407 South Dearborn Ave.
Suite 550
Chicago, Illinois 60605-1138
Phone 312/427-8070
Fax 312/427-4007
woodstock@woodstockinst.org
www.woodstockinst.org

Via Mail and Facsimile (804) 697-4021

July 2, 2007

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

Dear Mr. Gill:

Re: **Request for Public Hearing and Extension of Public Comment Period for Bank of America Corporation's (B of A) Application to acquire ABN AMRO North America Holding Company (including the LaSalle Banks)**

Woodstock Institute, a local, regional, and national community reinvestment research and policy organization which convenes the Illinois CRA Coalition, respectfully requests that the Federal Reserve System extend the public comment period for the above named merger for 60 days past July 3, 2007, and during that extended comment period, hold public hearings on the merger in major B of A markets especially in Chicago, the headquarters of the LaSalle Banks. Such a hearing would be in pursuit of the Federal Reserveôs powers to ñelicit information, to clarify factual issues related to the application and to provide an opportunity for interested individual to provide testimonyò pursuant to 12 C.F.R. § 262.55 (d).

The request for an extension of the comment period recognizes the extraordinary haste of the currently defined comment period, extraordinary because the matter of the B of A acquisition of the LaSalle Banks is still in litigation in the Dutch Appellate Court. For the Federal Reserve to close a bank acquisition comment period in this unusual situation when it is not clear whether or not the merger will proceed, and when there is U.S. litigation suspended pending the outcome of the Dutch ruling, would be a demonstration of a lack of seriousness on the Boardôs part about the public comment process. We note that on the occasion of B of Aôs application to acquire FleetBoston Financial Corporation, the Board held public meetings in key markets and extended the comment period for an additional 60 days. This merger raises no less serious public issues and concerns.

The request for a public hearing reflects the large importance and potential consequences of this merger. A key issue is B of Aôs position in relationship to the prohibition in U.S. Title 12. Chapter 17, § 1842 of the approval of any merger if the applicant controls, or upon consumption of the acquisition would control, more than 10 percent of the total amount of deposits of insured depository institutions in the United States. In its application, B of A states that post-purchase, the combined bank would hold approximately 10.075 percent of deposits and would exceed the deposit cap by just over $5 billion.

The application goes on to state that B of A expects to comply with the deposit cap at the time the Board considers the application and at the time of the closing of the purchase, and that the Board should, therefore, continue to process the application. But such a continuation of the process would be in violation of the intent of Title 12. Moreover, it is clear that B of A intends to meet those deadlines by artificially reducing deposits through interest rate reductions, only to cancel those reductions on the approval of the merger. For the Board to assent to this deception would be to become a partner to the deception. Title 12 is a vital guarantee of the competitiveness of bank markets in the U.S.

Another key issue is the terms and conditions attached to B of A credit cards. A new standard has been set for the fairness of the terms and conditions of credit card offerings by Citigroup which has abandoned the despicable standard of raising credit card fees and costs ñat any time, for any reasonò and replaced that practice with two year contracts that specify a limited number of reasons for raising interest rates or charging additional fees. Most credit contracts have unfair and deceptive effects because of their complexity and the fact that the power to change the contract lies solely with the issuer. As credit card debt soars, rising in 2001 dollars from $2,697 for families who held balances to $5,100 in 2004, these deceptive effects have growing consequences and particularly for lower-income families. In 2004, households earning less than $20,000 a year who had unpaid balances had average balances of 14 percent of total household income, an enormous financial burden and one created partially by confusing and multiple changes of fees and interest rates by the issuer. At the time of such an important merger application, the Board should insist that B of A adopt a standard for credit card contracts that avoid the unfair and deceptive consequences of B of Aôs current credit card contracts.

The CRA section of B of Aôs application includes a reiteration of its 2004 community development goals and a statement of the Bankôs performance in reaching those goals in 2005 and 2006. As we stated when these goals were first released in 2004, such goals are vague, misleading, and unverifiable. Moreover, the Board has made it clear that the Board will not examine a bank on the basis of such goals. The goals are vague on account of lack of detail. For example, the home purchase category does not distinguish between originations and purchases, a distinction that is crucial given the different importance of each vehicle, and the fact that it is well known to regulators that bundles of purchase loans circulate from bank to bank solely for the purpose of inflating a bankôs CRA numbers. The goals are also vague because they in no way measure the numbers against the Bankôs size or the comparative activity of similarly situated banks. To most people, the numbers look immense, but the Bank is one of the largest in the country and it is the Bankôs comparative performance not the raw numbers that are an indication of its Community Reinvestment efforts. The numbers are unverifiable partly because the categories are not defined and may well contain loans to middle- and upper-income borrowers, and because B of A does not make the data available publicly.

These goals were released on the occasion of a prior application by the Bankôs predecessor during a merger application. But the tables provided by the Bank do not indicate the predecessor banksô numbers so there is no way of determining whether the performance of the current Bank represents an adequate performance for an institution of the size of the merged Bank. For these reasons, we ask the Board to ignore these goals as evidence of B of Aôs CRA activity unless the Bank provide much more detail about the goals and progress toward them.

The bank regulatory agencies have recently issued guidance on the dramatic problem of sub-prime lending which is devastating housing markets across the country. While B of A does not have a subprime unit, the application does not address the issue of other ways in which large institutions support subprime lending and that part of subprime lending which is predatory including warehousing and acting as trustees for bundles of such loans. B of A should demonstrate as part of its CRA statement that it has no part in predatory subprime loans through such activities.

In other mergers, the Board has accepted the banksô CRA statements and records on the grounds that the merging banks have had satisfactory or outstanding CRA ratings prior to the applications. We note, in passing, that between 1996 and 2001, the Board gave only one either ñNeeds to Improveò or ñSubstantial Noncomplianceò rating to a bank with assets over $1 billion and that between 2002 and 2006 it gave no such ratings. It would, therefore, seem impossible for a ñlargeò bank to get a rating of below ñSatisfactoryò from the Federal Reserve Board. This record casts some doubt on the adequacy of current rating practice and points strongly to the need to re-examine B of Aôs community reinvestment record on the occasion of this application.

There is a particular problem with B of Aôs ñOutstanding Ratingò as it pertains to the Chicago market. B of Aôs mortgage record in this market is very inadequate. In the six county metropolitan region, its market share ratio of low- and moderate-income (LMI) borrowers to middle- and upper-income borrowers (MUI) is 0.72, and its market share ratio of LMI to MUI census tracts is 0.58. Even more disturbing, its market share of African American to white borrowers is 0.43 and its market share ratio of Latino to white borrowers is 0.36. The market share ratio is a measure of a financial institutionôs comparative effort in different markets. When an institutionôs market share of underserved communities is made the numerator of a ratio and the market share to traditionally well-served communities the denominator, one would expect that ratio to closely approach or exceed 1.00 if the bank were making an equivalent effort in the undeserved markets. The above cited B of A market share ratios are disturbingly low and are sufficient grounds for denying the application. The ratios show an appalling absence of service to low-income and minority communities, which, in the absence of the adequate presence of mainstream financial institutions, are prey to the worst predatory mortgage lenders.

In summary, we urge the Board to extend the comment period for this application for 60 days, hold public hearings in key markets, and, on the basis of the evidence cited in the penultimate paragraph, deny the application.

Sincerely,

Malcolm Bush
President

MB/bab

cc: Senator Christopher J. Dodd, Chair Senate Banking, Housing and Urban Affairs Committee
Senator Richard Durbin (D. IL)
Senator Barack Obama (D. IL)
Representative Barney Frank, Chair, House Financial Services Committee
Representative Luis V. Gutierrez, (D. IL)