

March 5, 2008

A. Linwood Gill, III, Vice-President
Federal Reserve Bank of Richmond
701 East Byrd Street
PO Box 27622
Richmond, VA 23261

RE: Bank of America's proposed acquisition of Countrywide Financial

Dear Mr. Gill,

The California Reinvestment Coalition is opposed to Bank of America's proposed acquisition of Countrywide Financial. If the Federal Reserve approves the acquisition of Countrywide Financial, Bank of America will become the largest mortgage lender in the country and will acquire nine million new customers. At least a million borrowers whom obtained subprime and adjustable rate home mortgages from either Countrywide or one of its subsidiaries are either in foreclosure or behind on their payments. This merger could have a dramatic negative impact on California homeowners and our state economy.

Bank of America characterizes itself as a leader. Leadership though should not be measured by the bank's deposits or assets, but in this case by a realistic plan which would focus on keeping Bank of America's newly acquired customers in their homes. Bank of America's participation in a foreclosure prevention program called Project Lifeline is a step in the right direction, but is not enough to prevent distressed homeowners from losing their homes. Participating lenders have agreed to send letters to distressed homeowners that could delay foreclosure proceedings for up to 30 days. Homeownership counselors throughout California are reporting that despite lenders' and servicers' promises to modify troubled loans, preventing foreclosure does not always result in preserving homeownership. More often than not, homeowners are continuing to lose their homes. Clearly, a 30 day "pause" as outlined in the program is not sufficient. A realistic solution would be a 6 month moratorium on foreclosure proceedings for all Countrywide and Bank of America borrowers that are in danger of losing their homes.

The Federal Reserve should not allow Bank of America to continue to grow unless there is a firm commitment to serve its current and future customers. Bank of America should implement the following for the benefit of endangered homeowners:

- Initiate an immediate foreclosure moratorium on all mortgage loans in Bank of America's and Countrywide's portfolios, including those that are currently being serviced.
- Modify loans for borrowers in danger of losing their homes to a fixed interest rate of no more than 6% for 30 years.

- Maintain Countrywide's mortgage lending headquarters in Calabasas, and its loan servicing center in Simi Valley. These Countrywide employees are needed to modify and restructure loans.

Bank of America's unprecedented growth has led to layoffs for the employees of the acquired institutions and also having its products reach nearly half of all U.S. households. Over the past four years, Bank of America has spent more than \$100 billion to acquire the following institutions: Fleet Boston, credit card issuer MBNA, La Salle Bank and the U.S. Trust wealth management firm. As a result of these mergers, 30,000 employees have lost their jobs. The acquisition of Countrywide will pose new problems to Bank of America. At least a million of the customers that Bank of America acquires from Countrywide will be either in foreclosure proceedings or behind on their mortgage payments. The Federal Reserve needs to ensure that Bank of America maintains critical and experienced Countrywide staff who can underwrite much needed loan modifications.

While Bank of America does not originate subprime mortgage loans, it was one of the biggest investors in subprime mortgage backed securities on Wall Street. The decrease in value of these investments has resulted in significant losses for the bank. Bank of America needs guidance and regulatory oversight. Bank of America's actions have not been conducted so that their customers or the economy will benefit, but rather in an effort to increase profits for its top executives and shareholders.

After the purchase La Salle Bank in 2007, Bank of America owned 9.88% of the nation's deposits. With the acquisition of Countrywide, Bank of America will exceed the 10% national cap. Even though Countrywide holds its deposits under a separately chartered savings & loan, the merger will reduce competition and increased fees will continue to negatively impact working families. It is our position that all deposits should be counted toward the cap and that doing otherwise violates the intent of the anti-monopoly deposit cap. Bank of America has bumped up against the ten percent national cap on deposits in its last several acquisitions. This cap was instituted to protect the American people from monopolies that do not well serve local and regional needs. The impact of this mega-bank should be assessed in relation to community needs.

As a result of its strategy of growth through mergers, Bank of America has become the largest bank in the nation in cash deposits, bank branches, and credit card lending. Bank of America growth has resulted in ever increasing fees attached to its consumers' personal deposit accounts. Bank of America was the first national bank to surcharge non-customers \$3 to use their ATM network. In 2007, more than 50% of Bank of America's non-interest income came from fees on deposit accounts and credit cards. With the acquisition of Countrywide, Bank of America will become the largest home mortgage lender in the country. Bank of America's mega bank status creates a concentration of risk and the potential for taxpayer liability if it continues to face losses.

Despite Bank of America's continued growth, community development activities for California's low income communities and people of color communities have not increased. Bank of America is heavily dependent on California, given that the state

makes up 30 percent of the bank's customer base and revenues. Unfortunately this relationship is not a reciprocal one for California's low and moderate income communities. Since Nations Bank acquired Bank of America, unfulfilled promises characterize the bank's relationship with its California market. For example, Bank of America is still making promises about integrating its California market into its main servicing platform. California is the only market within Bank of America's footprint that does not offer money orders. Many low income consumers in California have reported that their landlords will only accept money orders for rent payments.

After the merger with Nations Bank, Bank of America initiated a Community Development Strategy for the state of California known as the "Millennium Plan". The Plan is set to expire in June 2009. Since February of 2007, CRC has requested that Bank of America update us on the plan's accomplishments and asked to work with the bank to establish bi-annual goals for the last two years of the plan. CRC sent numerous letters to Bank of America inquiring about the "Millennium Plan" and never received a formal response. CRC was finally told verbally that the Plan is no longer in place and had been replaced by the bank's 2004 "\$750 billion community development goal."

The "Millennium Plan" was negotiated by CRC members during a six month process with the goal of ensuring that the Bank's products and programs were specifically outlined as to their positive impact on California communities. The central purpose of the Plan was to translate the opaque and vague national plan into components that were measurable and specific. Bank of America choice to ignore its own negotiated Plan is one more example of its lack of focus on community needs.

Since its 2004 merger with Fleet Boston, CRC has asked Bank of America CEO Kenneth Lewis to meet with CRC members. He is the critical decision maker who can be responsive to community needs. Our efforts to secure this meeting with Mr. Lewis include a letter sent to Mr. Lewis on February 20, 2008. 91California community groups, many of whom serve homeowners threatened with foreclosures, signed the letter. Bank of America responded to CRC with the disappointing news that Mr. Lewis would not be meeting with us.

Finally, Bank of America filed their application to acquire Countrywide on Tuesday, February 19, 2008. The notice on the Federal Reserve website was not posted until February 29, 2008. Even though a 30 day period for comments in being offered based on the day the filing was posted on the website, CRC still contends that the comment period should be extended. Because of the subprime mortgage crisis, the Bank of America/Countrywide merger is unique. Without access to the Home Mortgage and Disclosure Act (HMDA) data for 2007, assessing the impact of the merger would be incomplete. As of March 1, 2008, lenders will be required to supply HMDA data to anyone that requests it. The comment period for the merger should be extended thirty days past the date that Bank of America and Countrywide provide their HMDA data to the public.

The Federal Reserve should closely scrutinize this acquisition and hold public hearings in California. It is vital that Bank of America submit a clear, specific plan outlining how its new customers will be refinanced into loans that they can afford. The Federal Reserve should not approve this merger without such a detailed plan in order to benefit the millions of working families in danger of losing the most important investment of their lives.

Sincerely,

Alan Fisher
California Reinvestment Coalition

Rhea Serna
California Reinvestment Coalition

Cc: Sheila C. Bair, Federal Deposit Insurance Corporation
Ben Bernanke, Board of Governors of the Federal Reserve
Hon. Barbara Boxer
Hon. Christopher Dodd
John C. Dugan, Comptroller of the Currency
Hon. Barney Frank
Hon. Barbara Lee
John M. Reich, Office of Thrift Supervision
Hon. Brad Sherman
Hon. Maxine Waters