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B of A Says It Will Lend \$30B To Low-Income Homebuyers

◆ By DAN WEIL

Bank of America Corp. said Tuesday that it would make \$3 billion in home mortgage loans to poor and moderate-income families over 10 years through an arrangement with the Neighborhood Assistance Corporation of America, a nonprofit housing group.

The 30-year mortgages will require no down payment, closing costs, or application fees, and will carry fixed rates from three-eighths to one percentage point below market rates, Bank of America officials said.

The package is part of Bank of America's \$350 billion, 10-year community development lending commitment to comply with the Community Reinvestment Act. "But the relationship with CRA is tangential," said Catherine Bessant, president of the bank's community development banking group. "We do this to build a great book of business, not to satisfy any book of regulations."

The program will help Bank of America expand its business in low-income areas, she said. In addition to mortgage loans, the bank finances homebuilding and small businesses in these neighborhoods, Ms. Bessant said.

Though bank officials declined

to provide specific numbers, Robert Johnston, a senior vice president for the community development group, said that low-income borrowers tend to stay in their homes longer, making mortgage loans to them more profitable than to wealthier homebuyers.

The program announced today is not big enough to affect Bank of America's earnings, said Sean Ryan, a bank analyst at Bear, Stearns & Co. "They may get some customers they might not have

***The loans are part
of the bank's CRA
commitment.***

otherwise found ... and there might be some public relations or brand value by building a presence in these neighborhoods," he said. But "from an investor's perspective, it's a non-issue."

Ms. Bessant said Bank of America was impressed with Neighborhood Assistance Corporation of America's, or NACA's, track record and its chief executive officer Bruce Marks. Mr. Marks has been a controversial figure on the banking scene for most of the 1990s, protesting big bank mergers and getting companies to

agree to multi-year lending agreements in low-income neighborhoods. He has been a particular thorn in the side of First Union Corp. of Charlotte, N.C., Bank of America's hometown rival.

NACA has been working with Bank of America and its predecessor company, NationsBank Corp., for more than three years, Ms. Bessant said. In 1995 the company used the group to disburse \$500 million in home mortgage loans. "Bank of America is clearly making an effort to do lending in low- and moderate-income communities," Mr. Marks said. This latest lending package is the largest of its kind in the country, he added.

The \$3 billion commitment will probably be divided into about 30,000 loans of \$100,000 each, said officials from the company and from NACA. The mortgages will be available in cities across the nation.

"These are loans that can rebuild our neighborhoods," Mr. Marks said. "They are with homebuyers who are good business risks and make their payments on time. Historically there have been virtually no defaults." NACA has been involved with similar programs for more than 10 years, he said. ◇