

# THE BOSTON GLOBE

## Activist seen target in push for banking bill

Tuesday May 4, 1999

### Senator may take on Marks, Community Reinvestment Act

By Aaron Zitner  
GLOBE STAFF

WASHINGTON - When Bruce Marks won a four-year campaign to force Fleet Financial Group to provide more low-income and inner-city loans, he marked the event with a characteristic flourish. At a US Capitol press conference attended by senators and Fleet officials, the Boston-based Marks produced a large, papier-mâché hatchet and symbolically buried it in a coffin.

Now, more than five years later, a prominent senator has dug up that old hatchet and is preparing to use it against Marks himself.

The 1994 deal between Marks and Fleet could become a focal point in Senator Phil Gramm's campaign to scale back the Community Reinvestment Act, a 22-year-old federal law that coaxes banks to make loans in low-income and minority neighborhoods.

Gramm, a Texas Republican and chairman of the Senate's banking committee, is expected to shift his campaign into high gear today. If the schedule goes as planned, he will bring to the Senate floor a massive overhaul of the Depression-era laws that have prevented banks, insurance companies, and securities firms from entering each other's lines of business.

It has taken two decades to array banks, insurers, brokerages, regulators, lawmakers behind a single bill that, if passed, would create new "financial supermarkets" that sell everything from checking accounts to mutual funds and life insurance.

One of the few sticking points is how the law would affect the Community Reinvestment Act, or CRA. Under the CRA, bank regulators study the lending practices of banks to see whether they loan money in the lower-income and minority communities in which they have offices.

The goal is to force banks to look for lending opportunities in those communities.

Gramm and his allies want to scale back the act, saying it imposes a heavy regulatory burden on banks. Moreover, Gramm has said, the CRA puts banks at the mercy of community groups that threaten to try to block bank mergers unless the banks pony up cash payments and guarantees for low-income loans.

The CRA has become "a system of legalized extortion," Gramm has said. It is used to "extract bribes and kickbacks."

The senator so far has not named names of the "gangsters" allegedly abusing the CRA, but a Capitol Hill source said that his office has made poster-size copies of provisions from the

1994 Marks agreement with Fleet. Gramm might display those posters on the Senate floor when he introduces the financial services bill today, or maybe use them during floor debate in the next few days.

Marks, in a phone interview, said the Republican staff of the Senate banking committee had asked Fleet to provide details of its deal with Marks's group, the Neighborhood Assistance Corp. of America. Fleet yesterday declined to comment.

"I don't know if the senator will call him by name, but he is certainly aware of Mr. Marks and how his group has profited from the CRA," said Christi Harlan, a spokesman for Gramm. Harlan said Gramm is most concerned about community groups that demand "cash payments" from banks on top of the commitments to make loans to traditionally under-served groups.

The 1994 deal with Fleet committed \$140 million in loan money to be administered by Neighborhood Assistance. According to a congressional source, Marks's group receives payments equal to 2.75 percent of the loans it administers. The source said Gramm might highlight that feature of the deal as an example of how groups abuse the CRA to extract payments from banks.

Marks would not confirm the size of the payments but said banks pay his group for a wide variety of loan services it renders.

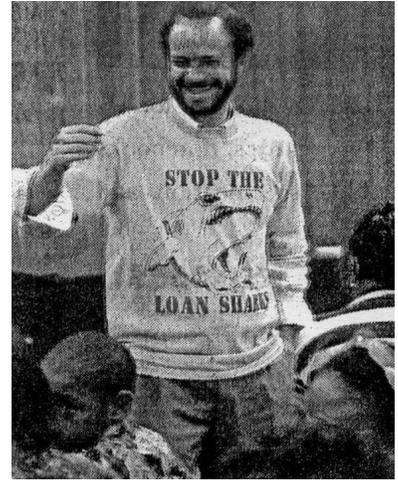
Marks's deals with Fleet and other banks compel them to loan money to qualified first-time homeowners at competitive rates, without requiring a down payment or closing costs. Neighborhood Assistance holds seminars on home-buying for low-income people. It also counsels people once they've bought a home.

"We get a fee for services, and we don't get enough for all the work that we do," Marks said. Marks said he is paid \$85,000 a year as executive director of the association, which now has 16 offices, more than 100 staff members, and manages 3.7 billion in loan commitments from banks across the country.

Marks said he was "thrilled to death" by the prospect his group could become "Phil Gramm's poster child." Gramm, he said, "doesn't want middle-income, first-time homebuyers to be able to purchase a home and that position can't survive the light of day."

Nationwide, the CRA is credited with guiding banks to loan more than \$1 trillion to homebuyers and businesses.

Under Gramm's bill, rural banks with less than \$100 million in assets would be exempt from the CRA Banks with a "satisfactory" rating for CRA compliance would find it easier



Bruce Marks in home-buying seminar

to win federal approval for mergers and new branch offices.

Gramm also opposes a measure that requires banks to maintain a "satisfactory" rating for CRA compliance before they can expand into the insurance or brokerage businesses. Gramm scuttled the financial services overhaul last year because lawmakers did not accept his changes to the CRA. President Clinton has vowed to veto the bill this year if Gramm's CRA language remains.