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Connecticut Action Alliance For a Fair Economy

Bank of America's Claim of "Responsible Corporate Citizenship" in Conflict with their Record

Bank's public relations response to study on their predatory practices in Connecticut masks their failure to contribute to state's economic recovery

Bank of America has reacted to the release of a report exposing the financial institution's poor relationship to taxpayers, consumers, small businesses, public structures and its own employees in Connecticut. The bank's public relations effort has failed to refute the facts in "Bank of America in Connecticut: Profiting Without Pitching In," released at the State Capitol in Hartford on April 14.

The Connecticut Action Alliance for a Fair Economy continued promoting the report at "tax day" protests organized at local branches in New Haven and West Hartford on April 18. Their research details how Bank of America has cost Connecticut an estimated $1.7 billion in the past two years through their tax avoidance, business lending, and home foreclosure practices.

In statements to several reporters and editors in Connecticut, Bank of America media relations staffer T.J. Michaels claimed that, "when we owe taxes we pay them." They probably do pay what they "owe," but like many large corporations, the bank has an army of lawyers and lobbyists to find and create loopholes, havens, and credits to reduce what they "owe."

"As the report demonstrates, the real question is not how much they pay, but whether they pay their 'fair share,'" said Connecticut Citizen Action Group (CCAG) Executive Director Tom Swan. "For BofA, 'fair share' is finding ways of paying as little as possible. We say 'fair share' is paying what the rest of us pay. They don't deserve special treatment," said Swan, whose community organization helped launch the action alliance in January.

The report blasts Bank of America's small business lending record in Connecticut, which T.J. Michaels attempted to deny, saying, "we continue to make every good loan we can." The bank's definition of "small business" is a company with up to $20 million in sales and those with up to $50 million are a "medium business." However, Bank of America combines both when defending their lending practices, and according to the *Wall Street Journal*, 80% of its loans nationally went to so-called "medium businesses."

"BofA should reveal how much and how many of their loans actually went to small businesses," said Service Employees International Union (SEIU) Connecticut State Council Director Paul Filson. "They took almost $200 billion in bailouts and backstops, which BofA was supposed to use to get the economy going again. But the report shows that 97% of their small business lending in Connecticut is actually through high interest rate credit cards," said Filson.

Bank of America's poor record of modifying mortgages for homeowners in distress and the resulting cost to local communities across the state is also revealed in the report. T.J. Michaels touted the total number of the bank's mortgage modifications across the country in their press response. However, he failed to point out that Bank of America has so many mortgages in default because they are the largest servicer and, through their acquisition of Countrywide, the largest holder of subprime loans in Connecticut.

T.J. Michaels' defense, while citing nationwide data, ignores the fact that Bank of America has only offered an estimated 1,266 families in Connecticut permanent loan modifications under the Home Affordable Modification Program (HAMP). Of all the properties currently in default in the state, the largest group by far is in loans originated and serviced by Bank of America.

"The true cost of foreclosure is not just limited to the families uprooted from their homes," said State Senator Edwin Gomes (D-Bridgeport). "It also includes the financial toll on local governments to clean up the devastation that foreclosures unleash on their communities. As much as we thought three years ago that our efforts would decrease foreclosures, unfortunately, foreclosures have increased every year since," said Senator Gomes, the co-chair of the Connecticut General Assembly's Housing Committee, which hosted the news briefing to release the alliance's report.

The report also sheds light on Bank of America's role in avoiding payment of mortgage registration fees, denying cash-strapped communities in Connecticut approximately $7.4 million. The bank does not deny its participation in the Mortgage Electronic Registration Systems (MERS), which was created in the mid-1990s to avoid fees during the securitization process. T.J. Michaels implicitly claims the practice is acceptable because MERS "is widely used across the mortgage industry." However, legal decisions in several state supreme courts have cast serious doubts as to the validity of transfers done through MERS. Numerous lawsuits and investigations into MERS are also currently underway in many states.

"The practice that big banks are using to avoid paying fees to cities has been going on a long time," said State Representative Larry Butler (D-Waterbury). "It cannot be allowed in this economic crisis. We simply cannot afford to give banks a way to skirt paying their fair share," said Representative Butler, the Housing Committee's co-chair.

Despite Bank of America's claims, members of the Connecticut Action Alliance for a Fair Economy are committed to keeping pressure on corporations that continue to profit without pitching in. In addition to public education and direct action activities, alliance members are demanding state lawmakers immediately act to adopt legislative solutions, including:

- A proposed bill that would require disclosure of which specific businesses enjoy tax breaks, and how much in benefits each one receives (H.B. 6560);
- A proposed bill that would prevent mortgage lenders from foreclosing on property until the owner completes a foreclosure mediation process (H.B. 6351); &
- A proposed bill requiring multi-state and multi-national corporations to pay Connecticut corporate taxes based on their combined earnings (H.B. 6628).

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Attached:
"Bank of America in Connecticut: Profiting Without Pitching In" report