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 not 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.