The Commonwealth of Massachusetts

HOUSE OF REPRESENTATIVES
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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.

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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.

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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