000	$	44,405,000	-13%	-10%
Oswego	$	53,991,000	$	54,049,000	$	55,496,000	0%	3%
Otsego	$	21,608,000	$	19,563,000	$	17,488,000	-9%	-19%
Queens	$	80,210,000	$	553,662,000	$	535,263,000	590%	567%
Rensselaer	$	114,761,000	$	117,701,000	$	105,515,000	3%	-8%
Richmond	$	-	$	87,421,000	$	85,603,000	#DIV/0!	#DIV/0!
Saratoga	$	105,317,000	$	278,588,000	$	241,444,000	165%	129%
Schenectady	$	155,009,000	$	734,032,000	$	639,480,000	374%	313%
Schoharie	$	21,187,000	$	21,233,000	$	17,699,000	0%	-16%
Schuyler	$	20,962,000	$	20,622,000	$	20,388,000	-2%	-3%
Seneca	$	40,996,000	$	42,507,000	$	43,955,000	4%	7%
St. Lawrence	$	65,222,000	$	63,846,000	$	60,633,000	-2%	-7%
Steuben	$	109,225,000	$	107,180,000	$	109,027,000	-2%	0%
Suffolk	$	757,358,000	$	1,810,858,000	$	4,764,125,000	139%	529%
Sullivan	$	156,829,000	$	152,071,000	$	148,529,000	-3%	-5%
Tompkins	$	50,845,000	$	42,110,000	$	39,897,000	-17%	-22%
Ulster	$	195,075,000	$	188,315,000	$	192,680,000	-3%	-1%
Warren	$	52,735,000	$	96,814,000	$	43,655,000	84%	-17%
Wayne	$	89,794,000	$	85,127,000	$	75,577,000	-5%	-16%
Westchester	$	-	$	1,296,492,000	$	1,106,122,000	#DIV/0!	#DIV/0!
Yates	$	49,339,000	$	46,762,000	$	45,532,000	-5%	-8%
Total	$	9,829,721,000	$	17,779,008,000	$	19,211,976,000	81%	95%

Fleet Financial Group
Market Share Analysis - Owner 1-4/ Home Lending 1997
Orange Geographies

	Fleet National Bank				Application Financing		*Fleet Mortgage Corporation*			Application Financing		*Fleet Bank*		
	# of Applications	Market Share	% Denied	$ Loaned	% Conventional	% FHA	# of Applications	Market Share	% Denied	% Conventional	% FHA	# of Applications	Market Share	Den
Home Purchase														
Orange County	16	0.4%	38%	$ 3,820,000	100%	0%	55	1.3%	11.0%	62%	38%	1	0%	10
City of Newburgh	0	0.0%	N/A	$ -	0%	0%	0	0%	N/A	0%	0%	0	0%	N
City of Middletown	1	0.7%	100%	$ -	100%	0%	0	0%	N/A	0%	0%	0	0%	N
Kiryas Joel	0	0.0%	N/A	$ -	0%	0%	0	0%	N/A	0%	0%	0	0%	N
Home Improvement														
Orange County	158	9.9%	56%	$ 2,285,000	100%	0%	0	0%	N/A	0%	0%	4	0.1%	N
City of Newburgh	3	8.1%	100%	$ -	100%	0%	0	0%	N/A	0%	0%	0	0%	I
City of Middletown	4	6.1%	75%	$ 25,000	100%	0%	0	0%	N/A	0%	0%	0	0%	I
Kiryas Joel	0	0.0%	N/A	$ -	0%	0%	0	0%	N/A	0%	0%	0	0%	I
Refinance														
Orange County	224	5.3%	39%	$ 5,784,000	100%	0%	22	0.5%	18%	100%	0%	5	0.1%	4
City of Newburgh	7	6.7%	57%	$ 54,000	100%	0%	0	0.0%	N/A	0%	0%	0	0.0%	I
City of Middletown	4	2.7%	50%	$ 85,000	100%	0%	2	1.3%	50%	100%	0%	0	0.0%	I
Kiryas Joel	0	0.0%	N/A	$ -	0%	0%	0	0.0%	N/A	0%	0%	0	0.0%	I

Total Owner Fleet Home Lending

City of Newburgh	**$ 54,000**
City of Middletown	**$ 110,000**

City of Newburgh - Fleet has $108,246,000 in deposits.
City of Middletown - Fleet has $14,002,000 in deposits.

Fleet Financial Group
Market Share Analysis - Owner 1-4/Home Lending 1997
Schenectady Neighborhoods

	Fleet National Bank				Application Financing		*Fleet Mortgage Corporation*			Application Financing	
	# of Applications	Market Share	% Denied	$ Loaned	% Conventional	% FHA	# of Applications	Market Share	% Denied	% Conventional	F
Home Purchase											
Schenectady County	15	0.8%	33%	$ 547,000	100%	0%	49	2.6%	12%	29%	7
Schenectady City	5	0.8%	40%	$ 137,000	100%	0%	16	2.7%	13%	13%	8
LMI Tracts -Schenectady City	**2**	**1.1%**	**50%**	**$ 59,000**	**100%**	**0%**	**2**	**1.1%**	**0%**	**0%**	**10**
Home Improvement											
Schenectady County	94	9.5%	34%	$ 1,476,000	100%	0%	0	0%	N/A	0%	[illegible]
Schenectady City	20	6.1%	45%	$ 87,000	100%	0%	0	0%	N/A	0%	[illegible]
LMI Tracts -Schenectady City	**6**	**6.8%**	**50%**	**$ 114,000**	**100%**	**0%**	**0**	**0%**	**N/A**	**0%**	[illegible]
Refinance											
Schenectady County	166	8.0%	36%	$ 3,799,000	100%	0%	37	1.8%	24%	84%	1[illegible]
Schenectady City	32	4.0%	47%	$ 504,000	100%	0%	6	0.8%	50%	100%	[illegible]
LMI Tracts -Schenectady City	**2**	**0.7%**	**100%**	**$ -**	**100%**	**0%**	**1**	**0.3%**	**100%**	**100%**	[illegible]

Fleet Total Lending	
Schenectady County	**$ 5,822,000**
Schenectady City	**$ 728,000**
LMI Tracts -Schenectady City	**$ 173,000**

Fleet Deposits- Schenectady County= $639,000,000

Remarks to the Federal Reserve July 7, 1999

Dennis Flynn

68 New Athol Road

Petersham, MA 01366

Tel. (978) 724 - 3393

Sirs:

In a recent transaction with Fleet Bank, I believe Fleet Bank violated Federal guidelines and possibly, Federal Law, in processing a Government secured mortgage product.

I was denied the right to negotiate a favorable interest rate according to Veterans Administration guidelines. Fleet Bank did not even take my application at the time I applied for the loan. My mortgage application consisted of approximately 40 pages of faxed documents. These were faxed to the Rhode Island office of Fleet Bank a week after what was to be the closing date.

In processing this VA Mortgage Fleet Bank violated their internal guidelines, they violated Veterans Administration Guidelines, and quite possibly violated Federal Law.

I am just one Veteran who went to Fleet Bank to get a loan under the G.I. Bill. Am I the only Veteran that had this type of experience with Fleet Bank? The Federal Reserve, the Veterans Adminstration, and the Veteran population will never know, unless you gentlemen take the time to send these concerns on to the proper Authorities.

MASSPIRG
Massachusetts Public Interest Research Group
29 Temple Place, Boston, MA 02111-1350 (617) 292-4800
http://www.pirg.org/masspirg

To: Federal Reserve Board of Governors
Fr: Deirdre Cummings, Consumer Program Director
Re: Public Hearing on Proposed Fleet and BankBoston Merger
7/7/99

Testimony in Favor of Three Consumer Initiatives

The Massachusetts Public Interest Research Group (MASSPIRG) is a non-profit, non-partisan consumer organization with over 50,000 members across the state. MASSPIRG has conducted numerous surveys and studies of rising bank fees and anti-consumer bank practices, and advocated for bank reforms when necessary, including the passage of the Check-Hold Law in Massachusetts and in Congress, the Truth In Savings Law and Truth In Lending Law. MASSPIRG is currently campaigning to ban the ATM surcharge.

MASSPIRG urges you to require the new Fleet Boston to put in place specific programs which would encourage competition among banks by empowering the consumer with important meaningful information about bank fees, products, and services. Providing consumers with access to useful, comparative information about bank fees, service, and products is the most fundamental step in ensuring consumers will have any amount of clout in the market place to keep fees low, service high, and a good variety of bank products available. This, of course, will only be effective if the consumer has a real "choice" in the market place by having real access to a significant number and types of banks.

MASSPIRG proposes:

1. Release of Bank Fee Surveys

The number and amount of bank fees have exploded in the last few years, with the largest banks charging higher fees and inventing some of the most egregious new bank fees - including fees to speak to a human teller, fees to close your account and fees that double charge consumers for using ATMs. In addition, banks have made it more difficult for consumers to compare bank prices, services and products by: putting out slick advertising campaigns which fail to disclose complete costs; failing to use uniform language in describing their accounts and products; and even failing to make the mandatory "Schedule of Fees" accessible and available to every bank customer before they sign up for an account.

To provide for fair competition, Fleet Boston should be required to fund two annual statewide consumer surveys comparing bank fees, products and services. The surveys would be conducted by an independent agency or organization and made available to consumers at every bank, on the internet, and through government agencies.

2. Establish a Financial Consumers Association

Massachusetts consumers today are facing a far different financial service landscape than they were just five years ago. In 1995, BankBoston, Shawmut, Baybank and Fleet were the state's 4 largest banks, holding more than half of the state's share of commercial deposits. If the Fleet - Bank Boston merger is successful, we will have just one mega bank in the region, where we had four just a short while ago. The recently announced merger between Citizen's Bank and USTRUST further reduces the number of banks in the region.

While the banks consolidate their power, consumers need to do the same. A Financial Consumers' Association (FCA) must be established. The FCA is a voluntarily funded, independent, nonprofit, watchdog organization formed by individual customers of financial institutions. The FCA would collect and disseminate information to consumers about comparative costs and the availability and quality of financial services, and would represent consumers interests in regulatory matters, the legislature and the courts.

What makes the FCA most effective is how it is organized and funded. Financial institutions would be required to place a neutrally worded announcement about the formation and the existence of the FCA to be included as inserts in four regular mailings a year from financial service providers to consumers. The FCA is modeled after similar successful utility associations established in Oregon, New York, Wisconsin and Illinois. A bill to establish a FCA (S. 114) was filed by Senator Steven Tolman and is pending in the Massachusetts Legislature.

The FCA will help level the playing field between the consumer and the financial services industry. The FCA will empower consumers, provide important advice, and save consumers money.

3. Ban ATM Double Charges and redistribute ownership of ATM network

In just this past year, the number of banks in Massachusetts imposing an ATM Surcharge exploded by over 2,000%. The new ATM surcharge, the practice of banks charging consumers twice for one ATM transaction, ought to be prohibited for three reasons. First, ATM double fees are excessive and amount to price gouging (the Office of Thrift Supervision has reported the average ATM cost to banks is .20-.50 cents wheras many consumes are paying $.75 - $4.). Second, the ATM surcharge is deceptive by effectively double billing consumers, requiring the consumers' bank and the consumer to pay for the same transaction. Lastly, the surcharge is predatory; driving small bank competitors out of business, allowing the big banks to charge even higher fees.

.Ownership of ATM networks should not be primarily held by large banks - again perverting competition. For example, the NYCE network is owned primarily (95%) by eight large banks. The remaining 5% is held by 150 smaller banks. Fleet and BankBoston each currently own 12% of the NYCE network. Instead of dividing one of the 12% shares amongst the large banks, they should go to the share owned by the 150 smaller banks.

If this merger between Fleet and Bank Boston is successful, consumers' power in the market place will once again be reduced. This comes after a recent succession of mergers and on the heels of the recently announced merger between Citizens and USTRUST. There is no doubt banks will continue their strategy of eliminating competitors through buyouts rather than compete with them through better service, and lower fees.

These three simple consumer initiatives will go a long way in preventing further erosion of consumer clout and encourage more competition in the financial services market place.

I have enclosed additional information on the above initiatives.

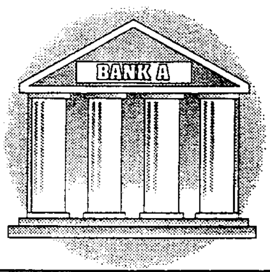
Enclosures:
1. Report: ***Bigger Banks, Bigger Fees: The 1997 PIRG Bank Fee Survey***
2. MASSPIRG testimony on the Act to Establish A Financial Consumers Association S. 114, before the joint Committee on Commerce and Labor and a copy of the bill
3. MASSPIRG testimony on the ATM surcharge ban bill S. 19, before the joint Committee on Banks and banking
4. "*How the ATM Surcharge Works*"

How The ATM Surcharge Works

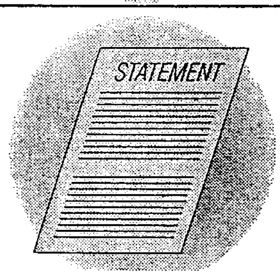
Paying twice for a single transaction

1. 

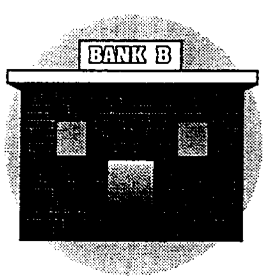
Sandy, a customer of BANK A, uses an ATM owned by BANK B to withdraw $20.

2. 

BANK A pays BANK B a 50 cent fee for Sandy's use of the ATM.

3. 

BANK A charges Sandy $1.50 for that same transaction.

4. 

BANK B charges Sandy $1.00 for that same transaction at the ATM.

5. 

Sandy pays twice, and BANK B is paid twice, for the same transaction. And Sandy pays $2.50 to take out $20.

MASSPIRG

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http://www.pirg.org/masspirg

To: Committee on Banks and Banking
Fr: Deirdre Cummings, Consumer Program Director
Dt: April 27, 1999
Re: In Support of S.19, H. 2083, H. 1133, S.12

Testimony in favor of banning the ATM Surcharge

Good afternoon. My name is Deirdre Cummings and I am the Consumer Program Director for MASSPIRG. MASSPIRG is a nonprofit, nonpartisan consumer organization with 50,000 citizen members across the state.

I am testifying today in support of S.19, H. 2083, H. 1133, and S. 12, bills to ban the ATM double charge, also known as the surcharge. This new scheme by banks should be prohibited for three reasons. First, ATM fees are excessive and amount to price gouging. Second, the fee is deceptive by effectively double billing consumers, requiring the consumers' bank and the consumer to pay for the same transaction. Lastly, the surcharge is predatory; it's designed to drive small bank competitors out of business and to allow the big banks to charge even higher, monopolistic banking fees. This last issue is of particular concern today as we will once again see our bank choices among the biggest banks cut in half, leaving the biggest bank in Massachusetts, 'Fleet-Boston', owning close to half of all the bank owned ATMs in the state.

The banks' fee income strategy is simple: Raise fees, invent new fees, and get more people to pay more fees. Since deregulation, banks have invented numerous new fees. Some of the most outrageous fees include: Fees to close your accounts, fees for calling your bank, fees for teller assisted transactions and fees for depositing a check which bounces. Some estimate that well over 200 different bank fees now exist. This strategy has clearly worked for the banks' bottom line. Nationally, commercial banks recorded their seventh straight year of record profits, earning $61.9 billion in 1998, up 4.7% from 1997. However, fee income is growing more rapidly. Non-interest income, including ATM fee income, rose to $19.4 billion, an increase of 18.4%

On April 1, 1996, the two largest ATM networks, VISA's Plus and Mastercard's Cirrus, ended their prohibition against member banks surcharging non-accountholders using their ATMs. This move allowed banks to charge consumers twice to use the ATM only once. The surcharge is in addition to the "foreign" fee which approximately 88% of banks in Massachusetts already charge their accountholders when they use another's ATM.

In just this past year, the number of ATMs imposing a surcharge exploded. From April 1, 1998 to April 1, 1999 the number of bank owned surcharging ATMs went from 3% to 71%, a 2,000% increase.

While many fees are too high, some are particularly egregious and should be prohibited. The ATM surcharge is one of those fees.

A. Price Gouging

Our most recent study on bank surcharges, *Always Taking Money*, released in April of this year, found that the percentage of banks nationwide surcharging non-accountholders has increased dramatically in the past year to 93% of all banks. Compared to our 1998 report, overall surcharging by banks has increased 31%. The average ATM surcharge was $1.37 up from $1.23 in 1998. An unprecedented 95% of big banks now surcharge. Big banks, which have the vast majority of all ATMs, impose higher surcharges, and surcharge at higher rates. The average ATM surcharge at big banks was $1.42 and small banks was $1.30.

In Massachusetts, we are about a year behind the national trend in ATM fees. While only 24% (56) of banks in Massachusetts surcharge, they represent over 71% (2500) ATMs.

Today, 3 years after the removal of the surcharge ban by the networks, ATM surcharges are most typically $1.50. However, surcharges of $2-$4 are on the rise. Left unchecked, it is not hard to believe that surcharges will soon typically be $2-$3, with the high fees being $3.50 to $5.

The surcharge, remember, is in ADDITION to the fee most of us already pay our bank to use another's ATM. This fee, sometimes called the "foreign" fee, ranges from .50 to $2 with only a handful of banks charging $0. In Massachusetts, the average "foreign" fee was $1.05. Once again, the biggest banks charge the highest "foreign" fee with the big banks averaging $1.58 and small banks averaging $1.

With the addition of the surcharge, a simple ATM transaction has in effect doubled, or even tripled the cost to the consumer. If surcharging is not prohibited in Massachusetts, a typical banking customer who uses another bank's ATM will pay $2-$3 to withdraw money from an ATM. In many cases a consumer pays $3-$4 if, for example, they pay a $2 "foreign fee" (as is the case of Citizens Bank), and use an ATM which charges $1.00 surcharge (BankBoston).

These fees are particularly outrageous compared to the actual cost to banks for an ATM transaction. Various articles and studies, including an estimate by the Office of Thrift Supervision, report that the average cost to a bank for an ATM transaction ranges from $.20 to $.50. Simple math demonstrates that in many cases consumers are paying 4-20 times the cost of a transaction. ***That is, pure and simple, price gouging.***

It is important to point out the uniqueness of the ATM surcharge and why it leads to excessive pricing. Typically, in a competitive market, we would expect that price would be pushed down to marginal cost. That is, with any product, if there is sufficient consumer choice, consumers will seek out those competitors which offer the best combination of price, service, and quality. For an undifferentiated product like ATM access, one would expect that firms would compete aggressively on price and prices would be driven down to marginal cost. Yet, as the evidence shows, the average prices for surcharges has consistently increased over time. This problem is aggravated by the dual pricing system where ATM owners are collecting both the interchange fee and the surcharge. When two firms set a price they both try and secure as high a margin as possible. This combined price will be higher than if only one firm set the price. This problem is called "double marginalization" because two firms try and secure the same margin.

Now, many of us are certainly willing and prepared to pay for the convenience of ATMs but these kinds of fees are clearly excessive and should not be allowed.

B. Deceptive

Hitting the consumer up twice for one transaction is unfair and deceptive. In this case, a consumer buys a product (a bank account) from his or her bank which includes an ATM card and the ability to use it wherever the "network" carries the banks' information. However, under the surcharge fee strategy, consumers would then be required to pay again for that same service at the time of the transaction. **Charging the fee two different ways, two different times, is a deliberate attempt to confuse the consumer and hide the true price tag to the consumer.**

Here's how the ATM fee system worked before April 1, 1996. I signed up for a bank account at bank A. As a condition of my checking account Bank A charges me $1.50 to use another bank's ATM (bank B). Bank A pays bank B $.50 cents (interchange fee) and the network $.25 (switch fee) every time I use Bank B's ATM. This system allowed me to include the full cost of ATM transactions in my decision of where to bank.

Now when I use another bank's ATM, not only can I expect to pay my bank a fee, and my bank will pay the other bank a fee, but the other bank will charge me again for the one transaction!

A more clear and less confusing pricing system is necessary to arm consumers with the true and accurate price information they need to exercise their consumer strength and take advantage of "the market".

What would we think of a cruise with an all inclusive price that also charges you for the meal, or a phone company that charges you at the time of the call and then again at the end of the month? We would say these practices are deceptive just as the ATM surcharging practice is.

In Massachusetts today, even the surcharge free network of ATMs will offer little choice to consumers in certain areas. Just comparing BankBoston's massive network of nearly 1300 ATMs to the surcharge-free network, many consumers will have no choice between a surcharging and non-surcharging machine. For example, it was reported last year in a Boston Globe article that consumers in Boston and Newton will have little "choice" because BankBoston's machines dominate the area. In Boston, BankBoston owns 119 ATMs and the surcharge-free network has 43 machines. In Newton, BankBoston has 18 and the surcharge-free network has 5. In addition, what consumer will be able to choose at the airport, where there is only one ATM owned by BankBoston. How soon will it take for that surcharge to reach $5? What about on college campuses? A quick poll of college campuses showed that out of 30 college campuses, 70% (or 21 out of 30) of the machines on campus are BankBoston or Fleet. Only three campuses had more than one ATM, two of which were BankBoston and Fleet. While we commend BankBoston for eliminating the surcharge on a handful of the campuses, we urge them to do it on all campuses and other locations where their is no competing surcharge free machine.

Contrary to the industries' argument that the surcharge offers "choice", these examples demonstrate that for many consumers their will be a clear **lack of choice.**

C. Predatory

Lastly, surcharges should be prohibited because they are predatory and solely designed to draw customers from banks with smaller networks.

This is particularly threatening here in Massachusetts with just one bank, the new Fleet-Boston, likely to own close to half of the ATMs. Surcharging by banks that own most of the machines poses a serious competitive threat to smaller banks and credit unions. If enough small customers of smaller banks switch accounts to big banks to avoid surcharges, then the big banks, facing less competition, will raise the fees they charge their own customers even more.

The SUM Program, a selective surcharge program owned by NYCE, is not the "free market solution" many bankers would lead you to believe. First, it is important to point out that the big banks who own most of the networks *prohibited selective surcharging* through anti-competitive clauses in their contract with banks. It was not until the Department of Justice began an investigation into this anti-consumer practice that the banks backed down and allowed for the formation of a selective surcharge program. The SUM program allows for banks and credit unions to group their machines together per se, and offer consumers a larger network of surcharge free machines in an attempt to allow banks with smaller networks to compete with the big banks. Unfortunately, the banking landscape is so consolidated that at its very BEST, the SUM program will only represent less than one third of all bank owned ATMs in Massachusetts, and that percentage will likely decline over time.

Further, it is important to point out here that the SUM Program is owned by NYCE, which is owned primarily (95%) by 8 large banks, all of whom surcharge, (except People's Bank in Connecticut where surcharges are prohibited.) Therefore, I have little doubt that if the program was truly successful, the banks would eliminate the program just as they eliminate their competitors through mergers and buyouts.

In the last few years we have seen a rash of mergers and consolidation in the banking industry. What used to be the 4 biggest banks in Massachusetts will now be just one. If the big banks are successful in using the surcharge strategy to lure customers from smaller banks, every consumer will suffer as the huge mega banks act as a monopoly, increasing both the number and the amount of fees faster and higher than the already expensive banking system we have today.

In addition, for an industry that continues to argue choice throughout every debate, they are certainly doing the best they can to eliminate consumer choices by gobbling up their competitors.

Conclusion:

While in many circumstances true choice and a competitive market can weed out truly anti-consumer practices, there are a number of examples where the market did not work and government has had to intervene to protect consumers.

Two well known examples of legislative intervention include usury caps and the check hold law. A usury cap is a state imposed ceiling on the amount of interest that banks and other creditors can charge consumers for a loan. A more recent example is the check hold law which stopped the banking industry's anti-consumer practice of earning billions of dollars in interest on cleared consumers' checks while denying consumers access to their own money for as long as two weeks. I will add that Massachusetts was the first state legislature to pass the check hold law in 1984, followed by New York. It wasn't until the early 1990's that the law was passed by Congress. A more recent example of government intervention is cited above when last year the Department of Justice launched an investigation into the anti-competitive network practices, which ultimately led to the establishment of selective surcharge programs.

I strongly believe that this is one of those circumstances where the legislature needs to intervene. Currently, the ATM surcharge ban or moratorium legislation is being considered in 26 states. Two states, Iowa and Connecticut, ban ATM surcharges through their current banking regulations. In addition, large cities have started to take action to ban surcharges. Most recently the cities of Berkeley, SanFrancisco, and Philadelphia have taken up the issue of banning surcharges in their cities.

The ATM surcharge is excessive, deceptive and predatory and should be banned to protect consumers and **enhance choice.** The bill has won the unanimous support of the Senate for the last two years and enjoys support from a majority of members in the House. I hope you will vote to ban the ATM surcharge and move the bill from your committee quickly.

NOTE:
I have heard today and repeatedly by the industry and others that the proposed ban would be unfair since it would not apply to the federally chartered banks. MASSPIRG agrees with many including the Attorney General of Connecticut, the former Attorney General Harshbarger, and others that this argument is false for two reasons:

First, under the Electronic Funds Transfer Act (EFTA), which governs ATM transactions, states are clearly allowed to enact stronger laws unless inconsistent with federal law. Since no contrary federal ATM pricing law applies, or, as the argument is often made, since the federal government has not "taken the field," the states are free to act.

Second, the most recent Congressional pronouncement on the authority of the Office of the Comptroller of the Currency (OCC), which regulates national banks, is the 1994 Interstate Branching Efficiency Act. This Act by Congress clearly condemned the OCC's "inappropriately aggressive" preemption policies with regard to consumer and community reinvestment laws. See Conference Report, 103-651. Under the terms of a recent amendment to that law, enacted as H.R. 1306 this year, Congress re-stated its strong opposition to the agency's abusive preemption policies and is requiring an annual report to the Congress.

If the OCC were to preempt Massachusetts law, MASSPIRG would be ready to join the state in a legal challenge, based on these clear Congressional findings. It is unfortunate that the banks lobby against worthwhile consumer laws in such a way, because it has a chilling effect on the rights of the states to protect their citizens better.

Lastly, I have included the chronology of the ATM fee litigation in Connecticut where the Attorney General feels confident they will ultimately defend their right to protect consumers in their state by banning the ATM surcharge.

RESULTS FROM CAMPUS SURVEY 1/99

30 campuses surveyed
19 only have BankBoston
2 only have Fleet
2 have BankBoston and Fleet
5 have credit unions or local banks
1 had a Citizens Bank ATM
1 college had "assorted banks"

DATA

SCHOOL	BANK
Anna Maria College	BankBoston
Bently College	BankBoston
Berkshire Community College	Berkshire Bank
Boston College	BankBoston
Brandeis University	Fleet and BankBoston
Bridgewater State College	BankBoston
Bristol Community College	Compas
Bunker Hill Community College	Credit Union
Clark University	BankBoston
College of the Holy Cross	Fleet and BankBoston
Emerson College	BankBoston
Fitchburg State	BankBoston
Framingham State	BankBoston
Mass College of Art	Citizens
Mass. Institute of Tech	"Assorted Banks"
Mount Wachusett C.C.	Mt. Watachusett Credit Union
Nichols College	RTN Credit Union
North Adams State	BankBoston
Salem State	BankBoston
Simmons College	BankBoston
Smith College	BankBoston
Springfield Technical C.C.	BankBoston
Springfield College	BankBoston
U MASS Amherst	BankBoston
U MASS Boston	BankBoston
U MASS Dartmouth	BankBoston
Wellesley College	BankBoston
Wheaton College	BankBoston
Worcester Polytechnic Inst.	Fleet
Worcester State	Fleet

BRIEF CHRONOLOGY OF ATM FEE LITIGATION in CT.

1. September 14, 1995: Commissioner of Banking issues an opinion stating that Connecticut does not authorize banks to charge an ATM fee directly on consumers, nondepositors of banks which own the ATM machine.

2. January, 1997: Fleet Bank files lawsuit in federal court challenging this interpretation of law and arguing that even if Connecticut bans ATM fees that law is preempted by the National Bank Act. Many procedural motions follow.

3. September, 1998: The federal District Court holds that Connecticut law does not prohibit ATM fees. On October, 12, 1998, State obtains stay of this decision pending appeal hearing.

4. October 23, 1998: Second Circuit Court of Appeals hears argument but fails to extend the stay on the district court ruling.

5. October 24, 1998: Fleet Bank, First Union and BankBoston begin charging a fee at their ATM's for nondepositors.

6. November 9, 1998: Second Circuit Court of Appeals rules that the district court should not have ruled on the interpretation of Connecticut law as that is best left to the state court; Second Circuit vacates District Court's ruling on Connecticut ATM law. Fleet Bank, First Union and BankBoston retrofit their ATM to stop charging a fee.

7. November 9, 1998: Fleet Bank and First Union file new suit in federal District Court seeking to enjoin Banking Commissioner from enforcing State ATM law. Judge Chatigny denies from the bench First Union's request for temporary restraining order against the Commissioner.

8. November 10, 1998: Banking Commissioner issues an administrative cease and desist order against Fleet Bank, First Union and BankBoston from charging an ATM fee on nondepositors.

9. November, 1998: First Union and Fleet Bank file application for temporary injunction against Banking Commissioner in State Superior Court seeking to enjoin Commissioner's proceeding to enforce the cease and desist order.

10. November 20, 1998: Superior Court (Teller, J.) issues decision denying banks' application for temporary injunction.

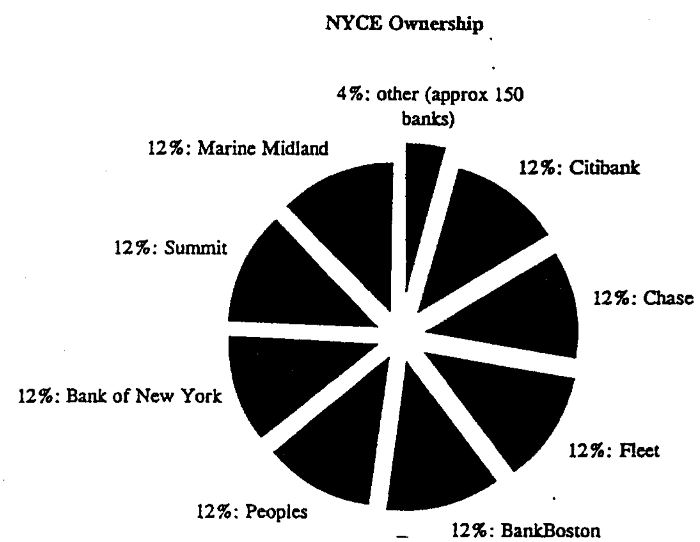
11. December, 1998: Fleet Bank and First Union obtain assistance from the federal Comptroller of the Currency who joins in their federal court case seeking to enjoin the

Why the Sum Program Is Not a Solution to the ATM Surcharge

The SUM program is owned by the NYCE network. NYCE is primarily owned by some of the region's largest, surcharging banks. If the program is successful, the big bank owners can just cancel the program, just as they merge with their competitors as a way to eliminate competition.

Ownership: NYCE is primarily owned (95%) by 8 banks, all of whom surcharge except Peoples (CT), where Connecticut law prohibits surcharging.

The SUM program is NOT a "market solution;" rather, it is the result of an investigation last year by the U.S. Department of Justice. If left up to the "market," the big banks would have been successful in their attempt at blocking the creation of selective surcharging programs.



MASSPIRG
Massachusetts Public Interest Research Group
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http://www.pirg.org/masspirg

TESTIMONY IN SUPPORT OF S. 114
AN ACT TO ESTABLISH THE FINANCIAL CONSUMERS' ASSOCIATION

SUBMITTED TO: Joint Committee on Commerce and Labor
SUBMITTED BY: Deirdre Cummings, Consumer Program Director, MASSPIRG
DATE: March 31, 1999

Good morning, Chairmen and members of the committee. My name is Deirdre Cummings and I am the Consumer Program Director for the Massachusetts Public Interest Research Group (MASSPIRG). MASSPIRG is a statewide citizen organization which advocates on a range of consumer, environmental, energy and good government matters. We have over 55,000 members across the Commonwealth.

Today, I am here to register our strong support for S. 114, "An Act to Establsih the Financial Consumers' Association" sponsored by Senator Stephen Tolman. The bill would establish a Financial Consumers' Association (FCA) in Massachusetts to represent and advocate solely for bank customers. The FCA is modeled after successful Citizen Utility Boards (CUB) established in Wisconsin, Illinois, New York and Oregon who advocate on behalf of utility ratepayers.

Merger mania is the best way to describe what is happening in the banking and financial industry over the last 5 years. Banks are frantically consolidating their power, gobbling up their competitors, leaving consumers fewer and fewer banking choices. As banks and other financial institutions get bigger **AND** face less competition, it is the consumer who loses by having to pay higher fees and getting poorer services or products.

Massachusetts consumers today are facing a far different financial service landscape than they were just five years ago. In 1995, Bank of Boston, Shawmut, Baybank and Fleet were the state's 4 largest banks, holding more than half of the states share of commercial bank deposits. If the recently proposed merger between Bank Boston and Fleet is successful, as industry officials claim it will be, we will have just one mega bank in the region where we had four just a short while ago. In addition, banks have been given the green light to sell insurance and other investment products.

While the banks consolidate their power, this bill will allow consumers to do the same. This bill establishes a voluntarily-funded, independent organization called the Massachusetts Financial Consumers' Association (MFAC) controlled by financial service customers. The FCA would be a state-chartered, nonprofit, watch-dog organization, formed by individual customers of financial institutions, that collects and disseminates information to consumers about comparative costs, and the availability and quality of financial services. The FCA would also represent consumers interests in regulatory matters, the legislature and the courts.

Why do we need an FCA? Banks have recorded their seventh straight year of record profits in 1998, totaling $61.9 billion. From 1991 to 1997 bank profits rose 230% while the Consumer Price Index for that same period rose only 18%. Consumers are paying too much for banking services, leaving as many as 12 million citizens nation wide"unbanked," they simply can not afford a bank account. In addition to increasing costs to consumers, financial decisions are becoming more complex as the traditional bank has become more of a financial supermarket.

In Washington, many financial service related consumer protections are being rolled back or defeated before coming law. Here in the Statehouse, there are many banking and financial services proposals that will all have an impact on the consumer. While the banks have well financed legal and legislative departments, the consumer does not. The FCA would have the resources to hire their own experts to analyze the proposals and look at how they may impact the consumer. The consumers' experts could then be here before legislative and regulatory committees, and even the courts, advocating in their behalf.

What makes the FCA most effective and probably the most controversial is how it is organized and funded. The bill would require nuetrally worded announcements about the formation and existence of the FCA to be included as inserts in four regular mailings a year to consumers from financial service providers. The FCA would pay for this enclosure. "Piggy-backing" the bank's mailing is a convenient and effective way to communicate with bank customers.

NOTE: The utilities challenged this type of "piggy-backing" of CUB enclosures in their envelopes in "Pacific Gas and Electric vs. Public Utilities Commission of California." This case resulted in a Supreme Court decision in 1986 which ruled that the forced enclosure of "content-based" messages violated the "negative free speech" rights of the utility in that instances. However, the same ruling indicated that "content-neutral" informational inserts would not violate utilities' first amendment rights. This bill would require that the FCA inserts be content-neutral.

This system for funding the FCA provides a basis for economic self- sufficiency and financial accountability. Any financial service consumer can join the FCA by contributing a minimum amount each year. FCA members elect the Board of Directors who will govern the organization, hire staff, and control the budget. The FCA is membership funded and receives no tax dollars.

The FCA will help level the playing field between the consumer and the financial services industry. The FCA will empower consumers, provide important financial advice and save consumers money.

Utility CUBs have worked well in other states including, New York, Wisconsin, Illinois and Oregon. They have saved utility ratepayers billions of dollars and enjoy widespread support. A FCA could and should work here in Massachusetts.

We commend Senator Tolman for filing this important piece of legislation and hope this bill receives a favorable report from the committee. Thanks, again, for the opportunity to present our views today.

There is one technical amendment. Page 7, line 38 should read "section 7(d) of this chapter, not 7(b)(ii).

Testimony of Community Homeowners Association, Inc.
Dwight K. Miller, President

Federal Reserve Bank of Boston
Public Meeting on the Proposed merger among Fleet Financial Group, Inc. and BankBoston
July 7, 1999

My name is Dwight Miller and I appear to testify in opposition to the proposed merger. My statement is in support and in furtherance of a statement that was submitted to the Board on June 10. The basis for my objection is my concern that the management of Fleet will continue its pattern of neglect and intimidation with respect to the financial needs and interests of lower-income and minority communities. And I fear that the proposed merger will tend to weaken the community empowerment commitment that has been a hallmark of BankBoston's reputation and proven track record over many years.

I have serious doubt that the resulting entity will be one that is responsive to the residential mortgage needs or one that is oriented toward the long term housing financing desires of lower-income homeowners and would be purchasers. With the recent increase in foreclosure activity resulting in part from increasing property values but also fueled by gentrification and speculative investor interests this concern is very real. Others here today will speak at length on the likely negative impacts of the proposed merger on communities targeted by such interests and the effects where a major lender, without the incentive created by competition, ignores community needs and is focused primarily on higher income residential borrowers and on commercial lending activities.

With the limited time allotted I would like to emphasize the weakness of the Fleet commitment to CRA, its treatment of community organizations and the conflicting signals it has sent over the past several years, since the Fleet / Shawmut merger application.

I would like to inform the Board of the experience of my organization. While Community Homeowners' experience rightfully should be viewed through the prism of Fleet's overall performance with respect to CRA programs throughout its market area, I am confident that ours is an experience which reflects a pattern of arrogance and deceit, emanating from the highest levels of the bank, that this Board cannot ignore or dismiss as an aberration or as simple, but regrettable miscommunication among the parties.

Nor can our treatment by Fleet management be assigned to the expected give and take or conflict among a community group and a bank where there is historic precedent for the parties to initially stake out adversarial positions as part of a virtual mating ritual to arrive at a settlement which allows the bank to achieve its objective in exchange for a "donation" to the community group.

In our case, there was no adversarial relationship, or so CHA thought. Fleet sought our assistance and we provided it. When the Fleet / Shawmut merger was current I received calls from senior management of Fleet, including the chairman of the bank, assuring me of the bank's interest in continuing CRA-based programming with CHA. Unfortunately, the bank was not candid in its true intention.

During 1993 through early 1995, CHA was contracted by Fleet and other banks to conduct a remedial and subsidized mortgage loan program in response to the so-called "second-mortgage scam". A high level of loan default and foreclosures resulting from the real estate run-up of a decade ago and a pattern of improper lending practices by regulated and unregulated lenders and home improvement contractors prompted an industry response, in part to avoid threatened consumer protection legislation. I need not recite the abuses as they have been well documented in the Fed's own investigation and reporting of the period.

CHA conducted nearly all of Fleet's affordable mortgage product under this program, and received kudos for our efficiency and credibility. After the conclusion of the formal program CHA continued, with the support and approval of the bank, to provide Fleet mortgage financing for community residents.

At the bank's invitation, CHA designed and submitted a proposal for continued affordable mortgage products and related programs. The "Fleet / Community Homeowners Partnership Program" was intended to expand upon the earlier program and to include increased counseling and homeownership opportunities. I enclose copies of letters to the bank evidencing our ongoing communications efforts during the period prior to and after the merger.

Despite these efforts and the credibility CHA thought it had established, once Fleet succeeded in its merger with Shawmut, CHA was virtually ignored. Calls and letters to senior management were unanswered and CHA suffered significant damage to its reputation and service capacity. It was like being in Siberia, or in apartheid South Africa. Suddenly, CHA was "banned" and no longer of interest to the bank.

In our written statement of June 10, CHA's essential reason calling for the denial of the application was Fleet's actions in using CHA to "assure its successful merger with Shawmut and thereafter reneging on its commitment to CHA."

I want to document the above assertion in three areas which I believe will tend to prove Fleet's disinterest in community development, its view that such concerns are merely a necessary and unwelcome cost of doing business, and that its true concern is in doing whatever is necessary to attain its expansion goals.

1. **Fleet was not forthcoming and complete concerning CHA's role in providing services on behalf of the bank in its response to inquiries submitted to the Fed as part of the Fleet / Shawmut merger application.**

In a letter dated September 25, 1995, sent to the Secretary of the Board of Governors, Fleet stated that it "has been and continues to be committed to responding affirmatively to the deposit and credit needs of the communities it serves....Fleet undertakes its responsibilities to community development and reinvestment with a serious, diligent attitude. The commitment of Fleet's senior management goes beyond mere compliance with CRA. ...partnerships with Fleet's communities and the many voluntary and governmental organizations that sustain them is a key aspect of its strength."

To buttress its claims of affirmative response and of a 'serious, diligent attitude', Fleet provides a listing of CRA driven affordable mortgage programs in the northeastern United States. With respect to Massachusetts the bank lists three programs it conducted between 1993 and 1995. The two which were in operation in 1993 (Mass. Housing Partnership and Mass. Attorney General Program) accounted for $13,184,000 in loan volume and 185 loans. Fleet's pride in submitting this data as evidence of its commitment and as proof of its "partnerships" and credibility with "voluntary and government organizations" is undercut as CHA's name is surprisingly omitted from mention as the agency conducting the "Mass. Attorney General Program."

It seems remarkable that the agency responsible for 65% of all of Fleet's 1993 Massachusetts LMI product didn't deserve a mention or to be listed to document the provision of the claimed loan volume. Certainly, Fleet and the Board of Governors relied most heavily upon the bank's 1993 community development lending as evidence of the bank's qualifications under CRA.

Further, according to the bank's own report over the three year period, CHA was responsible for 24% of all the bank's LMI product in the state. Why this level of performance did not earn distinction and recognition in Fleet's submission is not a mystery when measured against CHA's assertion that the bank was determined to renege on its commitment to CHA and to the lower-income minority community it claimed to respect.

Further, by not listing CHA as a prinicpal participant in the bank's CRA programs, Fleet sought to limit and conceal CHA's role in a cynical attempt to diffuse CHA's ability to effectively publicize the bank's intent to renege on its publicly stated commitment to the Fleet / CHA program. As the Fleet letter was submitted several months after the public meeting (where CHA reserved its support of the merger pending resolution of the partnership agreement issue), apparently CHA's name was excised by the bank to avoid the possibility that CHA would use the data as evidence of its effective performance and of the bank's intent to renege on the agreement.

Paradoxically, Fleet empowered UNAC (NACA), a group with little popular community support with a similar, but significantly different program. The management of that organization only recently acknowledged publicly that NACA was "not a CRA program."

2. **An employee of Fleet improperly solicited money from unsuspecting homeowners with promises of loans and Fleet refuses to reimburse the defrauded victims.**

A Fleet employee improperly solicited and received thousands of dollars from would-be mortgage applicants, stating the money was to be paid to Fleet as part of the loan approval process. Apparently, the employee converted the funds for his own use. When Fleet was informed of the matter (see enclosed letters) the bank ignored the information. While one victim was reimbursed, the others were not even contacted and eventually lost their homes to foreclosure.

The names of the victims have been redacted because of fear of reprisal by the bank.

3. **As a result of CHA's reliance upon Fleet's representations, it forfeited over $5000. of its deposit on a real estate purchase.**

Despite the bank's assurance, and repeated pleas from CHA, Fleet refused to honor its commitment to provide mortgage financing as part of the underlying agreement. (See letter from Fleet to seller)

4. **Fleet refused to implement and fund the partnership program that it agreed to, causing homeowners to face unnecessary foreclosures and impugning CHA's credibility in the community.**

Fleet's actions to undermine the agreement and to cause conflict among interested community groups is set forth in CHA's June 10th submission.

This information demonstrates a pattern of deception and abuse that is inconsistent with the purpose of CRA. The Fed cannot build confidence in the prospective resulting merged bank when Fleet has with deliberation and arrogance refused to honor commitments its made to bona fide and experienced organizations. CHA expended thousands in legal and other expenses prepatory to and in reliance upon the bank's stated commitment. Scores of documentable meetings, telephone conversations and written communications give further credence to CHA's contention that Fleet management agreed to the terms of the agreement only to renege for reasons which were never communicated in writing or in public. Again, I refer to CHA's letter of June 10 for a more detailed recitation of the events leading up to the bank's refusal to honor the agreement.

Many will ask, "What happened?" If what CHA claims is really true, why would Fleet's management operate in such a manner. I have asked myself that very question many times over the past several years. I would like to ask Terry Murray that question. Community-based organizations that successfully provide dedicated service, preventing foreclosure for dozens of long term homeowners, many of them elderly and pillars of stability in their communities, ought be applauded and not castigated.

Recognizing the intense scrutiny from the bank as well as from the community that had every right to know if we were providing real services in an effective way, and understanding that scores of long-term homeowners were at risk of foreclosure and loss of home and family created great pressure upon CHA and other involved organizations to negotiate loan workouts, short sales, loan closings and to provide pre-closing and post-closing homeownership counseling in an effective and timely manner.

Fleet's refusal to honor it commitment certainly could not have been the cost to the bank. CHA processed more than 13,000,000 in loans with total financial support from Fleet of less than $30,000. This equates to about .25pt. per loan, compared to Fleet's payment of nearly 3 points per loan to UNAC.

Why, then? In my opinion the convergence of a combination of factors led to the manner in which CHA and other independent-oriented community organizations throughout New England and New York have been ill-served by the bank's claim of community support:

1. Institutional racism –the bank didn't expect that CHA or any minority-controlled organization would be qualified to conduct a financial services program in a professional and efficient manner. With little expectation, Fleet viewed the program [and the community] as a throwaway, of little strategic benefit to the bank.

2. Irrational fear of community-based organizations –Fleet assumed the worst and took an adversarial relationship with CHA and other organizations in the African-American community despite a proven track record of cooperation and effective advocacy.

   Perhaps UNAC was successful despite its total lack of qualification and the virtuol of its so-called director, because of its aggressive and negative media campaign full of personal and *ad hominim* attacks on Terry Murray.

   By contrast, CHA's thoughtful and reasoned approach to conflict resolution apparently intimidated senior bank officials so much so that the bank responded with the irrational NACA loan program, one with such a high default rate that even the bank refuses to disclose. Not surprisingly, CHA has saved the homes of former NACA clients who were rejected as either "too far gone to help" or because of the client's failure to sufficiently genuflect before NACA's so-called director.

3. An arrogant belief that the bank is so big that it can intimidate and eliminate any opposition or challenge. By selective disclosure of the Fleet / CHA agreement the bank sought to derail its commitment to the community and to blame such failure upon "infighting among community groups."

4. Fear among Fleet managers that their jobs were in jeopardy if they didn't deliver "the community groups" en masse in support of the merger at the Fed public meeting. One local group listed in the above referenced Fleet letter earlier issued a letter of support for CHA. Shortly after the public meeting it considered apologizing to the bank, fearful of reprisal.

While one can speculate on these matters, we likely will never know the whole truth. It is unclear whether this information will defeat the merger application. It is clear that Fleet's management has been dishonorable in its dealings with CHA and with other organizations. Apparently, the bank empowers only those it believes it can control and limit.

The letter and the spirit of CRA do not support the tactics used by Fleet to achieve its ends. I fail to understand how causing a supportive and effective organization to lose its deposit money and credibility in the community benefits the bank.

And, one is hard pressed to understand how a qualified community-based organization can receive an oral commitment from the chairman of the bank, a written and executed memorandum agreement from a senior manager, have assisted for three years in the processing of a large portion of the bank's LMI product, and not merit as much as a footnote in the bank's merger submission to the Fed reporting on its CRA lending.

As the number of megabanks increases, the pressure on community interests, particularly for lower-income and minority neighborhoods; and as the threat to aggressive CRA enforcement grows, every progressive thinking consumer must become concerned. The concentration of banking and financial services into a few behemoths will result in less services for the poor and the dispossessed, and greater opportunity for the arrogance of greed and power to trod upon community-based organizations and their opportunities to provide protection from unscrupulous lending practices and insensitive lenders who focus only upon the short term financial bottom line.

Although my testimony may appear to merely vent one organization's frustration and dissatisfaction with the manner in which it has been treated, I truly hope that the proposed new bank will view these events as an opportunity to reflect upon its actions and attitude concerning community participation in its CRA activities.

Many organizations throughout New England have sought to participate, and some have done so successfully. Unfortunately, many others have experienced reluctance, delay and sometimes hostile reactions to well-planned community-based efforts designed to improve neighborhoods while enhancing the bank's presence and its bottom line.

Will the new bank bring a fresh vision of its relationships and responsibilities? I certainly hope so. Opportunities for progressive and mutually beneficial programs of empowerment and cooperation can occur where there exists trust and fair dealing among all parties. I hope the new bank will aspire to higher goals in ensuring services for all of its service areas, including lower-income and minority communities.

I hope my testimony has been helpful. With respect to those loan applicants who were victimized by Fleet, I am prepared to share unredacted information with the Board or other proper authorities.

Regardless of the outcome of this application I feel it is important that the CHA experience with Fleet be part of the record of this application process. I hope it may be instructive to others in the future.

Thank you for your attention.

3. **MASSACHUSETTS**

A. **MASSACHUSETTS HOUSING PARTNERSHIP SOFT SECOND PROGRAM** This program provides two mortgages - a 75% first mortgage and a 20% deferred second mortgage to LMI residents of Massachusetts. For the second mortgage, borrowers pay interest only for the first ten years and qualified borrowers may have the interest subsidized by Massachusetts Housing Partnership.

LOAN VOLUME

1993		1994		YTD 1995	
#Loans	$Amount	#Loans	$Amount	#Loans	$Amount
96	$4,618,000	188	$8,216,000	40	$1,536,000

B. **UNION NEIGHBORHOOD ASSISTANCE CORPORATION ("UNAC")** - This is a partnership portfolio program with Union Neighborhood Assistance Corporation, a non-profit agency that provides home buyer counseling to inner city residents of Boston. Fleet provides 100% financing with no closing costs. The program started in 1994.

LOAN VOLUME

1993		1994		YTD 1995	
#Loans	$Amount	#Loans	$Amount	#Loans	$Amount
N/A	N/A	98	$11,169,000	124	$13,675,000

C. **MASSACHUSETTS ATTORNEY GENERAL PROGRAM** - This was a Fleet Bank of Massachusetts portfolio program designed to refinance borrowers who were facing foreclosure due to high interest rate second mortgage loans. The program also provided loans for purchases of homes within LMI and minority communities.

LOAN VOLUME

1993		1994		YTD 1995	
#Loans	$Amount	#Loans	$Amount	#Loans	$Amount
89	$8,566,000	30	$3,389,000	2	$199,000

__Community Homeowners Association, Inc.__

Request: $175,000 per year as charitable contribution (501c3 pending) and ability to bill clients on fee for service basis

Recommendation: $125,000 per annum;[1] fee for service must demonstrate benefit to community, be modestly priced, and be a legal activity. Fleet would require a legal opinion regarding issue of being a mortgage broker.

Request: $17.5 million in "INCITY" product

Recommendation: $12 million CHA/Fleet product and $5.5 million "set-aside" on Fleet CRA Mortgage Product. CHA/Fleet product must contain competitive LTV, purchase rehab, refinance, maximum income limits, debt/income ratios, no PMI, and require CHA credit counseling to qualify

Request: $1 million revolving fund to acquire RTC, FDIC, etc. properties for the benefit of homebuyers and for neighborhood stabilization

Recommendation: A $250,000 line of credit to CHA, where Fleet approves on a case by case basis the acquisition of one or more 1-4 family structures, after analyzing the purchase price, time and expense to rehab, marketability, and availability of owner occupant buyer in the CHA network. Adequate appraised value and modest rehab would be key factors. CHA must demonstrate the community value of the acquisition (below market value to family acquiring building) for request to qualify.

Request: Fleet "underwrite" the cost of acquisition, rehabilitation, and furnishing of new offices at 630 Warren Street, Roxbury

Recommendation: If we have assurance that $125,000 is adequate before any disbursement, Fleet would consider a $50,000 grant and a $75,000 construction/permanent loan / and $5000 computer hardware /software purchase and availability of surplus equipment from Fleet Bank to adequately outfit office space at 630 Warren St.

3/29/94

Dwight Miller
Community Homeowners Association, Inc.

[illegible]. Marston
Fleet Bank of Massachusetts

1. * For three years payable quarterly in advance

March 29, 1994

* Letter of agreement to follow expeditiously with acceptable product guide.

Fleet Bank

John E. Marston
Senior Vice President

June 30, 1994

Attorney Ira Nagel
85 Devonshire Street
Boston, Ma 02109

Re: 630 Warren Street, Roxbury, MA

Dear Sir,

This communication is to confirm that Fleet Bank is considering providing financing for Dwight Miller for the acquisition of the above referenced property.

Assuming all lending conditions are met, I anticipate a favorable decision on this financing request.

A final decision on a loan commitment should be made shortly.

Sincerely,

John E. Marston
Senior Vice President

Affidavit of [redacted]

In [redacted] of [redacted] I went to the Fleet Bank Loan Office in Grove Hall with the intention of applying for a loan to refinance my parents' home. I was introduced to [redacted] who said he was a mortgage originator for the bank.

I explained the financial problems that my family was facing due to [redacted]. These expenses combined with high mortgage payments created a hardship for my family and I was looking for help from Fleet. I had heard that Fleet was doing business in the community and assumed that I could get help. I could not have been more wrong or disappointed.

[redacted] had me complete a Fleet mortgage application and assured me that I would have no problem in obtaining a mortgage through his bank. As time passed, and with my repeated requests for information and status updates, [redacted] assured me that everything was "moving along" and that moneys would be expected from me to pay as we proceeded with the refinancing of the house.

As a result of being guided through the "refinancing process", I paid out a total of $[redacted] By relying upon the bank to treat me and my parents fairly and in a businesslike way, I was tricked into giving away virtualy all of my and my parents savings. I became suspicious only after so much time passed with no loan commitment from the bank.

Only after obtaining counselling and help from a community organization did I realize what had really happened. Fleet Bank never contacted me about this matter. I had to contact the bank to find out what was going on. Although I was told that my payments were required by the bank, I never received any notice or acknowledgment of my status. While the bank has returned my money, the loan [redacted] has not been closed, and my parent's house was foreclosed upon.

Also, while the bank returned the money, I was not treated as I deserved. I was repeatedly questioned and challenged at every turn. I am grateful that at least I got the money. But, I felt pressured to accept what the bank felt it should "give". And, I had to sign a release which I felt meant that I could not complain or take any action against the bank. I felt powerless and that I had no choice. Either I had to agree with the bank or I would not get my money or the loan. No one should have to go through the extreme stress and aggravation that was my experience with Fleet Bank. [redacted] died during this period, adding further stress and pain in the midst of all this insanity.

I am extremely disappointed that the management of Fleet Bank could have allowed and condoned such unethical and unfair activities. As much as [redacted] was at fault, the bank is even more so. Where were the management controls to prevent my being victimized like this. How could the largest bank in the city, claiming that it wanted to help the black community, employ people who were out to rob customers? How could the bank have allowed such an employee to represent their institution. Why was he assigned to this community, and not elsewhere (like in the non-minority sections of the city). How was he trained, and who was supposed to oversee his activities. To my knowledge, during my dealings with [redacted] here was never any follow through by management to oversee his performance or the service being provided to me. How can a bank operate like this? And, when the wrongdoings were uncovered I still was treated in a roughshod manner by bank management.

As a long term resident of this community I believed that the opening of the Grove Hall office signaled an economic commitment to address instances of unfair or illegal lending activities charged against Fleet in Boston and in other areas of the country. Instead, what the community got was a criminal bank representative who took advantage of people whom had already been victims of some form of financial misconduct by banks and loan sharks.

I find it to be unacceptable and unfair to have been subjected to fraudulent conduct and in the process losing our home to foreclosure. I thought that the banking laws protected consumers from these kinds of unfair dealings.

I have often asked what is Fleet's real intention. Was it to help the community or to fleece it. I question Fleet's motives in hiring dishonest people, putting them in a position of trust and power over customers, and then keeping them on the payroll. I know there are several other families who were ripped of like I was by the bank. I was never contacted by the bank concerning my application, and I am particularly disturbed that once management knew what had happened their idea of correcting the situation was to coerce me into signing a release rather than to ensure that we would not lose our home.

I am very angry and offended for what I went through. In my opinion, Fleet has not demonstrated its interest or ability to help me or this community. I am making this statement in hope that others will not also become victimized by the bank's management practices. Had it not been for the intervention of a concerned community organization I am sure that I would have received no help from the bank.

I have not complained to any law enforcement agency out of fear that the bank will [redacted] But, I do not want anyone else to have the experience that I had.

I do not feel that the bank has shown that it can serve this community in a fair manner. I hope something positive will result from my speaking out.

[redacted]

July 12, 1995

Affidavit of [redacted]

We want to complain about the way we were victimized by Fleet Bank when we tried to get a mortgage to refinance our home at [redacted] MA.

We were defrauded out of more than $[redacted] because we trusted the bank and its loan originator, [redacted] We met [redacted] at the Fleet Office in Roxbury and he was assigned to our loan. We filled out all the documents and were told we had to pay bank fees.

Although we gave our money, we never received the truth-in-lending disclosures required by law, but we were told that the bank was slow and that our loan was approved. We were desperate to obtain a loan and we relied upon [redacted] to help us. We were not familiar with Fleet's loan process and depended upon the bank to treat us fairly. We hear that [redacted] has pleaded guilty to some crime. In our opinion, he is not the only guilty party. Why didn't the bank oversee [redacted] work and make sure the payments he asked for were accounted for? Why were we not contacted by either the bank or the District Attorney's Office? To this day we have not been informed of the status of our loan, or that [redacted] is no longer an employee.

We only found out about this recently. In fact [redacted] talked to [redacted] last week when [redacted] told him that our money was safe and that the bank would return it at any time. [redacted] still insisted that he would get us a loan through Fleet Bank.

We want to know why the bank has not contacted us. We are facing foreclosure of our property and we relied upon the bank to treat us fairly, not to rip us off. While an employee of Fleet, [redacted] tried to get us involved with an [redacted] and a [redacted] who he said we had to pay to get our taxes done for the bank because the bank did not accept the same tax return we send to the IRS.

There is something seriously wrong here. How many other have been treated as we were? How was [redacted] able to carry on this charade without help from others in the bank. There must have been others who got paid off. And why didn't Fleet notify us that [redacted] no longer worked for the bank. We have asked Community Homeowners to help us. If they can't, we are going to complain to the attorney general and other agencies.

We feel that the bank is responsible for returning our money and for the conduct of its employees. It is a real insult that the bank comes into this community claiming that it is the best bank, then hires dishonest staff who do more harm than good. It is no wonder that the minority community can never accomplish anything positive. The [redacted] who control the bank continue to make sure that we don't get a fair chance.

[redacted] [redacted]

July 14, 1995

Affidavit of [redacted]

We are making this statement to inform the proper authorities concerning a loan application we made to Fleet Bank in March, 1993. We paid the Fleet originator, [redacted] to process our application. We received nothing in return. We did not even receive the all the disclosure documents required by law.

After a lengthy period, and repeated attempts to reach him, [redacted] said that "things were looking pretty promising for us" and that we would hear from him soon with a closing date. Apparently our loan application was never submitted to the bank since we never heard again from him. Our house was never appraised and we don't know what happened to our deposit money.

We were about to be foreclosed upon and we sought other sources to secure a loan. We contacted [redacted] credit union. They were very helpful and concerned, unlike the experience we had with Fleet. But, in the end they could not approve our loan application because of our bad credit. But, the loan originator referred us to Community Homeowners Association. There we met with Dwight Miller. He put us through his program and we were granted a loan through Fleet, saving our home.

The difference in service was like night and day. While the Fleet employee was unprofessional and lax, Community Homeowners was attentive to our concerns and was very diligent to getting our loan because we were facing foreclosure in a matter of weeks. We have seen many instances where this organization performed "miracles" for people who had no way out of their situation. We are most thankful that this group was there for us. Its a shame Fleet Bank reneged on its agreement to give CHA more money to help homeowners in need of reliable financial help.

We are disappointed that the bank didn't supervise its employee the way it should. If we had waited for [redacted] to get back to us we would have lost our home. We know now that just because Fleet is a big bank doesn't mean that it is a good bank.

From our experience, we don't think Fleet should be allowed to buy Shawmut Bank. Fleet should get its own house in order first.

Since we received no real service from Fleet's employee, we would like to get our money back. The time and hassle we went through with Fleet was a waste of time.

[redacted]

[redacted]

July 15, 1995

Affidavit of Dwight K. Miller

I am making this statement on behalf of Community Homeowners Asso., Inc. concerning certain activities of Fleet Bank mortgage personnel during the past 2 years.

The following assertions are made based on information and belief, and are also the result of conversations with clients and members of this organization as well as with employees of the bank.

There are several members who were allegedly defrauded by a certain mortgage originator assigned to the Grove Hall Office. Some of these individuals received their money back as a result of an investigation by the Fleet security department. Others received only a portion of their money, and some were not notified that they may have been defrauded by the bank through its employee. Some lost their homes as a result of reliance upon the promises of the originator and upon reliance on the integrity, professionalism and reputation of the bank.

As a result of intervention by CHA many of these borrowers were qualified and granted loans through the attorney general program. In the course of processing these cases it was determined that:

1. a certain employee of the bank was requiring unsophisticated borrowers to give large sums of money directly to the originator

2. the power of the Fleet Bank affiliation gave the originator inordinate influence and control over at-risk homeowners who were facing the uncertainty of imminent foreclosure and family displacement

3. at least two employees were involved in these activities

4. these employees were observed, based on information and belief, frequenting a 'crack house' in the community.

5. questionable or fraudulent activities continued for more than a year

6. many potential borrowers/victims were never identified by the bank or notified that they would be compensated for their loss.

7. the involvement of other individuals may indicate a more sinister purpose to these activities

As a result of receiving this information, and recognizing that CHA's mission and integrity could be undermined should this information become public, I sought two avenues of response:

A. CHA quickly and quietly processed each questionable situation where either of the suspected employees were involved. We took special pains to discourage client questions about the originator's appearance and demeanor. We aggressively pushed Fleet's underwriting department to process and issue approvals quickly in anticipation that the client would receive his loan and focus his attention on securing his refinancing, distracted from any doubts concerning the bank's employee.

B. I also contacted a manager at the bank and notified him of my concern, and of the potential liability for the bank and the community should matters continue as they were. I specifically and adamantly warned the manager of the political problems that could arise should it be perceived that the bank hired and assigned persons of questionable qualifications or credibility to the Grove Hall Loan Office. I urged that reassignment be considered and that internal management controls be reviewed and strengthened. That my message was conveyed to senior levels was confirmed only recently.

Although one employee has been convicted for his activities, only a dozen or so individuals/victims have been identified by the bank. I would recommend that the bank should attempt to locate the remaining borrowers and resolve these matters. As of today, these are open wounds which could have significant importance to federal regulators and law enforcement agencies in view of the planned merger between the bank and Shawmut.

Dwight K. Miller
President

July 15,1995

COMMUNITY HOMEOWNERS ASSOCIATION, INC.
P.O. Box 2
Dorchester, MA 02121
617 445-4005

Dwight K. Miller
President

10 June 1999

Mr. Richard Walker
Community Affairs Officer
Federal Reserve Bank of Boston
600 Atlantic Avenue
Boston, MA 02106

Re: Fleet / BankBoston Merger Application

Dear Sir:

I would like to register this organization's opposition to the above referenced application and request a public meeting to allow for public participation in the regulatory decision-making process.

CHA's objection is based upon Fleet's willful failure to implement an agreement entered into by the bank and CHA in March 1994. Specifically, Fleet agreed to support and fund a community empowerment program designed by CHA which program was a result of the effectiveness of an earlier mortgage subsidy project conducted by CHA under contract to Fleet. That program was initiated and monitored by the office of the state attorney general and was supported by the Massachusetts Bankers Association in response to the so-called "mortgage scam" lending practices by some banks and unregulated lenders and contractors in the wake of the real estate runup of the early 1990s.

Under contract to Fleet, Shawmut and USTrust, CHA implemented a loan program that resulted in the prevention of foreclosure for scores of long-term homeowners and in purchase opportunity for many otherwise unqualified consumers to acquire a home.

As a result of our successful efforts, and in response to Fleet's interest in continuing CRA lending opportunities in lower-income and minority areas, CHA was invited to develop a new program designed to meet the financial and counseling needs of the lower-income and minority communities in Fleet's Massachusetts service area.

After a series of meetings with senior officials, including Chairman Murray, CHA presented a proposal that was accepted and approved by the bank. A subsequent memorandum agreement was executed by the bank and by CHA. That agreement is incorporated herein by reference and is appended hereto.

That Fleet had no intention of honoring and implementing this agreement and of its duplicity became evident by the occurrence of several events. Simply put, the bank sought to ensure no opposition to its merger with Shawmut Bank by undertaking a policy of containment and conflict by pitting local community groups and individuals against one another, using vague promises of funding to eliminate the likelihood of opposition.

The above assertion is borne out by the following sequence of events. Within days of signing the agreement a senior official of the bank called, ostensibly to "give you a head's up", informing me that he had "inadvertently" told a Boston Globe reporter about the existence and the nature of the Fleet / CHA agreement. The reporter called within hours insisting that I disclose the terms of the agreement.

Normally, such an initiative program would be presented to the public in a bilateral format with well planned publicity providing program information and timed to ensure positive benefit, particularly since the Fleet / Shawmut merger was in the approval process. The day the newspaper article was published, I received calls from various, previously unheard from "community interests" seeking "a piece of the action!" presumably in return for their unsolicited support or perhaps as the price for withholding unwarranted and prior thereto nonexistent opposition.

Ultimately, after subsequent meetings with bank officials and various community groups and politicians, and despite the signed agreement, CHA was informed by Fleet that every group (presumably every and any group or individual who had read the newspaper article and regardless of whether such group or individual had a demonstrated interest or experience in delivering the services proposed in the agreement) had to agree with the program.

A call to a senior official at the bank's Providence headquarters evoked the curious rationale that a certain elected official, "...doesn't agree. You have to get her to agree." Another bank official stated, "I could give $5000. to every minority group in Boston and they would be glad to get it." This statement says volumes about the bank's interest in comprehensive programming designed for long-term and sustainable community empowerment. It is also curious that another organization with whom Fleet was also negotiating a program not only was not required to achieve community support, but in fact was vocally and publicly opposed by many groups, including elected officeholders, particularly in the minority communities of Boston.

At no time was the CHA agreement conditioned on the approval of external and irrelevant factors. Our previous Fleet sponsored program carried no such demand. In fact, at that time bank officials urged that due to the nature of the services offered, and because of our relationship with lenders under a mandated remedial loan program [including a lottery system], issues of confidentiality and impartiality be closely monitored and that CHA maintain an appropriate distance from groups advocating for loans to specific individuals.

The effectiveness of Fleet's plan is evidenced by the fact that CHA was one of the few organizations presenting reservations at the public meeting held by the Fed on the Fleet / Shawmut merger application. And, CHA was the sole organization from the Boston minority community voicing any opposition to the merger. Predictably, the same groups who only weeks earlier at meetings with Fleet and in the local press had called for denial of the application thereafter criticized CHA for speaking in opposition. Reportedly, some received mortgage loans from Fleet shortly after merger approval.

Fleet's efforts to undermine the agreement by the unilateral and selective release of confidential information to the press and to certain individuals had its intended effect. Suspicion and accusation arose among various groups and individuals, some with sincere intentions and some who merely saw an opportunity for personal benefit at the community's expense. If one places a gallon of water in the midst of a crowd of thirsty people the result is predictable and obvious; the crowd will devolve into clusters of contention and fisticuffs, and the water will be spilled. In this case, while the contention among the groups has subsided, the planned community benefits have been denied.

As a result of its refusal to release funds as agreed, CHA defaulted on it's contract to purchase the property housing its offices (as provided for in the agreement). The bank's breach was the proximate cause of the forfeiture of CHA's deposit in excess of $5000.

Fleet's refusal to implement the program agreement reflects an arrogance and disregard for the lower-income and minority consumers that the program was designed to serve. In fact, the number of residential mortgage loans granted in urban neighborhoods during each of the three years after the merger was lower than prior to the merger.

With no basis for reneging on the agreement and no notification by the bank of its intent to breach its commitment, such unfair and duplicitous practices disqualify Fleet from receiving regulatory approval for the proposed merger. Just as candor, honesty and character are seminal elements of sound banking practices, fairness and integrity in implementing CRA programs is essential to ensure the delivery of equal and open opportunity for every member of the bank's service area to access financial products and services.

In this case, the bank took advantage of CHA's demonstrated results and good will in order to assure regulatory approval of the 1994 merger application; and reneged on its commitment thereafter. Such practices defy the purpose of CRA, community banking goals and do violence to regulatory standards and industry practices.

For the above reasons and other reasons, CHA opposes the application and urges its denial. In the alternative, CHA requests that as a condition of the regulatory approval process, the bank be required to compensate CHA and to implement the agreement.

Sincerely,

Dwight K. Miller
DKM:ss /enc.

COMMUNITY HOMEOWNERS ASSOCIATION, INC.
630 Warren Street
P.O. Box 2
Dorchester, MA 02121
617 445-4005

15 May 1995

Mr. John E. Marston, SVP
Fleet Bank of Massachusetts
75 State St.
Boston, MA 02108

Dear John,

I am surprised to learn on last Friday that you apparently never received the enclosed communication of December 21, 1994. I had hoped to receive a response months ago. I would like to reiterate and update the information I provided at that time.

In addition to carrying out needed mortgage foreclosure prevention and counselling services under contract to Freddie Mac, we are now also providing similar services for the FDIC. Both agencies have recognized the continued and increased need for neighborhood stabilization and home retention services, particularly in lower-income and minority communities. The added value resulting from services provided by CHA and other community-based agencies has resulted in more efficient processing and cost-savings to Freddie Mac and FDIC, and has avoided many instances of foreclosure and financial loss to lenders and homeowners.

We have also enhanced our effectiveness by establishing working relationships with other agencies involved with community empowerment and consumer education. I enclose recent endorsements and news articles concerning our activities.

These activities, combined with our past effective administration of Fleet's Consumer Mortgage Subsidy Program in 1993, has strengthened our capacity and effectiveness in providing needed services. We have continued our commitment to assist those in need despite a lack of adequate funding.

I ask the bank to reconsider our demonstrated capacity to deliver effective services and our recognition as a primary source of relief for those at-risk of default, and for those unserved by other Fleet initiatives.

I again request a review of the agreement we reached in 1994, and the underlying assumptions. The bank's implementation of this program will further the mutual needs and interests of Fleet Bank and our constituents.

Sincerely,

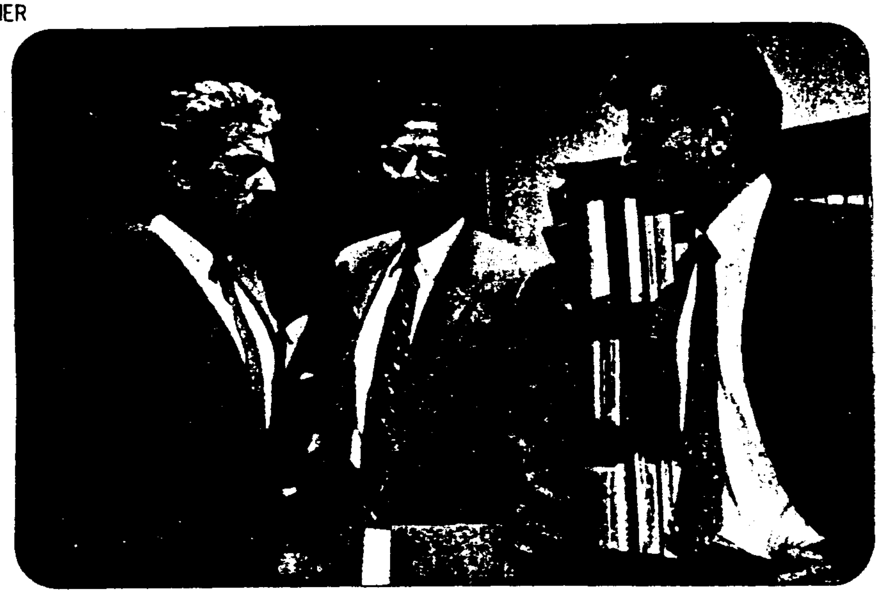
Dwight K. Miller
President

DKM:ss
enc.

cc: Agnes Bundy, Fleet Financial Group

Hon. Joseph P. Kennedy, II, MC
Rev. Charles Stith, President, Organization for a New Equality
Walter Little, Grove Hall Board of Trade
Reginald Nunnally, Exec. Dir., NDCGH
Tom Callahan, Exec. Dir., MAHA

Groups join to stem foreclosure danger



U.S. Rep. Joseph P. Kennedy II joins Dwight Miller of the Community Homeowners Association and Gary Klein of the National Consumer Law Center at a press conference announcing a plan with the Federal Home Loan Mortgage Association and other groups to create two pilot projects that would assist mortgagees who are in danger of foreclosing. (Don West photo)

Yawu Miller

Housing activists and officials from two federal agencies unveiled a new foreclosure prevention program on April 27th, which they say will allow homeowners who have fallen behind on their mortgage payments to avoid losing their properties.

In a press conference at the headquarters of the National Consumer Law Center in Boston, U.S. Rep. Joseph P. Kennedy II announced that the Federal Home Loan Mortgage Association (Freddie Mac) and the Federal Deposit Insurance Corporation will work in conjunction with the NCLC and several community-based housing advocacy organizations on two pilot projects aimed at helping mortgagees who are in danger of foreclosure.

"Committed homeowners are an asset no neighborhood can afford to lose," said Kennedy. "When hardworking families fall on tough times, we all have an interest in going the extra mile to allow them to keep their properties and maintain their stake in the community."

Under the programs, mortgagees who's loans are more than 90 days overdue will be referred to a counseling agency that will review the borrower's financial situation and develop a proposal to restructure the loan so repayment can resume.

Housing activists who have long been pressuring Freddie Mac to change its polices in the inner city praised the new program. "It's the first time that Freddie Mac and the FDIC have recognized the need to provide alternatives to foreclosure and recognize that there ought to be alternatives to foreclosure, displacement and loss of homes," said Dwight Miller, executive director of the Community Homeowners Association, one of the participating agencies.

Miller said the program is particularly effective in that it allows mortgagees the option of modifying their loans. Under the program, mortgagees can restructure their loan repayment schedule and reduce their payments by paying over a longer period of time.

The program will also help people who suffer from what activists call "underwater mortgages", according to Miller. Mortgagees who bought their homes during the real estate boom of the '80s can get their mortgages refinanced to reflect the reduced value of their homes, Miller said. "We can consider the fair market value of the home," he commented.

Under the Freddie Mac program, homeowners whose mortgages are held by the agency will be eligible for the program if they are owner-occupants in default on a property containing four units or less and if their incomes are at or below 115 percent of the median income.

The initiative was launched after Kennedy and a group of community activists held a series of meetings with Freddie Mac and the FDIC. The activists had formed a groups they named the Coalition to Stop Freddie Mac Attacks. The activists complained that Freddie Mac, which owned what they estimated to be about a third of the foreclosed properties in the inner city, was doing nothing to help their mortgagees avoid foreclosure.

"Committed homeowners are an asset no neighborhood can afford to lose. When hardworking families fall on tough times, we all have an interest in going the extra mile to allow them to keep their properties and maintain their stake in the community."

— Joseph P. Kennedy

The high foreclosure rates in the Roxbury and Dorchester area were contributing to the destabilization of the neighborhoods by forcing owner-occupants out of their properties, activists say.

The foreclosures also put a strain on the mortgage holders, noted Gary Bowen, the FDIC's regional director. "Foreclosures are not cheap," he said. "We spend nearly $4,000 to initiate a foreclosure, and that does not take into account that if the property value has dropped, it is likely to sell for less than the amount currently owed. This program may allow us to keep people in their homes while at the same time saving the FDIC a tremendous amount of money."

GLOBE PHOTO / JUSTINE ELLEMENT

Participants (from left) Dwight Millet, Rep. Joseph P. Kennedy 2d, Angie Wilkerson, Deval Patrick and Rev. Charles Stith leave a meeting yesterday on discrimination in homeowners' insurance.

US to probe insurance bias claims

Justice Dept. seeks facts about firms' practices in Boston

By Stephen Kurkjian
GLOBE STAFF

The US Justice Department will begin gathering evidence to determine if companies have engaged in discrimination by denying homeowners insurance to residents of Boston's poorer and predominantly minority neighborhoods.

After hearing complaints from community and housing activists, US Attorney Donald Stern and Assistant Attorney General Deval Patrick said they would order federal investigators to interview homeowners in Roxbury, Mattapan and Dorchester about alleged practices of discrimination by insurance companies.

Neither Stern nor Patrick, who heads the Justice Department's civil rights division, would say whether they were ordering a formal investigation into the possibility that insurance companies had engaged in discriminatory practices.

"We will be looking hard at the facts, and try to get facts that are as specific as possible and try to make a determination if there is a violation of any laws that are within the Civil Rights Division for enforcement," Patrick said.

While the session was closed to the press, Rep. Joseph P. Kennedy 2d, a Brighton Democrat who arranged the meeting, said a number of community activists provided accounts of homeowners being told by insurance companies that they didn't qualify for coverage.

"If the insurance industry hopes to write policies in this state they cannot exclude whole neighborhoods or individuals because on the color of skin or their geography," Kennedy said.

The insurance industry has denied that it has engaged in practices of discrimination in refusing to write policies in poorer neighborhoods.

Instead, the industry states, its decisions on where to write policies are based strictly on economic grounds – more claims for losses are filed in poorer neighborhoods, which cause the companies to be far more selective about which houses they decide to insure.

The Globe has focused on the problems that some homeowners in Roxbury, Dorchester, Mattapan and other poorer neighborhoods have had in obtaining affordable insurance for their properties.

Among other things, the articles revealed that three times as many homeowners in Roxbury were insured by the industry-subsidized, high-risk insurance pool than owners in predominantly white neighborhoods; that many insurance companies had reduced the number of agents writing policies in Roxbury, Mattapan and Dorchester; and that homes in those neighborhoods tended to be significantly overinsured.

Fannie Mae head decries discrimination

By Matt Carroll
GLOBE STAFF

James J. Johnson, the chief executive officer of the nation's largest mortgage institution, yesterday said the problem of mortgage discrimination against minorities was of "overwhelming significance."

"In the mortgage finance system, we have to face the fact that we have a significant problem with discrimination," said Johnson, of the Washington-based Federal National Mortgage Association, also known as Fannie Mae.

Johnson was in Boston yesterday to receive the Corporate Leadership Award from the Organization for a New Equality, a Boston-based nonprofit dedicated to fighting for economic equality for minorities. Fannie Mae has provided funding for ONE programs.

The award was given at a $100-a-plate fund-raiser at the Sheraton Boston Hotel & Towers, which was attended by about 450 people, according a ONE spokeswoman. ONE, which is celebrating its 10th anniversary, is run and was founded by Rev. Charles R. Stith, the former pastor of Union United Methodist Church in the South End.

To battle discrimination, Johnson said Fannie Mae was working to provide mortgages with lower down payments, seen as a major barrier to home purchases, and more flexible credit requirements.

Also receiving an award was Fletcher H. Wiley, chairman of the Greater Boston Chamber of Commerce and a partner with Goldstein & Manello. He was given the Civic Leadership Award. The Black Ministerial Alliance was given the Community Service Award.

Wiley, while accepting his award, said of Rev. Stith, whom he met playing basketball while both were students at Harvard: "It's ironic I should be receiving this award from you. You may not be as good a basketball player as you once were, or as good-looking as you once were . . . . But when we want someone fighting for economic justice, Charles Stith is the one I want out there," Wiley said.

Fannie Mae, which Johnson heads, does not make mortgages directly, but purchases them from lenders, and then resells them to investors, such as insurance companies. Each year it handles more mortgages than any other institution in the country.

THE BOSTON SUNDAY GLOBE • MAY 14, 1995

REAL ESTATE

GLOBE STAFF PHOTO / JONATHAN WIGGS

Debbie and Tom Fiore with son Jeff at their Brockton home, which was near foreclosure.

In lieu of FORECLOSURE

Massachusetts is the testing ground for a program to help families keep their homes

By Mary Sit
GLOBE STAFF

In 1988 when Debbie and Tom Fiore purchased their seven-room ranch house in Brockton, they were earning a combined income of $60,000.

But seven years later – after his back injury, his layoff, and both were injured in a car accident – the Fiores fell six months behind in their mortgage payments of $1,500 a month.

Their mortgage company began steps to take the title of their house through foreclosure. Then last March, the Fiores received a letter informing them of a free program offered by the Federal Home Loan Mortgage Corp. (Freddie Mac), which owned their loan, that would help them restructure their loan and keep the house.

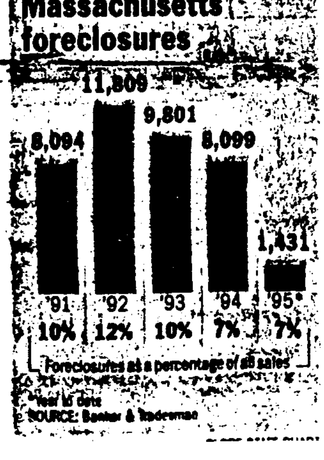
"I cannot tell you what a difference this has made. It's really a miracle. There's no other way to put it," said Debbie Fiore, 40, who works with families of special needs children.

The Fiores' mortgage is being restructured. Plans are to combine the amount they owe in delinquent payments with the balance due on their original mortgage, then lower the mortgage interest rate from 10.75 percent to 6 percent. The newly structured mortgage will adjust to an 8 percent interest rate in four years.

The Fiores are one of 10 families facing foreclosure who have been rescued by a recently launched pilot program. Called the the Foreclosure Prevention Project, it is a joint effort by Freddie Mac, the Federal Deposit Insurance Corp. (FDIC) and the National Consumer Law Center in Boston, a non-profit, private organization which offers legal services to low-income people.

The program, formally announced last month at a press conference with community groups and US Rep. Joseph P. Kennedy 2d (D-Mass.), actually began operating quietly last February with Freddie Mac. So far, Freddie Mac has mailed 600 letters to families needing help, is reviewing 40 to 50 cases and has halted 10 foreclosures, said Ed Delgado, manager of business operations at Freddie Mac.

FORECLOSURE, Page A4



Program aimed at avoiding foreclosures tested

■ FORECLOSURE
Continued from Page A1

The FDIC, which began its program this month, has identified and offered help to 86 homeowners with delinquent loans, said Gary Bowen, regional director at the FDIC.

Statewide, there were 8,099 foreclosures in 1994, a 17.4 percent decrease from the year before, according to Banker & Tradesman, a real estate and banking journal. In the first quarter of this year, foreclosures have been occurring at the same rate as last year – seven percent of all sales.

Freddie Mac and the FDIC, acknowledging that foreclosure is an expensive process that destabilizes neighborhoods, realized community groups could be a valuable link to homeowners, said Gary Klein, staff attorney and project director of the National Consumer Law Center.

"It took a lot of negotiating. We forged a common interest. The lenders involved – Freddie Mac and the FDIC – recognized that aggressive foreclosure wasn't always good business. These programs reflect a change in attitude in the lending industry generally," said Klein. "Traditionally, they've looked at foreclosure as the first option rather than the last option. And in this program, that's reversed."

Here's how the program works.

Homeowners whose mortgages are held by Freddie Mac, one of the nation's largest holders of mortgages, are eligible for the Freddie Mac program. Families must be living in the house they own and may not earn more than 115 percent of the median income. In Massachusetts, that amount for a one-person household is $22,890; two-person, $51,918; three-person, $64,589; four-person, $70,855.

Families whose mortgage payments are 90 days late and who live in Greater Boston, Brockton, Lowell, Lawrence, Worcester or Springfield will receive a letter, inviting them to participate in the program.

The FDIC, which owns mortgages through its responsibility for failed banks, has the same requirements – except its program extends statewide, said Chris Norris, project coordinator at the Law Center.

After receiving a letter from the FDIC or Freddie Mac, borrowers contact the Law Center, which screens borrowers and refers them to a local nonprofit housing agency. The agency will provide financial counseling and write a proposal on how borrowers can restructure their loans in order to make timely payments. The counselor will also give any other financial advice necessary.

Strategies to prevent foreclosures, which cost from $4,000 to $6,000 to initiate, include: lowering interest rates; allowing the borrower to sell the house at a depreciated market value less than the mortgage amount; creating payment plans that are 1.5 times the regular payment so the borrower can catch up on late payments; and issuing a deed in lieu of foreclosure. In that situation, a borrower voluntarily surrenders the deed, walks away from the house and court proceedings are avoided.

For the Fiore family, the counseling session was a lifesaver. "Kay Connors of the South Shore Housing Development was absolutely fantastic," recalled Debbie Fiore. "She sits down, goes over the figures, 'How did this happen? Where are you now? What do you need?' She was absolutely one of the best advocates. It was the first time we felt like we had someone listening to us."

Convincing the lenders to talk with local community groups was the idea of longtime housing activist Norma Mosely, director of housing programs at the Ecumenical Social Action Committee, a private, nonprofit group which offers youth, education and housing services.

Other nonprofit housing agencies working with this pilot program are: Community Homeowners Association of Dorchester; Community Teamwork Inc. of Lowell; Ecumenical Social Action of Jamaica Plain; Hampden Hampshire Housing Partnership of Springfield; Homeowner Options for Massachusetts Elders of Boston; National Mortgage Counsel Center of Brighton; and Rural Housing Inc. of Winchendon.

"As I was doing housing counseling . . . I was running into absolutely impossible obstacles from the secondary housing folks (agencies such as FDIC and Freddie Mac which buy mortgages from lenders and hold them). They would just plow ahead and foreclose, foreclose, foreclose," said Mosely. "You would have to go through humongous litigation. And months of impossible stonewalling. You never knew who you were supposed to talk to.

"It seemed to me, these were public agencies serving the public, and they should be maintaining people in their homes instead of foreclosing, and then using the homes as affordable housing," continued Mosely.

In March 1994, Mosely invited Kennedy to co-host a meeting with community groups and Freddie Mac, the FDIC and Federal National Mortgage Association (Fannie Mae). It would take 11 more months to negotiate a program. The hardest part, was simply finding the right decision-makers to participate, said Mosely.

"There was a lot of risk involved," said Delgado of Freddie Mac. "We did not want to be affiliated with a failure."

The FDIC concedes the initial contacts were awkward. "The first meeting we had got a little tense. Each side felt they were being perceived unfairly and would not be cooperative," said the FDIC's Bowen. "Community groups felt we were unwilling to be flexible. Then Congressman Kennedy came . . . and added a good tone to it."

Kennedy called the pilot program a win-win situation. "When hard-working families fall on tough times, we all have an interest in going the extra mile to allow them to keep their properties and maintain their stake in the community," he said. Fannie Mae said it helped draft the proposal but chose not to participate because its own foreclosure prevention program was working well. "We didn't think that Fannie Mae needed another program, but we applaud any effort that anyone is doing to try to keep people in their homes," said Wayne Curtis, a vice president in Fannie Mae's Northeast region.

Although Freddie Mac and the FDIC say they have always tried to help homeowners keep their houses, community groups call this pilot program a new, proactive attempt to intervene.

"We fought successfully the mindset of many servicers and lenders who believed that they should punish a borrower because he can't pay," said Dwight Miller, president of Community Homeowners Association.

NEIGHBORHOOD DEVELOPMENT CORPORATION OF GROVE HALL

March 21, 1995

Mr. Dwight Miller
Community Homeowners Associations, Inc
530 Warren Street
P.O. Box 2
Dorchester Mass. 02121

Dear Mr. Miller

Thank you for taking time out of your busy schedule to give the Neighborhood Development Corporation of Grove Hall the presentation representing the work you are doing to prevent foreclosures in this neighborhood.

In the current housing market it is critical that people of color become educated in the value of home ownership and the necessity of preventing foreclose procedures against their homes. We applaud your efforts and support your proposal to continue the good work you have demonstrated in the past.

We are more than aware of the implications of the Fleet/Shawmut Bank merger, but we remain optimistic that the Fleet Bank will continue to honor its previous funding commitments to Community Homeowners Association Inc.

If you have a need for further support please feel free to contact me.

Sincerely

Reginald Nunnally

Reginald Nunnally
Executive Director

cc/file

GROVE HALL BOARD OF TRADE

P.O. Box 202 • Dorchester, MA 02121

Fleet Bank
Grove Hall Loan Center
Dorchester, MA. 02121

Att: Mr. Ronald E. Coard
Loan Manager

I am writing to you in support of the Community Home Owner Association, headed by Mr. Dwight Miller.

The Association has accomplished a great deal, but there is much more to be done to. To continue this effort in our community, we need support from people who care about the quality of life in our Community and are willing to support our struggle for Economy Development. The Community Home Owners Association has the endorsement of the Grove Hall Board Of Trade.

This year's challenge that we face are substantially greater than those of the past. Mr. Dwight Miller Home Owners Association has made such a difference and has influenced the course of human events displayed within the community.

We urgently support the Community Home Owners Association, It is within the best interest of the Grove Hall Board of Trade to see this program move forward.

I may be reached at (617) 427-4882, if there are any question's.

Sincerely,

Robert Hector

Robert Hector
President, GHBT

COMMUNITY HOMEOWNERS ASSOCIATION, INC.
630 Warren Street
Dorchester, MA 02121
617 445-4005

21 December 1994

Mr. John Marston
Fleet Bank
75 State St.
Boston, MA 02108

Dear John,

I know we haven't communicated lately. I wanted to update you as to CHA's current activities, to inquire as to the current status of negotiations with the community groups, and to inquire whether or not new discussions concerning CHA's services proposal would be useful.

As you know, CHA is a signatory to the Freddie Mac agreement entered into last week. I am particularly pleased that city officials and housing advocate groups convened at CHA's new offices at Grove Hall to announce this important program. CHA, along with other agencies , will provide foreclosure prevention services for mortgagors with Freddie-owned mortgages, and will assist Freddie to market REO properties to local residents.

We anticipate that we will enter into a similar disposition agreement with FDIC within the next two weeks; and, our lengthy negotiations with Fannie Mae should result in a program to support our counselling services early in 1995.

As a result of these in-place and expected programs, CHA is increasing its service capacity; and has broadened its base of community and organizational support.

I believe that our credentials as a recognized and effective community-based agency have been enhanced by our activities begun last summer; and, although we were disappointed that we could not conclude our agreement with Fleet at that time, in view of changing circumstances, a reexamination of the potential for a successful program might be of mutual benefit.

In light of our new activities and new location, we are planning a grand opening of our office and programs in January, 1995. As a past financial supporter of CHA, I would like to invite you, and other banks, to attend. And, inasmuch as Fleet may be a participant in one or more of the programs offered by Freddie or Fannie, this may be an opportunity to kick-off such new programs at a convenient community location.

Please advise me of your opinion regarding the potential value of reinitiating discussions between the bank and CHA.

Have a pleasant holiday season.

Sincerely,

Dwight K. Miller
President

DKM:ss

COMMUNITY HOMEOWNERS ASSOCIATION, INC.
29 Eldon Street
Dorchester, MA 02121
617 265-6050 / 436-6082

9 June 1994

Mr. John Hamill, President
Fleet Bank of Massachusetts
75 State Street
Boston, MA 02108

Dear Mr. Hamill,

I want to restate the urgency for closure of the agreement reached between the bank and CHA. We are effectively unable to further assist more than two dozen clients who are in immediate and desparate need of counselling and refinancing opportunities. These clients, some of whom have been "in the pipeline" for more than 6 months, have little other access to resources to help avoid foreclosure and loss of home.

Under the present circumstance, we can only attempt strategies designed to forestall the inevitable. As was the case in the Attorney General Program, most of these homeowners can be qualified to secure refinancing under traditional and untraditional underwriting programs. Our success with that program underscores the need and the effectiveness of community outreach and counselling activities, conducted by experienced and qualified community-based organizations, to stem the continuing tide of default and foreclosure, particularly in the minority and lower-income sections of Boston.

Mr. Hamill, as I stated to you in our recent conversation, we find ourselves in the current state of negotiations due, in part, to factors beyond the control or infuence of CHA. I can only advocate the primary mission and priorities of CHA, to reduce the negative effects on family unity and family stability resulting from the high rates of default and foreclosure experienced over the past several years, and to promote home retention and foreclosure avoidance programs designed to ensure long-term homeownership opportunity.

I further enclose a statement endorsed by a cross section of CHA's membership and supporters. The subscribers, constituting approximately one-third of CHA members and clients served during the past year, represent homeowners and renters who, but for the independent outreach and effective counselling services offerred by CHA, would not have had access to assistance. CHA fills a void and serves a real need. We, the lending community and concerned community groups, cannot afford to allow this deserving need to be stymied with so many families at risk.

I again urge your consideration and approval of the agreement in principle reached by the bank and CHA.

Sincerely,

Dwight K. Miller
President

DKM:km
enc.

COMMUNITY HOMEOWNERS ASSOCIATION, INC.
42 Torrey St.
Dorchester, MA02124
617 265-6050 / 436-6082

28 May 1994

Mr. John Hamill
President
Fleet Bank of Massachusetts
75 State St.
Boston, MA 02108

Re: FLEET / COMMUNITY HOMEOWNERS PARTNERSHIP PROGRAM

Dear Sir:

We, the undersigned members and supporters of Community Homeowners Ass'n., Inc., request Fleet to promptly implement the agreement reached between the bank and CHA. As a direct result of the work of CHA during the past year, many families have been able to avoid foreclosure and loss of home.

We desire for other members of our community, many of whom are presently facing the threat of foreclosure and financial ruin, be also afforded counselling and mortgage refinancing opportunities. Through the cooperation between Fleet and CHA many homeowners have been given a fresh start and a new beginning. The credibility and demonstrated results obtained by this collaboration should continue to be strengthened and built upon.

We urge the bank's continued support to empower CHA to fulfill its primary mission, to address a critical community need by preserving the existing homeownership base and by encouraging community stability and growth.

Sincerely,

THE MEMBERS AND FRIENDS OF CHA

Kenneth Alston
9 Fayston St.
Roxbury

Jean Altidor
594 Harvard St.
Mattapan, MA

Valerie Ashe
35 Caryll St.
Mattapan

Joan Beckford
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68 Alexandra St.
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Gerald Bell
36 Nelson St.
Dorchester, MA

Kevin Benjamin
8 Aggaziz St.
Cambridge, MA

es Bennett
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Albertha Bogan
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Lisa Dix
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Cheryl Harding
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Till Freeman
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BIGGER BANKS, BIGGER FEES:
The 1997 PIRG Bank Fee Survey

By Ed Mierzwinski, U.S. PIRG Consumer Program Director, Deirdre Cummings, MASSPIRG Consumer Program Director, the PIRG Consumer Team and staff and volunteers of the following state PIRGs and state and local consumer organizations affiliated with the Consumer Federation of America.

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FOR ADDITIONAL COPIES:

Mail a check to MASSPIRG Education Fund, 29 Temple Place, Boston, MA 02111. Reports cost $20 for the public, $10 for individuals or non-profit organizations, $7.50 for MASSPIRG members.

Lists of current publications are also available, free of charge, by writing to the address above or calling (617) 292-4800.

BIG BANKS, BIGGER FEES:
The 1997 PIRG Bank Fee Survey

SUMMARY

Over 12 million American families already can't afford bank accounts. Other consumers are paying too much, especially if they bank at big banks. Meanwhile, in 1996 banks recorded over $50 billion in profits, yet another record. Growing fee income is an important part of those increased profits.

This 1997 national survey, prepared by the state PIRGs with assistance from state and local member groups of the Consumer Federation of America (CFA), updates our 1993 and 1995 national surveys.[1] The disturbing trend of more, and higher, fees is continuing. Data from 1997 are compared on a state by state basis and to 1995 national averages.[2]

Since bank deregulation began in the early 1980s, the PIRGs and other consumer groups have conducted numerous studies documenting skyrocketing consumer banking fees. Our studies have helped to focus national attention on the problem of skyrocketing bank fees.

Our findings show that the cost spread between big banks and small banks, and between multi-state banks and locally-owned banks, is widening. The best deal, for consumers who qualify for membership, is at member-owned credit unions. Others can find lower fees at small, locally-owned community banks.

The survey results are profoundly disturbing. Bankers are punishing low- and middle-income consumers with unjustifiable fee increases while bank profits soar to new records each year.

Meanwhile, a bank-friendly Congress continues a massive rollback of critical laws that protect consumers, communities and taxpayers. 1994 legislation promoting interstate branching has contributed to the merger frenzy that is leading to more higher-cost, multi-state banks. In 1996, the Congress weakened the Truth in Savings Act and other consumer laws, making it harder for consumers to compare fees. This year, the House Banking Committee has already, narrowly, approved so-called Financial Modernization legislation that expands bank powers to sell insurance and investment products, without concomitant consumer safeguards. At the same time, the American Bankers Association has sent its member banks marching into the courts and state legislatures, attacking low-cost credit unions in the judicial and political arenas, since banks cannot win fairly in the marketplace.

NATIONAL FINDINGS -- THE 1997 PIRG BANK FEE SURVEY

State PIRGs and CFA members surveyed 419 banks in 30 states in 1997 and compared the results to PIRG's 1995 survey of 271 banks in 26 states. In 1997, we also surveyed 36 credit unions, as a comparison. The survey results are representative of the fees most consumers would pay, since the sample includes 134 of the country's 300 largest commercial and savings banks. Those 134 banks hold 45% of the nation's total deposits.[3]

• REGULAR CHECKING ACCOUNTS:

Meeting A Balance Requirement Avoids Fees

• **ANNUAL COST:** Nationally, in 1997, consumers paid an average of 15% more, or $27.95, to maintain a regular checking account at a big bank than at a small bank. The big bank fee gap increased 57% from 1995, when consumers paid 9% more, or $17.76, to bank at a big bank. In 1997, a big bank consumer paid $218.27 in annual account fees vs. small bank fees of $190.33. In 1995, big bank customers paid $211.74 and small bank customers paid $193.98.

• **BALANCE REQUIREMENTS:** Most banks (60%) now require a minimum balance to avoid paying fees. It is harder to meet a minimum than an average balance, used by only 15% of banks. The remaining 25% of banks allow consumers to meet either a minimum or average balance.

• **MINIMUM BALANCE:** The spread between big and small bank minimum balance requirements increased from only $7 in 1995 to $150 in 1997. The minimum balance required to avoid fees on regular checking accounts at big banks increased to an average of $642 in 1997, up by 14% from 1995 ($561). At small banks, the minimum to avoid fees declined by 11% from $554 to $492.

• **AVERAGE BALANCE:** The average balance required to avoid fees at both big and small banks declined very slightly from 1995 to 1997. At big banks, the balance declined to $1321 from $1348. At small banks, the balance declined from $1115 to $1007.

• **CREDIT UNIONS:** By comparison, the survey found the average annual regular checking account cost at credit unions to be only $108.65 in 1997, or less than 50% of the big bank cost.

• **MONTHLY MAINTENANCE FEES:** In 1997, the average monthly maintenance fee for big bank consumers who fail to meet a minimum balance is $7.65, up from $7.51 in 1995. Small bank consumers paid $6.90 in 1997, up from $6.80 in 1995.

• FREE CHECKING

• 64 banks (15%) of the 419 in the survey offer completely free checking accounts, with no fees and no restrictions, other than mandatory check truncation (no return of cancelled checks).[4]

• An additional 41 (10%) offer free checking with the regular direct deposit of a payroll, pension or government check.

• **CREDIT UNIONS:** By comparison, 39% of credit unions offer free checking with no restrictions and an additional 19% offer free checking with direct deposit.

• NOW ACCOUNTS:

Regular Checking Accounts That Earn Interest

Findings for NOW accounts were similar to checking accounts, although balances and fees were higher.

• **ANNUAL COST:** Nationally, in 1997, consumers paid an average of 14% more, or $27.70, to maintain a NOW interest bearing checking account at a big bank than at a small bank. The big bank fee gap increased 163% from 1995, when consumers paid 5% more, or $10.52, to bank at a big bank. In 1997, a big bank consumer paid $230.87 in annual NOW account fees vs. small bank fees of $203.17. In 1995, big bank customers paid $225.36 and small bank customers paid $214.84.

• **BALANCE REQUIRED TO AVOID FEES:**

-- **MINIMUM:** Minimum daily balance requirements to avoid fees for NOW accounts at big banks averaged $1252 in 1997, down slightly from $1281 in 1995. At small banks, minimum balance requirements in 1997 also declined, to $949 in 1997 from $1211 in 1995. The cost gap between big and small banks grew from $70 to $303.

-- **AVERAGE:** At banks using the average balance method, daily balance requirements to avoid fees for NOW accounts at big banks averaged $2613 in 1997, up slightly from $2598 in 1995. At small banks, average balance requirements in 1997 declined slightly, to $1741, from $1883 in 1997. The cost gap between big and small banks grew 22%, from $715 to $872.

• **MONTHLY MAINTENANCE FEES:** The average monthly NOW account maintenance fee increased slightly at big banks, to $8.86 in 1997 from $8.81 in 1995. At small banks, the fee decreased to $8.10 in 1997 from $8.53 in 1995.

• **CREDIT UNIONS:** In 1997, the NOW checking average annual cost index at credit unions was only $141.63, or only 63% of the cost at big banks. Minimum balance to avoid averaged $394, average balance to avoid averaged $563. The monthly fee averaged $4.23.

• NO FRILLS CHECKING:

Fee Charged Regardless of Balance, Limited Checkwriting

• The average annual cost to consumers to maintain a no-frills account at big banks rose 3% to $152.80 in 1997 from $148.33 in 1995. At small banks, the cost declined 4%, to $134.43 in 1997 from $139.68 in 1995. The cost gap between big and small banks increased 112%, to $18.37 in 1997 from $8.65 in 1995.

In addition,

• Consumers at big banks paid $3.73 on average, for monthly no-frills account maintenance fees in 1997, about the same, $3.71, as in 1995. At small banks, the monthly fee decreased slightly to $3.49 in 1997 from $3.60 in 1997.

• At both big and small banks, the number of checks included in the monthly fee decreased slightly, from 9.4 to 8.7 at big banks and 9.4 to 8.5 at small banks. Fees per check over the limit increased slightly at big banks to 60 cents each from 58 cents and decreased slightly at small banks to 46 cents from 55 cents.

• Further, particularly in New York, where the banks responded angrily to the 1994 enactment of mandatory low-cost lifeline banking legislation, some banks charge punitive fees on consumers who go over the check limit. These data are not included in the above averages, but it works like this:

Citibank, after 8 debits, and Chase and Bank of New York, after 10 debits, for example, convert their no-frills accounts to regular checking accounts, increasing the monthly fees from $4 or less to $9 or more. In addition, each bank charges 50 cents per check for all additional debits. Further, since debits are calculated when received by the bank, not when written by the consumer, a consumer must be very careful that checks clear within a statement period to avoid inadvertent penalties.

• SAVINGS ACCOUNTS

Lowest Cost Statement Savings Account

• **ANNUAL COST, EXCLUDING INTEREST:** The average annual cost index of maintaining a statement savings account with a $200 balance at big banks increased to $32.28 from $30.72 in 1995. At small banks, the cost decreased to $26.64 from $30.96. The gap between small and big banks increased to $5.64 from (0.24).

• **MONTHLY MAINTENANCE FEE:** Monthly maintenance fees for savings accounts at big banks averaged $2.69, up from $2.56 in 1995. At small banks, fees declined to $2.22 in 1997 from $2.58 in 1995.

• **CREDIT UNIONS:** Since so few credit unions charge maintenance fees on savings accounts, comparisons are not meaningful.

• ATM-ONLY ACCOUNT FEES

Extra fees for teller visits

In their efforts to discourage branch use, more banks are offering accounts that require use of ATM machines and charge a punitive fee for teller visits (although some allow 1-2 teller visits and provide more free telephone calls for these accounts). In 1997, PIRG examined ATM-only accounts and obtained the following findings:

• In 1997, 12% of banks offered an ATM-only account. Monthly maintenance fees averaged $2.98. Of these, 82% reported an additional $3.46 average fee for the first human teller visit each month.[5]

• BOUNCING CHECKS

Writing Checks Against Insufficient Funds

• Average fees for bouncing a check at big banks rose 7% to $20.91 in 1997 from $19.48 in 1995. At small banks, bounced check fees rose 7% to $20.35 from $18.98.

• DEPOSIT ITEM RETURNED (DIR)

Depositing Someone Else's Bad Check

• The fee an innocent victim is charged for depositing in his or her account someone else's check that then bounces (a DIR or Deposit Item Returned fee) at big banks increased to $4.87 from $4.19 in 1995. At small banks, the fee declined slightly, to $4.92 from $5.22 in 1995.

• ATM CARD FEES

• **OFF-US ATM TRANSACTIONS:** Fees charged to use regional networks (e.g., Most, MAC) at big banks increased 10% at big banks, to $1.19 from $1.08 in 1995. At small banks, off-us fees declined 5%, to $0.91 from $0.96 in 1995.

• **ATM SURCHARGES:** An increasing number of banks are imposing penalty double-dipping surcharges on non-customers who use their ATMS. An April 1997 PIRG report found that 45% of all ATMs charged a surcharge averaging $1.15 on non-customers using their ATMS. This fee is in addition to the off-us fees above. This report, based on analysis of fee brochures, does not update the April 1997 data, because no bank in the survey explained its surcharging policy in its brochures.

• OTHER MISCELLANEOUS FEES

This year, PIRG also looked at the incidence of two fast-growing fees.

• EARLY ACCOUNT CLOSING FEES: An increasing number of banks are charging consumers a fee to close an account that has been open less than one year. Such fees discriminate against college students and other transient persons. These fees are also designed to discourage shopping for better deals.

-- 147 banks charged early account closing fees averaging $12.56. The average number of months was 4.23. Of banks charging an early account closing fee, 2 banks charged a $50 fee for accounts closed within six months. Most of the banks, 64, charged a fee of $10 after either 3 or 6 months.

• TELEPHONE CALL CENTER FEES: An increasing number of banks are charging consumers who call to make balance inquiries. In addition, banks that had installed computer call centers as a low-cost alternative to operator-assisted calls are now implementing fees to call the computer, despite the cost savings. The fees listed below are for inquiries only. Full check listings are generally extra, as are balance transfers.

-- 69 of 419 banks, or 16%, charged a fee to make a balance inquiry over the telephone. In 1997, PIRG found the following different fee structures among those 69 banks:

CALLS TO CALLING CENTERS				
Fee Structure	Cost to call Computer	Avg # Free Calls/ Month	Cost to call Operator	Avg # Free Calls/ Month
One Fee (30 banks)			$1.03	3.9
Free To Computer (14 Banks)	$0.00		$1.20	2.9
Fee For Either (25 Banks)	$0.56	5.9	$1.42	2.6

-- Six credit unions, or 16%, charged for computer calls. Four of the 6 charged an average of $1.06 with 3.25 free calls per month. One allowed unlimited free computer calls and charged $1 per operator inquiry. One charged $0.50 for each computer call over 30 each month and charged $2 for each operator-assisted call.

• MULTI-STATE BANKS CHARGE HIGHER FEES

One additional measure of the fee gap between large and small banks is to compare fees at local institutions to fees at multi-state institutions, which are generally larger. Our data correlate favorably with those in the Federal Reserve's recent fee report to Congress, which found that fees are "significantly higher" at multi-state institutions.[6]

The following table compares single-state and multi-state costs and fees for 1997.

COSTS TO CONSUMERS AT SINGLE AND MULTI-STATE BANKS--1997				
	SINGLE	MULTI	$ HIGHER	% HIGHER
REGULAR CHECKING ANNUAL COST INDEX	$ 188.33	$ 224.68	$ 36.35	19%
NOW CHECKING ANNUAL COST INDEX	$ 201.50	$ 236.91	$ 35.41	18%
NO FRILLS CHECKING ANNUAL COST INDEX	$ 133.45	$ 156.23	$ 22.78	17%
REG CHECK--MIN BALANCE AVOID	$ 527	$ 582	$ 55	10%
REG CK--AVG BAL TO AVOID	$1003	$1344	$ 341	34%
REG CK--MONTHLY FEE	$ 6.82	$ 7.82	$ 1.00	15%
NOW CHECK--MIN BALANCE AVOID	$ 977	$1204	$ 227	23%
NOW CK--AVG BAL TO AVOID	$1841	$2513	$ 672	37%
NOW CK--MONTHLY FEE	$ 7.89	$ 9.32	$ 1.43	18%
BOUNCED CHECK	$ 19.80	$ 22.11	$ 2.31	12%
ATM--OFF-US FEE	$ 0.89	$ 1.24	$ 0.35	39%
SAVINGS--MONTHLY FEE	$ 2.11	$ 2.98	$ 0.87	41%

• OTHER MISCELLANEOUS FEES

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- **(3) Make more consumers pay more fees.**

-- Raise minimum balances to avoid fees and more people are paying more, instantly.

-- Eliminate services that had been bundled, and charge more for them: charge consumers to call you on the phone, charge consumers to receive their cancelled checks,[11] and charge consumers to use blank checking account deposit slips, or "counter items." Although we did not track this fee in this year's survey, we expect it to grow.

CHECK SAFEKEEPING: Of course, if you want your checks back, there is a charge, ranging between $1-5 each month. A growing number of banks offer "check imaging," or copies included with your statement, either at no cost or for a lower fee than getting your checks returned. Most banks provide a few copies of checks annually for free to those customers who have either elected or been given safekeeping. Some banks require safekeeping on all accounts; most require it on no-frills and free accounts.

BANKS ATTACK LOW-COST CREDIT UNIONS

As this survey shows, the best banking deal for consumers is not at the bank, it's at the credit union. These member-owned non-profit alternatives to commercial banks consistently beat the banks in the marketplace, as this survey shows. The banks have responded by ratcheting up their public relations campaign against credit unions a notch, filing anti-credit union bills in state legislatures, and winning a lower court lawsuit against the right of credit unions to have broad "fields of membership" and attract members from related groups.

That case is now under Supreme Court review and U.S. PIRG and CFA have filed an *amicus* brief in support of the credit unions. If the credit unions lose, not only do their member-customers lose, but all consumers lose. Although credit unions hold less than 2% of all deposits, they function as a competitive yardstick, holding rates charged by bigger banks down.[12]

BANKS AND OCC SEEK EXPANSION, OPPOSE LIFELINE BANKING

In the Congress, legislation that has already passed the House Banking Committee would grant sweeping new powers to banks to sell and underwrite uninsured deposit products, including insurance and investment products, without concomitant consumer protections. The bill would also expand bank holding company structures and allow mergers between banking and commercial firms.[13] Rep. Maxine Waters (D-CA), successfully authored an amendment requiring banks that take advantage of the proposed new structure to offer lifeline bank accounts. Both the ABA and the banks' friendly regulator, the Office of the Comptroller of

• STATE-BY-STATE ANALYSIS

We ranked the states based on a combination of their rankings for the four PIRG Annual Cost Indexes (Regular, NOW, No-Frills Checking and Savings Accounts), as well as rankings for the availability of free checking and the balances needed to avoid fees on checking and savings accounts. (ATM fees, bounced check fees and monthly maintenance fees are included in the cost indexes.)

• **LOW COST STATES:** Although consumers can find bargains in nearly every state, the lowest cost states to bank in were led by Montana, followed by Iowa, New Mexico, Vermont, Colorado, Washington State and Minnesota.

• **HIGH COST STATES:** The highest cost states were New Jersey, followed by Illinois, Louisiana, Florida, North Carolina, and Washington, DC.

BANK FEE INCREASE STRATEGY

Throughout the 1990s, banks have generated ever-increasing profits, setting a new record each of the last six years. In 1996, profits exceeded $50 billion for the first time. In the first quarter of 1997, profits exceed $14 billion for the first time. Fee income represents a growing proportion of non-interest-income, which, according to the FDIC, "provides a growing proportion of net operating revenue to banks." In the first quarter 1997, "higher fee income accounted for roughly half of the increase in noninterest income."[7] Fee income accrues disproportionately to big banks.

Banks' fee-generating strategies include three attacks on consumers' wallets:

• (1) Raise existing consumer account fees.

Reports by PIRG and other consumer groups document a pattern of fee increases exceeding inflation. The Federal Reserve Board's Annual Reports to Congress also show rising fees.[8]

• (2) Invent new fees.

From human teller fees to debit card transaction fees, banks are inventing new fees.[9] One area of rapid fee growth is now fees associated with ATMS, including not only the surcharge, but fees for obtaining ATM mini-statements. A second area is telephone balance inquiries. Originally, banks claimed that computer call centers would save them money, and urged consumers to call to check their balances. Now, banks such as Nationsbank, First Union and others are charging consumers who call not only human tellers but also computer call centers, fees ranging as high as $2. Nationsbank not only charges fees to call the computer, its software checks your PIN number, and queues your call to either the front or rear of the line depending on its analysis of your profitability.[10]

• FEE DISCLOSURES ARE COMPLICATED AND CONFUSING

To conduct this survey, PIRG and CFA volunteers visited or called banks to ask for all the brochures necessary to open a bank account. Most banks sent at least one brochure, but not every brochure was helpful, clear or complete.

The purpose of the 1991 Truth-in-Savings Act was to improve disclosures to consumers so that they can better compare financial services at different banks. Truth-In-Savings also explicitly prohibited certain onerous bank practices, such as the payment of interest on less than a customer's full balance and the use of the term "free" for checking and other accounts that require minimum balances or other conditions to avoid fees.

However, our survey of bank fee brochures reveals that comparisons are still difficult and additional remedial legislation may be necessary, despite the banks' concerted attempt to weaken Truth-In-Savings. Disclosure of terms of bank accounts differs dramatically. Many brochures appear designed to confuse, rather than assist, consumers. Some banks even place some account terms in one brochure, and other key terms in another, or even a third. Additionally, the language used in brochures to describe the same fee often varies from bank to bank.

• ATM/DEBIT CARD FEES AND RISKS TO CONSUMERS

When banks introduced ATM cards in the 1970s, their marketing plans resembled those of the nuclear power industry in the 1950s ("It'll be too cheap to meter."). Not surprisingly, once banks got consumers hooked on ATMs, the fees started racheting up. In addition to the fees tracked in this report, banks have developed various "mini-statement," "balance inquiry," "annual," "replacement card," "electronic insufficient funds," and other ATM fees.

Consumers now face the same situation as banks replace "plain old ATM cards," with enhanced debit cards that can be used either on-line (with a PIN) or off-line (with a signature). Plain old ATM cards can be used at Point of Sale (POS) with a PIN, but the real money is in off-line debit. Each month, banks ship more than a million new debit cards (they prefer the term "check" card) to consumers, branded either Mastercard or Visa. Debit systems, generally, offer tremendous benefits to both banks and merchants.

-- Banks avoid paper check transaction costs.
-- The risk of bounced checks is virtually eliminated (except in off-line systems).
-- Merchants gain rapid access to funds, as check floats are eliminated.

But the real money is in merchant fees. PIN-based transactions pay the bank a flat "merchant fee" of 6-12 cents. Off-line transactions pay up to 2% of the purchase, the same as credit cards do.

• DEBIT CARDS: A CONSUMER NIGHTMARE

Debit or "Check" cards are seen by banks as the fee Holy Grail. For many consumers, they are a nightmare. Banks don't tell you that a thief can steal your account number from a the Currency (OCC), have condemned this reasonable proposal.[14]

Actions by the OCC have hindered the ability of the states to regulate bank fees or enact low-cost checking accounts. In 1992, the OCC preempted (held that national banks do not need to comply with it) a New Jersey Lifeline Banking law, despite the absence of any federal law explicitly requiring banks to provide lifeline banking accounts. Despite a regulatory petition filed in 1995 to overturn that preemption, Comptroller Ludwig has taken no action to do so.[15] The existence of the preemption determination (OCC 92-572) has had a chilling effect on state legislative attempts to enact further lifeline laws or ban ATM surcharging.

The OCC's recent preemptive history suggests that it would preempt any state law banning ATM surcharging, despite the absence of any federal law regulating ATM fees.

• ATM SURCHARGING FUELS BIG BANK GROWTH

Banks argue that ATM surcharges are needed to cover the cost of remote ATMs. They claim that ATM growth is being spurred by ATM surcharges. Hearings[16] by Senator Al D'Amato (R-NY), Chairman of the Senate Banking Committee, have in fact pointed out that ATM surcharging is part of the big banks' anti-competitive strategy to squeeze out smaller banks and credit unions by encouraging their customers to switch their accounts to banks with larger ATM networks.[17] When confronted with the argument that, in fact, banks are surcharging at branches as well as in casinos and at ski areas, banks reply that, "consumers should pay for convenience" and "consumers have a choice between ATMs that surcharge and those that do not."

The real question of choice in the marketplace is not between surcharge and no-surcharge ATMs. It is between high-cost and low-cost banks and credit unions. If surcharging helps the big banks get bigger, all consumers lose, since big banks have higher fees. When only big banks are left, consumers will have no choice, except to pay higher fees, whether or not they want the "convenience."

Already, one big bank, Banc One, has begun charging its own customers to use its own ATMs.[18] As the big banks use the surcharge to gain market share, expect others to follow.

Congress should immediately ban the anti-consumer, anti-competitive, pro-big bank, ATM surcharge. Already, two states, Connecticut and Iowa, have done so by Banking Commissioner regulation.

• BANK FEES VERSUS COSTS

Past studies have found that bank fees exceed costs and that fees are being increased faster than costs have risen. Fees for bounced checks are 7.5 times the banks' administrative costs and fraud losses.[19] In some cases, banks have racheted up fees even when costs have decreased.[20] ATMs save banks billions of dollars in teller and branch costs.[21] However, as the current study shows, banks continue to increase ATM fees.

copies per year, in case of audits or disputes with creditors. Imaging, which provides a statement with photocopies of your checks, is an in-between cost alternative.

Despite all of our recommendations, big banks may still make sense for some consumers because of their multi-state ATM networks. For now, most big banks generally allow free ATM use across state lines, although that may be changing, as Banc One has done.

3) Beware of NOW accounts. If you cannot maintain high minimum balances, stay away from NOW accounts. The high fees on NOW accounts may cost you more than it's worth to earn the low interest on your balance.

4) Explore no-frills checking options. If you write few checks each month, look at no-frills flat fee checking accounts. However, watch out for no-frills accounts with punitive over-the-check-limit and bounced check fees for no-frills accounts.

RECOMMENDATIONS FOR CONGRESS

1) Enact Basic Lifeline Banking Laws.

All banks should be required by federal law to offer one low-cost account for consumers who write few checks per month and to provide governmental check-cashing for non-accountholders.

2) Create Financial Consumers Associations (FCA).

The largest consumer group in Illinois is its Citizen Utility Board, which fights utility rate increases and practices. Illinois CUB is a privately funded non-profit group, but an innovative state law allows it to insert its fundraising brochures directly into state motor vehicle and income tax mailings to citizens. This piggybacking lowers fundraising costs and is a legitimate role for government in addressing the failure of the marketplace to provide competition and protect consumers.

Financial Consumers Associations (FCAs) would take the CUB model to the financial services marketplace. Inserts in the account statements of federally insured financial institutions would provide a similar funding mechanism. If FCAs could be established, they could conduct many financial products surveys and put competitive pressure on banks and other providers to do a better job. The Internet offers an outstanding opportunity for an FCA to offer consumer shopping guides to financial services.[24]

3) Impose account rate caps, improve disclosures and eliminate other fees.

In return for guaranteeing the safety of deposits and the liquidity of the financial system, the federal government imposes modest public interest burdens on the banking industry. It's time to reform those laws, not roll them back.

restaurant account slip, then take all the money out of your account without your card. Plain old ATM cards require a PIN, these do not. Unlike a credit card, where your liability is $50, debit card liability can go as high as $500 or more. Worse, you're not arguing about whether you owe the money, you're fighting with the bank to get your own money back. Meanwhile, your other checks may be bouncing, subjecting you to bounced check fees and more.[22] Contact PIRG for a copy of our fact sheet: "If your ATM card is a debit card, watch out."

• CONCLUSION

In our view, the rise in fees and the increasing complexity of the fee system have created a burdensome and consumer-unfriendly banking system that places huge costs on the middle class and prices lower-income people out of the federally-insured banking market. For these consumers, the only alternative may be even higher-priced check cashing stores. Profits from rising bank fees accrue unfavorably to big banks, which fuels their anti-competitive growth. Ultimately, all consumers face higher bank fees as the big, fee-gouging banks get bigger.

The future holds many concerns. The rapid rise in electronic banking -- computer home banking, smart cards, and Internet commerce -- offers opportunities for banks to lower costs. Will they pass those savings on to consumers? Watch for future PIRG reports.

RECOMMENDATIONS FOR CONSUMERS

1) Bank at a credit union, not at a bank, if you qualify. Else, look at smaller, community banks.

2) Shop for financial services. This should be an ongoing process because banks are constantly changing their fee structures. See our brochure -- "Consumers: Shop Around For Banks."[23]

Compare the costs of your accounts to those of other banks in your area. Know what types of transactions you regularly make and evaluate accounts with your needs as a yardstick. You may find a better deal at a different bank.

-- If you can't find "totally-free checking," look for banks that offer free or low cost checking with a "linked" or "relationship" balance in another account. Linking accounts is a cheaper way to avoid bounced check fees than paying a monthly fee for the various forms of "bounced check protection" banks now offer.

-- Look for banks that offer free checking with direct deposit, if you qualify for it. Other banks offer a discount of $1-3.

-- Consider check safekeeping or check imaging. Banks are increasingly making check "safekeeping," the default, and charging $1-4 extra to return cancelled checks. If you do choose check safekeeping, be sure that the bank provides a certain number of free check

FOOTNOTES

1. See **Banks Think Fees, Not Free: The 1995 PIRG Bank Fee Survey of 271 Banks In 26 States**, by U.S. PIRG and Janice Shields, August 1995, and **Crushing Consumers: The 1993 PIRG/CFA National Survey of 300 Banks In 23 States**, jointly written by U.S. PIRG, the Consumer Federation of America and Janice Shields, Ph.D.

2. Our results are similar to data from numerous government, consultant and industry data on bank costs and fees for consumer deposit accounts. See discussion below (Footnote 6) of Federal Reserve studies. The author talks on a regular basis to investigative reporters who conduct their own local surveys, also confirming our results. For recent comprehensive surveys, see "Mean Machines," Akron Beacon Journal, 19 May 1997, by Maura McEnaney, p. D1 and "Fatter Fees," the Pittsburgh Post Gazette, 1 June 1997, by Patricia Sabatini, page C1.

3. See Methodology, below.

4. We included banks that offer free checking for at least one year on new accounts. We did not include banks that charged extra for ATM cards or made ATM cards unavailable on free checking accounts.

5. Some banks charged a fee for each teller fee, others increased the monthly fee by a fixed amount for one or more teller visits. We did not differentiate.

6. "Annual Report To The Congress on Retail Fees and Services of Depository Institutions," Federal Reserve Board of Governors, June 1997, Submitted pursuant to Section 1002 of the 1991 Savings and Loan Bailout Act (FIRREA), as amended. Reporters who receive numerous regular press releases from the Fed, as PIRG does, may ask the Fed why no press release is issued pertaining to this report. These reports (1992-97) provide independent verification of PIRG's findings that bank fees have been rising dramatically throughout the 1990s. These reports are purposely designed to elucidate as little as possible and consist only of a sample, with no bank names or individual bank data disclosed. In the early 1980s, the Congress required a one-time bank fee study that had the potential to help consumers comparison shop for accounts. It would be useful, with all the data collected by the fed and other agencies, to consider requiring a more detailed, shoppers guide to bank fees to be published.

7. "Commercial Bank Performance, First Quarter Report," Federal Deposit Insurance Corporation (FDIC), and accompanying press release (PR-42-97), 17 June 1996. Data available at "www.fdic.gov"

8. See footnote 6 under "multi-state" banks above.

9. The industry trade paper *Fee Income Report* tracks bank fees and bank fee strategies. Its 1990 survey identified 96 different types of fees; in 1994, that total had increased to 250.

10. See "Bank will rank callers' worth,", by Bob Trigaux, Page 1, St. Petersburg Times, 25 April 1997.

11. A few states, such as Massachusetts, have not enacted industry supported changes to the Uniform Commercial Code that allow banks to "truncate" or "retain your cancelled checks for safekeeping at no charge to you."

12. National Credit Union Administration and Credit Union National Association vs. First National Bank and Trust Company et al, Cases 96-843 and 96-847, October Term, 1996. See pgs. 12-15 of the Brief of Consumer Federation of America and U.S. PIRG, May 1997, for a detailed discussion of the economic benefits of credit unions.

13. The bill would also overturn 1934 legislation separating banking and commercial firms. That provision has been strongly opposed by both Ralph Nader and former Federal Reserve Board Chairman Paul Volcker because allowing industrial firms to own banks not only poses grave risks to the insurance safety net but could also lead to misallocation of credit. Even current Fed Chairman Alan Greenspan contends the bill goes too far.

- Unjustified fees, such as the ATM surcharge, deposit-item-returned fees and human teller fees, should be outlawed.

- Fee disclosures should be standardized. Just as the Fair Credit and Charge Card Act of 1988 requires all key credit card disclosures to be made in a standard easy-to-read box format, banks should provide deposit account disclosures in the same way. Those brochures should be easily available to prospective customers, not only accountholders.

(4) Oppose all attempts to roll back existing laws that protect consumers and taxpayers and ensure that if modernization legislation is enacted, safeguards are imposed.

Banks have a sorry history of misleading consumers about whether or not non-deposit investment products are insured by the FDIC (they are not). Banks have also grown fat selling unnecessary over-priced credit life insurance to loan consumers. If bank powers are broadened and walls between banking and commerce lowered, strong consumer, depositor and taxpayer protections must be enacted. Current consumer laws must not be weakened.

• METHODOLOGY:

We obtained the data for the survey from the fee brochures of 419 banks from 30 states with PIRG or CFA affiliates. We used data obtained from the FDIC's web site (www.fdic.gov), to calculate percentages of total deposits as of 30 December 1996. According to the FDIC data, the nation's 300 largest banks hold nearly two-thirds (65%) of total deposits of $3.7 trillion. The country's remaining 11,543 banks hold the rest. We didn't code the deposits of the smaller banks in the sample.

LOWEST COST ACCOUNTS IN EACH CLASS AVAILABLE WITHOUT RESTRICTION

Banks offer many more accounts than we surveyed. We sought to report on the lowest cost accounts in each class (regular checking, NOW, no-frills checking and statement savings) that were available to any customer, without income (means tests) or age restrictions. At many banks, you may pay higher fees. This year, we also looked at ATM-only accounts, offered by a growing number of banks.

CALCULATION OF ANNUAL ACCOUNT COSTS:

We determined the amount that an average consumer who fails to meet minimum balances might pay in annual fees in the following way: Costs of regular, NOW and no-frills checking accounts included monthly maintenance fees, per check fees for checks cashed above the maximum number allowed free per month, 25 regional and 5 national network ATM transactions, and one bounced check and one deposit item returned per year. The average number of checks cashed and the average number of "off-us" ATM transactions per account were obtained from published banking industry surveys. The cost of savings accounts included only a monthly maintenance fee. This survey's monthly maintenance fee calculations assume that consumers checks are returned, even if an extra charge is assessed. Some banks require safekeeping on some, or all, accounts.

BIG BANKS, BIGGER FEES:
The 1997 PIRG BANK FEE SURVEY

KEY TO CHARTS

Big Banks/Small Banks (TOP 300 Rank): We downloaded from the Federal Deposit Insurance Corporation (FDIC) the most recent available ranking (31 December 1996) of the nation's largest banks and thrifts by deposit size and coded survey banks by Top 300 by deposits. All other institutions surveyed were considered small banks. 36 member owned non-profit credit unions (CU in Bankname) were also surveyed for comparison purposes.

CALCULATION OF PIRG ANNUAL COST INDEXES: We presume that all consumers fail to meet minimum balances to avoid fees, make 25 off-us and 5 national ATM withdrawals each year, bounce one check, and receive one deposit item returned. Based on industry data, we presume that regular checking customers pay for 16.3, NOW customers 15.8 and No-Frills customers 6.5, checks and other debits each month. Your costs may vary and you could avoid fees by meeting minimum balances.

ACCOUNTS: We selected the lowest cost account in each category available to any consumer, regardless of age, income or other restriction.

NATIONAL RANKINGS: ALL STATES: We ranked the states from best to worst for the 4 annual cost indexes, availability of free checking, and key balance requirements in the survey (ATM and penalty fees are included in the indexes). We then combined the rankings to get an aggregate ranking, then ranked the states. A perfect ranking would be 12 (1 point * 12 categories). This comparison is a guide. Consumers can find bargains in nearly every state.

Bank By Bank Pages: Page 1 . . . .

- **Savings Accounts:** Average balance to avoid monthly fee (banks may charge additional excess transaction fees).

- **FREE CHECKING (FR CK):**
  - Y=Free checking, with no restrictions.
  - D=Free checking with direct deposit.
  - X=Free checking with no ATM card allowed.
  - Z=Free checking with extra ATM or other fees.

- **REGULAR AND NOW CHECKING: MIN OR AVG:** Some banks use a **minimum (M)** balance method, others an average **(A)** balance method. Some allow **either (E). Monthly fee** presumes no checks returned. **FEE/CK** is per **debit** charge after **#FR CKS**, if any, exceeded. Debits generally include ATM withdrawals and checks.

-- over --

14. See Memorandum of OCC Chief Counsel Julie Williams to OCC Comptroller Gene Ludwig of 24 June 1997, discussing problems with the bill, now called the Financial Services Competition Act. The memo lists, under the heading, "Banks and Bank Holding Companies Subject To New And Unequal Regulatory Burdens:" [that include being] "required to provide 'lifeline' banking services."

15. In response to the 1995 petition, the OCC did in 1996 meet the minimum requirements of the 1994 Riegle-Neal Act by issuing a Federal Register Notice (Docket #96-01) to obtain comments on overturning the rule, but has done nothing since, other than invite U.S. PIRG's Ed Mierzwinski and other consumer and community leaders to a small luncheon in April to discuss the plight of the nation's 12 million unbanked families.

No regulatory policy of either the OCC, the FDIC or the Federal Reserve Board or any other agency explicitly requires financial institutions to provide any account or service in conflict with the New Jersey Checking Account law. In the absence of conflicting federal law, it has long been the federal tradition of this country that the states proceed to protect their consumers, as New Jersey has correctly done. Over 700,000 New Jersey consumers have obtained New Jersey Checking Accounts.

Congress, in a strongly worded statement, has specifically condemned the OCC's 1992 action as an overzealous and "inappropriately aggressive" over-reach of regulatory authority. (Conference Report, Riegle-Neal Interstate Banking Efficiency Act of 1994, H.R. 3841, Report # HR 103-651, 2 Aug 1994 at 53.)

16. See Sen. Hrg. 104-740, 12 July 1996 for opposition by small banks and credit unions to ATM surcharging. See report of the U.S. General Accounting Office, "ATMS: Banks Report That Use of Surcharge Fees Has Increased," released at Senate Banking Hearing of 11 June 1997 for another report on ATM surcharging documenting the PIRG findings of 1 April 97. Sen. D'Amato has re-introduced legislation, S. 885, to ban the ATM surcharge. A similar bill, H.R. 795 has been filed by Rep. Bernie Sanders (I-VT).

17. See "ATM Surcharges: Panacea or Pandora's Box," by David Balto, Page 169, The Review of Banking and Financial Services, 9 October 1996, for a detailed discussion of surcharging issues. Balto suggests that banks that dominate a market, such as in Minnesota, may already be using practices, such as refusing to link to the small bank's ATM network, that "make it increasingly difficult for the small banks to offer adequate ATM access to their depositors and effectively compete with large banks for retail deposits." (at 174)

18. Banc One banks will charge $1.50 to non-customers and $1.00 to customers, who use new ATM machines at non-bank locations. See "Cash Machine Use To Cost Banc One Customers," Patricia Lamiell, Associated Press, 21 May 1997, Boulder Daily Camera and other papers nationally.

19. "Bounced Check Fees 7.5 Times Banks' Costs," Center for Study of Responsive Law, December 1994

20. "Bank Cost Analysis," Janice Shields, April 1993

21. "Banks Generate More than $2.1 Billion in Profits from ATM Transactions in 1994," Center for Study of Responsive Law, June 1995

22. See "Handy? Certainly, But Debit Cards Also Have Potential Risks," David Morrow, New York Times, Page 1, 13 July 1997.

23. Get it by e-mail -- Send mail to "watchdog@pirg.org" with the subject line "bank"

24. Consumers don't have the information necessary to compare bank costs. That's a marketplace failure. New York State Governor George Pataki recently announced that the state would address this marketplace failure by posting credit card, home equity and auto loan rates on the state's web site. See "Banks Making Fortune From ATM Surcharges," by Robert Heady, Denver Post 6 April 1997.

PIRG 1997 BANK FEE SURVEY -- ALL STATES

Ranked from low-cost (MT) to high-cost (NJ)

		PIRG ANNUAL COST INDEX								FREE CHECKING					
ST	#BANKS	REGCK	RK	NOW	RK	NO-FRILLS	RK	SAVINGS	RK	#FR	RK	#DD	RK	%FR+DD	RK
MT	10	$152.97	3	$175.51	4	$111.13	4	$24.00	9	3	10	2	5	50%	3
IA	9	$153.06	4	$175.15	3	$124.44	8	$28.76	16	2	12	3	3	56%	1
NM	14	$130.72	2	$186.19	10	$137.20	16	$20.18	6	5	3	1	10	43%	5
VT	5	$166.77	7	$177.87	5	$96.75	1	$19.20	4	0	30	1	10	20%	16
CO	22	$197.53	15	$200.45	14	$130.57	12	$23.43	7	4	6	2	5	27%	11
WA	11	$157.11	5	$181.33	6	$128.79	10	$18.82	3	3	10	1	10	36%	7
MN	17	$169.02	8	$199.73	13	$140.79	18	$29.25	18	5	3	1	10	35%	8
OR	11	$182.34	11	$156.69	1	$106.69	3	$24.00	8	2	12	1	10	27%	11
WI	18	$187.70	12	$198.03	12	$136.49	15	$29.29	19	4	6	2	5	33%	9
MA	43	$206.16	21	$185.04	8	$139.12	17	$19.46	5	5	3	8	1	30%	10
OH	5	$194.52	13	$207.34	16	$141.46	19	$15.99	2	2	12		30	40%	6
DE	10	$181.44	10	$185.36	9	$113.88	5	$26.67	12	1	15		30	10%	23
MD	21	$226.52	27	$240.47	26	$172.02	30	$37.00	24	8	1	3	3	52%	2
CT	10	$200.57	17	$203.28	15	$125.95	9	$24.00	10	1	15	1	10	20%	16
IN	5	$126.53	1	$172.11	2	$103.08	2	$6.00	1	0	30		30	0%	30
PA	23	$174.75	9	$197.45	11	$120.60	7	$27.40	13	1	15		30	4%	26
CA	18	$195.20	14	$213.50	19	$135.10	14	$27.89	15	4	6	5	2	50%	3
ME	5	$207.96	22	$210.96	18	$146.28	21	$28.80	17	0	30	1	10	20%	16
TX	34	$197.70	16	$222.35	21	$130.42	11	$29.41	20	6	2	1	10	21%	15
VA	9	$230.61	28	$242.76	27	$160.95	26	$29.77	21	1	15	1	10	22%	14
MI	8	$217.67	24	$228.87	23	$143.27	20	$25.50	11	1	15	1	10	25%	13
GA	12	$200.69	18	$207.76	17	$152.03	24	$39.27	28	1	15		30	8%	25
NY	30	$200.98	19	$213.97	20	$133.22	13	$27.67	14	4	6		30	13%	22
AZ	5	$159.48	6	$224.01	22	$150.63	22	$30.00	22	0	30	1	10	20%	16
DC	10	$225.24	26	$228.99	24	$164.09	27	$47.88	29	1	15	1	10	20%	16
NC	8	$225.23	25	$235.13	25	$165.77	28	$39.00	27	0	30		30	0%	30
FL	23	$216.20	23	$247.62	28	$154.59	25	$37.36	25	0	30	2	5	9%	24
LA	6	$203.48	20	$182.15	7	$114.68	6	$35.96	23	0	30		30	0%	30
IL	11	$232.93	29	$272.56	30	$168.17	29	$37.82	26	0	30	2	5	18%	21
NJ	6	$234.91	30	$261.11	29	$151.63	23	$48.00	30	0	30		30	0%	30
	NATIONAL AVERAGES - LARGE AND SMALL BANKS 1997 AND 1995, CREDIT UNIONS 1997														
97-BIG BANKS		$218.27		$230.87		$152.80		$32.28		NO DATA					
97-SMALL BKS		$190.33		$203.17		$134.43		$26.64		NO DATA					
95-BIG BANKS		$211.74		$225.36		$148.33		$30.72		NO DATA					
95-SMALL BKS		$193.98		$214.84		$139.68		$30.96		NO DATA					
97-Credit Unions		$108.65		$141.63		$103.31		$2.76		NO DATA					

SEE KEY FOR EXPLANATION OF FEES, AND RANKING. STATES ARE RANKED BASED ON COMBINATION OF RANKS FOR CATEGORIES MARKED RK. LOW RK IS BEST.

BIG BANKS, BIGGER FEES:
The 1997 PIRG BANK FEE SURVEY

KEY TO CHARTS -- PAGE 2

Page 2 . . . .

- **NO-FRILLS CHECKING:** Generally imposes fee regardless of balance but restricts number of checks severely, then fee per check. **FEE ALWAYS:** Y-Fee always. **YN**-means no-frills is a NOW account. N-fee only imposed after check limit. **FEE/CK:** Same as Reg and NOW.

Page 3 . . . .

- **ATM ONLY ACCOUNT:** Monthly fee for an ATM only account, plus the fee for the first **(TELLR FEE)** teller visit.
- **ATM CARDS: REPLACE:** Lost card fee. **ANNUAL:** Fee for card. **On-Us fee:** Fee to use banks' own machines. **#Free:** Transactions free each month. **Off-us fee:** Fee to use local network ATM machines. **NTL Off-us:** Fee for Plus or Cirrus, if higher. **DEBITCD:** Annual fee for branded "Visa" or "Mastercard" ATM Debit or Check card that can be used without a PIN number.

Page 4: . . . .

- **BOUNCE CHECK:** Write a check that bounces.
- **DIR:** Deposit Item Returned, deposit a check that bounces.
- **STOP PAY:** Stop Payment.
- **TELEPHONE INQUIRIES:** Fees to call to check balances and number of free calls/month. Check lists, transfer, etc. will be extra. Bank may list separate fees for automated **(CALL COMPUTER)** or non-automated **(CALL OPERATOR)**.
- **CLOSE ACCOUNT EARLY: FEE** and number of **MONTHS** punitive Early Account Closing Fee is charged.
- **TOP 300:** Rank, FDIC Top 300, by deposits, 31 December 1997.
- **KEY:** Describes most common additional features (good and bad) of accounts.
  - **F:** Some accounts include more free ATM transactions.
  - **M:** Meet minimum balance, get more free ATM transactions.
  - **P:** No-frills account has additional punitive excess checks fee.
  - **L:** Some accounts, fewer free ATM transactions.
  - **X:** Alternate ATM pricing available, annual fee waives off-us fees.
  - **T:** Tiered balance requirement. Lower balance, higher monthly fee.
  - **B:** On-us fee only at remote ATMs, not branches.

PIRG'S 1997 BANK FEE SURVEY: State by state

			SAVINGS ACCTS			REGULAR CHECKING						
			BAL TO		FR	MIN	MIN	MIN	AVG	MTHLY	#FR	FEE/
ST	BANK	CITY	AVOID	FEE	CK	OPEN	AVG	BAL	BAL	FEE	CKS	CK
MA	PEOPLES	HOLYOKE	$100	$3.00								
MA	PNC BANK	BOSTON	$250	$2.00								
MA	ROCKLAND TRUS	ROCKLANI	$200	$3.00		$20	M	$700		$7.00		
MA	SALEM FIVE CENT	SALEM	$250	$2.00								
MA	SANDWICH COOP	HYANNIS	$400	$2.00		$50	M	$750		$5.00	0	$0.30
MA	SOMERSET	SOMERVILLE			D		A		$500	$10.00		
MA	SPRINGFIELD INS	AMHERST		$0.00	Y	$10						
MA	STATE STREET	BOSTON	$750	$2.00		$50	A		$1,500	$4.00	0	$0.40
MA	USTRUST	BOSTON		$0.00	Y							
MA	WAINWRIGHT	CAMBRIDC	$250	$2.50	D	$250	M	$500		$3.00	0	$0.25
MA	WESTFIELD	WESTFIELD										

PIRG 1997 BANK FEE SURVEY – ALL STATES

Ranked from low-cost (MT) to high-cost (NJ)

	AVERAGE BALANCES TO AVOID FEES										PENALTY FEES			ATM	
ST	SAVINGS	RK	REGMIN	RK	REGAVG	RK	NOWMIN	RK	NOWAVG	RK	BOUNCED	DIR	STOPPAY	OFF-US	TOTALS
MT	$200	14	$220	1	$0	1	$670	4	$0	4	$15.15	$2.22	$13.20	$1.06	62
IA	$172	9	$314	3	$583	3	$625	2	$1,250	3	$19.06	$3.85	$17.54	$0.80	67
NM	$127	2	$511	15	$0	15	$677	5	$0	5	$20.10	$2.41	$18.36	$1.04	94
VT	$130	3	$500	14	$483	1	$700	6	$750	2	$20.60	$1.75	$17.60	$1.16	99
CO	$161	4	$315	4	$0	4	$776	8	$2,000	11	$18.97	$4.14	$19.08	$0.93	101
WA	$191	13	$320	5	$0	5	$909	13	$2,250	15	$17.18	$4.21	$15.11	$0.78	102
MN	$239	19	$239	2	$0	2	$654	3	$750	1	$19.56	$3.56	$19.00	$1.23	105
OR	$163	5	$413	8	$0	8	$1,125	18	$0	18	$17.64	$2.75	$15.64	$1.07	113
WI	$184	11	$430	9	$1,208	17	$809	9	$1,786	8	$19.75	$6.86	$17.47	$0.45	132
MA	$278	23	$644	23	$833	6	$1,084	17	$1,604	7	$18.65	$5.96	$15.99	$0.92	141
OH	$167	8	$433	10	$500	2	$1,125	19	$2,500	18	$22.50	$6.19	$19.25	$0.88	155
DE	$163	6	$333	6	$775	5	$858	12	$2,660	23	$22.25	$4.17	$13.88	$0.31	156
MD	$187	12	$486	12	$1,111	11	$773	7	$1,500	5	$25.60	$5.11	$22.38	$1.21	160
CT	$264	21	$760	27	$650	4	$1,343	23	$1,375	4	$21.56	$7.00	$16.67	$1.00	171
IN	$75	1	$525	18	$1,200	16	$1,040	15	$3,000	25	$20.40	$3.75	$15.50	$1.13	171
PA	$164	7	$397	7	$1,258	18	$994	14	$2,594	20	$24.55	$4.95	$18.55	$0.64	177
CA	$275	22	$687	25	$1,750	21	$1,500	27	$2,750	24	$13.62	$4.68	$11.35	$1.29	192
ME	$300	25	$670	24	$1,000	7	$850	10	$1,500	6	$20.80	$4.50	$15.90	$1.33	206
TX	$284	24	$711	26	$1,781	22	$1,138	20	$2,600	21	$20.69	$3.56	$20.04	$1.03	208
VA	$217	15	$543	20	$1,114	12	$875	11	$1,929	10	$27.13	$4.19	$25.13	$1.25	209
MI	$243	20	$521	17	$1,200	15	$1,571	28	$2,625	22	$21.67	$4.70	$21.33	$1.13	218
GA	$175	10	$514	16	$1,056	8	$1,075	16	$2,156	14	$24.38	$3.57	$23.71	$0.93	221
NY	$335	27	$1,155	30	$1,103	10	$1,364	24	$2,365	17	$15.08	$8.20	$13.27	$0.96	232
AZ	$225	16	$550	21	$0	21	$1,500	26	$0	26	$18.00	$2.13	$15.25	$1.50	238
DC	$360	30	$525	19	$1,117	13	$1,281	22	$2,000	12	$26.38	$5.19	$24.38	$1.28	243
NC	$238	18	$469	11	$1,179	14	$613	1	$1,929	9	$23.67	$3.83	$19.43	$1.29	248
FL	$326	26	$641	22	$1,362	19	$1,450	25	$2,357	16	$25.84	$5.61	$25.22	$1.18	268
LA	$233	17	$800	28	$2,000	23	$1,875	30	$5,000	26	$22.67	$3.25	$22.67	$1.21	270
IL	$336	28	$488	13	$1,400	20	$1,157	21	$2,500	19	$20.70	$6.07	$19.70	$1.25	271
NJ	$350	29	$867	29	$1,067	9	$1,667	29	$2,083	13	$28.33	$9.33	$15.67	$1.06	311
		NATIONAL AVERAGES - LARGE AND SMALL BANKS 1997 AND 1995, CREDIT UNIONS 1997													
97-BIG BANKS	$275		$642		$1,321		$1,252		$2,613		$20.91	$4.87	$18.43	$1.19	
97-SMALL BKS	$220		$492		$1,007		$949		$1,741		$20.35	$4.92	$18.04	$0.91	
95-BIG BANKS	$269		$561		$1,348		$1,281		$2,598		$19.48	$4.19		$1.08	
95-SMALL BKS	$240		$554		$1,115		$1,211		$1,883		$18.98	$5.22		$0.96	
97-Credit Unions	$59		$250		$500		$394		$563		$16.09	$6.56	$11.92	$0.87	

SEE KEY FOR EXPLANATION OF FEES, AND RANKING. STATES ARE RANKED BASED ON COMBINATION OF RANKS FOR CATEGORIES MARKED RK. LOW RK IS BEST.

PIRG'S 1997 BANK FEE SURVEY: State by state

		NOW INTEREST BEARING CHECKING ACCTS							NO-FRILLS CHECKING				
		MIN	MIN	MIN	AVG	MTHLY	#FR	FEE/	MIN	FEE	MTHLY	#FR	FEE/
ST	BANK	OPEN	AVG	BAL	BAL	FEE	CKS	CK	OPEN	WAYS	FEE	CKS	CK
MA	BROCKTON CU												
MA	CRESCENT CU	$25	M	$250		$4.00	0	$0.10	25	YN	$3.00		
MA	FIRST CITIZENS F								25	YN	$5.00		
MA	LEOMINSTER CU	$200	M	$200		$5.00				YN	$0.00	12	$0.50
MA	METROPOLITAN C	$25	M	$500		$8.00							
MA	ROCKLAND FCU		A		$500	$4.00	25	$0.20		Y	$1.00	0	$0.20
MA	ABINGTON SB		M	$500		$6.00							
MA	ANDOVER	$25	M	$1,000		$8.00			10	Y	$2.50	6	$1.00
MA	ATLANTIC	$500	A		$2,500	$10.00	0	$0.40					
MA	BANK OF WESTEF		A		$1,000	$5.00	0	$0.35					
MA	BANKBOSTON	$25	M	$5,000		$10.00				Y	$2.50	14	$0.75
MA	BBOC		M	$1,000		$8.00	0	$0.25	100	Y	$5.00	0	$0.25
MA	BOSTON FEDERAI	$50	M	$500		$6.00			50	YN	$0.00	0	$0.20
MA	BOSTON PRIVATE	$50	A		$2,500	$8.00							
MA	BOSTON SAFE DE	$1,500	E	$1,000	$2,000	$8.00				Y	$3.00	8	$0.75
MA	CAMBRIDGE TRUS		M	$1,000		$6.00	0	$0.45					
MA	CAPE COD 5 CEN	$25	A		$1,000	$5.00							
MA	CCB&T	$100	M	$1,500		$12.00				Y	$5.00	10	$0.65
MA	CENTRAL BANK	$200	M	$200		$5.00			10	N		10	$0.50
MA	CENTURY	$750	A		$750	$5.00	0	$0.30	100	Y	$5.00		
MA	CITIZENS BANK								25	Y	$2.50	12	$1.00
MA	COMPASS	$10	M	$1,000		$4.00	25	$0.25	10	Y	$2.00	10	$0.30
MA	COUNTRY BANK	$1	M	$500		$5.00	0	$0.20					
MA	DEDHAM SAVINGS	$700	M	$700		$2.00	0	$0.25		Y	$3.00	8	$1.00
MA	EAST BOSTON SB	$100	M	$500		$5.00	20	$0.25	50	Y	$3.00		
MA	EAST CAMBRIDGE		M	$600		$4.00	0	$0.30		Y	$3.00	9	$1.00
MA	EASTERN	$50	M	$1,000		$5.00	0	$0.35	10	Y	$2.50	10	$1.00
MA	FIRST MASSACHU	$50	A		$1,500	$6.00	0	$0.40	50	Y	$2.50	10	$0.75
MA	FLEET	$50	M	$1,500		$7.00	0	$0.40	10	Y	$2.50	8	$1.00
MA	HIBERNIA SB		M	$1,000		$6.00	20	$0.25					
MA	LEXINGTON SAVII	$10	A		$1,000	$10.00				N	$10.00	10	
MA	LIBERTY	$100	M	$2,000		$6.00	0	$0.35					
MA	LOWELL FIVE CEI		M	$1,000		$1.00	0	$0.25					
MA	MASSBANK	$100	M	$1,000		$8.00	30	$0.50		Y	$5.00	15	$0.25
MA	MEDFORDBANK		M	$1,000		$5.00	0	$0.25		Y	$3.00	10	$0.25
MA	METROWEST		M	$1,000		$5.00	0	$0.30					
MA	MIDDLESEX	$20	A		$1,000	$5.00	0	$0.15	20	Y	$3.00	10	$0.50
MA	NORTHAMPTON B		M	$500		$5.00							

Chart 2

PIRG'S 1997 BANK FEE SURVEY: State by state

			SAVINGS ACCTS			REGULAR CHECKING						
ST	BANK	CITY	BAL TO AVOID	FEE	FR CK	MIN OPEN	MIN AVG	MIN BAL	AVG BAL	MTHLY FEE	#FR CKS	FEE/ CK
MA	BROCKTON CU	BROCKTON		$0.00	Y							
MA	CRESCENT CU	BROCKTO	$100	$1.00	D							
MA	FIRST CITIZENS F	NEW BEDFORD		$0.00	D							
MA	LEOMINSTER CU	LEOMINSTER			D							
MA	METROPOLITAN C	CHELSEA	$100	$1.00	D							
MA	ROCKLAND FCU	ROCKLAND		$0.00	D		A		$500	$8.00		
MA	ABINGTON SB	ABINGTON		$0.00	XD	$50						
MA	ANDOVER	ANDOVER	$200	$1.00		$25	M	$500		$8.00		
MA	ATLANTIC	BOSTON	$100	$3.00		$100	A		$1,000	$15.00	0	$0.40
MA	BANK OF WESTEF	AMHERST	$10	$2.00								
MA	BANKBOSTON	BOSTON	$250	$1.00		$25	M	$1,000		$4.50	0	$0.40
MA	BBOC	BOSTON	$100	$3.00			M	$300		$6.00	0	$0.25
MA	BOSTON FEDERA	BOSTON	$500	$1.00	Y							
MA	BOSTON PRIVATE	BOSTON	$500	$1.25			A		$1,000	$8.00		
MA	BOSTON SAFE DE	BOSTON	$100	$2.00		$500	E	$500	$1,000	$7.00		
MA	CAMBRIDGE TRUS	CAMBRIDC	$200	$2.00			M	$500		$5.00	0	$0.35
MA	CAPE COD 5 CEN	HYANNIS	$300	$1.00	D	$25	A		$500	$5.00		
MA	CCB&T	HYANNIS	$500	$3.00	D		M	$1,000		$10.00		
MA	CENTRAL BANK	BOSTON	$300	$2.00	D		M	$500		$5.00		
MA	CENTURY	BOSTON	$500	$2.00		$500	A		$500	$5.00	0	$0.30
MA	CITIZENS BANK	BOSTON				$25	N			$10.00		
MA	COMPASS	NEW BEDFORD		$0.00		$10	M	$100			25	$0.25
MA	COUNTRY BANK	WARE		$0.00	Y	$1						
MA	DEDHAM SAVINGS	DEDHAM			D	$1						
MA	EAST BOSTON SB	BOSTON	$250	$1.00								
MA	EAST CAMBRIDGE	CAMBRIDC	$200	$1.00								
MA	EASTERN	MEDFORD	$250	$2.00		$50	M	$500		$5.00	0	$0.35
MA	FIRST MASSACHU	WORCEST	$250	$3.50	D	$50	A		$1,000	$6.00	0	$0.40
MA	FLEET	BOSTON	$500	$4.00		$50	M	$1,000		$6.00	0	$0.40
MA	HIBERNIA SB	QUINCY	$300	$3.00	Y							
MA	LEXINGTON SAVII	LEXINGTON		$0.00	D	$10	A		$500	$10.00		
MA	LIBERTY	BOSTON	$300	$1.50		$100	M	$1,500		$6.00	0	$0.35
MA	LOWELL FIVE CEN	LOWELL		$0.00								
MA	MASSBANK	READING	$250	$1.00			M	$500		$8.00	30	$0.50
MA	MEDFORDBANK	MEDFORD	$250	$2.00			M	$600		$8.00		
MA	METROWEST	FRAMINGH	$250	$1.50			M	$500		$5.00	0	$0.30
MA	MIDDLESEX	NATICK		$0.00								
MA	NORTHAMPTON B	AMHERST	$50	$2.00								

Chart 1

PIRG'S 1997 BANK FEE SURVEY: State by state

		ATM ONLY ACC		ATM CARDS							DEBITCD
		MTHLY	TELLR		ANNUAL	ON-US	ON-US	OFF-US	OFF-US	NTL	ANNUAL
ST	BANK	FEE	FEE	REPLACE	FEE	W/D FEE	#FREE	W/D FEE	#FREE	OFF-US	FEE
MA	BROCKTON CU							$1.00			
MA	CRESCENT CU			$3.00				$1.00			
MA	FIRST CITIZENS F							$0.75	4		
MA	LEOMINSTER CU							$1.00			
MA	METROPOLITAN C			$12.00				$0.95			
MA	ROCKLAND FCU			$3.00				$1.00	10		
MA	ABINGTON SB			$5.00	$12.00			$1.00			
MA	ANDOVER							$1.00			
MA	ATLANTIC										
MA	BANK OF WESTEF							$1.00			
MA	BANKBOSTON							$2.00			$10.00
MA	BBOC										
MA	BOSTON FEDERAI			$10.00	$12.00			$1.00			
MA	BOSTON PRIVATE							$1.00			
MA	BOSTON SAFE DE							$1.25		$2.00	
MA	CAMBRIDGE TRUS			$5.00				$1.00			
MA	CAPE COD 5 CEN							$1.00			
MA	CCB&T			$5.00				$1.00			
MA	CENTRAL BANK			$5.00				$0.85			
MA	CENTURY			$5.00				$0.75		$1.00	
MA	CITIZENS BANK							$1.75			
MA	COMPASS							$1.00			
MA	COUNTRY BANK			$5.00				$0.00			
MA	DEDHAM SAVINGS			$5.00				$0.75			
MA	EAST BOSTON SB			$5.00				$1.00			
MA	EAST CAMBRIDGE							$0.75			
MA	EASTERN			$10.00	$12.00			$0.00		$1.25	$12.00
MA	FIRST MASSACHU										
MA	FLEET							$1.50			
MA	HIBERNIA SB							$1.00			
MA	LEXINGTON SAVIN							$0.75			
MA	LIBERTY										
MA	LOWELL FIVE CEN			$2.00				$1.00			
MA	MASSBANK			$5.00				$0.75			
MA	MEDFORDBANK			$5.00				$1.25		$2.50	
MA	METROWEST			$5.00				$1.00			
MA	MIDDLESEX			$5.00				$1.00			
MA	NORTHAMPTON B							$0.75	5		

PIRG'S 1997 BANK FEE SURVEY: State by state

		NOW INTEREST BEARING CHECKING ACCTS							NO-FRILLS CHECKING				
ST	BANK	MIN OPEN	MIN AVG	MIN BAL	AVG BAL	MTHLY FEE	#FR CKS	FEE/ CK	MIN OPEN	FEE WAYS	MTHLY FEE	#FR CKS	FEE/ CK
MA	PEOPLES	$10	M	$500		$3.00	0	$0.15	10	Y	$3.00	10	$0.15
MA	PNC BANK	$10	M	$2,000		$4.00							
MA	ROCKLAND TRUS	$20	M	$900		$9.00				Y	$2.50	8	$1.00
MA	SALEM FIVE CENT		M	$1,000		$5.00	0	$0.20		Y	$4.00	15	$0.25
MA	SANDWICH COOP	$50	M	$1,500		$5.00	0	$0.30	50	N	$5.00	6	$0.50
MA	SOMERSET	$100	A		$500	$5.00			10	Y	$2.00	10	$0.75
MA	SPRINGFIELD INS	$100	E	$1,500	$2,500	$10.00							
MA	STATE STREET	$50	A		$3,000	$6.00	0	$0.40	10	N	$4.00	8	$0.40
MA	USTRUST	$300	M	$300		$8.00			1	YN	$6.50		
MA	WAINWRIGHT	$250	M	$1,000		$4.00	0	$0.30					
MA	WESTFIELD	$50	M	$1,000		$5.00	0	$0.15	50	Y	$3.00	10	$0.15

PIRG'S 1997 BANK FEE SURVEY: State by state

ST	BANK	PENALTY FEES BOUNCE CHECK	RETURN (DIR)	STOP PAY	TELEPHONE INQUIRIES CALL Computer	#FREE	CALL Operator	#FREE	CLOSE ACCT EARLY FEE	MONTHS	TOP 300 RANK	KEY
MA	BROCKTON CU	$15.00	$5.00	$7.50								
MA	CRESCENT CU	$15.00	$12.00	$10.00								
MA	FIRST CITIZENS F	$15.00		$10.00								F
MA	LEOMINSTER CU	$20.00	$5.00	$15.00								
MA	METROPOLITAN C	$18.00	$5.00	$15.00								
MA	ROCKLAND FCU	$20.00	$10.00	$20.00			$1.00	3	$15.00	3		
MA	ABINGTON SB	$20.00	$5.00	$15.00					$10.00	3		M
MA	ANDOVER	$20.00	$5.00	$15.00								
MA	ATLANTIC	$15.00	$5.00	$15.00					$10.00	6		
MA	BANK OF WESTEF	$20.00	$3.00	$15.00							20	
MA	BANKBOSTON	$22.00	$5.00	$20.00								
MA	BBOC								$15.00	3		
MA	BOSTON FEDERAI	$20.00	$5.00	$15.00								
MA	BOSTON PRIVATE	$25.00	$5.00	$20.00							147	
MA	BOSTON SAFE DE	$25.00	$7.00	$25.00					$50.00	6		
MA	CAMBRIDGE TRUS	$20.00	$5.00	$20.00					$10.00	6		
MA	CAPE COD 5 CEN	$16.00	$5.00	$15.00								
MA	CCB&T	$18.00	$5.00	$15.00					$3.00	3		
MA	CENTRAL BANK	$18.00	$10.00	$15.00								
MA	CENTURY	$20.00	$5.00	$15.00							153	
MA	CITIZENS BANK	$20.00	$5.00	$20.00								
MA	COMPASS	$18.00	$5.00	$18.00								
MA	COUNTRY BANK	$15.00		$7.50								
MA	DEDHAM SAVINGS	$15.00		$15.00								
MA	EAST BOSTON SB	$16.00	$12.00	$15.00								
MA	EAST CAMBRIDGE	$15.00	$5.00	$15.00							268	
MA	EASTERN	$20.00	$5.00	$15.00								
MA	FIRST MASSACHU								$20.00		9	
MA	FLEET	$25.00	$5.00	$15.00								
MA	HIBERNIA SB	$20.00	$10.00	$15.00								M
MA	LEXINGTON SAVIN	$20.00	$15.00	$15.00								
MA	LIBERTY											
MA	LOWELL FIVE CEN	$20.00	$5.00	$15.00			$0.50					
MA	MASSBANK	$20.00	$5.00	$15.00			$0.50					
MA	MEDFORDBANK	$20.00	$5.00	$15.00								
MA	METROWEST	$17.00	$5.00	$15.00								
MA	MIDDLESEX	$15.00	$5.00	$15.00					$10.00	6		
MA	NORTHAMPTON B	$15.00	$7.50	$15.00								

PIRG'S 1997 BANK FEE SURVEY: State by state

		ATM ONLY ACC		ATM CARDS							DEBITCD
		MTHLY	TELLR		ANNUAL	ON-US	ON-US	OFF-US	OFF-US	NTL	ANNUAL
ST	BANK	FEE	FEE	REPLACE	FEE	W/D FEE	#FREE	W/D FEE	#FREE	OFF-US	FEE
MA	PEOPLES			$2.00				$1.00			
MA	PNC BANK							$0.50			
MA	ROCKLAND TRUS			$10.00				$1.00			
MA	SALEM FIVE CENT			$5.00				$1.00	5		
MA	SANDWICH COOP			$5.00	$10.00			$1.25			
MA	SOMERSET			$5.00				$1.00			
MA	SPRINGFIELD INS			$10.00				$0.00			
MA	STATE STREET							$1.00			
MA	USTRUST							$0.00			
MA	WAINWRIGHT			$5.00				$1.00	5		
MA	WESTFIELD							$1.00			

MASSPIRG'S 1997 BANK FEE SURVEY RESULTS

MASSACHUSETTS AVERAGES

NOW INTEREST BEARING CHECKING ACCOUNTS

BANKS	MIN OPEN	MIN BAL	AVG BAL TO AVOID FEE	MONTHLY FEE	FEE PER CHECK
BIG BANKS	$335.00 (5)	$2125.00 (4)	$2500.00 (2)	$7.20 (5)	$0.38 (3)
LITTLE BANKS	$141.58 (26)	$935.71 (28)	$1425.00 (10)	$5.92 (37)	$0.28 (23)
ALL BANKS	$172.77 (31)	$1084.38 (32)	$1604.17 (12)	$6.07 (42)	$0.30 (26)
CREDIT UNIONS	$83.33 (3)	$316.67 (3)	$500.00 (1)	$5.25 (4)	$0.15 (2)

NO-FRILLS CHECKING

BANKS	MIN OPEN	MONTHLY FEE	# FREE CHECKS	FEE PER CHECK
BIG BANKS	$13.75 (4)	$2.83 (6)	$10.00 (6)	$0.82 (6)
LITTLE BANKS	$37.21 (14)	$3.71 (21)	$8.80 (19)	$0.53 (18)
ALL BANKS	$32 (18)	$3.52 (27)	$9.10 (25)	$0.60 (24)
CREDIT UNIONS	$25 (2)	$2.25 (4)	$6.00 (2)	$0.35 (2)

Total banks included in survey: 6 big banks, 37 little banks, 43 all banks, and 6 credit unions.

Number in parenthesis,(), represents the # of banks included in calculation.

PIRG'S 1997 BANK FEE SURVEY: State by state

		PENALTY FEES			TELEPHONE INQUIRIES				CLOSE ACCT			
		BOUNCE	RETURN	STOP	CALL		CALL		EARLY		TOP 300	
ST	BANK	CHECK	(DIR)	PAY	mputer	#FREE	Operator	#FREE	FEE	ONTHS	RANK	KEY
MA	PEOPLES	$20.00	$15.00	$15.00					$10.00	3		
MA	PNC BANK	$18.00	$3.00	$15.00								
MA	ROCKLAND TRUS	$20.00	$5.00	$20.00			$1.00					
MA	SALEM FIVE CENT	$15.00	$5.00									
MA	SANDWICH COOP	$18.00	$5.00	$18.00								
MA	SOMERSET	$15.00	$5.00	$15.00					$5.00	6		
MA	SPRINGFIELD INS	$20.00	$10.00	$20.00					$10.00	6		
MA	STATE STREET	$20.00	$4.00	$15.00							27	P
MA	USTRUST	$20.00	$4.00	$15.00								
MA	WAINWRIGHT	$15.00	$4.00	$15.00								
MA	WESTFIELD	$15.00	$2.00	$15.00								

MASSPIRG'S 1997 BANK FEE SURVEY RESULTS

MASSACHUSETTS AVERAGES

ATM FEES

BANKS	REPLACE	OFF-US/FOREIGN W/D FEE
BIG BANKS	$10.00 (1)	$1.25 (6)
LITTLE BANKS	$5.43 (21)	$0.86 (33)
ALL BANKS	$5.64 (22)	$0.92 (39)
CREDIT UNIONS	$6.00 (3)	$0.95 (6)

PENALTY FEES

BANKS	BOUNCE CHECK	RETURN (DIR)	STOP PAYMENT
BIG BANKS	$22.00 (6)	$5.17 (6)	$18.33 (6)
LITTLE BANKS	$18.06 (34)	$6.11 (32)	$15.56 (33)
ALL BANKS	$18.65 (40)	$5.96 (38)	$15.99 (39)
CREDIT UNIONS	$17.17 (6)	$7.40 (5)	$12.92 (6)

Total banks included in survey: 6 big banks, 37 little banks, 43 all banks, and 6 credit unions.

Number in parenthesis,(), represents the # of banks included in calculation.

MASSPIRG'S 1997 BANK FEE SURVEY RESULTS

MASSACHUSETTS AVERAGES

SAVINGS ACCOUNTS

BANKS	BALANCE TO AVOID	MONTHLY FEE
BIG BANKS	$370.00 (5)	$2.20 (5)
LITTLE BANKS	$260.00 (26)	$1.54 (34)
ALL BANKS	$277.74 (31)	$1.62 (39)
CREDIT UNIONS	$100.00 (2)	$0.40 (5)

REGULAR CHECKING

BANKS	MIN OPEN	MIN BAL TO AVOID FEE	AVG BAL TO AVOID FEE	MONTHLY FEE	FEE PER CHECK
BIG BANKS	$116.67 (6)	$750.00 (4)	$1250.00 (2)	$6.08 (6)	$0.39 (4)
LITTLE BANKS	$80.13 (15)	$611.54 (13)	$714.29 (7)	$7.11 (9)	$0.33 (11)
ALL BANKS	$90.57 (21)	$644.12 (17)	$833.33 (9)	$6.86 (25)	$0.35 (15)
CREDIT UNIONS			$500.00 (1)	$8.00 (1)	

Total banks included in survey: 6 big banks, 37 little banks, 43 all banks, and 6 credit unions.

Number in parenthesis,(), represents the # of banks included in calculation.

MASSPIRG'S 1997 BANK FEE RESULTS

MASSACHUSETTS AVERAGES

CLOSE ACCOUNT EARLY

BANKS	FEE	MONTHS
BIG BANKS	$20.00 (1)	Didn't Disclose
LITTLE BANKS	$13.45 (11)	4.64
ALL BANKS	$14.00 (12)	4.64

Total banks included in survey: 6 big banks, 37 little banks, 43 all banks, and 6 credit unions.

Number in parenthesis,(), represents the # of banks included in calculation.

1. I'm Randall Parr. I live in Lowell, MA. I have a checking account at Fleet Bank and a car loan with Baybank, which was bought by BankBoston. I grew up in Massachusetts. I am not a lawyer.
2. When I was young, a bank robbery was when a person robbed a bank. Today the banks are robbing the people.
3. As a result of a decade of unrestrained mergers in Eastern Massachusetts, four retail banks have over 90 percent of the market: Fleet, BankBoston, U. S. Trust, and Citizens Bank. Fleet and BankBoston are the 2 largest of those 4.
4. Section 7 of the Clayton Act outlaws mergers where the effect "may be to substantially lessen competition or tend to create a monopoly." Since the proposed merger between the biggest and 2d biggest bank in this area will **tend to create a monopoly** it is illegal. This merger will substantially **lessen competition**, which is also illegal. It therefore meets **both** criteria of section 7 of the Clayton Act.
5. What is **harmful** about it? As a result of this merger thousands of **workers** will **lose their jobs**, and thousands more who will be hired in the future if this merger does not happen, will never get those jobs. Many workers' job skills are not transferable to nonbanking industries, requiring career changes, pay cuts, and retraining costs to be sacrificed by sacked workers. They will have no choice.
6. Because wages fluctuate due to labor supply and demand, workers' earnings will be reduced by this merger, since the merger will shrink labor demand. Therefore workers will be robbed, even if they are not employed by these banks. They will have no choice.
7. Customers can now go to Fleet or BankBoston and withdraw their money without charge, but if they go to another ATM they must pay to withdraw money. After this and other mergers that will follow, ATM **fees will rise** each time they withdraw money from their account. Check fees and loan interest rates and fees will increase because there will be no competition. The megabank will have a monopoly. Customers will have no choice.
8. Mergers have a **snowball effect**. When one illegal merger is approved others are announced. No doubt it was this Fleet/BankBoston merger, which let to the announcement by Citizens and U. S. Trust that they will merge. No doubt, the Baybanks merger led to this Fleet/BankBoston merger. Perhaps the Shawmut acquisition led to the Baybank merger. If the Fleet/BankBoston merger is not stopped the Fleet/BankBoston/U. S. Trust/ Citizens Bank merger will be next. This cycle creates monopoly.
9. Being able to borrow money is very difficult when there is no choice. Small businesses depend on banks loans for their existence. The merger will reduce advertising demand, reduce start-up businesses, and harm many other sectors. This merger will have a **depressing economic impact** like a tidal wave on eastern Massachusetts.
10. Recently the states filed suit against tobacco companies for smokers health services costs. People can choose not to smoke, but not where to bank when there is a bank monopoly. Unlike smoking, losing jobs means unemployment, food stamps, and welfare. This cost the state lots of money, and the people involved lots of hardship. Unlike smoking, mergers are clearly illegal. The case against the Fleet/BankBoston merger **is far stronger** than the case the states had against the tobacco companies.
11. I ask Fleet Bank and BankBoston to call off this illegal merger in the interests of customers, workers, and society because it substantially reduces bank competition.
12. I ask the Federal Reserve Bank to deny this merger because it substantially reduces bank competition.
13. I ask the U. S. Attorney General to file suit to stop this merger under Section 7 of the Clayton Act. If not, I request that she resign for failing to enforce the law.
14. I ask the Attorney General of Massachusetts to file suit to stop this merger under Section 7 of the Clayton Act. If not, I ask that he resign for failing to enforce the law.
15. If all fail to do so, I ask fellow citizens to join me to file a class action suit to prevent this merger under Section 7 of the Clayton Act. I know we can win.
16. I ask both the U. S. and the Massachusetts Attorney General to reply within one week whether they plan to challenge this illegal merger in court .
17. The Fleet/BankBoston merger is bank robbery. Support freedom of choice. Just say no! Ban the Fleet/BankBoston merger.

Connecticut Friends of Community Reinvestment
C/o CREN
32 Elm Street, Hartford, CT 06106

July 7, 1999

Richard C. Walker III
Vice President
Federal Reserve Bank of Boston
Community Affairs Office
600 Atlantic Avenue
Boston, MA 02106

Re: PROTEST TO FLEET/BANKBOSTON MERGER

Dear Mr. Walker:

This letter is an official protest to the proposed merger between Fleet Financial Group, Inc. ("Fleet") and BankBoston Corporation ("BankBoston"), the application for which was filed with your offices during the week ending May 22, 1999. The Connecticut Friends of Community Reinvestment ("CFCR") is a state-wide coalition of numerous community-based organizations and non-profit agencies in Connecticut committed to the spirit and practice of the Community Reinvestment Act ("CRA"). The participants in CFCR are working collaboratively to ensure that the financial services needs of Connecticut's traditionally underserved communities are met.

This letter attempts to outline the major areas where trends in Fleet's activities support the position that the merger with BankBoston will so substantially inhibit competition as to constitute a violation of the antitrust laws and of Section 3 of the Bank Holding Company Act, 12 U.S.C. Section 1842(c). This is especially critical in the area of CRA issues, where both the specific CRA record for Fleet in Connecticut (which is only satisfactory) and the overall anti-competitive aspects of this merger are likely to result in a dramatic reduction in services and convenience for the needs of the communities that Fleet purports to serve. The Federal Reserve Board, in reviewing this merger application, must consider both the impact of the proposed acquisition on the competition in the marketplace and the history and impact of the CRA performance of the institutions involved. In each area discussed below, the issues address both the anti-competitive nature of the merger and the negative CRA impact, which are so closely integrated and mutually supportive as to be almost impossible to separate.

1. Anti-Competitive Effect

Under 12 CFR Section 225.13, the Federal Reserve Board may not approve a merger application if (1) the transaction results in a monopoly or (2) the effect of the transaction would be to substantially lessen competition in any section of the country, unless the Board finds that the anti-competitive effect is outweighed by meeting the convenience and needs of the community. In addition, under Regulation BB, 12 CFR Section 228.29(a), the Federal Reserve Board must take into account the CRA performance of each applicant bank in considering whether to approve a merger. Specifically, under subsection (b), the Federal Reserve Board must take into account in its deliberations any views expressed by interested parties in accordance with the process established under the regulations. In furtherance of these reviews and deliberations, the CFCR provides the following comments finding that the combination of Fleet and BankBoston will substantially lessen competition and reduce the resulting capacity to meet the convenience and needs of the community in Connecticut and therefore should not be approved.

Both Fleet and BankBoston are among the largest players in the financial industry in Connecticut, by deposit base, asset size and otherwise. Fleet's acquisition of Shawmut four years ago has resulted in significant concentration of deposits and services in one behemoth institution, yet the increased size created the absolutely opposite effect desired by the Board -- it decreased the availability of services to the Connecticut community. If the merger is accomplished, Fleet Boston will have almost 50% of the market share for Hartford, and 30% of the state's deposits: the next closest competitor has only 11% of the deposits of Connecticut customers. Not only will Fleet Boston build and control an exceedingly large portion of the market, but the scale of the new merged institution will positively dwarf the remaining independent banks in Connecticut. Sharing the market among institutions of such differences in size rarely meets the definition of competition. With Fleet having already acquired its closest competitor (Shawmut) and BankBoston recently acquiring its closest competitor (BayBanks), the continuing concentration of the market (from four competing institutions to one mega-bank) constitutes an alarming trend. These mergers may result in gains for the bank stockholders but provide little or no benefit to the consumers who are to be protected by the Board.

The economies of scale touted in every merger have not produced savings for Fleet customers or increased lending opportunities to match its growth in market share. Even with specific lending commitments extracted from Fleet by the Connecticut Attorney General in connection with the Shawmut acquisition, the service to the community has decreased in the years since that merger. The potential loss of BankBoston as an independent financial and depository institution, especially one that has been a strong competitor to Fleet in the Connecticut marketplace and that has shown exceptional willingness to develop and implement creative programs to serve the low and moderate income communities, raises serious concerns. It appears that this merger will have such a disastrous effect on the competitive environment and services to the traditionally underserved communities in Connecticut that the Federal Reserve Board should not approve it.

The fact that the combined institution will create the eighth largest bank in the country before divestiture, at $178 billion in assets, should elevate the standard to be applied in reviewing and assessing the wisdom of this merger. Even with the proposed divestiture of $12.5 billion in deposits and $2.2 billion in commercial loans, the merged Fleet Boston would easily overpower any local competitors, regardless of which institution acquires the divested branches and assets. (**Note**: *The lack of information on this subject makes this issue even more troubling to the community seeking to understand the impact of the merger and divestiture.*) The next largest New England-based institution, Citizens Financial Group, is only $21 billion. Fleet's current and proposed dominant market share would demand that Fleet take an equally commanding lead in all areas of community lending and CRA efforts. Our research has shown that not to be the case.

Not only have there been declines in available credit to the LMI and women and minority borrower markets, but Fleet has not expanded its market share to match its asset-based and deposit-based market domination in any of these "CRA" areas.

2. Affordable Housing Lending

A. HMDA statistics

Fleet has recently had a problematic record in lending to underserved borrowers, especially as shown in the data reported under the Home Mortgage Disclosure Act (HMDA). We have only been able to access portions of the data, because 1998 is not yet fully available and various researchers and reports include different sets of data for different purposes. We have tried to extract data covering one-to-four family owner-occupied first mortgages, excluding refinancings, home improvement loans and loans on investment properties. Studies have been done by many, including Jim Campen, Associate Professor of Economics at the University of Massachusetts at Boston, that show for Fleet a dramatic trend of DECREASING lending to borrowers in low- and moderate-income (LMI) communities, and to borrowers of color. This is especially alarming as it has occurred even <u>after</u> Fleet's acquisition of Shawmut, essentially reducing overall in the marketplace the availability of home mortgage credit to the underserved.

While the 1998 figures are only just released and not yet analyzed, the trends that appear between 1994 and 1998 raise significant concerns. The ability to differentiate between mortgage loans to minorities and mortgage loans to persons of low- or moderate-income in each MSA becomes confusing, but even the overall data is startling. Statewide, including mortgage loans in all income categories, the combined Fleet/Shawmut numbers plummeted from 6,653 in 1994 to 1,177 in 1997, with only a slight rise to 1,290 in 1998, which reflects only 20% of its 1994 lending volume. In the Hartford MSA, the total mortgage lending of both Fleet and Shawmut to minority households in 1994 was 469 loans, while in 1997 it had plummeted to 102 and in 1998 it dropped further to 78, less than one fifth of the loans made by the two banks while they were separate. Also in Hartford, combined Fleet/Shawmut mortgage lending to borrowers with incomes up to $80,000 (low- and moderate-income) dropped in 1998 to 25% of the 1994 lending volume, and even lending to those with incomes over $120,000 showed the following similar precipitous decline:

Hartford, Connecticut MSA

Year	-$51	51-80	Subtotal	81-95	96-120	120+	Total
1994	171	438	609	262	370	929	2170
1995	136	335	471	158	244	618	1491
1996	72	235	307	191	247	822	1567
1997	55	106	161	35	42	83	321
1998	36	115	151	36	67	103	357

In other Connecticut MSAs, the same comparisons exist. In New Haven, overall lending to all races shrank from 478 in 1994 to 53 in 1997, increasing to 107 in 1998, still only 22% of its 1994 lending volume. Of that volume, 49 mortgage loans were made to minorities in 1994 while only 9 loans were made to minorities in 1997 and 14 in 1998. Mortgage loans to borrowers with incomes below $80,000 shrank from 113 in 1994 to a mere 25 in 1997: including borrowers with incomes up to $120,000, the drop was from 251 loans in 1994 to 39 in 1997. Small increases in 1998 brought the total loans to borrowers with incomes under $120,000 to 83, which is still barely one third of the 1994 loan volume of Fleet and Shawmut combined. Exhibits B through D attached to this letter provide further breakdown information in graph form for Fleet/Shawmut combined mortgage lending by LMI status and by minority borrowers in the Bridgeport, Danbury, Hartford, New Haven, New London, Stamford and Waterbury MSAs. Based on our research of the HMDA figures, overall in Connecticut the mortgage loans Fleet and Shawmut made to LMI borrowers (incomes under $80,000) dropped from 1,828 loans in 1994 to 536 in 1997 and increasing only slightly to 556 in 1998, only 30% of their combined lending in 1994. This is a tremendously troubling trend.

The purpose of the Home Mortgage Disclosure Act ("HMDA") is to allow the community to review and analyze the critical facts of its local depository institutions' lending patterns, and specifically to work to eliminate discrimination in lending to traditionally underserved communities (those viewed as "redlined" in the past). While many factors can affect the reported statistics, the data in the case with Fleet are so compelling as to raise fundamental questions about Fleet's commitment to reinvesting in its communities. Fleet's trend of acquiring a customer-driven and community-sensitive institution (such as Shawmut) and reducing substantially its positive impact on the communities it had served raises real concern about the short and long term impact on LMI communities and communities of color in terms of their access to the American dream. Home mortgages may be only one area of lending, but mortgage lending arguably has the greatest impact on the growth of neighborhoods. It is also the best barometer of the level of credit available overall in a community: the decline in available mortgage credit in LMI and minority communities signals significant problems. Fleet cannot ask for the opportunity to command an even larger share of the market through this proposed merger and then continue to decrease its mortgage lending to LMI and minority households.

B. Multi-family projects

An issue of significant concern that affects multi-family housing projects (as well as single family affordable housing) is the history of the Community Development and Preservation Loan Fund (the "Fund"). This Fund was established at the Connecticut Housing Finance Authority pursuant to an agreement of September, 1995, with the Attorney General's Office in connection with Fleet's acquisition of Shawmut. Under this Agreement, Fleet committed to "take a lead role in the establishment of" the Fund and make an initial capital investment of at least $25 million to this loan pool.

In fact, it took until December of 1996 for Fleet to close on its $15 million lead participation (the remaining $10 million of the commitment is not mentioned). Fleet assumed the "syndicating lead role" for a seven-bank consortium totaling $47 million. Despite the substantial commitment, to date several years later only one single loan has been made under this program in May 1999 for $75,000 -- a tiny fraction of the committed dollars. One other loan was approved in September 1998 and has not yet closed. The reasons behind this lack of implementation may be legion, but the fact remains that Fleet's commitment here did not accomplish anything for the community.

In addition, the multi-family unit portion of the Fund was never realized. Fleet states that the lack of establishment of the multi-family funding was due to "the excess supply of multi-family housing that resulted from Connecticut's economic recession." There are a number of organizations across Connecticut that have been working for years to establish a rational financing source for multi-family projects, and they have not ever identified a reduction in their need for financing – certainly not because of an excess supply.

The remaining committed funds were invested, ultimately, in CHFA bonds. Initially Fleet bought $50 million in such bonds in 1997 and an additional $25 million was purchased in late 1998. Investment in CHFA bonds may support CHFA's homebuyer mortgage loan program, but it does very little (if anything) to address the multi-family housing development needs across the state. Such investment protects Fleet from actually dealing directly with these low- to moderate-income borrowers, or nonprofit developers involved in this field. With this history, it is difficult to imagine that Fleet will change substantially to become a major participant in mortgage lending for LMI multi-family projects.

First Community Bank at BankBoston has developed some creative products and services that seek to underwrite multi-family projects. They have shown an unusual willingness to work more closely with the developers and the neighborhoods in which they work. On the other hand, Fleet's record in this area is much less aggressive. If Fleet's focus prevails after a merger and Connecticut communities lose the opportunity to work with BankBoston on these projects, the impact on the LMI community will be devastating.

Throughout urban Connecticut there are a number of urban-focused community loan funds where banks in each urban area pool their resources, both capital and human, to support the nonprofit development of multi-family projects. As bank mergers continue to occur, several of these existing loan funds have had the number of their bank partners cut in half. As the number of participants shrinks, in most cases the amount of committed capital also shrinks, reducing the number of projects that can be accomplished. In addition, with fewer bank participants the lending and program standards are then set by a smaller group of lenders. This results in a lower likelihood that more creative CRA peer pressure can be applied to encourage more aggressive lending. The problems with multi-family project underwriting raise complex concerns that require significant commitment and willingness to undertake risk in reinvesting into the communities. This merger will reduce the likelihood of these projects ever happening.

3. Lending to Minority- and Women-owned Small Businesses and Businesses in LMI Areas

Small business lending through the First Community Bank at BankBoston Connecticut has grown significantly over the past several years, including commercial mortgages, asset-based lending, working capital and lines of credit. First Community Bank has taken full advantage of numerous government guarantee programs, both state and federal, and has participated in the development of specific programs with community-based organizations, including an aggressive lending program at the South Hartford Initiative. While we have not been able to compile an accurate list of loans made, or of comparisons between Fleet's performance and that of BankBoston in this arena, it has been demonstrated by those in the field that Fleet has a uninspiring record of performance in small business lending to minority- and women-owned businesses and to small businesses located in LMI communities. If trends from previous mergers continue, it is highly likely that Fleet's poor performance in small business lending to these underserved communities will survive the merger, rather than BankBoston's efforts.

In addition, in the Agreement between Fleet and the Connecticut Attorney General's office in connection with the Fleet/Shawmut merger, Fleet committed to close and disburse loans to small and middle market companies through the Connecticut Works program totaling $20 million in the first year, $30 million in the second year and $40 million in the third year after consummation of the merger. To the best of our knowledge, those commitments were barely met, and Fleet has made almost no loans under this program after completing its minimal commitment.

Fleet also committed under the Agreement to close and disburse $1 million in loans in each year for three years under the Urbank program at the Connecticut Development Authority, in excess of the average annual dollar amount of the combined amounts Fleet and Shawmut had lent over the previous two years (which adjusted average annual dollar amount was $1.5 million). To the best of our knowledge, again those commitments were barely met. Fleet subsequently made only $295,000 in Urbank loans in 1997 after completing this minimal commitment. This pattern of lending to small businesses across the state, even where it is intended to concentrate on "distressed urban areas" (under Connecticut Works) or designated targeted investment communities (under Urbank), is painfully limited in its focus and implementation. Fleet's outreach to women- and minority-owned small businesses has not resulted in significant loan volume, even through programs to which they have committed under the Agreement. The fear of the community is that this focus will continue into the future, even after Fleet has absorbed the community-sensitive BankBoston.

Fleet's performance in SBA lending, even though it is a preferred lender for SBA and should be a significant leader in this area, is also disappointing. In the first seven months of the SBA's 1998-1999 fiscal year, Fleet has made only 10 loans for a meager $728,950, ranking it 23rd in total SBA lending. Meanwhile, Webster Bank, which is only one-fifth of Fleet's size, has made 8 loans for $1.36 million, ranking them 14th. Last year, Fleet and Webster tied at $7,496,000 of SBA loans, despite the tremendous gap between their sizes. Fleet's volume of SBA loans in 1996 and 1997, where it should have reflected a rise after acquiring Shawmut, continued to drop as a percentage of the total number of SBA loans (1996: 102 loans at 11.7%; 1997: 73 loans at 9.1%; 1998: 39 loans at 5.2%). Another disturbing trend is that Fleet's average SBA loan size rose from $73,306 in 1996 to $110,901 in 1997 to $192,222 in 1998. This reflects an increasing drying up of available credit to the small business person seeking those difficult loans under $100,000. Given its stature as an SBA preferred lender and as the largest bank in Connecticut by far, Fleet's lending to small businesses under the SBA program should be substantially more aggressive. Its declining participation raises significant fears in the Connecticut small business community, especially among those businesses located in urban areas and those owned by women, African Americans or Hispanics.

Fleet established a community development corporation ("CDC") several years ago, arguably in order to provide more flexible underwriting standards to small businesses and nonprofit corporations seeking to have an impact on their communities. It is our understanding that the CDC was understaffed for the first two years and we have not been able to confirm the volume of loans made to any of the targeted communities' small businesses. By segregating the LMI and women- and minority-owned small business sector into a CDC, Fleet effectively isolated and downgraded its overall approach to this vital credit and CRA area. In doing so, Fleet has demonstrated that it has not been able or willing to commit the real resources of the full financial institution to the small business lending that is so vital to Connecticut's growth, both urban and otherwise. At this point, we do not have access to the lending activity data for the BankBoston CDC nor do we understand how the two CDCs (if they both survive, merge or both disappear) would operate going forward. The reason for a CDC is to allow a financial institution the opportunity to use creative underwriting, aggressive outreach and grant/loan combinations to increase the impact in the community development arena. It does not protect the rest of the bank from its fundamental CRA responsibilities.

If Fleet is allowed to explain away its history of performance with more commitments that are not likely to be met over time, and it is not held to a standard that reflects the substantially increased size and scale of the institution within the market it serves, then Connecticut's small businesses, especially in LMI communities and for those businesses owned by women and minorities, will be even more starved for the credit and capital necessary to survive and grow. The draft community development small business commitment that Fleet has proposed will not begin to fill the need of the community. Community reinvestment demands that the depository institution provide the funds, educational outreach, technical assistance, creative underwriting and use of government guarantee programs to small businesses to increase the amount of small business lending by the bank. Fleet's historical performance, especially in terms of its absolute number of small business loans, has been so problematic as to require denial of this merger.

4. Services

A. Branches

The divestiture plan, critical to Fleet's argument that the impact of the merger will not be as anti-competitive as anticipated, has not been made public. The ability of Fleet and BankBoston to sell enough of the branch offices to be divested (rather than close them), and the identity of the buyer or buyers of these branches, are absolutely essential information to anyone interested in determining accurately the impact of this merger and its anti-competitive aspect. Historically, a merger's "divestiture plan" has tended to be malleable, which may result in further and disproportionate harm to the minority and LMI communities that will suffer most from these "trades" or closures. This is true not only with respect to the sale (or potential closure) of thirty-three (33) Connecticut branches in the original divestiture, but Fleet's merger application explicitly anticipates that <u>subsequent</u> Fleet branch closures will occur, dictated by "business needs." At least a third of the branches to be divested serve minority or LMI communities now, both urban and rural. Without some condition that the "divested" branches that are sold will remain open for a stated period, a large outside institution could come through, bid and win the entire 292 branch divestiture package, and then close those it doesn't expect to be profitable. The branch divestiture will also have a tremendous impact on the employees of these branches. While Fleet can blithely predict that when branches are sold, the acquiring banks will hire the branch employees, there is no certainty in that and certainly we are not aware of any commitment that such hiring be a condition of the divestiture plan.

Although divestiture may mollify the federal regulators regarding the market share and competitive issues that this merger poses, it does little to protect the consumers left behind. Divestiture does not insulate communities from decreased service. This is especially true in LMI communities, both urban and rural, where efforts have been ongoing for years to prevent the hemorrhaging of banking services and bricks and mortar from their neighborhoods as branches close "through the normal course of business." Branches close with some regularity. New branches very rarely open in these communities (with the exception over the past several years of First Community Bank branches targeted to urban LMI neighborhoods).

Divestiture also does nothing to address potential redlining issues or discriminatory lending practices, as the community has no voice in working with the bank(s) acquiring the divested branches. As in past Fleet mergers, the divestiture plan will likely result in further branch closings in LMI communities. It is difficult to understand how Fleet can rely upon divestiture in defense of the proposed merger when it will be relinquishing control of those branches. Divestiture is a mechanism of business, not community reinvestment.

While the identity of the branches intended to be sold has been made public, the impact on urban and rural LMI communities in particular cannot be assessed without an understanding of the future operation of these branches. In an era of increased focus on online banking and decreased focus on bricks and mortar, the impact of the divestiture of these branches on the low and moderate income community will be even more substantial. This raises significant CRA issues as the likely outcome will be fewer services to those customers in LMI communities who have little or no access to computers. Rather than outreach and expansion of services, the opposite will occur.

B. Products for LMI Communities

BankBoston has developed a uniquely creative program in First Community Bank that has developed an entire line of products, services and delivery systems for LMI and minority communities. First Community Bank has opened branches in neighborhoods formerly abandoned by all other financial institutions (besides check cashers) and offered deposit and lending products, as well as educational efforts, geared specifically to the underserved communities they targeted. Fleet, on the other hand, has continued to reduce its market share in LMI communities (see lending issues in previous sections of this letter). The new Fleet has projected income of $3 billion (see April '99 Real Estate Forum Magazine) based to a large degree on $600 million in projected cost-cutting opportunities. This will most likely be achieved through both layoffs and dropping lower-performing clients, the low- to moderate-income customers. Based on those numbers and Fleet's trends in behavior over the past several years, it appears that the increased income projections will come primarily on the backs of the LMI customers. As the number of available options for depository services shrinks, this impact is increasingly alarming. While Fleet has stated publicly that it expects to continue the First Community Bank concept, no commitment has been made to expand this effective bundle of products and services and their delivery. In fact, if First Community Bank branches are among those being divested (as in the Blue Hills neighborhood of Hartford), then Fleet should expect to lose the First Community

Bank customers that the branches have developed. Given these concerns, along with expected cost-cutting, loss of competition and past performance, we fear that the Fleet version of First Community Bank will be only a shadow of the BankBoston operations.

C. ATMs and Fees

Fleet's focus on litigating its right to assess double-dipping ATM fees shows its lack of sensitivity in providing critical services to the community. Especially because Fleet will be closing or selling branches, which will result in less access to service, customers will be forced to use ATMs with excessive fees – an obviously anti-competitive result. As competition shrinks, Fleet will be able to charge ever higher fees without fear of losing customers: they become captive fee-generators, not customers.

This also raises significant concerns for those individuals who are now receiving electronic benefit transfers ("EBT") for TANF, general assistance, food stamp and other state assistance. These EBTs are generally accomplished through ATMs and POS devices, and if fees continue to rise in this area, the impact of increasing fees will be dramatically disproportionate in its impact on the low income community. A $1.50 fee on every $20 withdrawal by an individual on public assistance constitutes a 7.5% service charge, whereas the same $1.50 fee on a $100 withdrawal by a higher income customer is only a 1.5% service charge. EBT clients are limited to four free transactions per month and then are charged $.85 per transaction. The potential for coupling ATM fees with EBT fees, especially for those low income clients in both urban and rural neighborhoods where access to branches or the "right" ATMs is limited, will eat away at the very limited funds that these poor residents rely upon for basic necessities.

The change to the EBT system was mandatory for all Connecticut benefits recipients, but EBT customers receive none of the same protections under Regulation E that ATM customers are afforded. For example, EBT users do not receive monthly balance statements, so they cannot ascertain whether any errors may have been made in their accounts, nor can they see the fee structure and other information necessary for these low income consumers to understand their financial situation. Increasing ATM and POS fees across the board would severely limit access by many to the only source of services they may have left. Fleet's domination of the Connecticut market and its expressed interest in generating fees from all sources raises serious concerns in the community serving these low income families.

5. Operations

A. Fleet's history in hiring women and persons of color for positions in middle and upper management has been disappointing. Of the top ten "resulting" officers named in the newspaper after the Fleet BankBoston merger is accomplished, all were white males. This sort of decision-making affects every aspect of the business and relationships with customers. For example, many lending decisions are influenced by the relationship developed between the lending officer and the customer – when these two individuals are from very different backgrounds, the likelihood of a positive decision is inhibited by the relationship factor. The Federal Reserve Bank of Boston did research in the early '90's regarding the impact that having white lending officers and black or Hispanic applicants had on the denial rates for home mortgages, and found the impact to be substantial. This continues and affects all areas of service of the institution. The fact that Fleet has not adequately addressed this issue raises serious concerns throughout the organization.

B. While Fleet may have been involved in some efforts to increase the number of local residents in their hiring programs, their commitment to training, both externally for new hires and internally for promotional hires, has not resulted in the kind of diversity in the workforce that is critical to an institution of this size and impact in the Connecticut market. Fleet has not been an active player in the training programs being developed around Connecticut to help increase opportunities for LMI residents. Even where Fleet has hired individuals who have completed welfare-to-work training, there has been some concern that these hires have stayed on board at Fleet only for the required 61 days (in order for Fleet to get "credit" for their hire) and subsequently been let go. If this proves to be true, it is even more problematic and negative than simple inaction.

Fleet has never made the kind of leadership effort that BankBoston has made in, for example, developing, implementing and building the First Community Bank. If Fleet is allowed to acquire BankBoston and overshadow that kind of leadership, creativity, outreach to the LMI and minority communities and overall responsiveness to CRA, then every community that Fleet affects will be worse off after this merger. We request that you deny this merger because of its substantial anti-competitive impact and because Fleet's mediocre CRA and community lending performance will have a devastating impact on the most vulnerable communities in Connecticut, those communities which CRA and the regulators seek to protect in this era of big business.

Very truly yours,

Barbara S. McGrath, Chair
Connecticut Friends of Community Reinvestment

Attachments:

A. List of CFCR Participants (2 pages)
B. List of MSA # and Area Names
C. Graphs showing HMDA data for Fleet (15 pages)
D. Graphs showing HMDA data for BankBoston (19 pages)

Exhibit A: List of CFCR Participants

American Friends Service Committee
55 Van Dyke Ave.
Hartford, CT 06106
Contact: Bruce Martin

Black American Marketplace
32 Elm St.
Hartford, CT 06106
Contact: Sam Saylor

Capital Region Conference of Churches
30 Arbor St.
Hartford, CT 06106
Contact: Roger Floyd

Citizens for Economic Opportunity
111 South St.
Farmington, CT 06032
Contact: Phil Wheeler

Citizens' Research Education Network
32 Elm St.
Hartford, CT 06106
Contact: Greg Vickers

Coalition to Strengthen Sheldon/Charter Oak Neighborhood
32 Elm St.
Hartford, CT 06106
Contact: Bernadine Silvers

Corporation for Independent Living
30 Jordan Lane
Wethersfield, CT 06109
Contact: Nomathemba Shepard

Connecticut Consortium for Women and Their Children With Behavioral Health Needs
205 Whitney Ave.
New Haven, CT 06511
Contact: Donna Campbell

Connecticut Housing Coalition
30 Jordan Lane
Wethersfield, CT 06109
Contact: Jeff Freiser

Connecticut Urban Legal Institute
35 Elizabeth Rd., Room K-202
Hartford, CT 06105
Contact: Barbara McGrath

Connecticut Women's Education and Legal Fund
135 Broad St.
Hartford, CT 06105
Contact: Anne Stanback

Democracy Works
21 Oak St.
Hartford, CT 06106
Contact: Carolyn Gabel

End Hunger Connecticut
300 Addison Rd.
Windsor, CT 06095
Contact: Millie Arnold

Fair Housing Center
221 Main St.
Hartford, CT 06106
Contact: Nancy Downing

High Noon
780 Windsor St., 2nd fl.
P.O. Box 300
Hartford, CT 06106
Contact: Ron Dunson

Lead Safe House
117 Sigourney St.
Hartford, CT 06106
Contact: Effie Barnes

Legal Assistance Resource Center
80 Jefferson St.
Hartford, CT 06106
Contact: Jane McNichol

NAACP
1555 Chapel St.
New Haven, CT 06511
Contact: Roger Vann

State Representative Evelyn Mantilla
36 Charter Oak Rd.
Hartford, CT 06106
Contact: Evelyn Mantilla

Urban League
1229 Albany Ave.
Hartford, CT 06112
Contact: Beayanka Pinckney

Vecinos Unidos
30 Arbor St.
Hartford, CT 06106
Contact: Luz Santana

Exhibit B: MSA Names and Numbers

1160	Bridgeport
1930	Danbury
3280	Hartford
5480	New Haven
5520	New London
8040	Stamford
8880	Waterbury

Exhibit C: Fleet HMDA Graphs and Tables

1. Combined Fleet, Shawmut Single Family Mortgages to Minorities Differentiated by MSA, 1994-1996

2. Fleet Bank LMI Denials and Approvals, 1996, African-American and White

3. Aggregated Home Mortgage Lending, Fleet & Shawmut, Hartford MSA, 1994-1996, African-American, Latino and LMI Households

4. Fleet Mortgage Loans, CT, 1995-1997, African-American, Latino, LMI Households and Census Tracts

5. Shawmut Mortgage Loans, CT, 1995-1997, African-American, Latino, LMI Households and Census Tracts

6. Aggregate Mortgage Loans, CT, 1995-1997, African-American, Latino, LMI Households and Census Tracts

7. Fleet/Shawmut Minority Lending, 1994-1998, MSA 1160, Asian, African-American, Joint, Latino, Native and Other

8-15. Statewide and MSAs 1160, 1930, 3280, 5480, 5520, 8040, 8880, 1994-1998, Originations by Income Level

Combined Fleet, Shawmut Single Family Mortgages differentiated by MSA			
Hartford MSA	**1994**	**1995**	**1996**
African American Households	**166**	**125**	**111**
Latino Households	71	100	73
LMI Households	**654**	**471**	**302**
Danbury MSA			
African American Households	**3**	**2**	**2**
Latino Households	12	2	5
LMI Households	**124**	**47**	**68**
New Haven MSA			
African American Households	**91**	**58**	**40**
Latino Households	22	26	20
LMI Households	**138**	**146**	**111**
New London MSA			
African American Households	**11**	**8**	**2**
Latino Households	2	4	6
LMI Households	**115**	**87**	**49**
Waterbury MSA			
African American Households	**7**	**19**	**14**
Latino Households	9	12	12
LMI Households	**64**	**69**	**45**
Stamford MSA			
African American Households	**54**	**53**	**39**
Latino Households	26	22	25
LMI Households	**295**	**212**	**204**
Bridgeport MSA			
African American Households	**144**	**93**	**122**
Latino Households	104	112	78
LMI Households	**385**	**349**	**254**

1996 Fleet Bank LMI decisions-Black			
MSA	***Denied***	***Approved***	***Ratio***
1160 BPT	25	67	2.68
1930 DBY	1	1	1.00
3280 HFD	37	39	1.05
5480 NH	11	17	1.55
5520 NL	1	1	1.00
8040 STM	8	26	3.25
8880 WTB	3	5	1.67
Total	86	156	1.81

1996 Fleet Bank LMI decisions-White			
MSA	Denied	Approved	Ratio
1160 BPT	59	113	1.92
1930 DBY	35	58	1.66
3280 HFD	144	199	1.38
5480 NH	72	74	1.03
5520 NL	42	41	0.98
8040 STM	82	137	1.67
8880 WTB	13	30	2.31
Total	447	652	1.46

Black vs. White

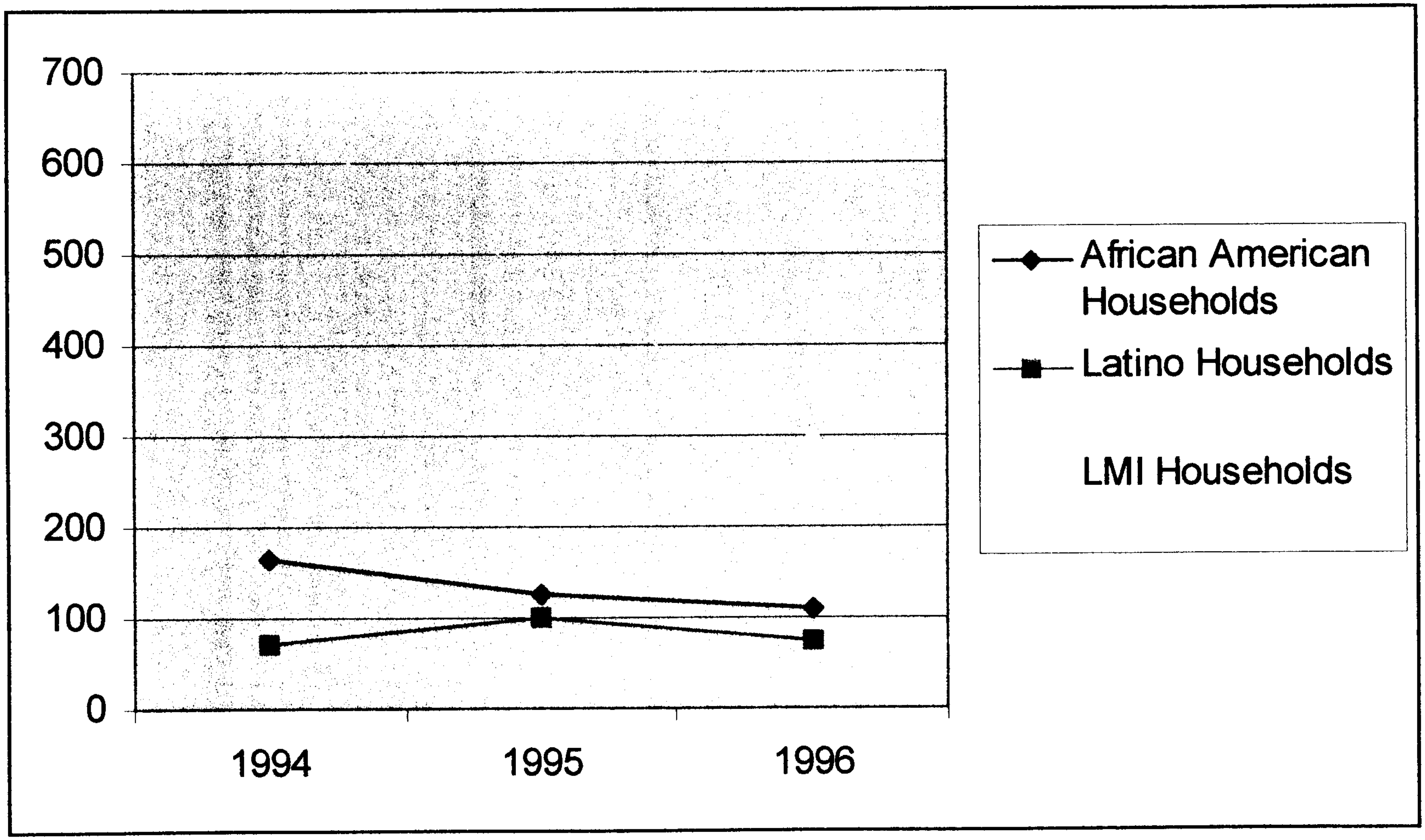
Of LMI borrowers, blacks were approved at a rate of 1.8 for every 1 denial.

Aggregated Home Mortgage Lending

Fleet Bank & Shawmut Bank

Hartford MSA (3280:00)

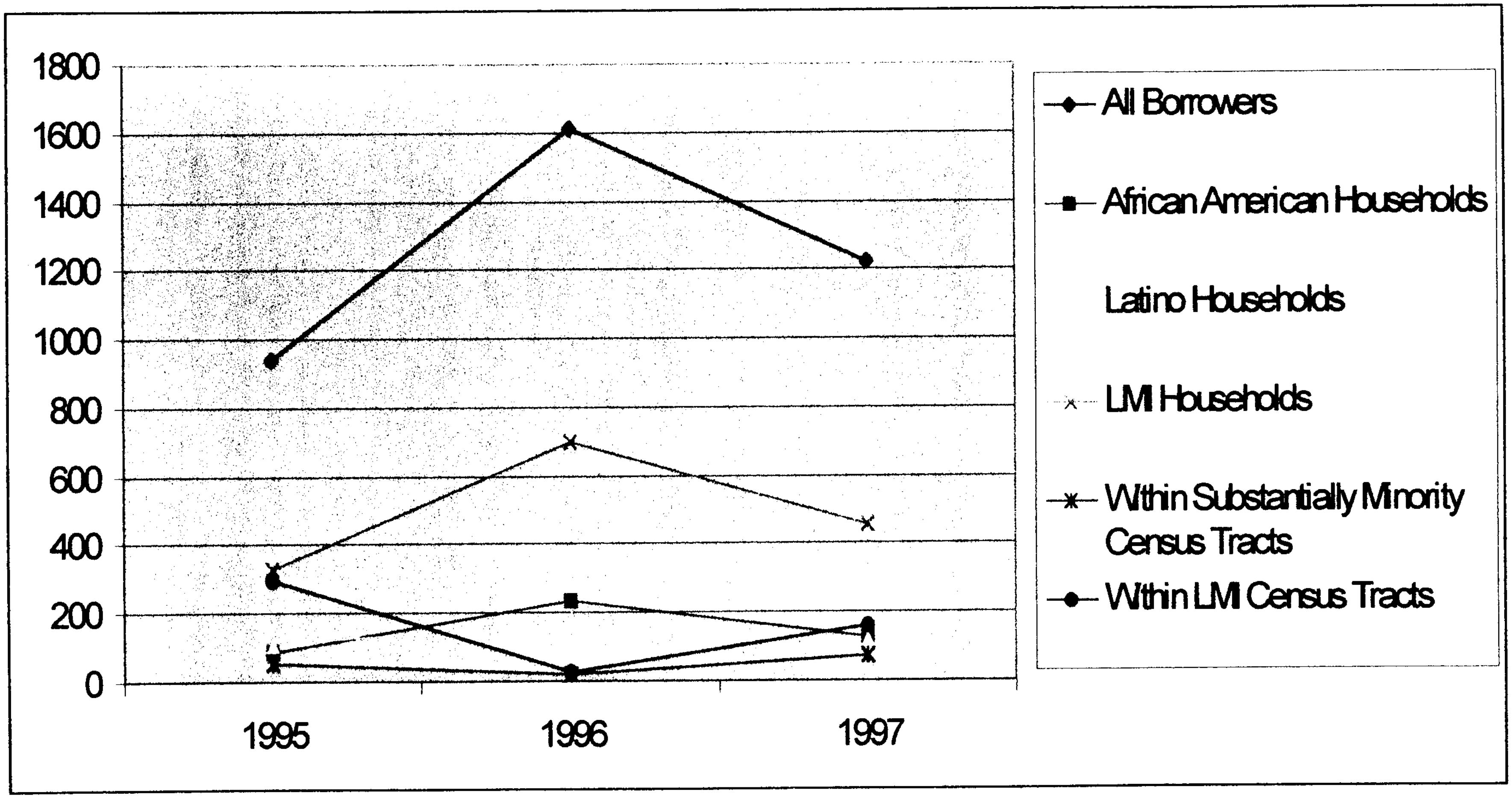
1994-1996



Fleet Bank Home Mortgage Loans – CT

1995-1997

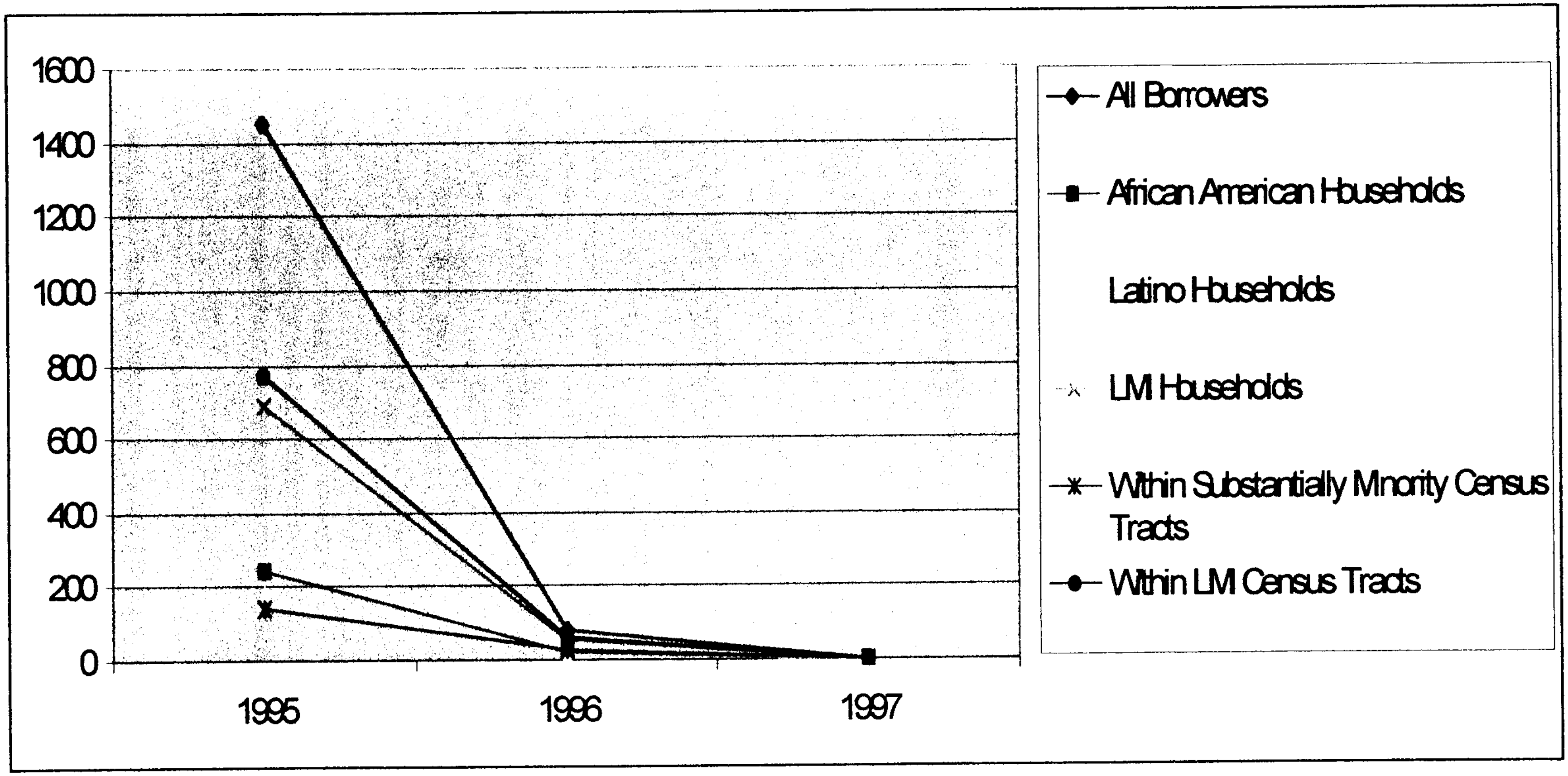
Source: FFIEC, HMDA data 1995, 1996, 1997



Shawmut Bank Home Mortgage Loans – CT

1995-1997

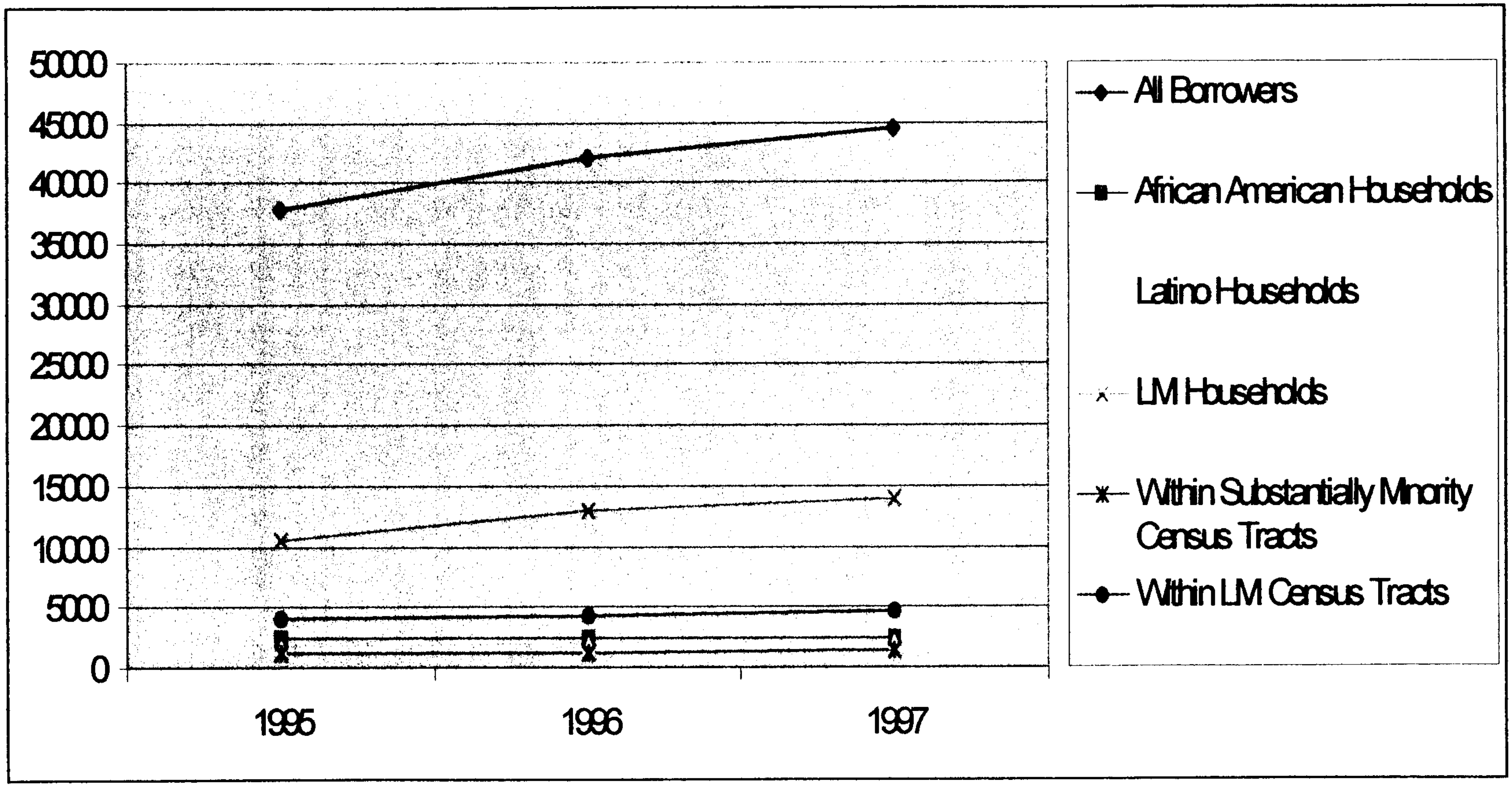
Source: FFIEC, HMDA data 1995, 1996, 1997



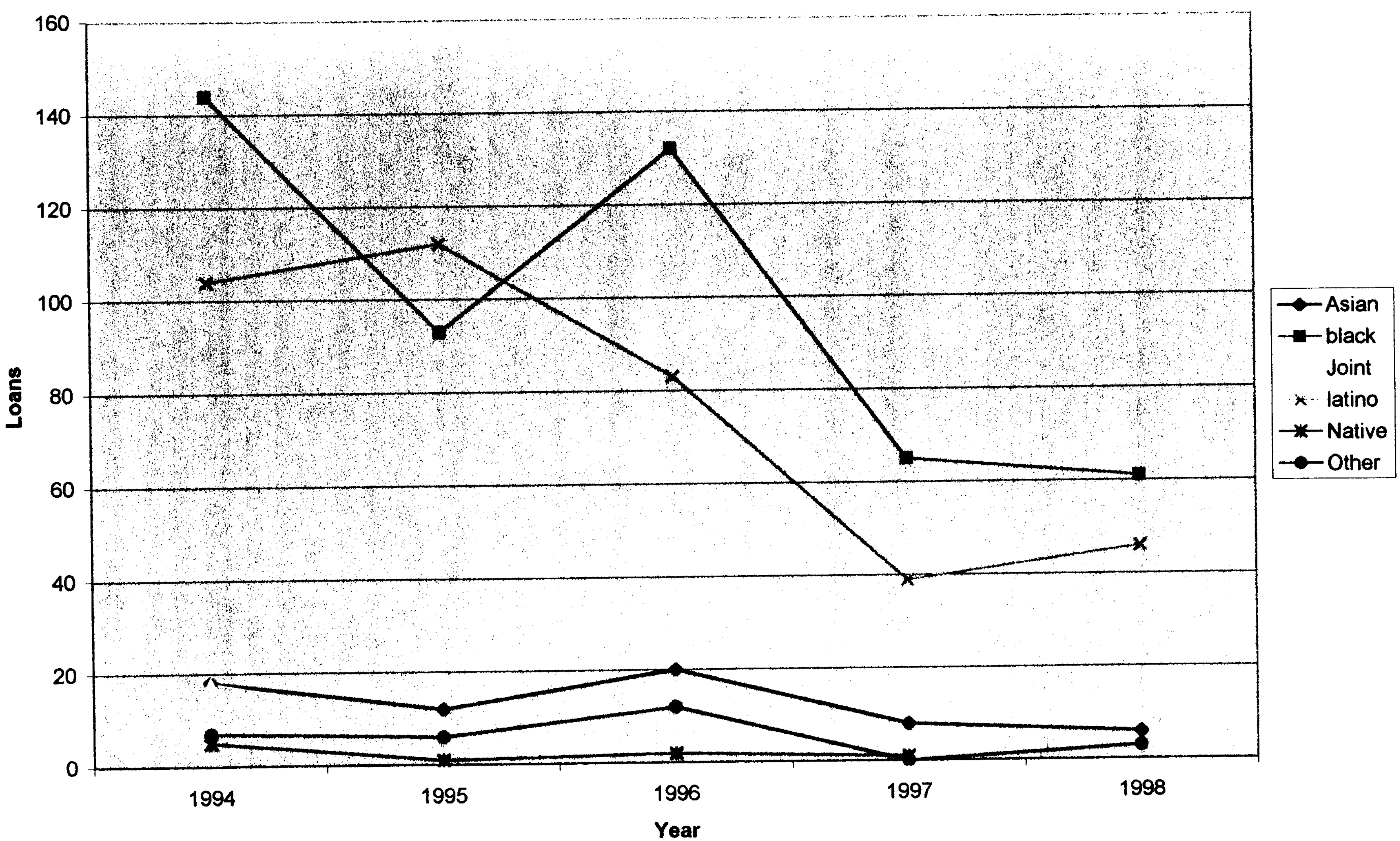
Aggregate Home Mortgage Loans – CT

1995-1997

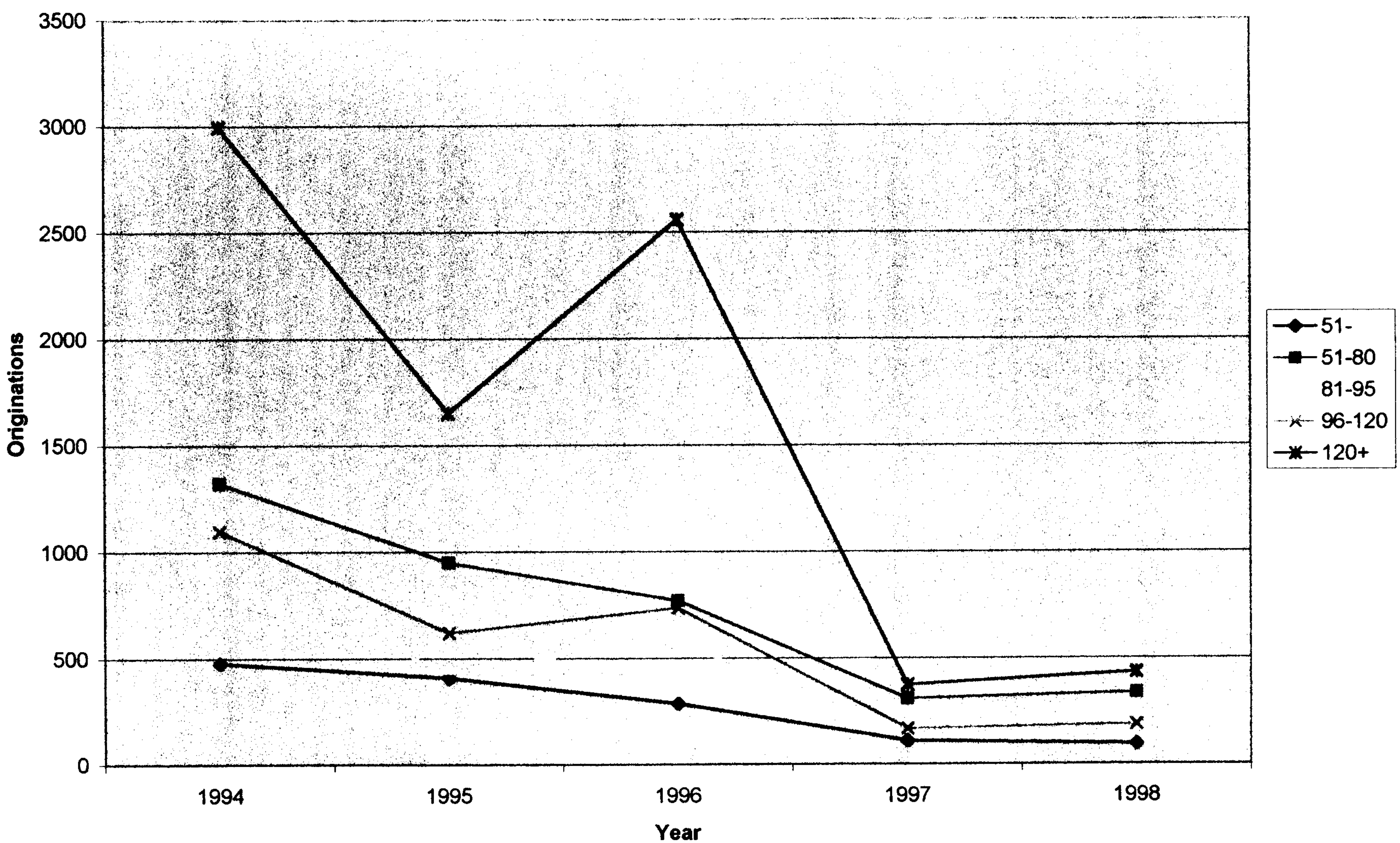
Source: FFIEC, HMDA data 1995, 1996, 1997

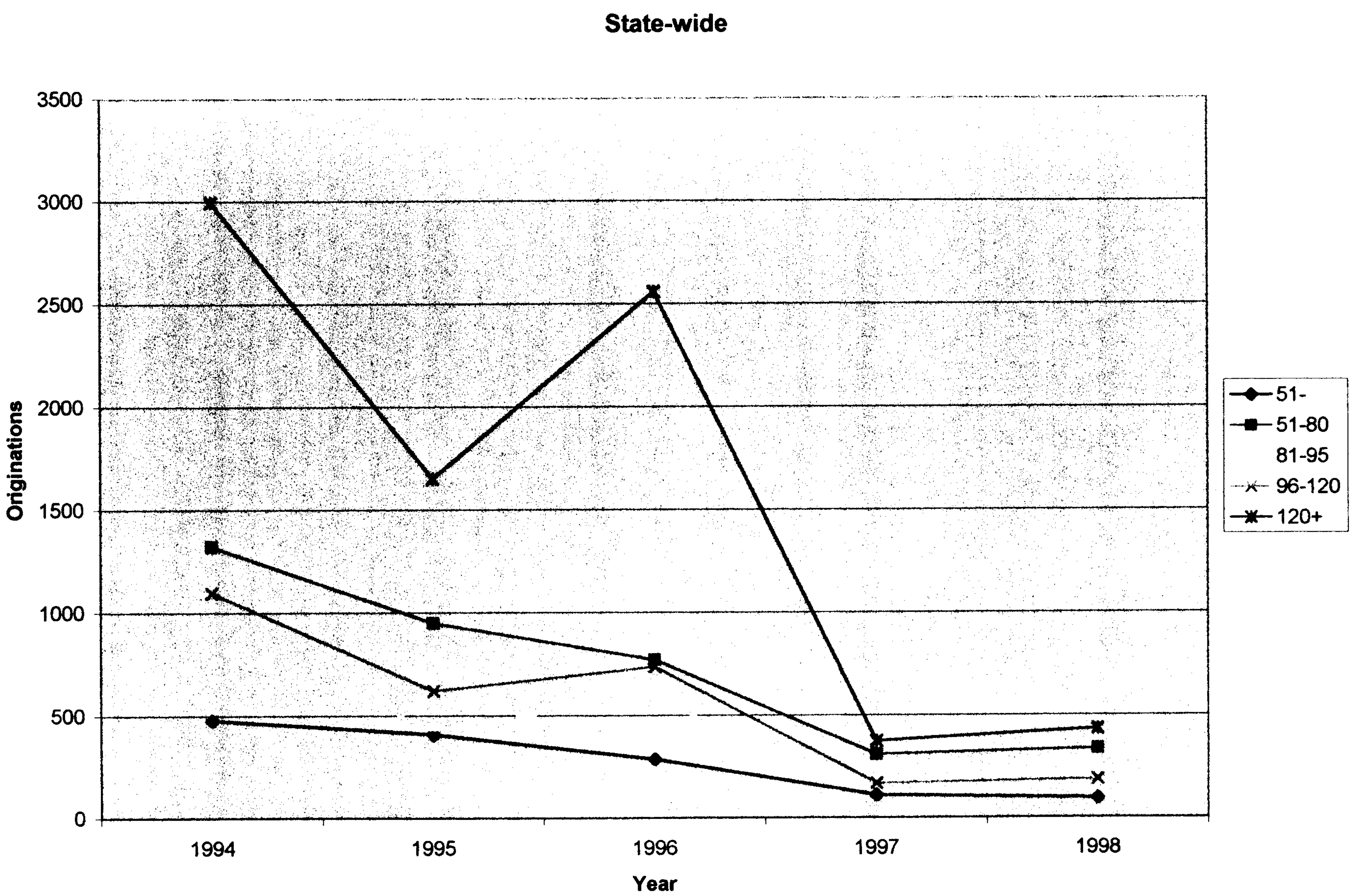


MSA:1160 Fleet/Shawmut Minority Lending



State-wide


3500
3000
2500
2000
1500
1000
500
0
Originations
1994
1995
1996
1997
1998
Year
51-
51-80
81-95
96-120
120+


State-wide
Originations
3500
3000
2500
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Year
51-
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96-120
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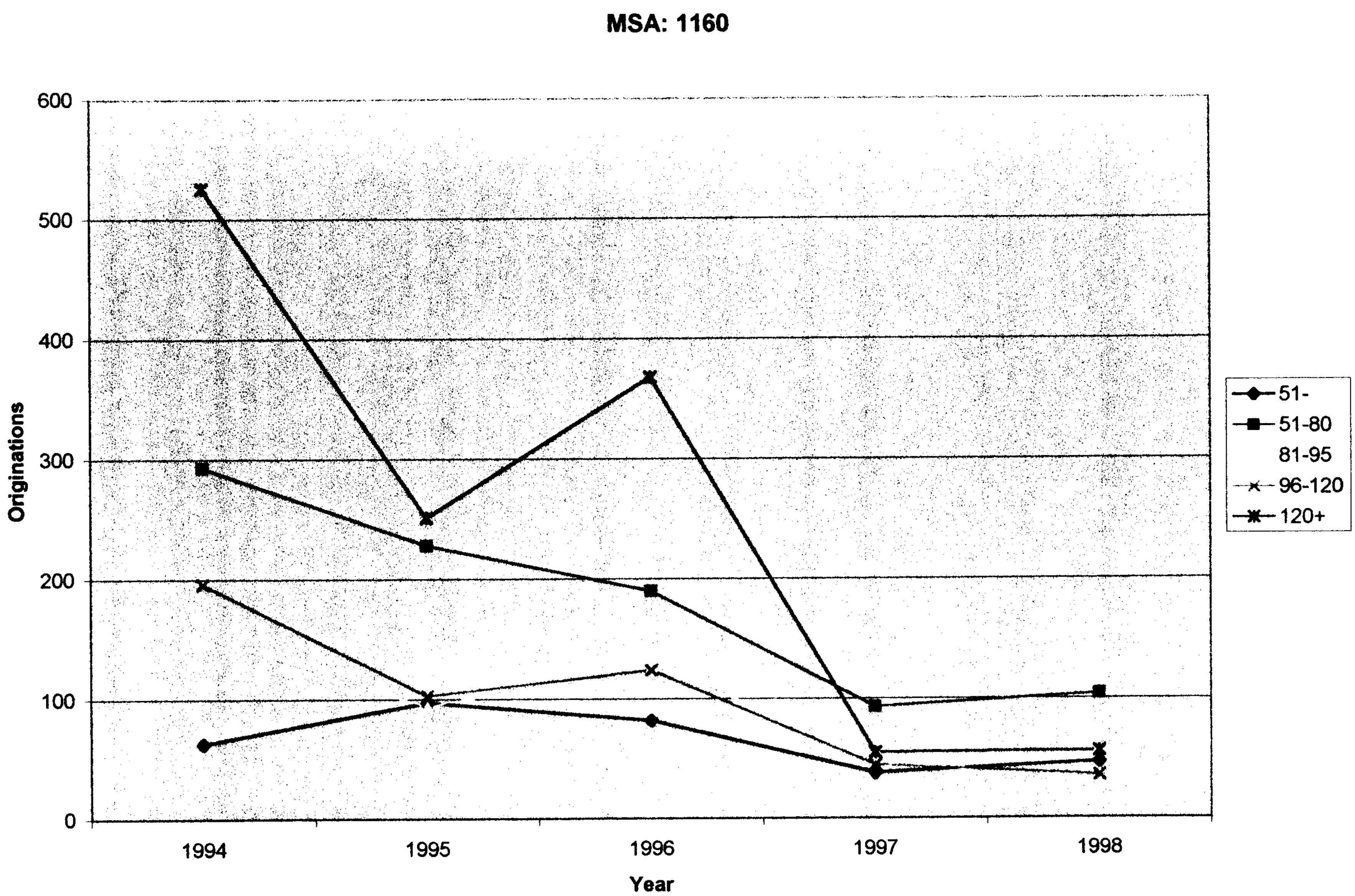
MSA: 1160
Originations
600
500
400
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100
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1994
1995
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1997
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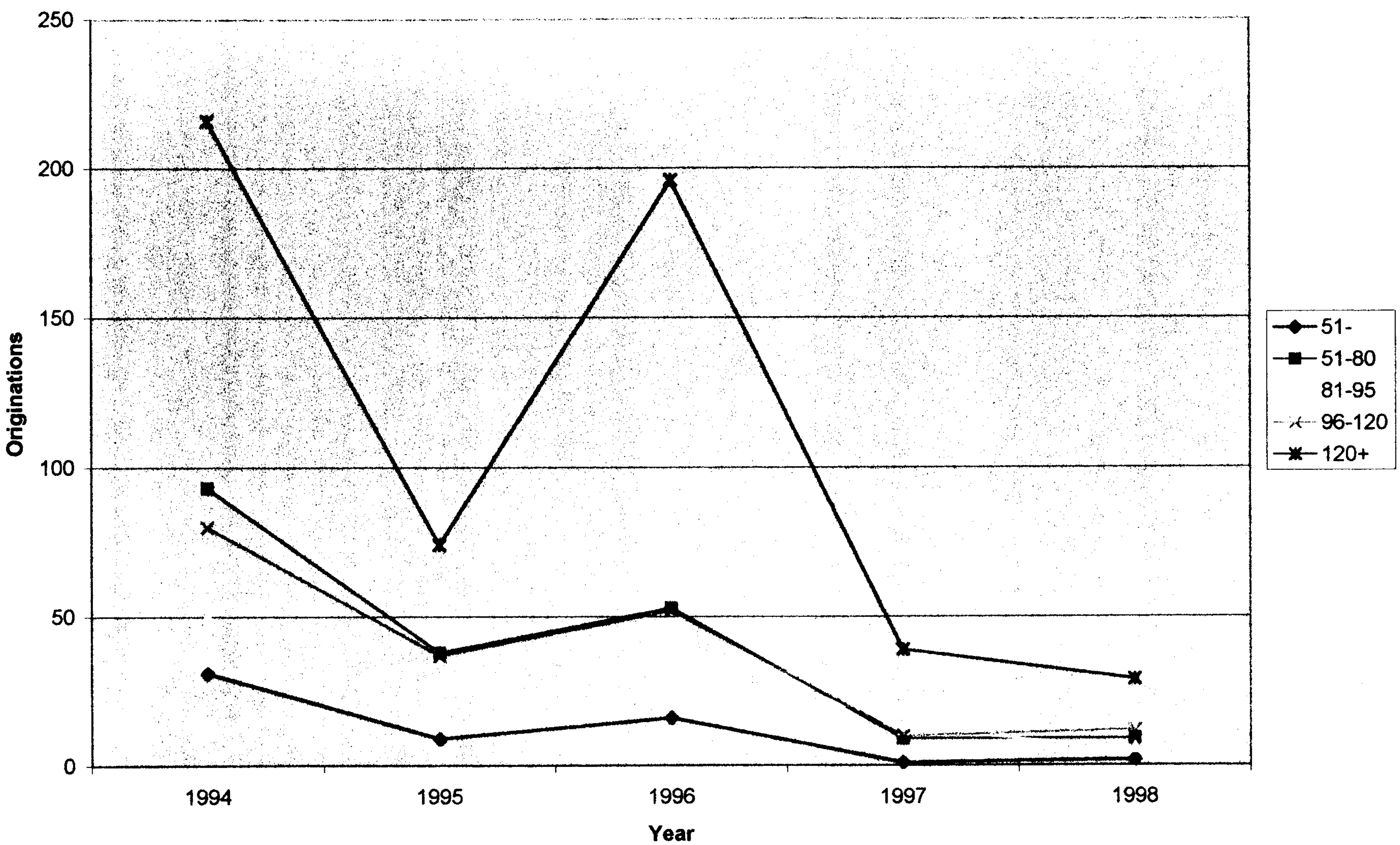
Year
51-
51-80
81-95
96-120
120+

MSA: 1930



250
200
150
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Originations
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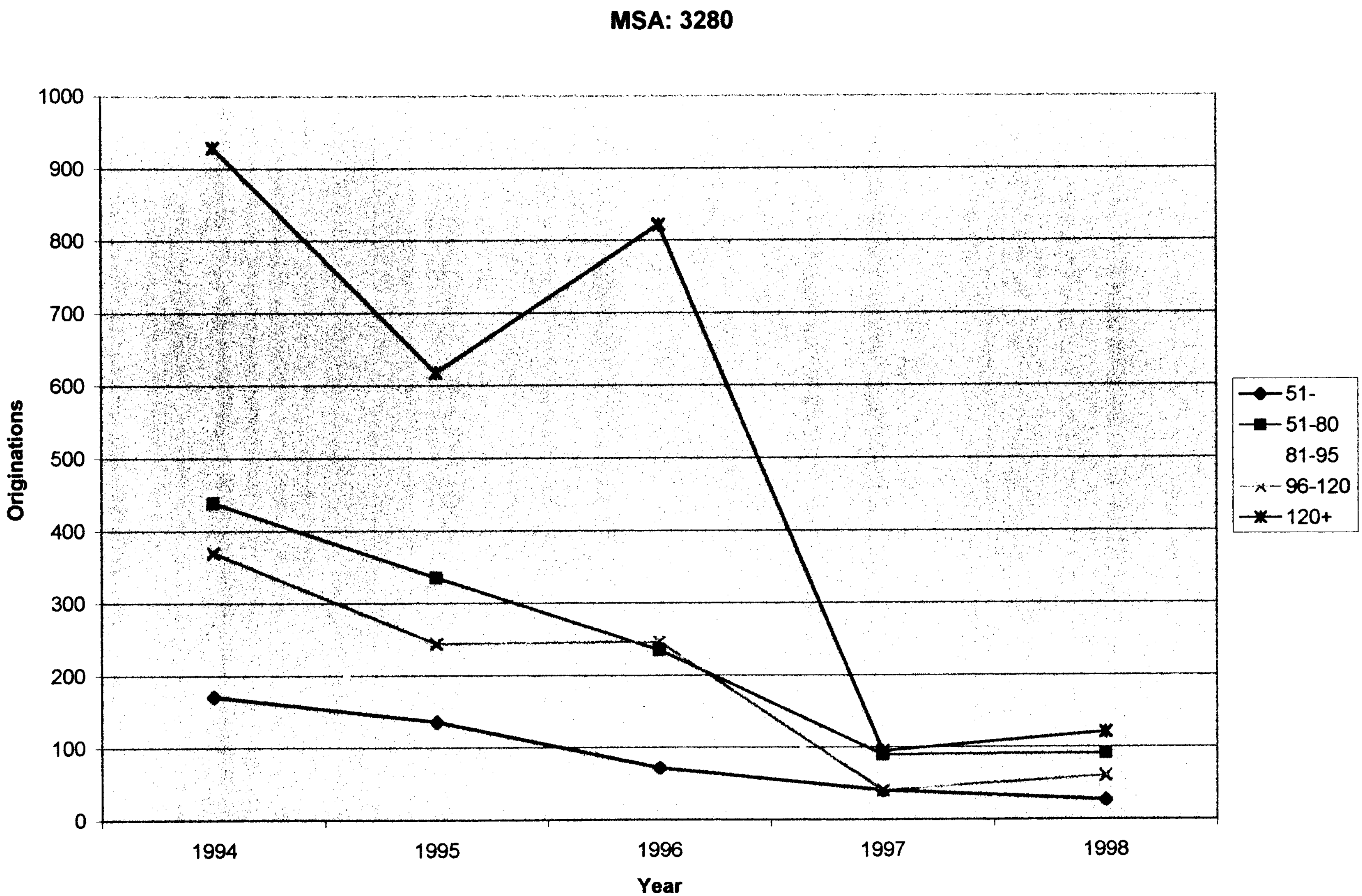
MSA: 3280
1000
900
800
700
600
500
400
300
200
100
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Originations
1994
1995
1996
1997
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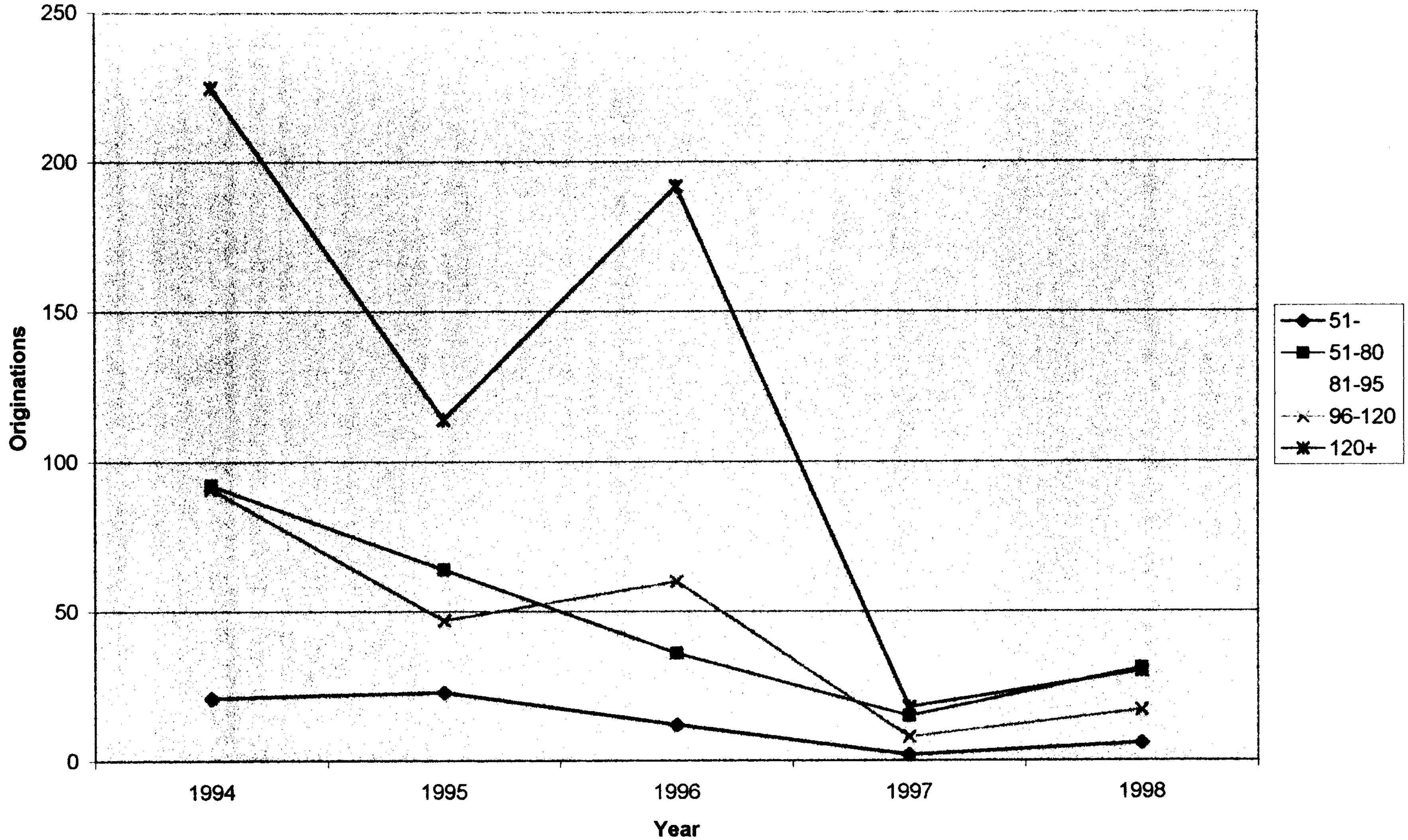
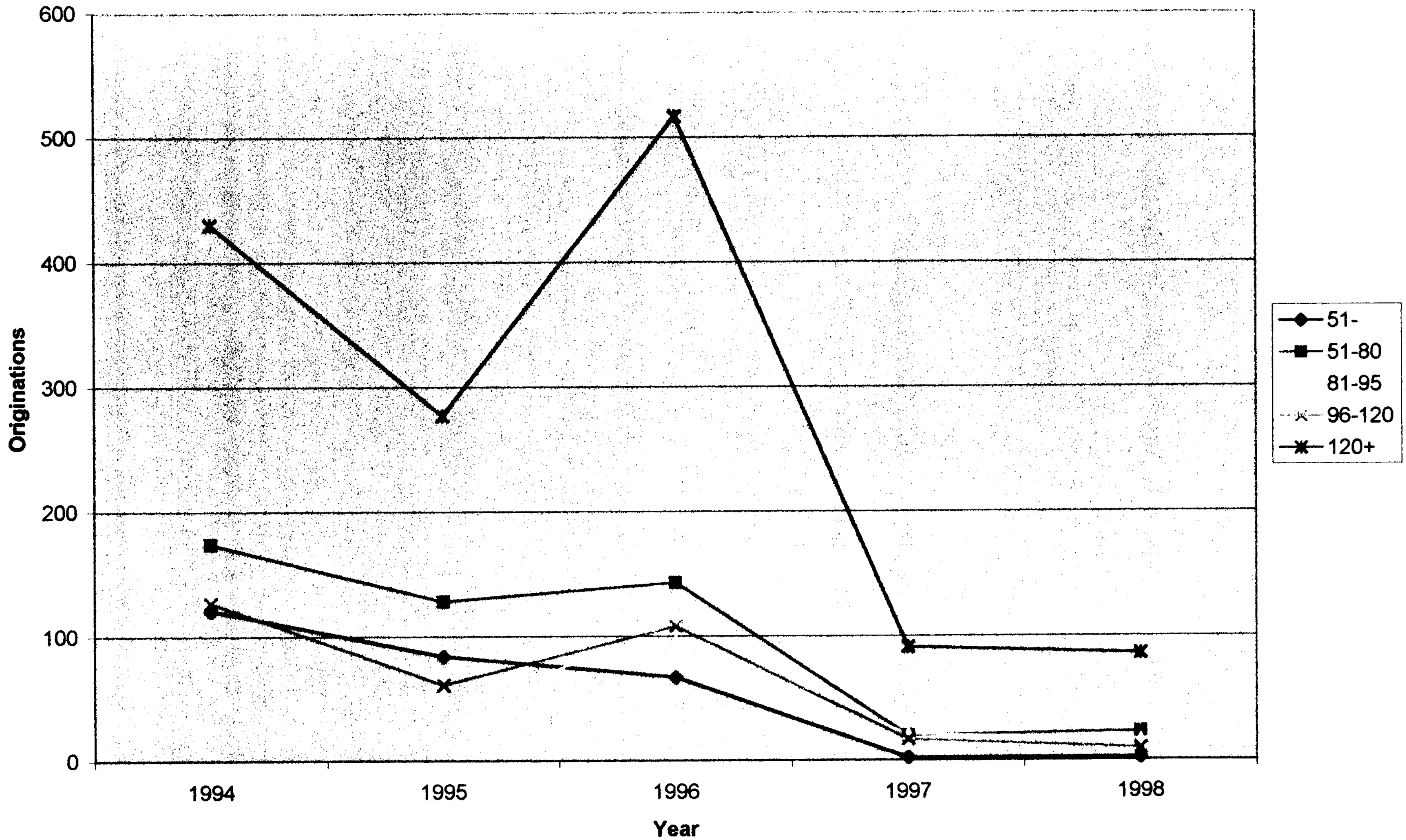
Year
51-
51-80
81-95
96-120
120+

MSA: 5520



250
200
150
100
50
0
Originations
1994
1995
1996
1997
1998
Year
51-
51-80
81-95
96-120
120+

MSA: 8040



600
500
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Originations
1994
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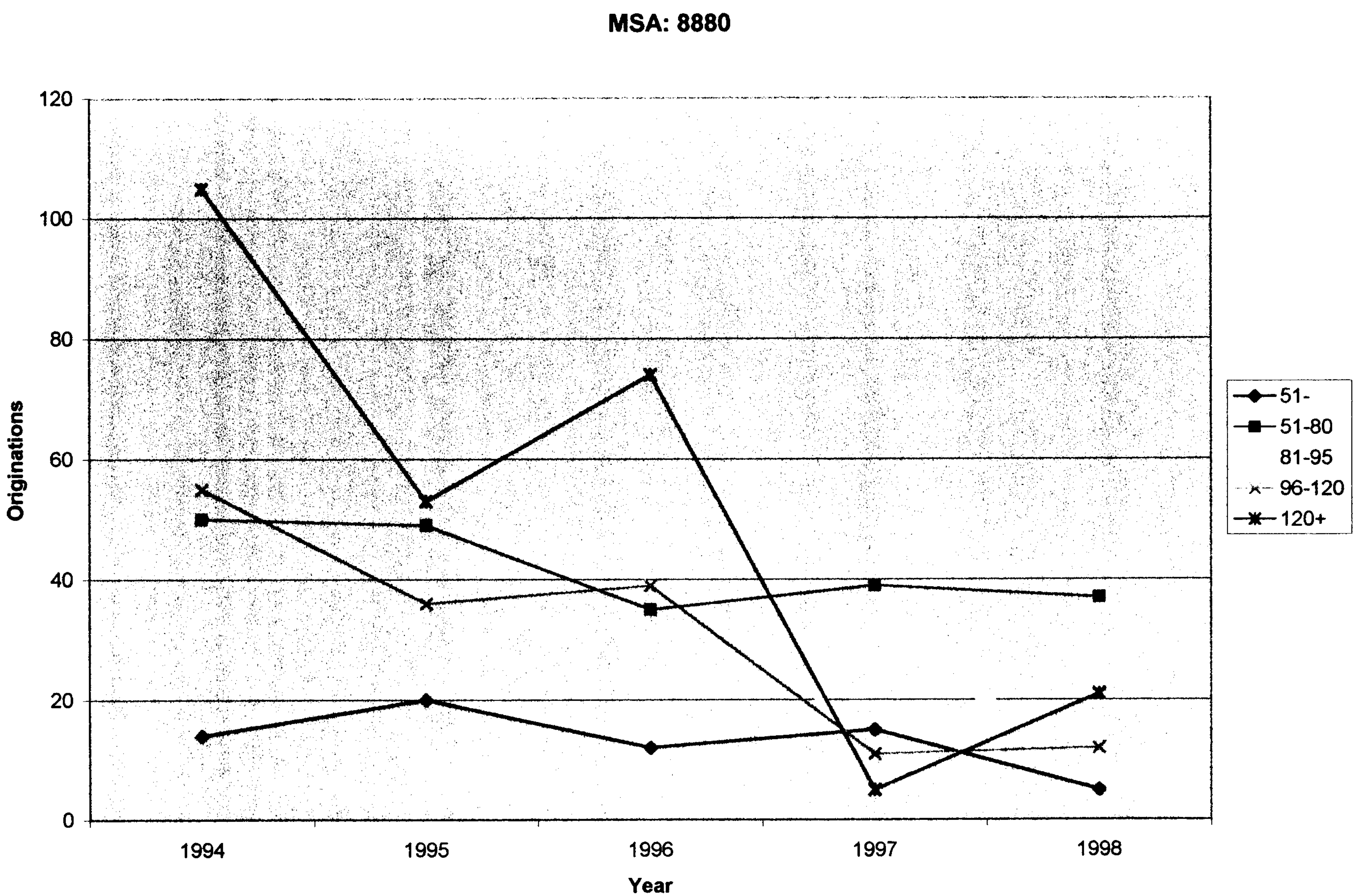
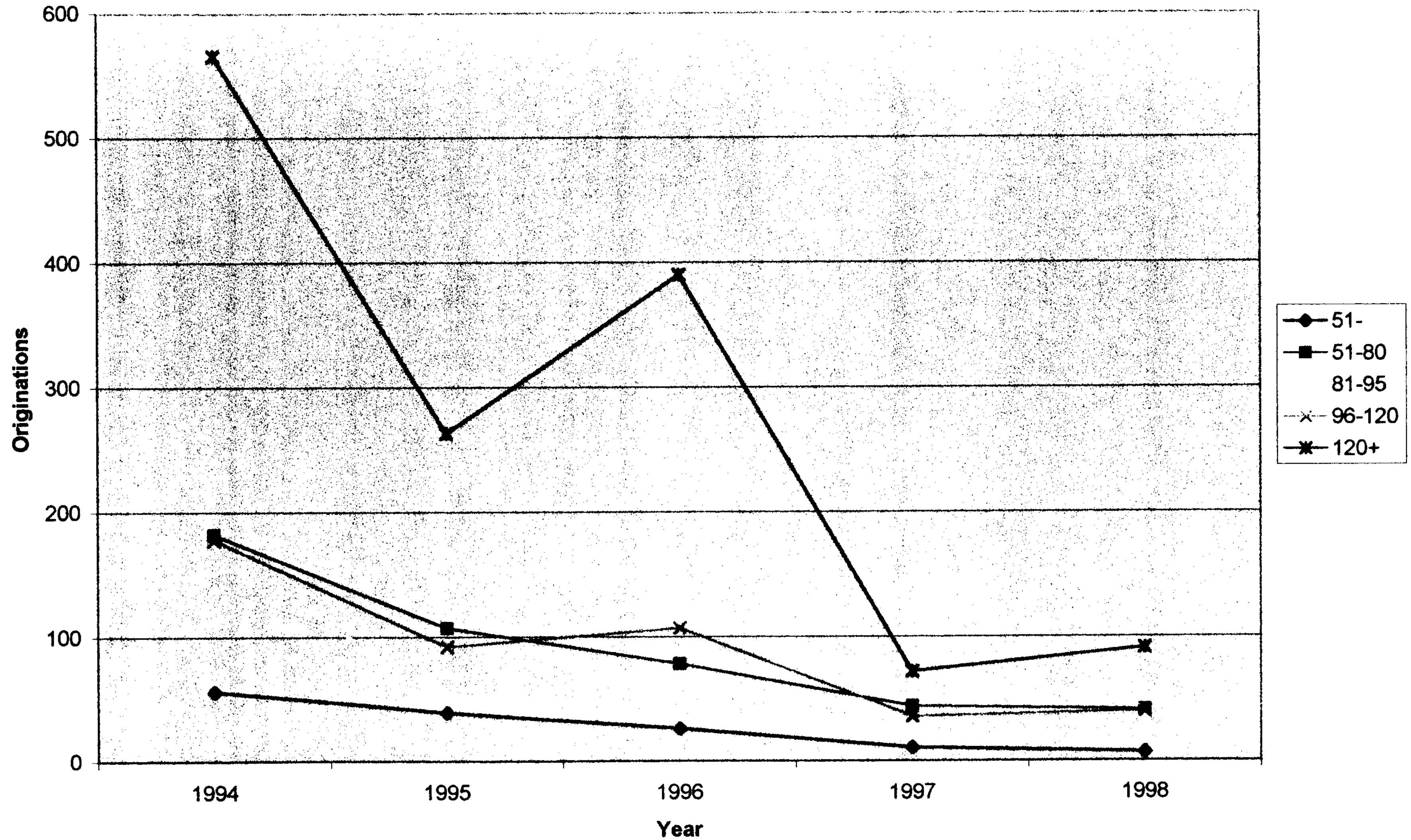
51-80
81-95
96-120
120+



MSA: 8880
Originations
120
100
80
60
40
20
0
1994
1995
1996
1997
1998
Year
51-
51-80
81-95
96-120
120+

MSA: 5480



600
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100
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Originations
1994
1995
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1997
1998
Year
51-
51-80
81-95
96-120
120+

Exhibit D: BankBoston HMDA Graphs and Tables

1. BankBoston Originations by Race, 1994-1998 (2 pages)

2. BankBoston Home Mortgage Loans, CT, 1995-1997, African-American, Latino, LMI Households and Census Tracts

3-10. BankBoston Mortgage Loans, Statewide and MSAs 1160, 1930, 3280, 5480, 5520, 8040, 8880, 1994-1998, Originations by Race

11-18. BankBoston Mortgage Loans, Statewide and MSAs 1160, 1930, 3280, 5480, 5520, 8040, 8880, 1994-1998, Originations by Income Levels

Bank Boston Originations by Race

MSA: 1160						
Year	*Black*	*Latino*	*White*	*Unknown*	*Other*	*Total*
1994	17	7	55	6	6	91
1995	0	0	9	8	0	17
1996	10	13	51	3	3	80
1997	5	4	60	1	1	71
1998	3	11	82	4	5	105

MSA: 1930						
Year	*Black*	*Latino*	*White*	*Unknown*	*Other*	*Total*
1994	0	0	92	5	1	103
1995	0	1	2	4	0	7
1996	0	0	15	1	1	17
1997	0	0	5	0	1	6
1998	0	2	17	2	1	22

MSA: 3280						
Year	*Black*	*Latino*	*White*	*Unknown*	*Other*	*Total*
1994	23	8	189	57	11	288
1995	1	3	39	37	2	82
1996	43	19	148	35	13	258
1997	25	10	63	10	4	112
1998	41	30	160	26	11	268

MSA: 5480						
Year	*Black*	*Latino*	*White*	*Unknown*	*Other*	*Total*
1994	6	2	104	32	5	149
1995	1	1	29	15	1	47
1996	10	8	84	2	3	107
1997	6	3	44	5	2	60
1998	9	3	90	21	2	125

MSA: 5520						
Year	*Black*	*Latino*	*White*	*Unknown*	*Other*	*Total*
1994	0	0	27	1	2	30
1995	0	0	2	0	0	2
1996	1	0	28	2	0	31
1997	0	0	25	1	0	26
1998	0	0	34	4	1	39

MSA: 8040						
Year	*Black*	*Latino*	*White*	*Unknown*	*Other*	*Total*
1994	9	3	91	2	4	109
1995	0	0	1	1	0	2
1996	0	0	22	1	2	25
1997	1	1	10	6	1	19
1998	4	2	26	5	2	39

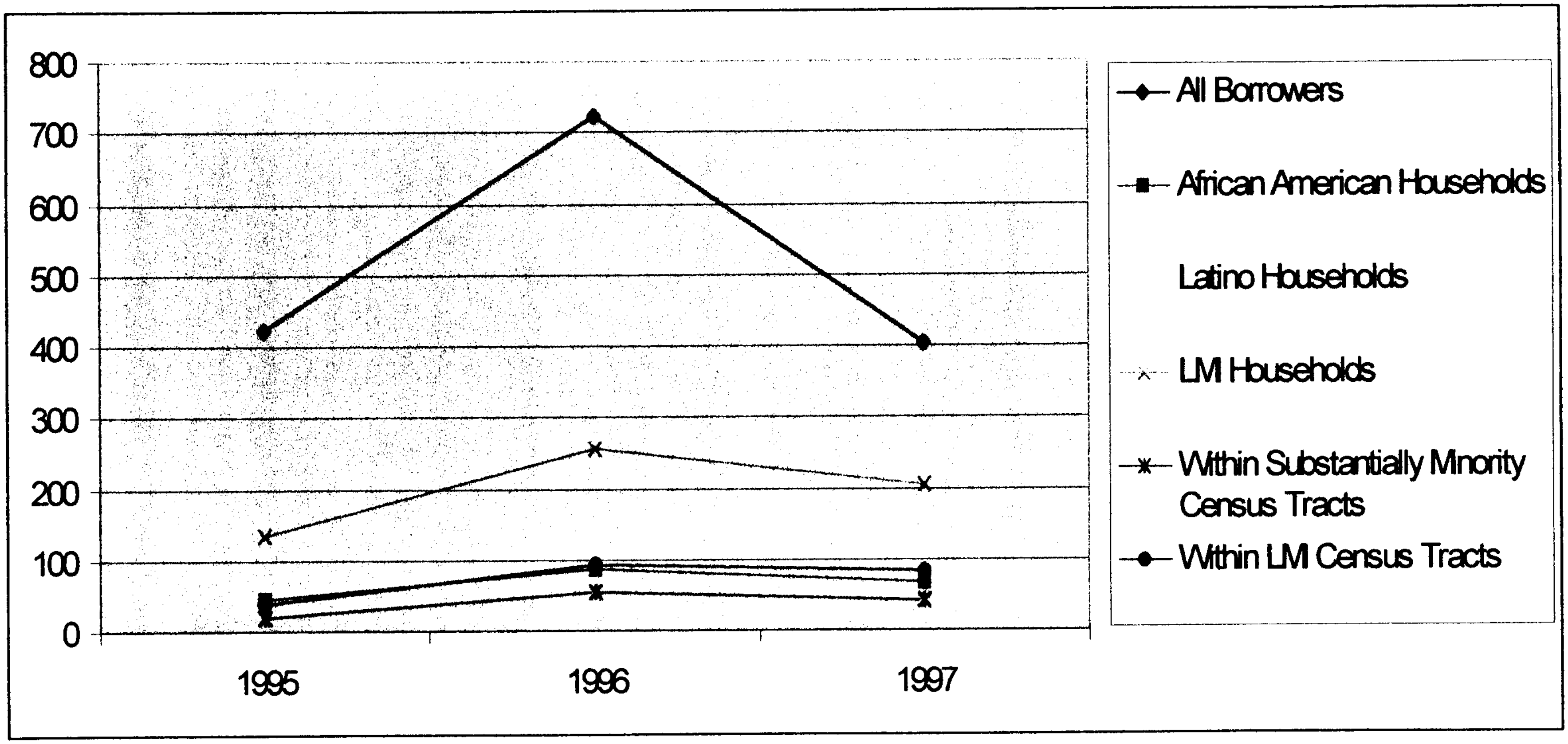
MSA: 8880						
Year	*Black*	*Latino*	*White*	*Unknown*	*Other*	*Total*
1994	6	1	73	19	1	100
1995	1	0	22	10	0	33
1996	5	5	40	1	3	54
1997	0	3	25	2	0	30
1998	4	3	64	10	1	82

State-wide						
Year	*Black*	*Latino*	*White*	*Unknown*	*Other*	*Total*
1994	61	21	631	122	30	870
1995	3	5	104	75	3	190
1996	69	45	388	45	25	572
1997	37	21	232	25	9	324
1998	61	51	473	72	23	680
1998	9%	8%	70%	11%	3%	

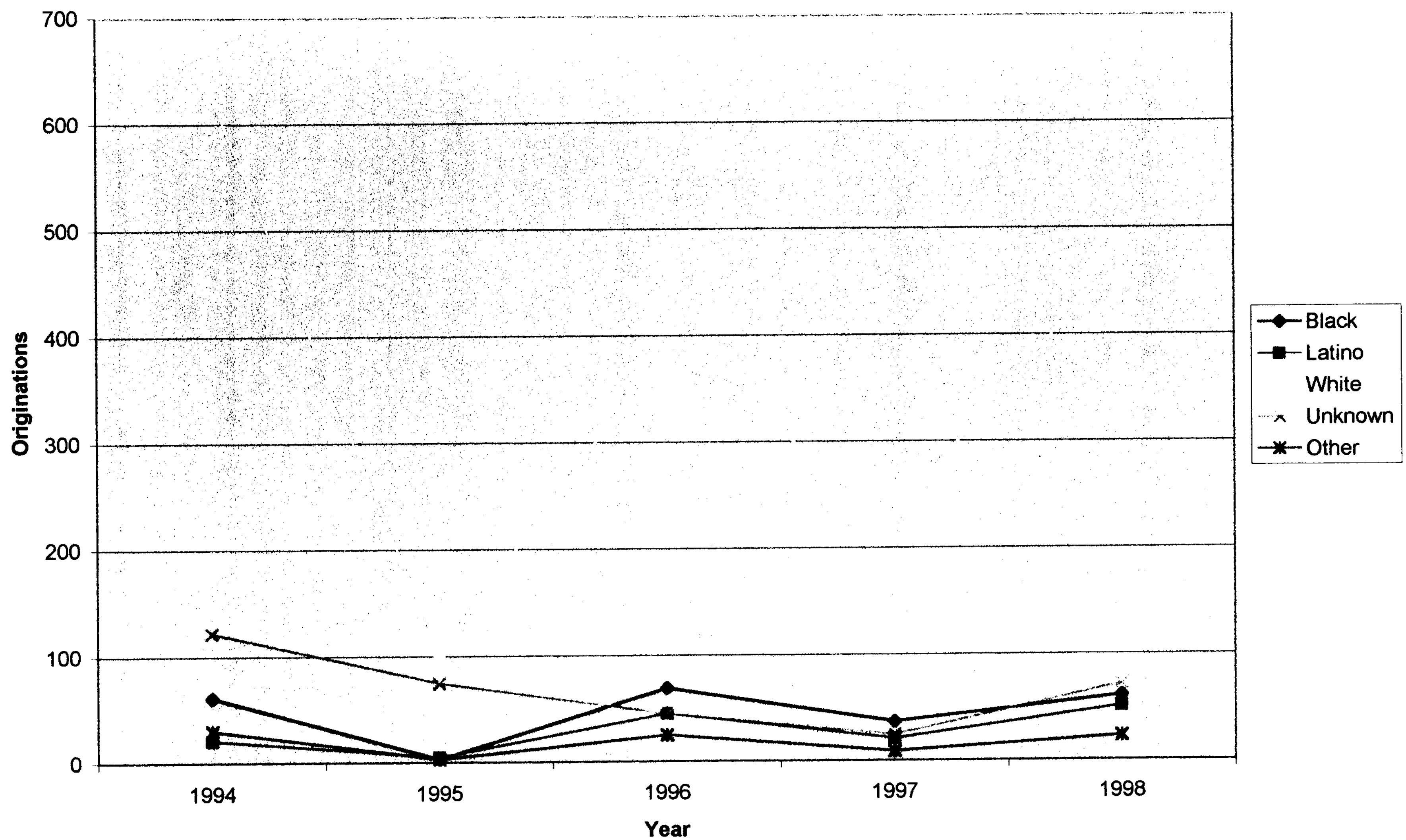
Bank Boston Home Mortgage Loans – CT

1995-1997

Source: FFIEC, HMDA data 1995, 1996, 1997



State-wide



Originations
700
600
500
400
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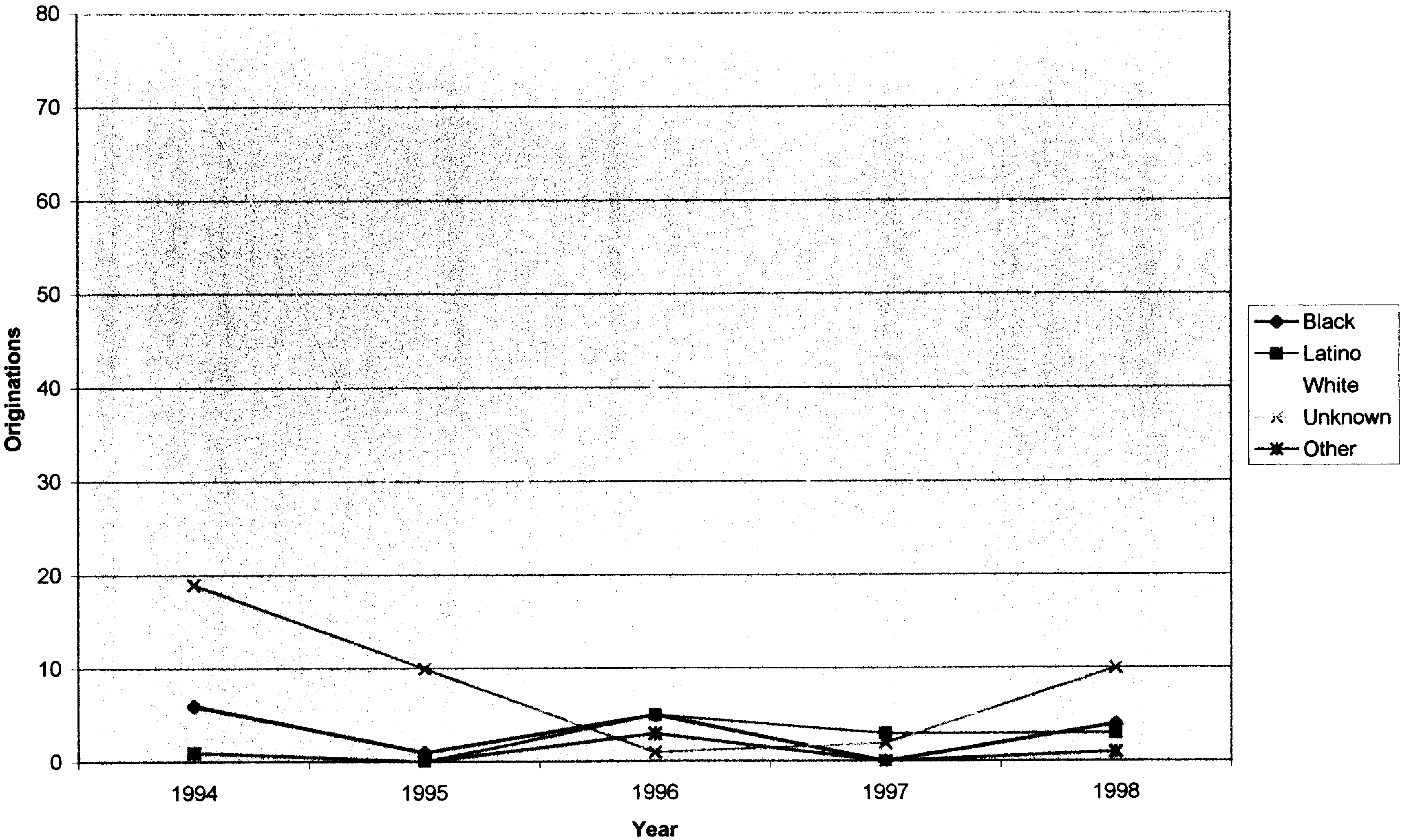
100
0
1994
1995
1996
1997
1998
Year
Black
Latino
White
Unknown
Other

MSA: 8880



80
70
60
50
40
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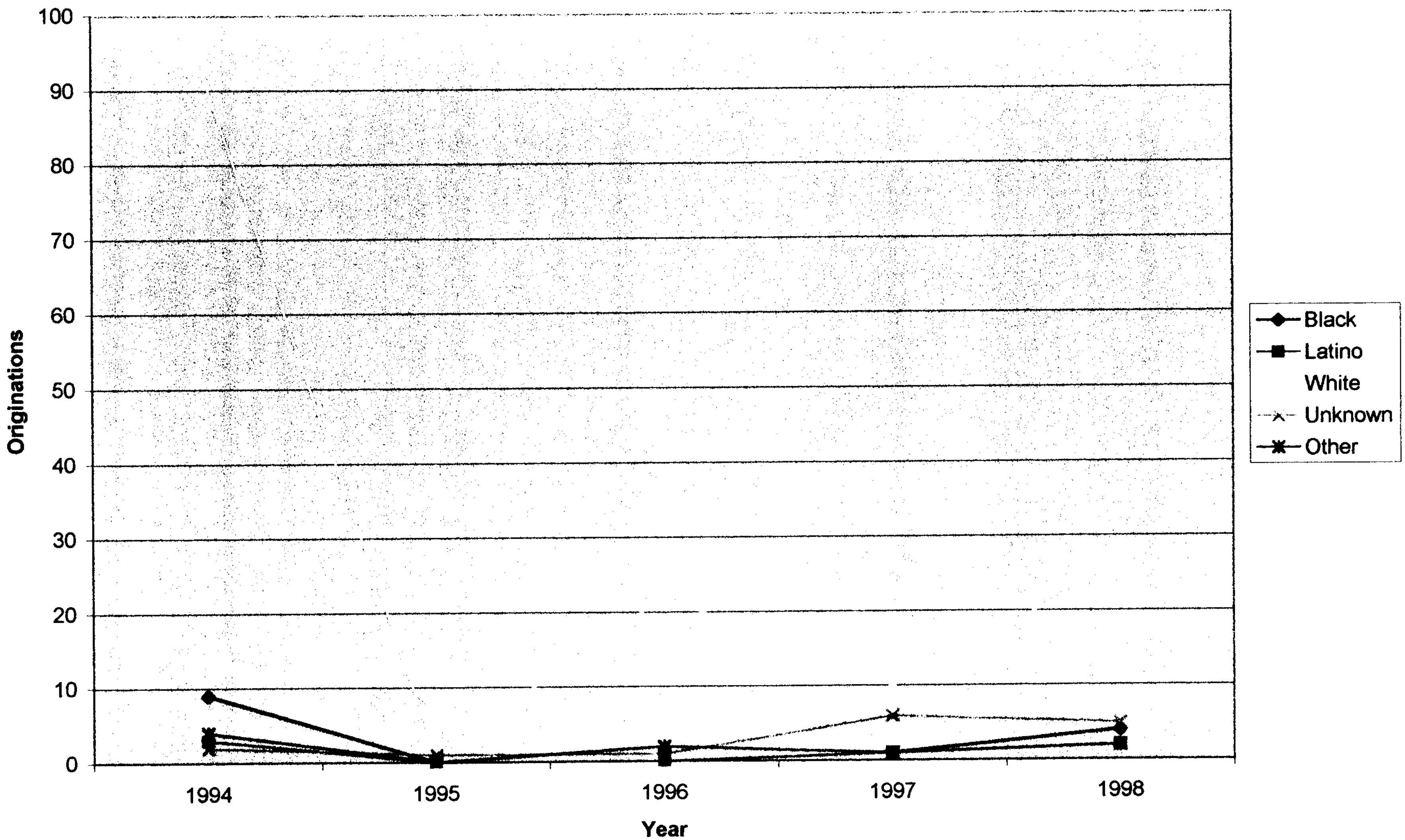
10
0
Originations
1994
1995
1996
1997
1998
Year
Black
Latino
White
Unknown
Other

MSA: 8040


Originations
100
90
80
70
60
50
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30
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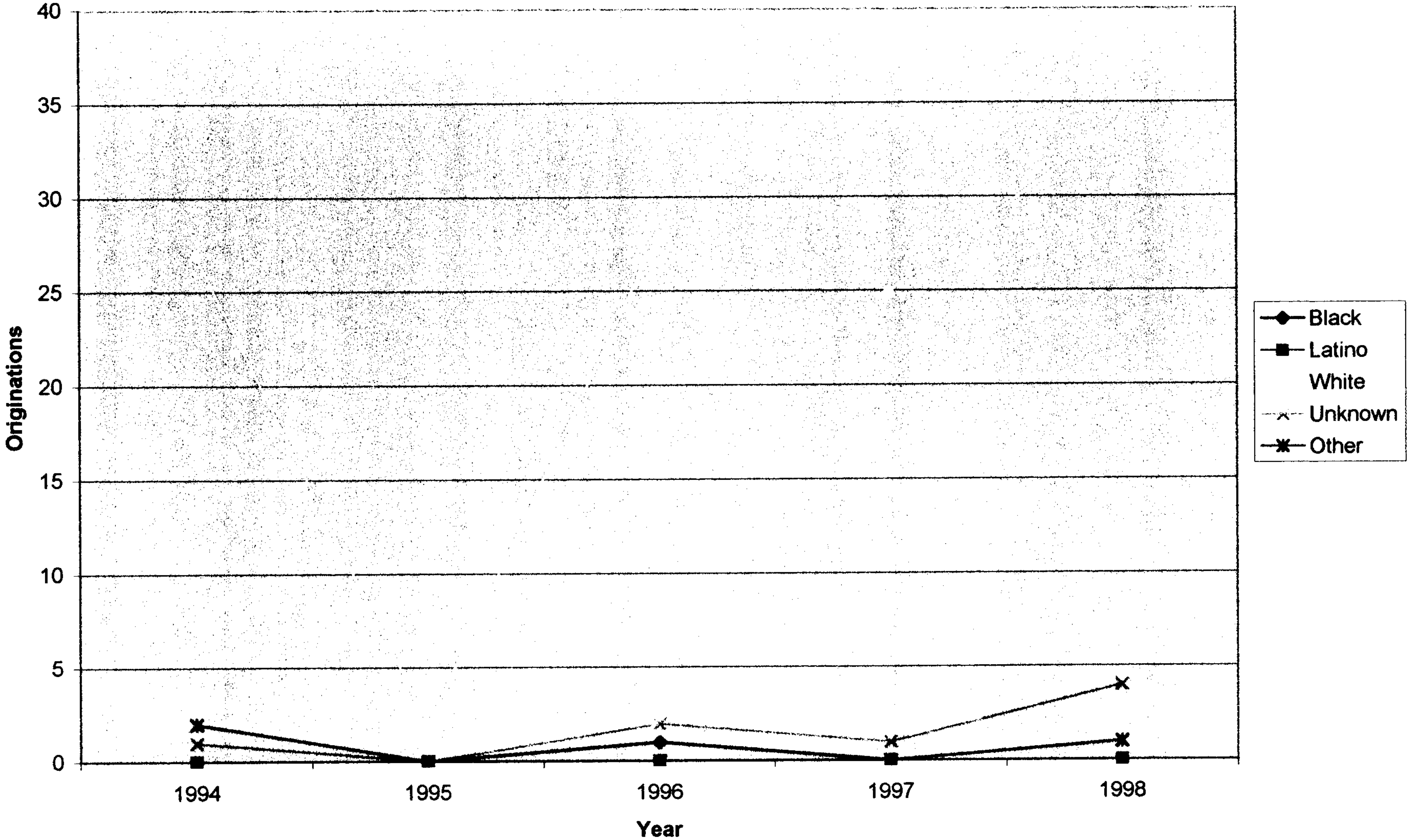
10
0
1994
1995
1996
1997
1998
Year
Black
Latino
White
Unknown
Other

MSA: 5520



Originations
40
35
30
25
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15
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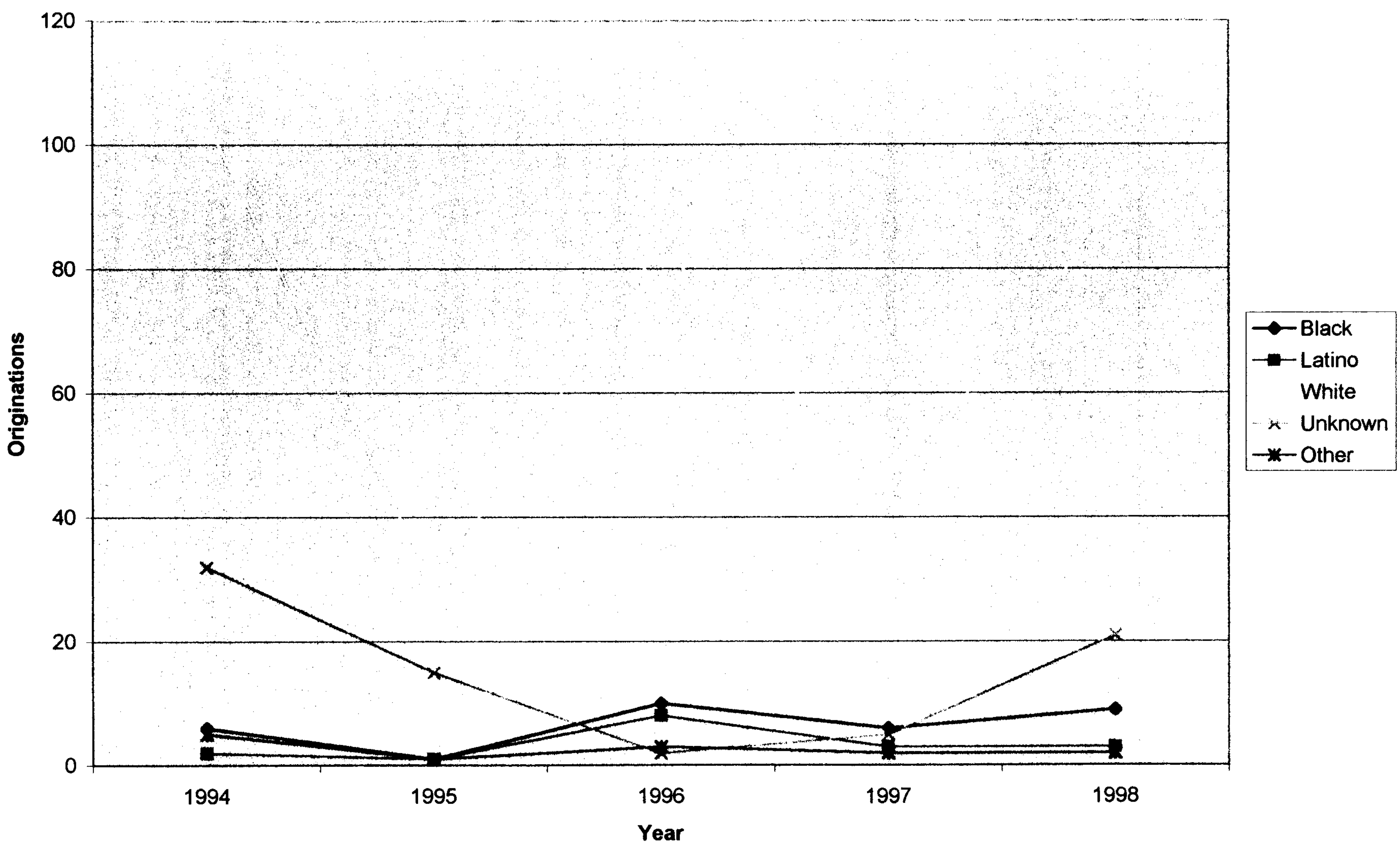
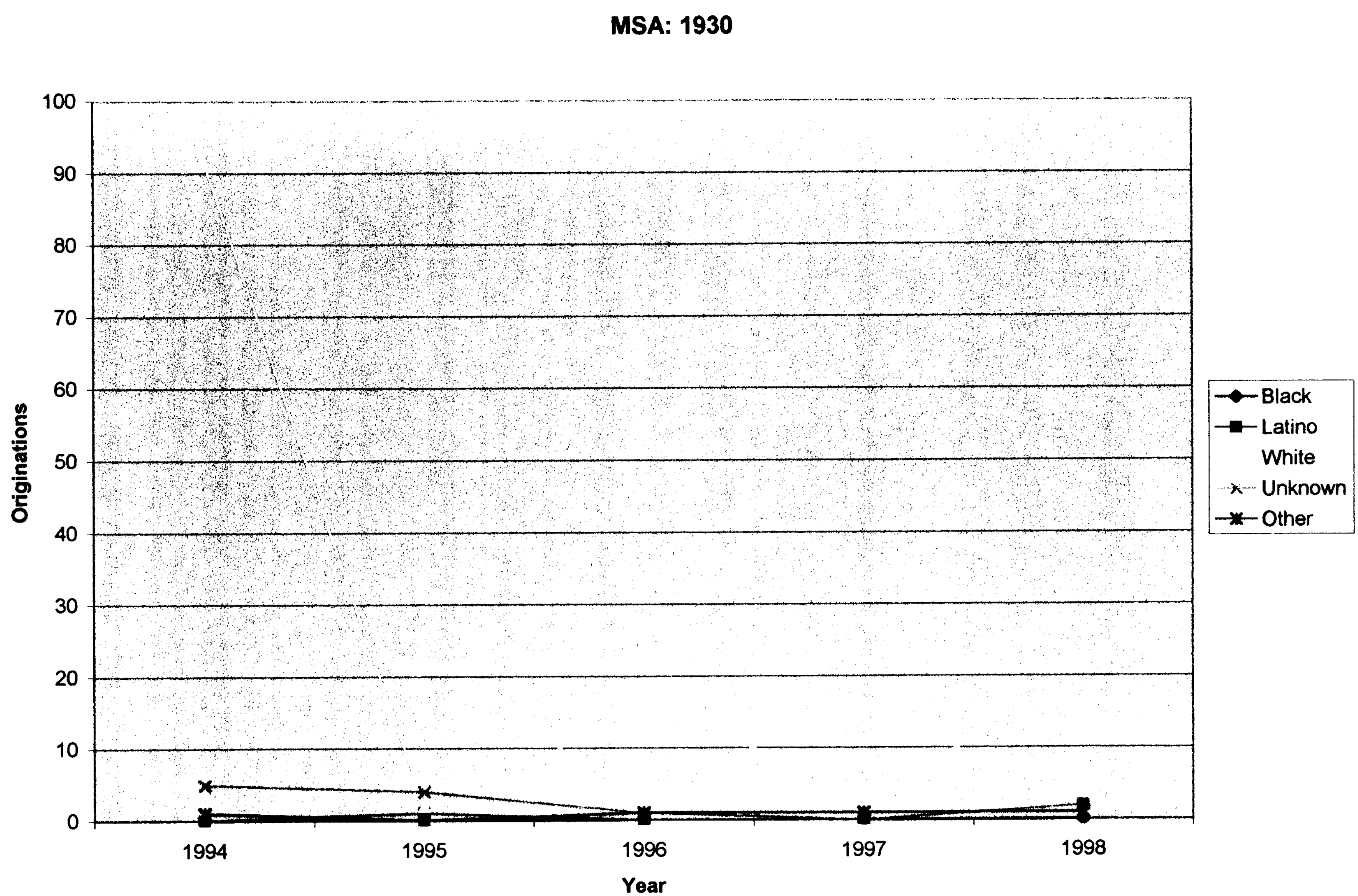
5
0
1994
1995
1996
1997
1998
Year
Black
Latino
White
Unknown
Other

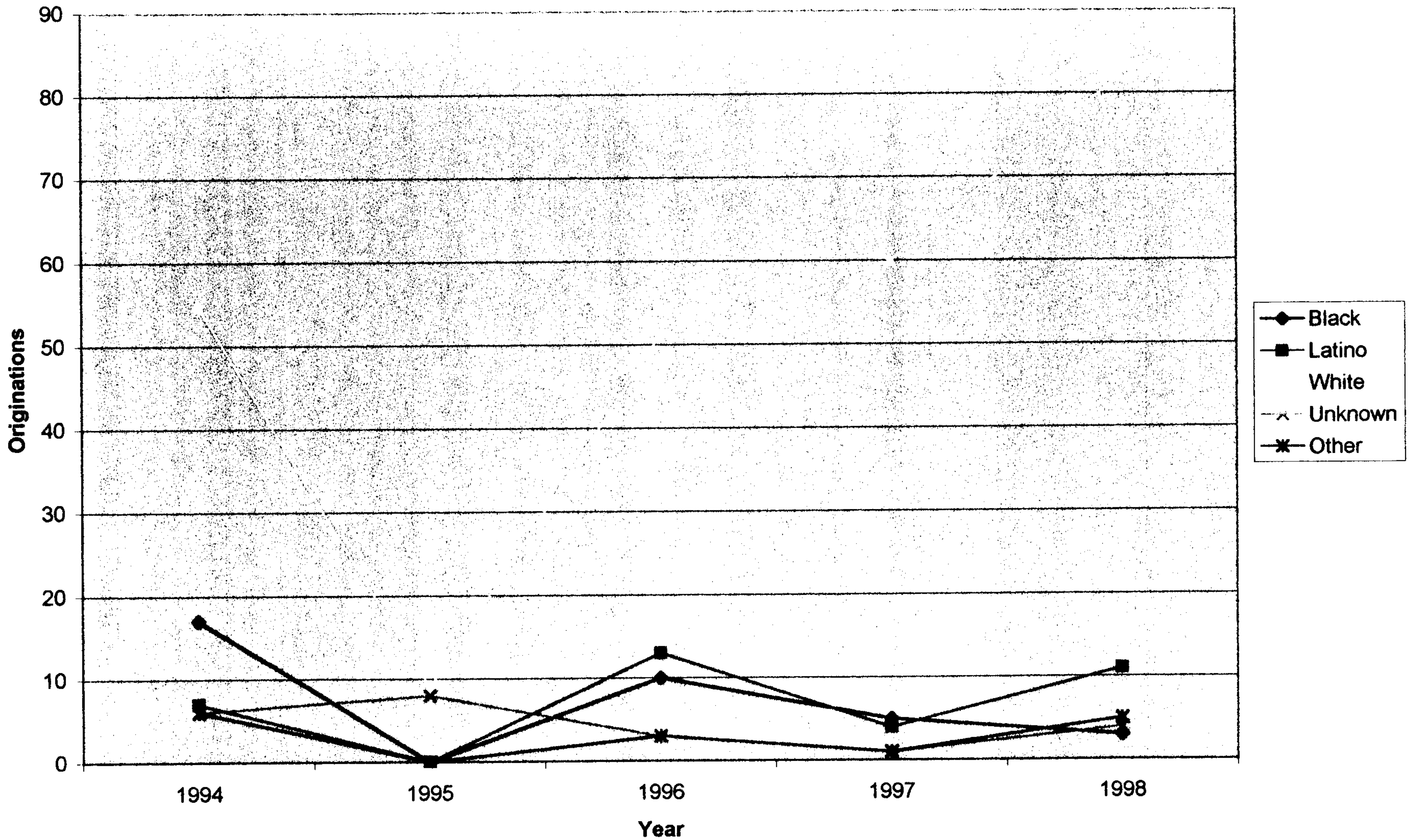
MSA: 5480



Originations
120
100
80
60
40
20
0
1994
1995
1996
1997
1998
Year
Black
Latino
White
Unknown
Other

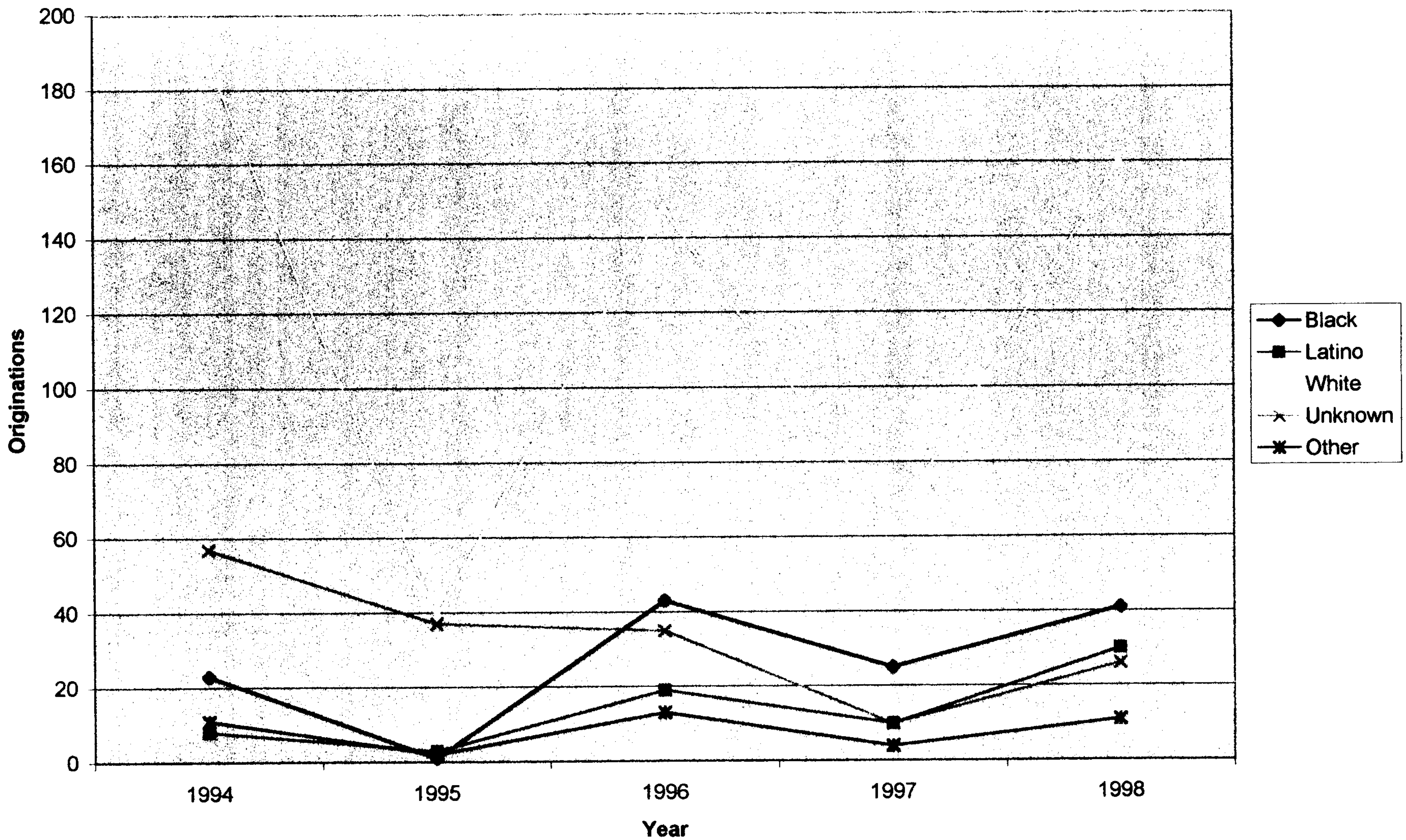

MSA: 1930
Originations
100
90
80
70
60
50
40
30
20
10
0
1994
1995
1996
1997
1998
Year
Black
Latino
White
Unknown
Other

MSA: 1160



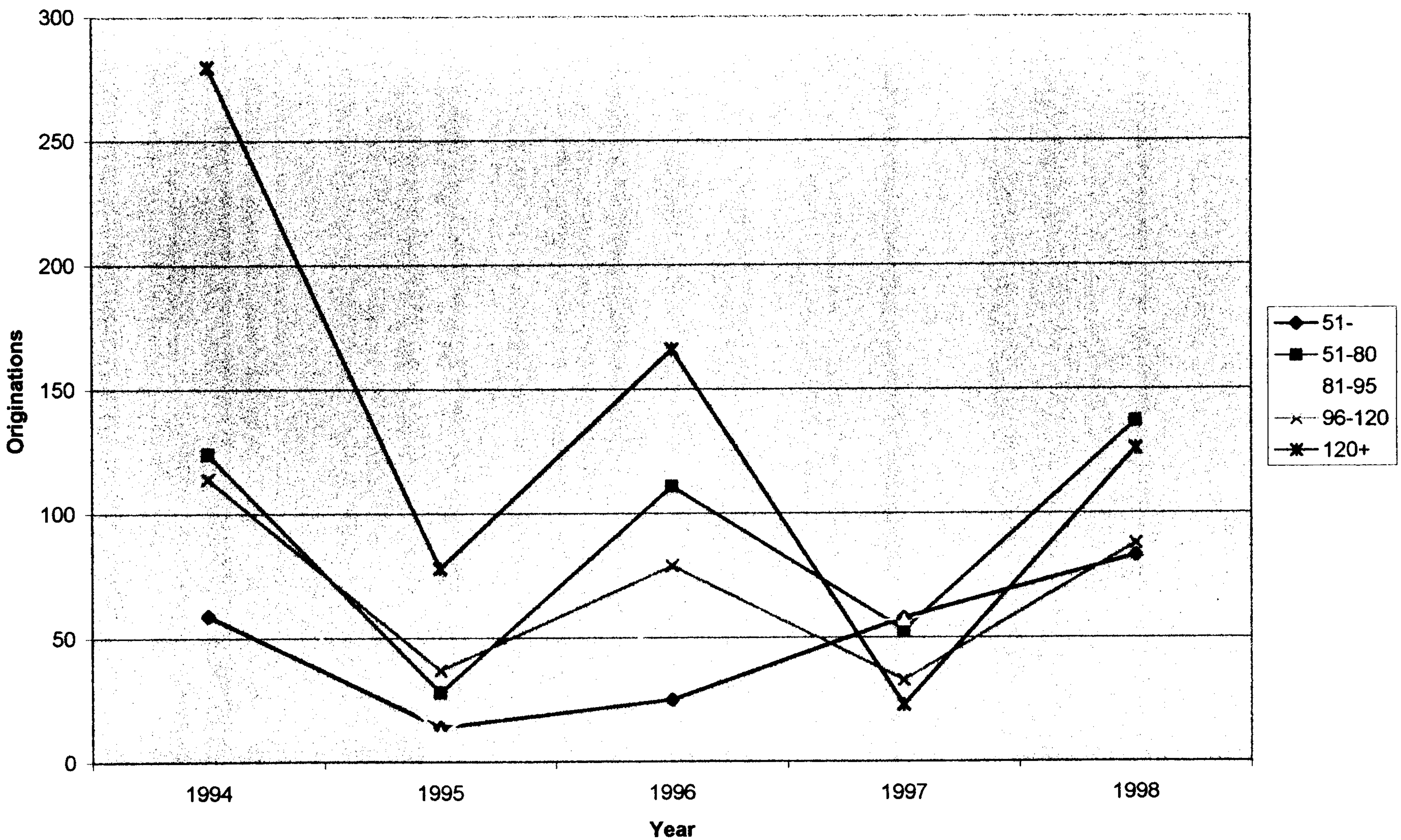
90
80
70
60
50
40
30
20
10
0
Originations
1994
1995
1996
1997
1998
Year
Black
Latino
White
Unknown
Other

MSA: 3280



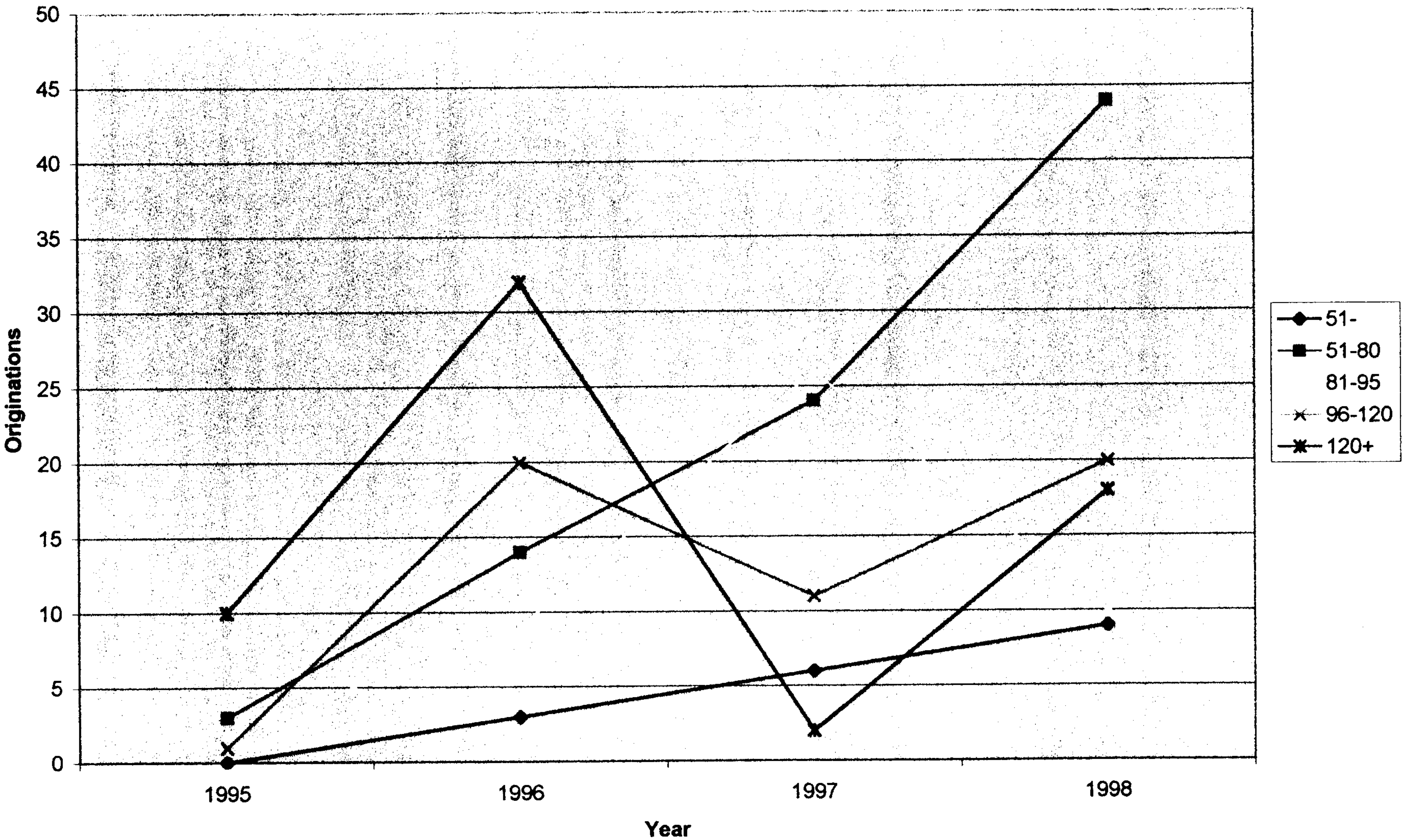
Originations
200
180
160
140
120
100
80
60
40
20
0
1994
1995
1996
1997
1998
Year
Black
Latino
White
Unknown
Other

State-wide

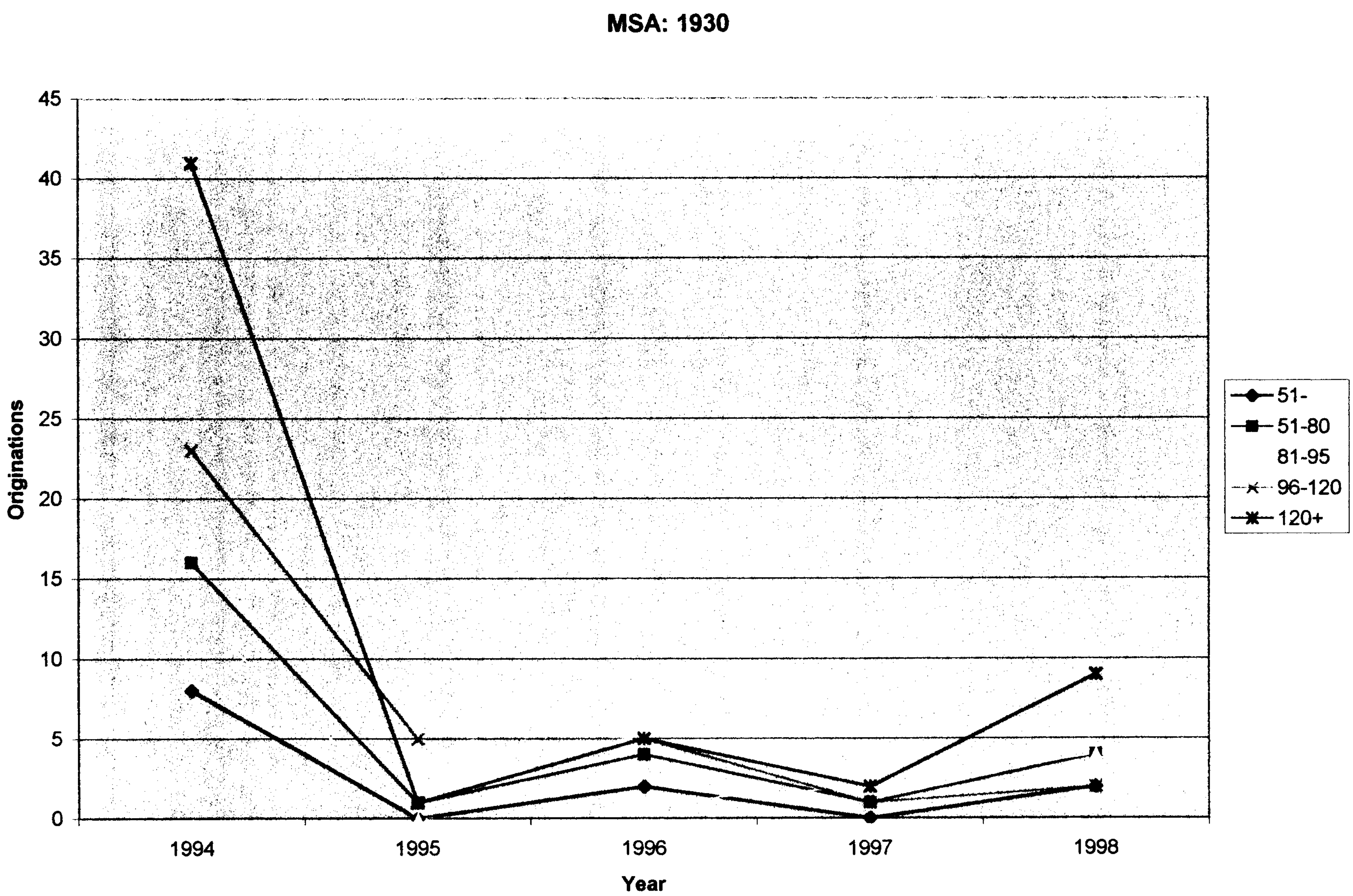


Originations
300
250
200
150
100
50
0
1994
1995
1996
1997
1998
Year
51-
51-80
81-95
96-120
120+

MSA: 1160



50
45
40
35
30
25
20
15
10
5
0
Originations
1995
1996
1997
1998
Year
51-
51-80
81-95
96-120
120+


MSA: 1930
Originations
45
40
35
30
25
20
15
10
5
0
1994
1995
1996
1997
1998
Year
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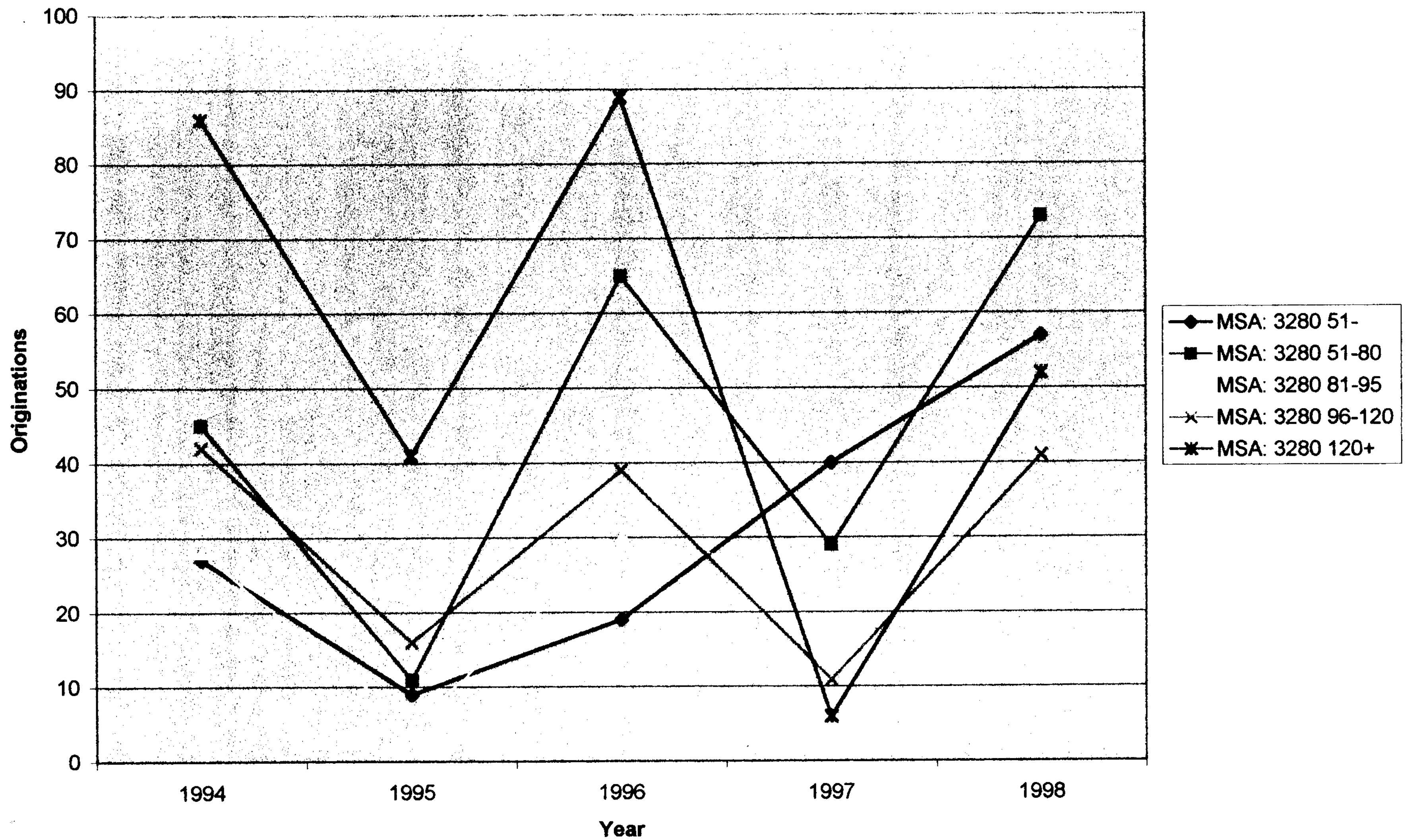
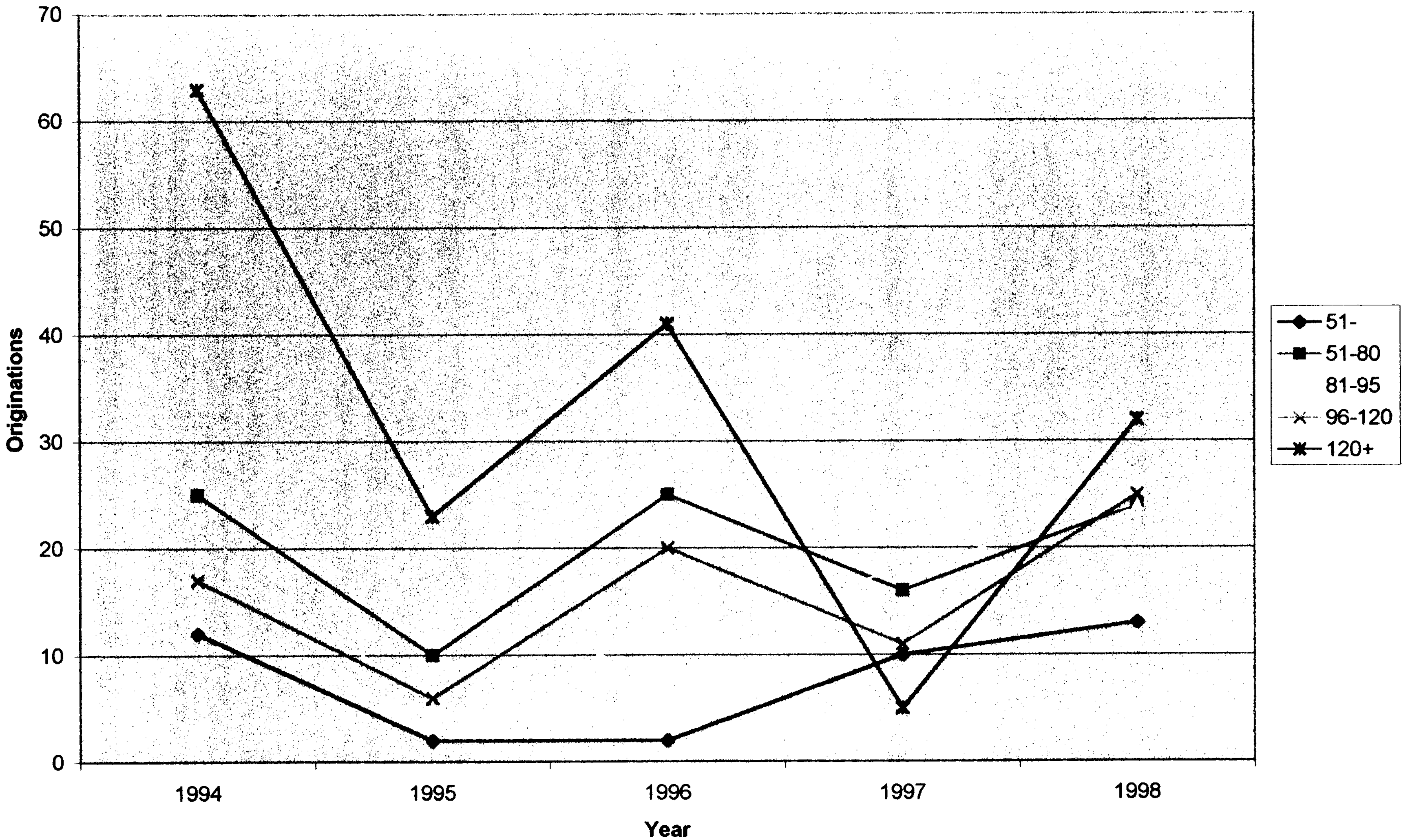
51-80
81-95
96-120
120+

MSA 3280



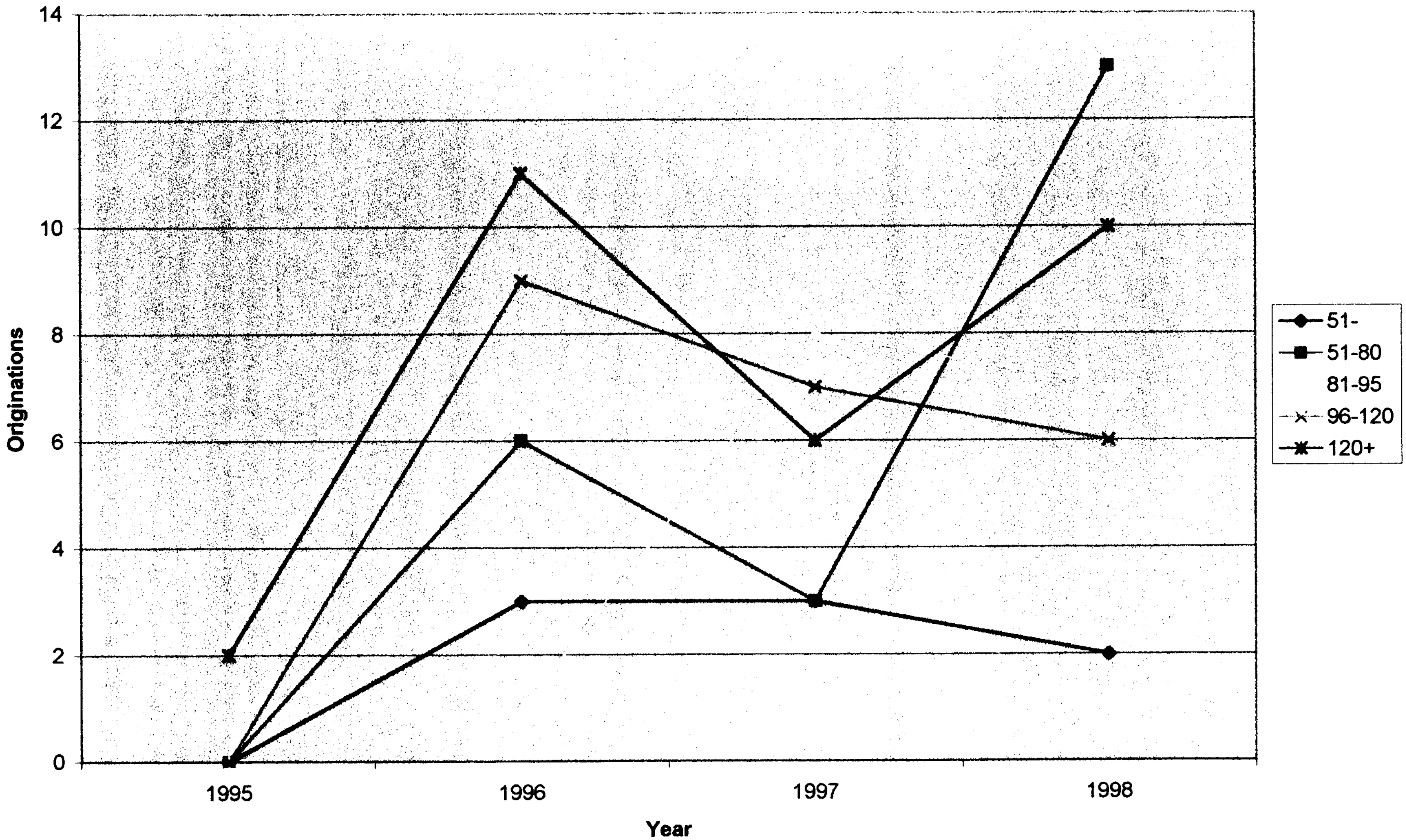
Originations
100
90
80
70
60
50
40
30
20
10
0
1994
1995
1996
1997
1998
Year
MSA: 3280 51-
MSA: 3280 51-80
MSA: 3280 81-95
MSA: 3280 96-120
MSA: 3280 120+

MSA: 5480



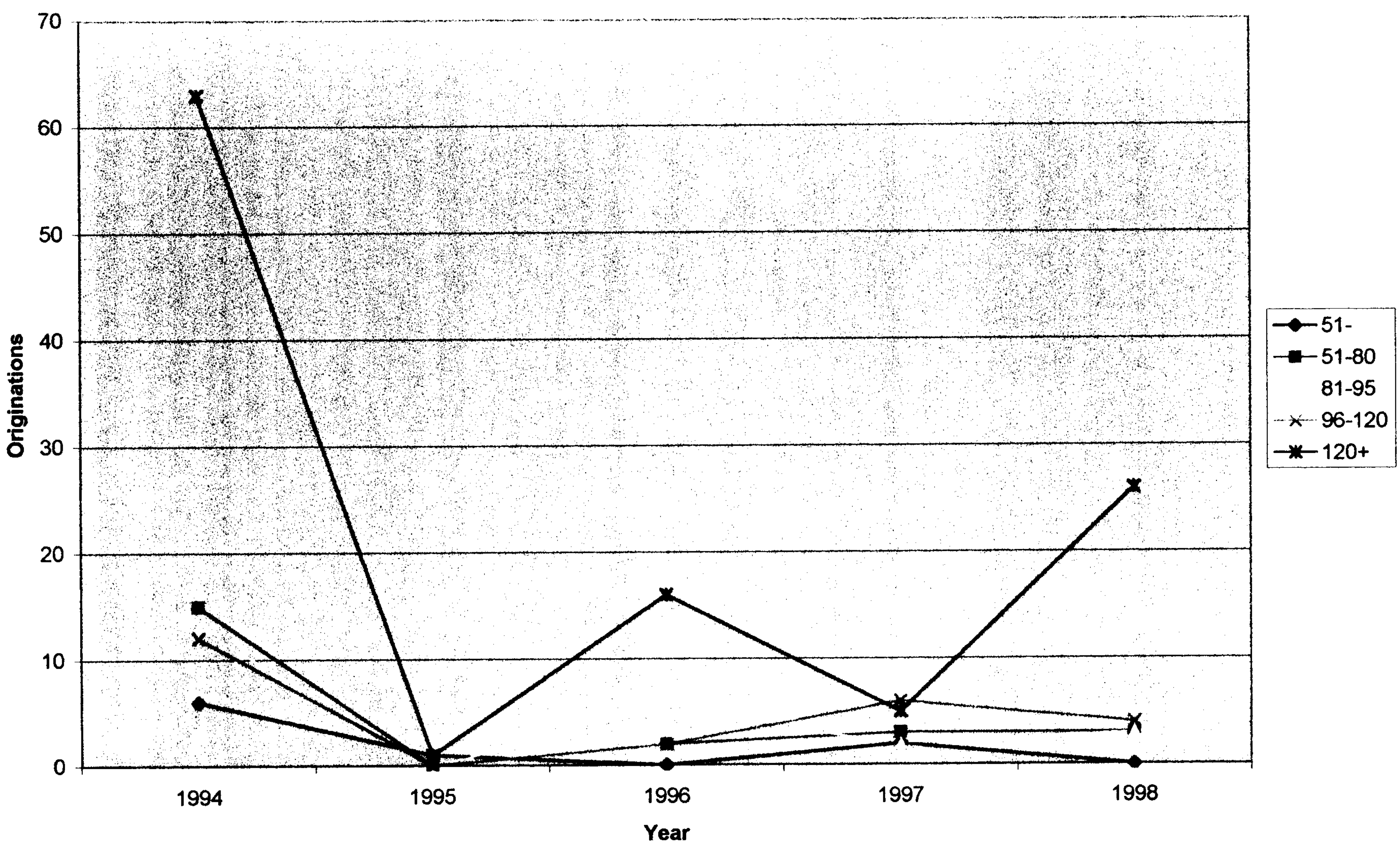
Originations
70
60
50
40
30
20
10
0
1994
1995
1996
1997
1998
Year
51-
51-80
81-95
96-120
120+

MSA: 5520



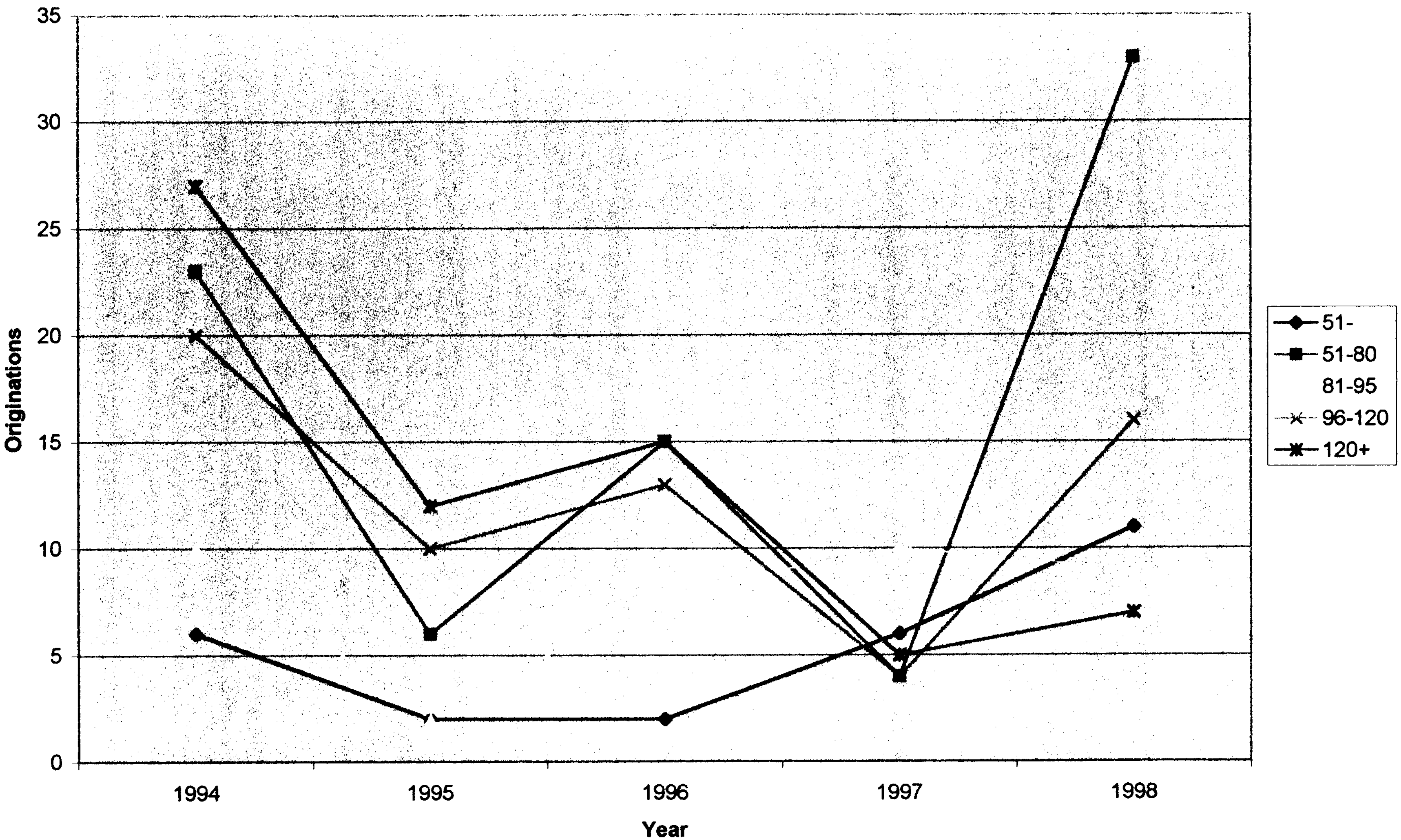
14
12
10
8
6
4
2
0
Originations
1995
1996
1997
1998
Year
51-
51-80
81-95
96-120
120+

MSA: 8040



70
60
50
40
30
20
10
0
Originations
1994
1995
1996
1997
1998
Year
51-
51-80
81-95
96-120
120+

MSA: 8880


35
30
25
20
15
10
5
0
Originations
1994
1995
1996
1997
1998
Year
51-
51-80
81-95
96-120
120+