



Neighborhood Economic Development Advocacy Project

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Testimony of Saara Nafici Neighborhood Economic Development Advocacy Project

Before the Federal Reserve Board of Governors at the Public Meeting Regarding the Notice of Bank of America Corporation to Acquire Countrywide Financial Corporation

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Thank you for holding today's hearing, and for giving the public the opportunity to raise material issues concerning Bank of America's proposed acquisition of Countrywide. The Neighborhood Economic Development Advocacy Project (NEDAP) strenuously urges the Federal Reserve Board to deny the application.

NEDAP is a resource and advocacy center in New York City that provides community groups with legal, technical, and policy support on economic justice and community reinvestment issues. NEDAP has led efforts to combat predatory lending in New York City and State, and seen first-hand the devastating effects of Countrywide's abusive and discriminatory lending and servicing practices on New York homeowners and communities.

Our comments concern both Countrywide and Bank of America, and focus on four main points:

1. The Federal Reserve Board should not approve the proposed acquisition unless Bank of America provides a detailed, concrete plan, in writing, for modifying or otherwise remediating Countrywide's abusive loans.

Countrywide's abysmal record as a servicer is notorious among New York homeowners and advocates. Countrywide is widely unresponsive both to delinquent borrowers and non-profit advocates who call on their behalf, and routinely gouges customers with late fees and other costs that make loss mitigation more difficult. Countrywide systematically refuses to enter into affordable loan modifications with borrowers, instead pushing forbearance agreements that are not affordable over the long term.

Specifically, the Federal Reserve Board must require Bank of America to:

- Initiate an immediate foreclosure moratorium on all Countrywide loans, and make a detailed assessment of each of the distressed loans, including the borrower's ability to pay an affordable modification, and whether there were abusive practices at origination.
- Enter into affordable loan modifications with all distressed borrowers who can afford a fairly-priced loan. The modifications must be based upon realistic assessments of affordability and must include both principal reduction and interest rate reduction wherever necessary. Bank of America must ensure adequate staffing and other resources to accomplish this.

- Drastically revamp and retool Countrywide's servicing operations.
 - Provide monthly statistics to the public on all defaults and actions taken by the servicer (i.e., loan modification, short sale, foreclosure action started or completed).
2. It is absolutely critical that Bank of America repudiate Countrywide's abhorrent lending practices and set an example for the industry going forward. Bank of America must adhere to sound lending practices, including, at a minimum, making only affordable loans that are appropriately priced for risk and that provide borrowers with a tangible net benefit. It should also commit to make no loans with prepayment penalties or mandatory arbitration clauses.
 3. Groups working with immigrants have reported a spate of recent foreclosures on especially egregious loans Countrywide has made to low income immigrant New Yorkers. The loans shock the conscience not only because of their terms, but also because many borrowers had good credit and were steered to high-cost loans. The Federal Reserve Board should require Bank of America to work with local organizations in immigrant communities, where Countrywide's lending practices have been particularly harmful, to help borrowers exploited by Countrywide based on language and other barriers.
 4. The Federal Reserve Board must also examine abusive consumer lending practices by Bank of America. A case recently came to NEDAP's attention that raises serious concerns regarding Bank of America's potential targeting of low income borrowers for abusive, deceptively-marketed consumer loan products.

Mr. H is an 85-year old retired African-American resident of Brooklyn, who lives on his Social Security and pension. Last year, Bank of America sent Mr. H a solicitation for a personal loan of up to \$25,000, offering him a menu of rate and payment options. Mr. H chose the option to borrow \$20,000, payable in monthly installments of \$530 for 4 years. The money was electronically deposited into his bank account, and Mr. H used it to pay off several outstanding credit cards.

Mr. H realized after a year of making his full monthly payments that his balance did not seem to be going down, and he contacted NEDAP for assistance. Unbeknownst to Mr. H, Bank of America had not approved him for a personal loan at the interest rate indicated, but had issued him a line of credit on which the interest compounded daily at a rate of nearly 20%. Of the almost \$6,000 that Mr. H paid towards his loan in the first year, only \$635 went to pay off principal.

Bank of America took advantage of an 85-year-old's age and lack of financial sophistication to trick him into an exorbitantly-priced loan product that he did not need and could not afford.

The Federal Reserve should require Bank of America to: (a) provide detailed pricing and race data on its consumer lending program; and (b) make a firm commitment that its consumer loans provide a tangible net benefit to borrowers. Bank of America must not be allowed to violate the public trust and engage in lending practices that harm borrowers and communities.

Thank you for your consideration.