**Inner City Press / Fair Finance Watch**

Testimony of Matthew Lee, Executive Director, Inner City Press / Fair Finance Watch

In Opposition to the Proposal by Bank of America to Acquire Countrywide Financial

Federal Reserve Bank of Chicago, April 22, 2008

 Good morning. These are the comments of Matthew Lee, Executive Director of Inner City Press / Fair Finance Watch, opposing the proposal by Bank of America to acquire Countrywide. While the grounds include not only lending disparities but also predatory credit card practices, enabling of payday lenders, presumptive violation of the 10% deposit cap and money laundering, since this is in Illinois, consider that in the first study of the just-released 2007 mortgage lending data, Inner City Press / Fair Finance Watch has identified worsening disparities by race and ethnicity in the higher-cost lending of Countrywide and Bank of America. Combining these two would only make things worse.

 In Illinois in 2007, Countrywide confined African Americans to higher-cost loans 1.87 times more frequently than whites. If combined with Bank of America, N.A. and LaSalle, the disparity for African Americans grows to 1.96. The disparity for Latinos, combining Countrywide and Bank of America, N.A., would also increase, from 1.31 to 1.36.

 The U.S. Federal Reserve Board, while still trying to avoid any public comments on or review of the controversial Bear Stearns - JPMorgan Chase bail-out, has agreed to hold this public hearing, to be continued in Los Angeles on April 28-29.

 In the state of California in 2007, Countrywide confined African Americans to higher-cost loans 1.43 times more frequently than whites. If combined with Bank of America, N.A., the disparity for African Americans grows to 1.54.

 But why no opportunity on the East Coast, where B of A is headquartered? In Delaware in 2007, Countrywide confined African Americans to higher-cost loans 1.84 times more frequently than whites. If combined with Bank of America, N.A., the disparity for African Americans grows to 1.94. The disparities for Latinos would also increase, from 1.29 to 1.32.

 Nationwide -- and hearing are needed, across the nation -- Bank of America in 2007 confined African Americans to higher-cost loans 1.88 times more frequently than whites, and denied the applications of Latinos 1.62 times more frequently than whites. Meanwhile, the large and troubled Countrywide Financial, which Bank of America has applied to buy, confined African Americans to higher-cost loans 1.95 times more frequently than whites, and denied the applications of Latinos 1.53 times more frequently than whites.

 Bank of America continues supporting payday lender Advance America Cash Advance. See, e.g., South Carolina State of June 8, 2007: "In July 2004... Bank of America Corp. arranged a $265 million credit line for Advance America. Documents Advance America filed with the Securities and Exchange Commission indicate Bank of America administered the credit line. Not long after, Advance America announced an IPO that raised $195 million In a 2004 filing to the SEC, Advance America, which is headquartered in Spartanburg and is the nation's largest payday lender, essentially said it wouldn't be as big or as successful at corralling borrowers without banks. 'We depend on loans from banks to operate our business. If banks decide to stop making loans to companies in the payday cash advance services industry, it could have a material adverse affect on our business, results of operations and financial condition,' the company states in the SEC document."

In late September 2006, Bank of America acknowledged that its lax operations allowed South American money launderers to illegally move $3 billion through a single Midtown Manhattan branch. BofA said that it ''takes seriously its anti-money laundering obligations'' and that it ''never knowingly does business with persons, organizations or businesses engaged in illegal activities and did not in this case.'' Most of the funds came from Brazil via a licensed money transmitter in Uruguay and then to the Bank of America branch, which allowed funds to reach unlicensed money transfer firms in the area.

 Bank of America, with the Federal Reserve's complicity, has been making a mockery of the 10% deposit cap which is one of the few consumer protections enacted along with Interstate Banking Act of 1994. Bank of America is now arguing that the 10% deposit cap will not prevent its proposed acquisition of Countrywide, since Countrywide holds its deposits in a savings & loan. But then the 10% deposit cap means *nothing* -- an institution could just shift deposits into a savings and loan and keep on buying up other institutions.

 Countrywide's Angelo R. Mozilo has pocketed $410 million in salary, bonuses and stock-option gains since 1999, according to the executive compensation company Equilar. Now he stands to cash in with severance if Bank of America buys Countrywide. Consider this, from Fox News of August 23, 2007

CAVUTO: "The press has come up, Angelo, well, you know, when times are good, you were a savior. Now, when times are bad, you're a predatory lender, and you pounced on unsuspecting people. What do you think of that?"

MOZILO: "I think it's nonsense. I think it's absolute nonsense."

            Compare that to the testimony that you will hear today. In terms of *mens rea*, consider that Countrywide's high-cost "Full Spectrum" unit was being called a predator even when "times were good." See, e.g., Buffalo News of June 5, 2007, reporting of Inner City Press / Fair Finance Watch's study finding that "at Countrywide Financial, even upper-income black borrowers got high-cost loans 1.92 times more frequently than white borrowers." And note Countrywide settled charges of its racial disparities in NYS, in a case in which the NY Attorney General's office is still trying to withhold, at Countrywide's request, documents requested more than two years ago. While these records are being pursued, the Federal Reserve should extend the comment period.

For all of these reasons, Inner City Press / Fair Finance Watch contends that that Federal Reserve Board should not -- cannot, as proposed -- approve Bank of America's application to acquire Countrywide Financial.

Thank you for your attention.

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