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Fleet deal cited in Senate CRA debate

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Gramm hits community groups' clout

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WASHINGTON – A 1994 agreement between a Boston banking activist and Fleet Financial Group Inc. was highlighted on the Senate floor yesterday as a prominent lawmaker argued for changes to a federal law that requires banks to loan money to low-income homebuyers and urban businesses.

Displaying large posters with language from the 1994 deal, Senator Phil Gramm, Republican of Texas, argued that the Community Reinvestment Act had given a Boston organized undue clout in persuading Fleet to commit money to his group.

Many details of the deal had not been previously been made public, and Gramm did not mention the activist, Bruce Marks, or Fleet by name. Bur Marks yesterday said the contract Gramm displayed was from his deal with Fleet.

That deal had been the subject of wide attention in Boston. It was signed after Marks and his Neighborhood Assistance Corp. of America highlighted predatory lending practices by banks in Roxbury, Dorchester, and other neighborhoods, in which homeowners were persuaded to sign second mortgages at very high interest rates.

By drawing attention to lending activities by a former Fleet subsidiary, Marks was able to win a commitment from Fleet to make \$140 million available for loan to low-income and minority borrowers.

But Gramm said that federal law had given community groups the clout to “blackmail” banks by threatening to lodge complaints with regulators unless they win commitments and cash payments.

Gramm is proposing changes to the CRA that he says would limit the power of community groups seeking commitments from banks. Others say Gramm’s changes would prompt banks to reduce their lending in low-income neighborhoods.

According to Gramm’s display, the Fleet contract showed that it agreed to pay a community group 2.75 percent of the value of the loans made under a \$140 million loan program. The contract also showed that the band would pay the group \$200,000 to cover start-up costs for administering the loan program. The community group agreed to “withdraw all pending protests” before regulators.

Gramm had removed the name of the bank and the community group, but Marks said they Fleet and the Neighborhood Assistance Corp.