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Testimony before the Federal Reserve in San Francisco, July 9th, 1998

My name is Brenda LaBlanc. I am here representing Citizens for Community Improvement of Des Moines. CCI is an organization that helps citizens work on any community improvement issues. CCI has been in Des Moines since 1977. Their Reinvestment Task Force was also initiated in 1977 to work on the problem of getting home loans in areas that had been red-lined. It's been a long, hard road to travel but it has been worthwhile.

After twenty years we have developed working agreements for special CRA programs with ten financial institutions. We work with each bank to help them improve their lending record, and we also provide services such as a Home Buyers Club which helps prepare people, not yet ready to buy. We also produce Credit & Home Buying seminars that provide a day long session of information about the process of home buying and introduce the various bank programs. More than 300 people attended our last seminar.

But we have had some problems in the last several years with bank mergers.

Hawkeye Bank, a State-wide holding company was bought out by Mercantile. Hawkeye had a branch in a low-mod neighborhood but when Mercantile took over they attempted to close it. We fought this move and succeeded in keeping the branch open. But while we had had a good relationship with Hawkeye, we find we do not now have the same kind of relationship with Mercantile.

First Interstate Bank was another we had an agreement with since 1988. They were bought out after five years by Boatmen's Bank. A new president came to Des Moines from St. Louis and he told our Task Force that we didn't need an agreement with them because Boatmen's had a great record of CRA lending. They had done great things in St. Louis, he told us, therefore they knew all about what needed to be done. We pointed out that Des Moines is not St. Louis, and what works there may not necessarily work here. We pointed out that we had developed expertise in our situation and our needs, and therefore they needed to work with us for a CRA program in Des Moines to be successful. They eventually agreed, and after that we had a signed agreement with Boatmen's. Then Boatmen's was bought out by Nation's Bank a year ago. And we started through the whole familiar process again. Since last December we have been debating back and forth about an agreement with no success.

In dealing with the local banks after they are bought out, we are, for the most part, dealing with the same people locally we have dealt with all along. The problem is that they are now getting directives from above, from people far away that we cannot talk to, and people who seem not to care about whether CRA programs work or not.

When we learned at our national NPA conference that other cities were having the same kind of problems with bank mergers, we agreed that the time had come to develop a national agreement that would give official sanction to our locally developed programs.

NATION'S BANK OF DES MOINES DIFFERENCES WITH CCI (CITIZENS FOR COMMUNITY IMPROVEMENT) OVER LOCAL PROGRAM. July 1998

Nation's Bank has been ignoring our specific program and continually pushes their "standard generic" program that they use nation wide for a CRA program.

Their national program is pretty much the same in most respects as our program except for one *very important* factor. This is that they target low/mod people (below 80% median income) and not low/mod census tracts. This is the same bank (then First Interstate) that, when they first signed an agreement with us in 1988, wanted to target by income rather than census tracts. We agreed to their suggestion, thinking that many of these loans if not all of them, would be made in the low/mod census tracts. But after a couple of years we found this was not so. They made many loans under their program but very few of them went in our neighborhoods.

Now, in the beginning, the problem was REDLINING!. We did not begin this project to help low-income people. The law does not speak to lower income people. The CRA speaks to "underserved neighborhoods". And this project was to help bring reinvestment back into our neighborhoods. So, after pointing this out, we asked First Interstate to target the low/mod neighborhoods rather than low/mod people and they agreed to do so, as do all the banks now that we have agreements with.

When the expanded HMDA came out, we discovered that there appears to be no problem lending to people below 80% of median income. In general, about 30% of all loans in the Des Moines MSA go to people below 80% of median income. But only 4 or 5 % go to low/mod neighborhoods. And yet, the low-mod census tracts contain 25% of the owner-occupied housing in the Des Moines MSA. The banks with CRA programs targetted put more than 5% in our neighborhoods, some of them 11 to 12%, but our aim is to get equal representation, a goal of 25%.

The local bank people understand this situation, and understand the purpose of our program. And this bank knows - because they tried it - that targetting by income does not do the job of getting home-ownership in our under-served neighborhoods. How do we get this across to the people at the top at Nations who have designed this "cookie-cutter" program. We have logic on our side, and the intent of the CRA on our side, but we cannot deal with decision makers who are miles away.



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History of Relationship Between CCI of Des Moines and NationsBank

- 1989 CCI and First Interstate Bank sign first community reinvestment agreement.
- 1989 - 1991 First Interstate Bank works with the CCI Reinvestment Task Force responsively, improving lending record.
- 1992 First Interstate Bank and Boatmen's Bank merge.
- 1992 After several months of initial distrust, Boatmen's signs agreement with CCI.
- 1992 - 1996 Boatmen's Bank and CCI Reinvestment Task Force develop good working relationship. Lending record continues to improve. Boatmen's Bank becomes one of the original participants in CCI's Homebuyers Club, offering education in home ownership and related issues to low income home buyers.
- 1996 Boatmen's Bank proposes merger with NationsBank.
- ▶ Boatmen's Bank officers assure CCI that local management will continue to make decisions about bank products.
 - ▶ Officers also assure CCI that with more resources, NationsBank will be able to serve community needs better.
 - ▶ NationsBank tells us its slogan is, "We treat every community we're in like it's the community we're from, because it is."
- 1996 Community groups file challenge against merger. CCI writes letter supporting Boatmen's Bank, outlining our positive relationship with the bank. Letter based on above assurances.
- 1996 Before the agreement with Boatmen's expired, NationsBank sent a packet announcing the new programs, which did not fit our agreement.
- 1997 NationsBank opens a new branch in the heart of the inner city. CCI views this as a good reinvestment choice, and helps publicize and market the opening, including participating in the press conference.
- 1997 New branch is robbed. NationsBank affirms commitment to staying. CCI organizes a press conference of community leaders to support the bank in its decision.
- 1998 Local staff expresses their willingness to sign an agreement, based on negotiations with Reinvestment Task Force. After they send the agreement to their superiors, they say they cannot sign one.
- 1998 The merger between NationsBank and Bank of America is announced.
- 1998 Member of CCI Reinvestment Task Force goes to St. Louis with other community leaders from around the country to meet with representatives from NationsBank and Bank of America about a national agreement. Community leaders are treated disrespectfully by Bank of America and NationsBank staff, and told they are wasting their time.
- 1998 NationsBank representatives in Des Moines seem eager to work with CCI, but their hands are tied by superiors. It becomes clear that any further merger will only distance the bank from its accountability to the community.
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**PCRG Testimony before the San Francisco Federal Reserve Board:
NationsBank Corporation's Proposal to acquire BankAmerica
Corporation**

Greetings to the distinguished members of the Federal Reserve Board and thank you for the opportunity to testify about the home mortgage lending patterns and practices of NationsBank and BankAmerica in the City of Pittsburgh, PA. I came to San Francisco to testify on behalf of the Pittsburgh Community Reinvestment Group (PCRG) as the second representative and thirteen community based organizations -all of which have filed protests against the proposed acquisition because of the abysmal records of lending to African Americans, African American neighborhoods, low income neighborhoods, and low income families in the City of Pittsburgh by both institutions.

PCRG is a non-profit consortium of twenty-nine community based organizations representing sixty-five low/moderate income neighborhoods in the City of Pittsburgh, Pennsylvania. PCRG works with financial institutions to insure equal lending patterns and practices for all Pittsburgh neighborhoods in accordance with Community Reinvestment Act (CRA). Since 1988, PCRG has formed partnerships with thirteen Pittsburgh lending institutions and developed reinvestment programs targeted to Pittsburgh's low and moderate income neighborhoods. Through CRA, PCRG members meet with financial institution executives, loan officers, and branch managers on a regular basis to discuss ways financial institutions can meet community needs. Within this framework, both PCRG members and Pittsburgh financial institutions are dedicated to a comprehensive approach to community revitalization and equal access to capital for all neighborhoods. PCRG has successfully negotiated lending agreements with Pittsburgh financial institutions for over \$2.7 billion in inner-city reinvestment.

PCRG analyzed the 1996 and 1997 Pittsburgh MSA Loan Application Registers for NationsBank and BankAmerica and discovered lending patterns indicating that neither bank is making many loans to the City of Pittsburgh's African American families, African American neighborhoods, low income families, and low/moderate income neighborhoods.

NATIONSBANK

NationsBank, through its mortgage company subsidiary Nationsbank Mortgage Corporation, has a very small presence in western Pennsylvania, and virtually no presence in the City of Pittsburgh. Through their office in downtown Pittsburgh,

- Nationsbanc Mortgage approved two loans out of four applications in the City of Pittsburgh in 1996. All four of the applications were from upper income neighborhoods.
- In 1997, Nationsbanc Mortgage took no applications from the City of Pittsburgh, but took twenty-eight from Pittsburgh's affluent and predominantly white suburbs.

BANKAMERICA

Bank of America, through its mortgage company subsidiary BankAmerica Mortgage Company has a much larger presence in the City of Pittsburgh. BankAmerica Mortgage Company, originated forty-four loans from fifty-four applications in 1996 and originated forty-three loans from seventy-five applications in 1997.

Lending to African Americans and African American Neighborhoods

- BancAmerica Mortgage made only one loan per year in Pittsburgh's African American neighborhoods in 1996 and 1997 and received only one application per year.
- Only one application from an African American borrower was received in 1996 and two were received in 1997, resulting in one loan approved in each year.

Lending to Low/Moderate Income Neighborhoods

- In 1996, Bank Of America originated five loans in low/moderate income neighborhoods and Thirty-nine loans in upper income neighborhoods.
- In 1997, twelve loans were originated in low/moderate income neighborhoods. Thirty loans were originated upper income neighborhoods.
- In 1996, the origination rate for upper income neighborhoods was thirty-five percent greater than the origination rate for low/moderate income neighborhoods.
- In 1997, the origination rate for upper income neighborhoods was seventy percent greater than the origination rate for low/moderate income neighborhoods.

Lending by Income

- Eighty percent of all upper income applications were originated compared to thirty-one percent of low income applications.

Conclusion

In May, PCRG, along with representatives from ten other communities from around the country met with representatives from NationsBank and Bank of America to address both local and national concerns about their

lending records and come to an agreement on a plan of action that would address these concerns. Both institutions showed no willingness to listen to our communities' concerns and to work to address them. Their unwillingness to work with our community to address our credit needs and the indisputable evidence of redlining discovered in the analysis of the loan application registers of both institutions places them in direct noncompliance with the Community Reinvestment Act.

Since 1988, PCRG has formed partnerships with thirteen Pittsburgh financial institutions to for over \$2.7 billion in reinvestment in Pittsburgh Neighborhoods. This reinvestment is the product of a working partnership between financial institutions and communities. Communities identify their credit needs and work with lenders on an ongoing basis to develop products and policies to insure that they are met.

- PCRG members work with lenders and the public sector to develop innovative mortgage products to meet community needs. For example, the Housing Recovery Program provides public sector deferred second mortgages paired with bank loans to help homebuyers purchase and renovate blighted properties in city neighborhoods. PCRG members worked with member banks and Fannie Mae to develop a mortgage product to enable more community mortgages to be sold on the secondary market.

- PCRG and its financial institution partners formed the Community Lender Credit Program, a credit restoration and homebuyer education organization, to develop home buyers from Pittsburgh neighborhoods.
- All of PCRG's partner banks have shown improvement in lending to underserved communities as a result of our partnership. Lending to low/moderate income neighborhoods increased twenty percent per year and lending in African American neighborhoods increased twenty-two percent per year between 1991 and 1996.

Based on our ten years of experience in community reinvestment, we believe that the only way the new institution formed by BankAmerica and NationsBank will improve their deplorable record of lending in Pittsburgh and other cities is to form working partnerships with community organizations. The \$350 billion commitment that NationsBank and BankAmerica propose comes with no promises for Pittsburgh's neighborhoods and no effort to identify community needs which are not being met as indicated by our analysis of the loan application registers.

PCRG is willing to work with NationsBank and BankAmerica to bring them into compliance with the Community Reinvestment Act in Pittsburgh by forming a partnership to improve their lending to Pittsburgh's African American families, African American neighborhoods, low income families, and low/moderate income neighborhoods.

Panel 8

Nations/BankAmerica Public Meeting

Testimony of Rural Development and Finance Corporation
San Antonio, TX
Presented by Gordon F. Goodwin

Rural Development and Finance Corporation is a development finance intermediary headquartered in San Antonio, TX. We provide technical assistance and loans to entrepreneurs and community development corporations that are building enterprises, affordable housing and community facilities in our country's most severely poverty impacted rural areas. To date, we have invested over \$12 million in 21 states, created or retained 2,500 jobs and financed the construction of over 500 units of affordable housing.

Like other financial intermediaries, we rely on partnerships with financial institutions such as banks, corporations, religious orders and foundations to make below-market rate investments in our loan fund so that we can obtain flexible, affordable capital to lend. Because a large part of our work is providing problem solving assistance to rural entrepreneurs and housers, we turn to these same sources to underwrite some portion of our cost to provide this help.

Bank of America has been an important partner in our work - and the work of the development field at large - as a grantor and investor. It is the only large scale bank that has institutionalized its community development lending mission by capitalizing a separate division to do so - The B of A Community Development Bank. Over the last 5 years, it has financed some \$2 billion of multifamily housing and small business development in low income communities. It has also made well over \$500 million in equity investments. In 1997, Bank of America committed to invest \$500 million over the next two and a half years to rural communities. This investment commitment is backed with a pledge to make \$5 million in grants to support innovative and meaningful partnerships. This is the most specific commitment ever made to the credit needs of rural areas by a banking institution.

This level of commitment is critical to our work, and we urge both Bank of America and NationsBank to uphold and even to expand this level of commitment to match the breadth and scope of the new market area the merger will create.