



Countrywide/ Bank of America: Advocacy groups not opposed to merger, just want policy changes, leaders say

by Jay Antenen

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Public-advocacy organizations rallying against Countrywide Financial (CFC) do not want to scuttle Bank of America's (BAC) planned acquisition, but are hoping to convince the bank to make concessions, leaders said.

Beginning next week, the Federal Reserve Board is holding a series of meetings to give the public an opportunity to comment on Bank of America's application to acquire the California-based thrift.

In Chicago and then a week later in Los Angeles, public-advocacy and research groups critical of Countrywide's past lending practices are expected to offer testimony. At Bank of America's home city of Charlotte, North Carolina, a protest is planned to coincide with the Chicago meeting on 22 March.

A spokesperson for Bank of America said the bank does not expect the meetings to impact the deal's third quarter close. The events will be the first time the Fed has held public meetings on a merger since JPMorgan (JPM) acquired Bank One four years ago. Interviews with leaders suggest the overriding demand made by groups is for Bank of America to make public a plan detailing how it will address alleged abusive lending practices at Countrywide that have left many borrowers unable to afford their mortgages. Geoff Smith, vice president of the Woodstock Institute, a policy and research group in Chicago, said he wants Bank of America to explain how it intends to help borrowers, provide data on the outcomes of loans serviced by Countrywide and commit to not reducing Countrywide's staffing levels.

While the specifics of plans to help borrowers may have to be tailored to individual real estate markets, a general framework could be created for how Countrywide should help borrowers, according to Alan Fisher, executive director of the California Reinvestment

Coalition. He suggested Countrywide should allow borrowers to modify their loans to match homes' present values and change to fixed-rate, 30-year mortgages.

"We are not calling on [Bank of America] to modify every loan. But we are calling for a firm commitment to have some principles on the table to be flexible," said Josh Zinner, co-director of NEDAP, a policy and advocacy center in New York City. "They should stabilize this massive portfolio by ensuring that where borrowers can afford to keep their homes with flexible modifications that they do so."

The groups' calls for Bank of America to allow Countrywide borrowers to modify their mortgages follow a number of similar proposals under review by regulators and state and federal legislatures.

The Fed itself also has leverage to push Bank of America to agree to a plan. Gil Schwartz, a former Fed lawyer now in private practice, said the Fed could urge Bank of America to commit to a plan for loan modifications that would have material benefits to the public. He said Bank of America might include such a plan in its application to acquire Countrywide as part of its effort to show the Fed that the acquisition benefits the public, a factor the Fed considers when reviewing bank merger applications.

"If the application is approved that would be part of the Fed's discussion to why this is a beneficial acquisitions," he said. "[Bank of America] would be clearly committed because one of the conditions of approval would be that you have to follow through." Such a commitment would likely come as welcome news to public-advocacy group leaders who view Bank of America with both skepticism and hope.

"The billion dollar question is will this help stabilize the housing market, will it help reform Countrywide's practices," said Smith of the Woodstock Institute. "I think from our perspective that is obviously the best outcome possible. But we have a lot of concerns and given Countrywide's track record there needs to be some answers on paper, some statements made to be really sure that is what happens."

Along with scrutiny in the public square, Countrywide is also being reportedly investigated by the Department of Justice for securities fraud and abusive conduct in borrowers' bankruptcy proceedings, by the Securities Exchange Commission into its accounting practices and by states' attorney generals. It also faces lawsuits from the New York State Comptroller, other shareholders and aggrieved borrowers.

Schwartz said in his opinion absent any issues that emerge with Bank of America it is unlikely the deal will be delayed past the third quarter. "I don't see anything that would sidetrack that timetable," he said.

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