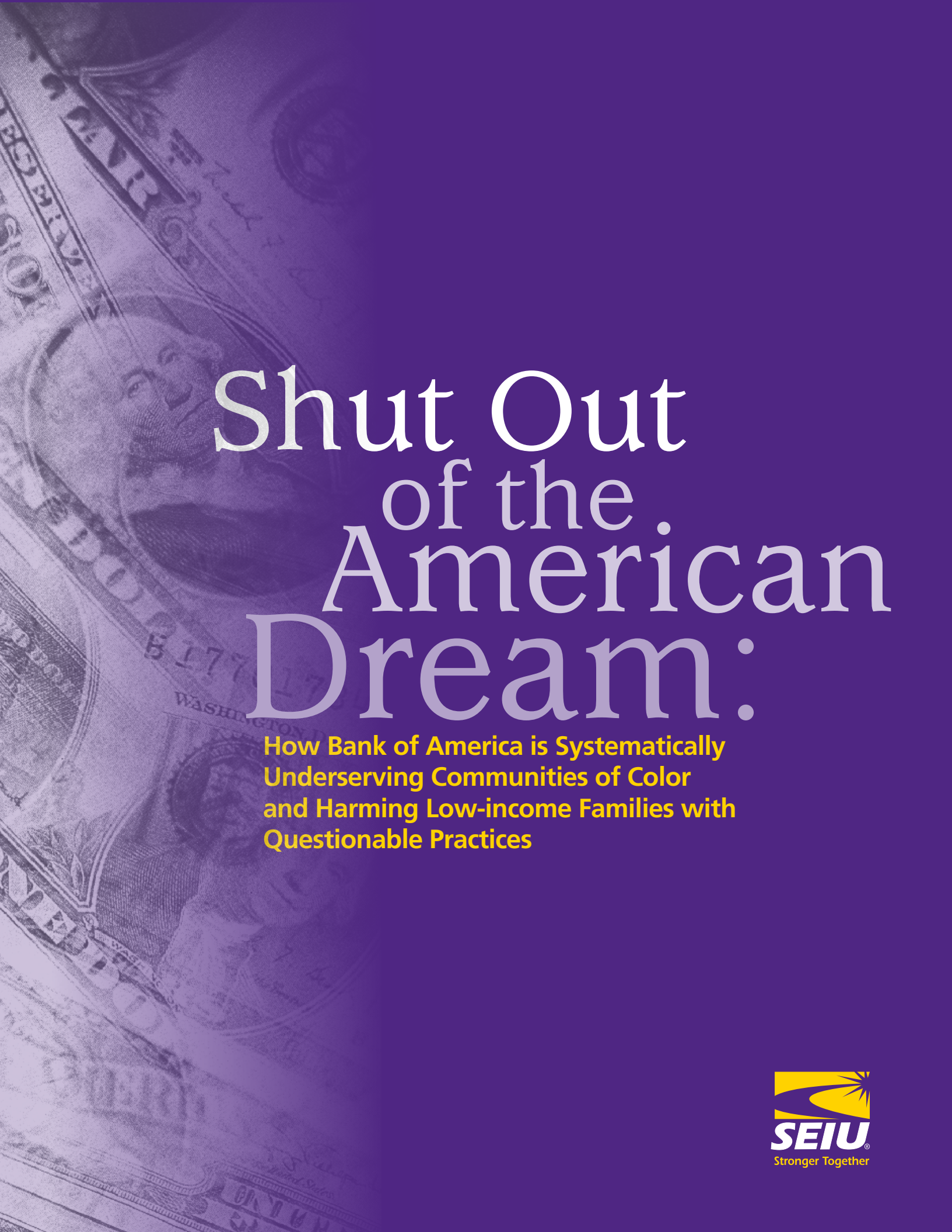




Shut Out of the American Dream:

**How Bank of America is Systematically
Underserving Communities of Color
and Harming Low-income Families with
Questionable Practices**



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Executive Summary

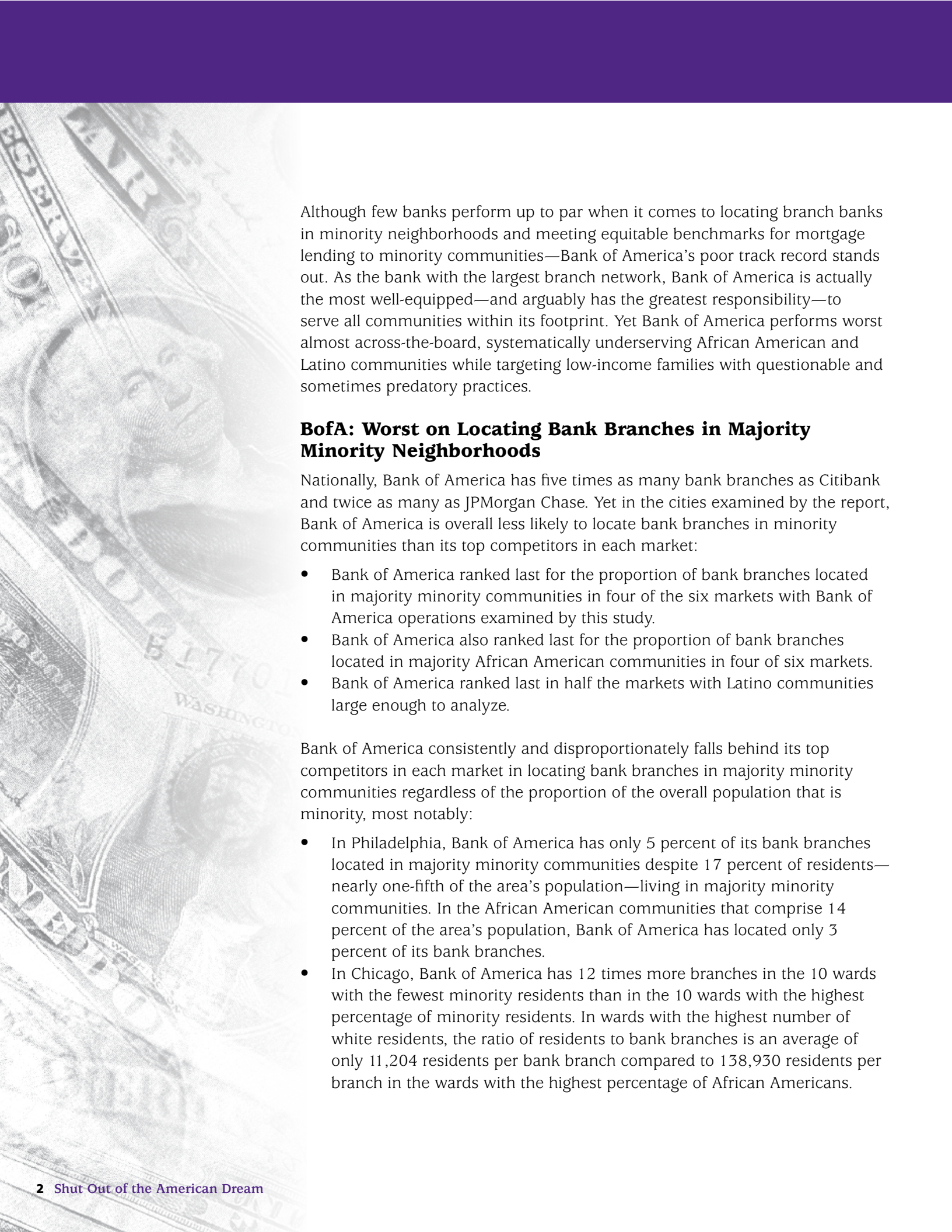
Bank of America: Underserving Communities of Color

Access to banking services is a fundamental stepping stone to attaining financial stability, owning a home, and establishing substantial roots within our communities. For low-income and minority families in particular, holding a personal bank account is often the first step toward achieving the American Dream. It comes as no surprise then that when the biggest bank in the United States fails to provide bank branches and access to fair mortgage loans in communities of color—the consequences can be devastating and far-reaching.

This report analyzes three ways that Bank of America does not live up to its obligations to minority communities: failing to locate sufficient numbers of branch banks in neighborhoods with significant numbers of African American and Latino residents; falling short when it comes to mortgage lending to people of color; and neglecting to provide the sorts of quality financial services to minority customers that help to build a healthy financial future.

At the core of the problem is the disproportionately small number of branch banks in communities of color. To analyze Bank of America's performance, this report takes a look at the pattern of bank branches in Buffalo, N.Y., Chicago, Detroit, New York City, Philadelphia, and St. Louis—cities ranked by the U.S. Census Bureau among the top 10 most-racially segregated in the country. While the starkness of the findings varies by city, when examined beside its top two competitors in each market Bank of America consistently demonstrates a poor record of establishing bank branches in minority communities. Meanwhile, Bank of America's newest banking business models pursue low-income consumers—many of whom are Latino or African American—while continuing to offer these groups high-interest rate and high-fee products.

In Chicago, where Bank of America's recent acquisition of LaSalle Bank has already raised concerns among community organizations and elected leaders at the local, state, and national levels, the lack of bank branches and low number of mortgage loans provided by Bank of America for minority families ranks among the worst of the cities analyzed by the report. Coupled with issues raised by community leaders about the impact of the Bank of America-LaSalle Bank merger on jobs and other concerns in Chicago, the findings of this report suggest the need to delve deeper into the responsibilities of banking institutions to the communities within which they operate—especially those as large and as powerful as Bank of America.



Although few banks perform up to par when it comes to locating branch banks in minority neighborhoods and meeting equitable benchmarks for mortgage lending to minority communities—Bank of America’s poor track record stands out. As the bank with the largest branch network, Bank of America is actually the most well-equipped—and arguably has the greatest responsibility—to serve all communities within its footprint. Yet Bank of America performs worst almost across-the-board, systematically underserving African American and Latino communities while targeting low-income families with questionable and sometimes predatory practices.

BofA: Worst on Locating Bank Branches in Majority Minority Neighborhoods

Nationally, Bank of America has five times as many bank branches as Citibank and twice as many as JPMorgan Chase. Yet in the cities examined by the report, Bank of America is overall less likely to locate bank branches in minority communities than its top competitors in each market:

- Bank of America ranked last for the proportion of bank branches located in majority minority communities in four of the six markets with Bank of America operations examined by this study.
- Bank of America also ranked last for the proportion of bank branches located in majority African American communities in four of six markets.
- Bank of America ranked last in half the markets with Latino communities large enough to analyze.

Bank of America consistently and disproportionately falls behind its top competitors in each market in locating bank branches in majority minority communities regardless of the proportion of the overall population that is minority, most notably:

- In Philadelphia, Bank of America has only 5 percent of its bank branches located in majority minority communities despite 17 percent of residents—nearly one-fifth of the area’s population—living in majority minority communities. In the African American communities that comprise 14 percent of the area’s population, Bank of America has located only 3 percent of its bank branches.
- In Chicago, Bank of America has 12 times more branches in the 10 wards with the fewest minority residents than in the 10 wards with the highest percentage of minority residents. In wards with the highest number of white residents, the ratio of residents to bank branches is an average of only 11,204 residents per bank branch compared to 138,930 residents per branch in the wards with the highest percentage of African Americans.

BofA: Lending More Mortgages to Whites than to African Americans, Latinos

In the most-segregated cities analyzed by the report—those where Bank of America has a presence—the bank falls far short in lending in minority communities:

- Bank of America is more likely to be the mortgage lender for a white borrower than for an African American in all the cities examined.
- In Detroit and Chicago, Bank of America was more than twice as likely to be the mortgage lender for a white borrower as for an African American borrower. Bank of America was also more than twice as likely to be the mortgage lender for a white borrower as for a Latino borrower in Chicago.
- In New York City, Bank of America was nearly one and a half times as likely to be the mortgage lender for a white borrower as for an African American borrower.

BofA: Fee-Driven Profits That Hurt Low-income Families Most

In an industry under increasing scrutiny for predatory and abusive lending practices that harm low-income families and communities of color most—including high overdraft fees on checking accounts, exorbitant late fees, and high penalty interest rates on credit cards—Bank of America’s reliance on fee-driven income stands out. In 2006 alone, Bank of America collected more than \$22.4 billion—more than half its revenues—from penalty and service fees and other forms of noninterest income.

Recommendations

The findings of this report raise serious questions about the impact of banks on low-income families and communities of color. In particular, given Bank of America’s record of using its size and market dominance to drive up fees and interest rates on consumers and working families, this report suggests an even broader critique is needed of the practices of the largest and most powerful banks.

With Bank of America already controlling one in five credit cards and the maximum amount of bank deposits permitted by the Federal Reserve—and given recent indications the bank seeks to grow even more—lawmakers and consumers must take serious measures to protect the nation’s most vulnerable, economically disenfranchised communities.



Access To Banking: Branch Banks In Minority Communities

Managing finances isn't a priority only for the wealthy. In fact, the less a family earns, the more important it becomes to make smart financial decisions. Access to affordable financial services is an issue that affects not only individuals and families, but our communities as a whole. Nationally, "as many as 20 million American households—disproportionately poor, minority, lower income, and young—are unbanked," according to the Center for Financial Services Innovation, a project of Shorebank, a well-respected Chicago community lending institution.¹ A Federal Reserve publication estimates that African Americans make up 33 percent of unbanked individuals in the United States, while Latinos comprise 20 percent.²

These disparities can have a potentially damaging effect both on families and on communities as a whole since "having a relationship with the financial services system can minimize the cost of financial transactions and help turn income into savings, assets, and wealth."³ A 2003 report by the Woodstock Institute concisely summarizes the reasons why lack of access to a bank account can be damaging:

Households that do not have bank accounts are disadvantaged in several ways. They spend up to three times as much for basic services using check cashers than consumers with accounts at mainstream financial institutions. Unbanked consumers also lack access to instruments like savings accounts that encourage modest savings. Further, the unbanked may not be able to establish a credit history, which has implications for future credit applications and for employment and insurance coverage.⁴

These concerns are echoed in a study by the National Community Reinvestment Coalition, which contends "the unbanked are less able to manage their income and expenses; and without affordable saving and lending products, it is difficult for them to build assets and climb out of poverty. With their ability to build wealth impeded, low-income families are often vulnerable to predatory or usurious lenders and unlikely to establish a consistent and strong credit history."⁵

Bank Branches: Alive and Well

Many predicted that the rise of online banking would spell the end of neighborhood branch banks, but nothing could be further from the truth. While

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"The unbanked are less able to manage their income and expenses; and without affordable saving and lending products, it is difficult for them to build assets and climb out of poverty."

—National Community Reinvestment Coalition



the number of banks has decreased, the number of bank branches has actually increased over the past two decades, according to data from the Federal Deposit Insurance Corporation (FDIC).⁶ Over the last decade, banks opened an average of 1,484 new branches each year; the total number of branches has not declined since 1992.⁷ In Chicago, an analysis by the Woodstock Institute shows that “between 2002 and 2004, the number of full service bank offices in the Chicago six-county area increased by nearly 17 percent,” far faster than the 5 percent increase between 2000 and 2002.⁸

Banks continue to build new branches (and acquire others) because of the potential to use them to build customer relationships through standard checking and savings accounts, then use those relationships to “cross-sell” other (and potentially more lucrative) financial products and services. Most banks, and bank customers, consider online banking as one part of their relationship with their bank, not a replacement for trips to the local branch or a call to a telephone banking service. Bankers today realize that “while online banking is an important weapon in their arsenal, it has not replaced the customer’s desire to use a branch.”⁹ According to the American Bankers Association, “79 percent of Americans still prefer to bank at a physical location, including retail branch offices, [and] drive-through ATMs, rather than conducting their banking electronically.”¹⁰

Retail bank accounts provide consumers with the means to cash checks, pay bills, and save for the future. Such accounts are fundamental to a household’s ability to accumulate assets and build wealth. Just as neighborhood branches provide banks with access to new customers, those branches provide potential new customers with access to banking services—perhaps for the first time. Access to bank branches in their neighborhoods can be especially important to low-income people, who are less likely to be able to utilize online or phonebanking. Many low-income people also work irregular hours or hold multiple jobs, and may have transportation difficulties, both factors which make it difficult for them to access bank branches outside of their neighborhoods. Branch locations are especially important for banks such as Bank of America which originate most of their home loans out of branches rather than from loan offices.¹¹

Which Customers Matter? An Analysis of Bank of America's Branches in the Nation's Most Segregated Cities

Not all communities have convenient access to the essential services provided by bank branches. Banks make careful choices about where to locate their branches. Consequently, where bank branches are located speaks volumes about which customers the company really wants to reach. For Bank of America, an analysis of where it chooses to locate its branch banks is especially relevant because branches are such a central part of the company's strategy for reaching customers. A recent article in *Forbes* describes BofA's approach as "branch-centric," and notes that the company "has more domestic outlets (5,700) than its two largest competitors—five times as many as Citi and twice as many as JPMorgan Chase." The article goes on to describe just how the branch-based marketing strategy works:

At this chain, branches are called "stores" for a reason. Their vivid red signage and LEDs are meant to grab your attention. Walk into a BofA branch and you might think you're in a Kmart. A greeter accosts you. At the teller window a friendly lady informs you that, according to the extensively detailed profile of you on her computer, you are eligible for a credit card with a tall limit. At home, once you've opened a new account, you'll get a call from the bank, wanting to help. Mortgage applications are done on the spot at the branches, never at a central home loan office, as is the case with most other lenders.



In short, the article concludes, "Branches bring in mortgages, home equity lines of credit, auto loans, small-business borrowings, certificates of deposit, credit cards—all products with fairly predictable income streams."¹²

With this understanding in mind, our analysis set out to examine just how well Bank of America does in locating branches—the heart and soul of its business operation—in minority communities. Some of the nation's largest cities, and largest BofA markets, such as Boston and San Francisco have few large expanses of majority minority populations. It is fairly likely, therefore, that even if a BofA branch is not located in a majority minority area, there may be a branch in an adjacent ZIP code. But in highly segregated cities, the question of where bank branches are located becomes much more critical. If branches are not located in minority neighborhoods—particularly when the communities with the highest minority populations tend to be clustered, as is the case in Chicago among other major cities—then there's a far greater likelihood that a person would have to travel long distances to have access to a branch.

With very few exceptions, all major banks did poorly when compared to the overall metro area population for African Americans, Latinos, and minorities as a whole in the markets we analyzed in this study. However, the overall low presence of bank



branches of large banks in minority communities, detailed below, makes Bank of America's poor performance in relation to other banks *even more disturbing*. As the bank with the largest branch network, Bank of America is actually the most well-equipped—and arguably has the greatest responsibility—to serve all communities within its footprint, yet Bank of America performs worst almost across the board.

“Branches bring in mortgages, home equity lines of credit, auto loans, small-business borrowings, certificates of deposit, credit cards—all products with fairly predictable income streams.”

—Forbes Magazine

It is in these cities—the ones that are geographically the most segregated—where the question of branch location is most critical. We chose to analyze BofA's presence* and compare its record in locating branch banks to the two banks with the largest branch networks in each market for the nation's 10 most-segregated metropolitan areas: Milwaukee, Detroit, Cleveland, St. Louis, Newark (which we analyzed as part of the New York metropolitan area), Cincinnati, Buffalo, N.Y., New York City, Chicago and Philadelphia.¹³ Bank of America does not currently have operations in Milwaukee, Cleveland, or Cincinnati; as such, we excluded these three cities from our analysis. In addition, it should be noted that in Detroit, BofA only recently gained a presence, after completing its merger with Chicago-based LaSalle Bank.**

* We compared Bank of America's branch locations to that of the two largest banks by number of bank branches in each Metropolitan Statistical Area (MSA). Census data by ZIP code tabulation areas were used to identify ZIP codes in which the population was majority white (if not it was considered majority minority), majority African American and majority Latino. These data were then matched with branch locations by ZIP code. Bank branch data are based on 2006 FDIC data. The number of bank branches in ZIP codes that were majority white was compared to number of bank branches in ZIP codes that were majority African American, majority Latino and majority minority. These numbers were also benchmarked against the percentage of total population in each type of majority ZIP code and the total MSA population by each demographic. Although the census data and the use of ZIP codes as a basis of analysis may have flaws, this method allows for a solid comparison between banks in the same market and a good indication of relative performance across markets. There were a small number of branches in each market with no population (for example, a shopping mall or large office building that has its own ZIP code), these branches were left in the total, but not included in any demographic group. In all of the markets, Bank of America ranked in the top five in terms of the size of its branch network. In the New York City MSA, Bank of America's branch network was the second-largest and BofA was compared to the banks with the first and third-largest branch networks. In the other markets, Bank of America was compared to the first and second-ranked banks by branch network. In Detroit (LaSalle), St. Louis, and Chicago (including LaSalle), Bank of America ranked third while in Buffalo, N.Y. and Philadelphia, Bank of America ranked fifth.

** While BofA did not have a role in deciding where those branches were constructed in the first place, it does have a responsibility to ensure that, moving forward, the company's selection of branch locations equitably serves the Detroit community.

As a measure of how good a job Bank of America is doing in reaching customers in minority communities, we looked at the percentage of that company’s branches located in three categories of ZIP codes across the entire metropolitan area—ZIP codes with majority minority populations, majority African American populations, and majority Latino populations—and compared our findings both to the other two major banks and to the overall proportion of residents of that demographic group.

What we found is that in these markets Bank of America consistently ranked among the worst performers in at least one category (majority minority, majority African American, or majority Latino), and frequently was the worst performer in more than one area. In four of the six BofA markets, the bank ranked last when it came to the proportion of its branches in majority minority communities. The company’s track record was the same in majority African American communities, where BofA ranked last in four of the six markets. In Latino communities, BofA ranked at the bottom in half of the markets with Latino populations large enough to analyze, with the notable exception of the Chicago metropolitan area, where it located branches in these communities on par with their percentage of the region’s population.

We also looked at the total population per branch (in other words, the number of potential customers per branch) in ZIP codes with majority minority, majority African American, and majority Latino populations as an indicator of how well Bank of America is doing serving various minority communities. We found that in all instances, Bank of America did worse (often substantially worse) in terms of serving people of color. In some cases, there were at least four times as many residents per branch in majority African American neighborhoods compared to majority white neighborhoods. In Philadelphia, for example, there are more than 209,000 residents per branch in majority African American communities, 4.6 times as many as the just 45,716 residents per branch in majority white ZIP codes.

Table 1: Residents Per Branch, Majority Minority ZIP Codes vs. Majority White ZIP Codes

	African American	Latino	Majority Minority	White
Philadelphia	209,647	68,840	175,974	45,716
Chicago	165,842	43,114	100,902	40,064
New York	86,354	119,820	75,409	35,483
St. Louis	75,919	N/A	66,783	44,312
Buffalo	53,451	N/A	45,366	33,265

Detailed Community-By-Community Analysis

To take the broadest possible view, we first looked at ZIP codes with majority minority populations. We found that in four of the six metropolitan areas BofA ranked last when compared to the other two largest banks. In no market did BofA's proportion of branches in minority communities even approach the proportion of minority residents in these markets. BofA's track record is most distressing in the Philadelphia area, where 17 percent of the population lives in ZIP codes with majority minority residents but BofA has just 5 percent of its branches in those communities. By comparison, both Wachovia and Citizens perform significantly better with 9 percent each.

Table 2: Bank Branches and Percentage of Total Population in Majority Minority Communities

	Detroit	St. Louis	Buffalo	New York	Chicago	Philadelphia
Percent of Population in ZIP codes with Majority Minority Populations	22.1%	15.3%	11.7%	30.1%	26.5%	17.1%
Worst	BofA(15.7%)	BofA(9.8%)	BofA(8.6%)	North Fork(14.3%)	Harris(10.1%)	BofA(5.0%)
Second	Chase(16.6%)	Regions(11.0%)	MandT(10.8%)	BofA(16.5%)	BofA(12.4%)	Citizens(8.7%)
Third	Comerica(19.4%)	U.S. Bank(14.8%)	HSBC(11.1%)	Chase(16.9%)	Chase(13.1%)	Wachovia(9.2%)

In general, the disparities are even worse in African American communities, and Bank of America's track record in serving these areas is even less impressive than in majority minority communities as a whole. In African American communities, BofA ranks last in four of the six markets. Again, its record in Philadelphia is its worst, with just 3 percent of its branches in the African American communities that comprise 14 percent of the area's population.

Table 3: Bank Branches and Percentage of Total Population in Majority African American Communities

	Detroit	St. Louis	Buffalo	New York	Chicago	Philadelphia
Percent of Population in ZIP codes with Majority African American Populations	19.3%	14.5%	9.2%	11.1%	14.5%	13.6%
Worst	Chase(14.8%)	BofA(8.2%)	BofA(5.7%)	North Fork(3.9%)	BofA(4.1%)	BofA(3.3%)
Second	BofA(15.1%)	Regions(11.0%)	MandT(7.7%)	Chase(4.2%)	Harris(5.1%)	Wachovia(7.0%)
Third	Comerica(15.9%)	U.S. Bank(14.8%)	HSBC(9.5%)	BofA(5.3%)	Chase(6.1%)	Citizens(7.2%)

The relatively smaller number of Latino residents in the cities examined made it more difficult to conduct a thorough analysis of bank branch access for Latinos by ZIP code. In fact, there are no majority Latino ZIP codes in St. Louis or Buffalo, where the total Latino population is only 2 percent and 3 percent, respectively. Detroit (3 percent) and Philadelphia (6 percent) also have relatively low Latino populations, which appear not to be heavily concentrated in specific ZIP codes.¹⁴ Overall, the fact that stands out most about BofA's performance among Latinos is that the bank actually matches the overall proportion of the population in majority Latino ZIP codes, except in New York.

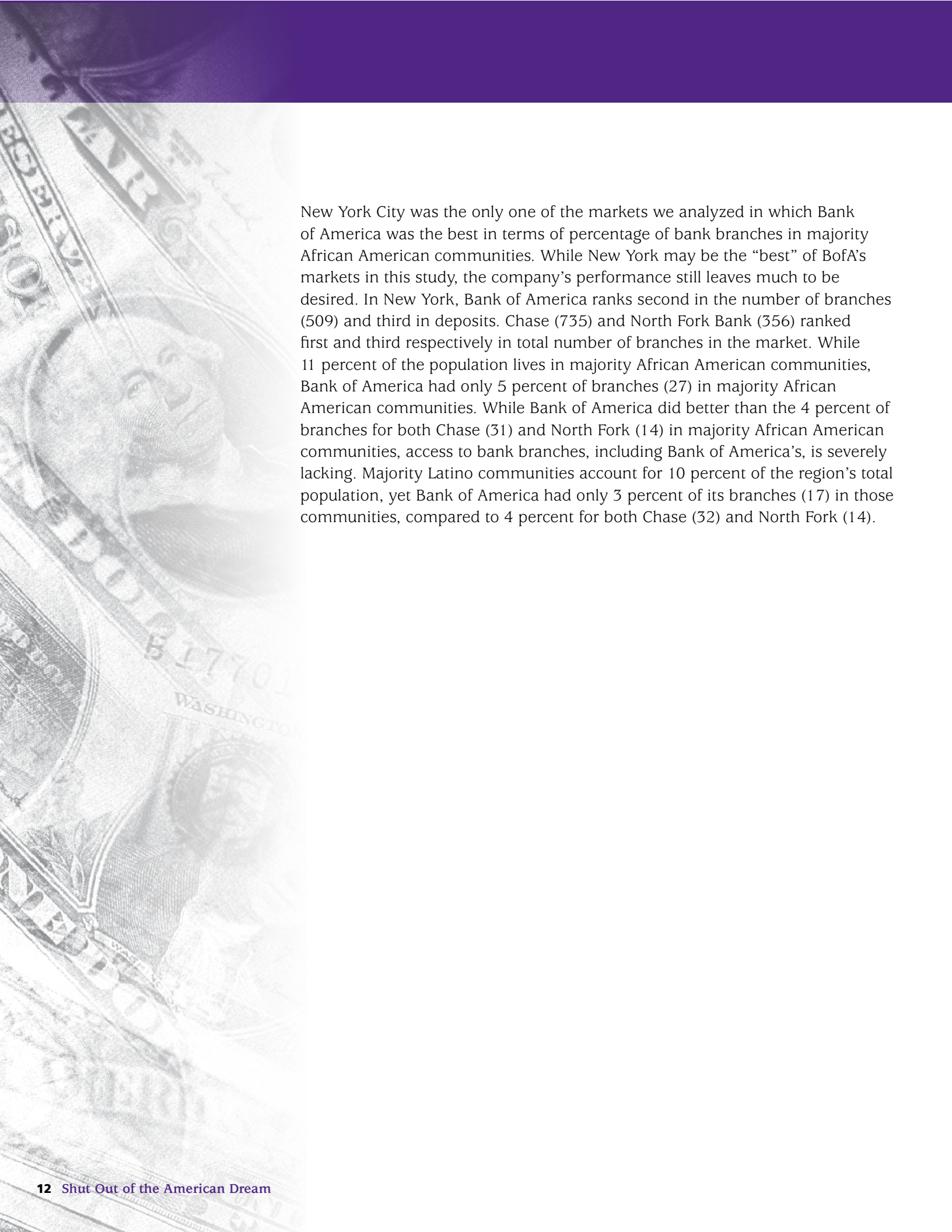
Table 4: Bank Branches and Percentage of Total Population in Majority Latino Communities

	Detroit	New York	Chicago	Philadelphia
Percent of Population in Majority Latino ZIP Codes	0.7%	9.7%	7.5%	1.1%
Worst	BofA(0.6%)	BofA(3.3%)	Chase(2.9%)	Wachovia(0.4%)
Second	Comerica(1.2%)	North Fork(3.9%)	Harris(3.5%)	Citizens(0.5%)
Third	Chase(1.2%)	Chase(4.4%)	BofA (8.2%)	BofA (0.8%)

Comparing the Best and the Worst BofA Markets

In the sample of metropolitan areas examined by this report, Philadelphia clearly emerges as the worst example of BofA's performance. (However, later in this report, an in-depth analysis of the company's branches within the Chicago city limits reveals at a neighborhood-by-neighborhood level how BofA has effectively redlined many neighborhoods, particularly in the African American community).

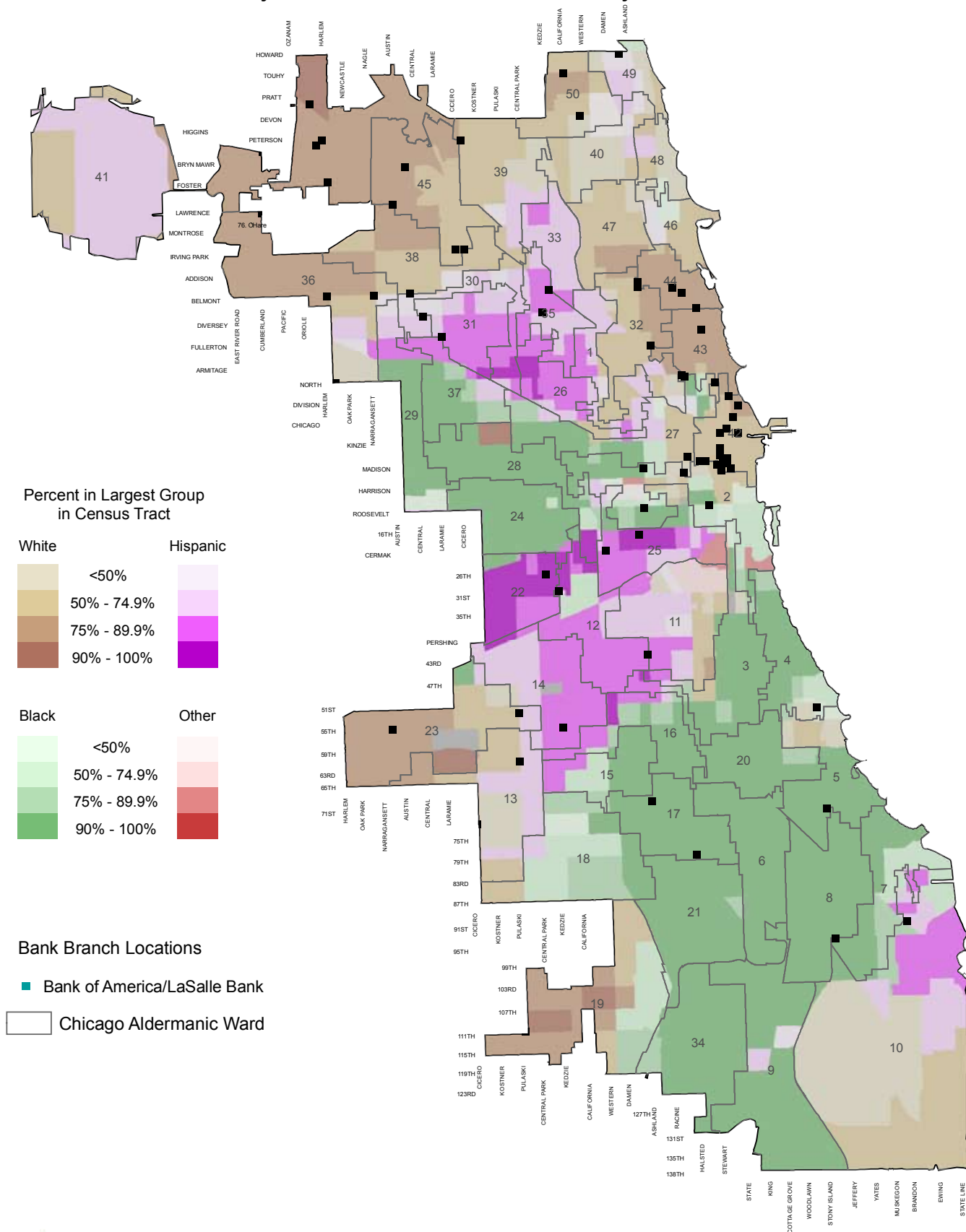
In Philadelphia, BofA ranks fifth in terms of number of branches (121) and second when measured by total deposits. Fully 93 percent of those branches are located in majority white communities despite those ZIP codes representing just 73 percent of the area's total population. Just five of those branches were in communities where a majority of the residents were people of color—four in majority African American ZIP codes, and one in a majority Latino ZIP code. Perhaps the most alarming comparison comes in African American neighborhoods, which account for just 3 percent of BofA's Philadelphia-area branches despite the fact that 19 percent of the population lives in majority African American ZIP codes. While the other two major bank chains—Wachovia and Citizens—still have substantial work to do, with just 7 percent of their branches in majority African American neighborhoods—their percentages are still more than twice as high as BofA's. All three banks each had one branch in a majority Latino community.



New York City was the only one of the markets we analyzed in which Bank of America was the best in terms of percentage of bank branches in majority African American communities. While New York may be the “best” of BofA’s markets in this study, the company’s performance still leaves much to be desired. In New York, Bank of America ranks second in the number of branches (509) and third in deposits. Chase (735) and North Fork Bank (356) ranked first and third respectively in total number of branches in the market. While 11 percent of the population lives in majority African American communities, Bank of America had only 5 percent of branches (27) in majority African American communities. While Bank of America did better than the 4 percent of branches for both Chase (31) and North Fork (14) in majority African American communities, access to bank branches, including Bank of America’s, is severely lacking. Majority Latino communities account for 10 percent of the region’s total population, yet Bank of America had only 3 percent of its branches (17) in those communities, compared to 4 percent for both Chase (32) and North Fork (14).



Bank of America/LaSalle Bank Locations in Chicago Aldermanic Wards By Dominant Race or Ethnicity



Case Study: Bank of America's Branch Banking in Chicago

In August 2006, Bank of America opened, to much fanfare, a branch in the South Side neighborhood of West Englewood—the first bank to open in the community in 50 years, according to neighborhood activists who lauded the news. An article in the *Chicago Defender*, the city's African American daily newspaper, called the opening a “symbol of hope and change for the future.” The news highlights just how important a bank can be to a community.¹⁵

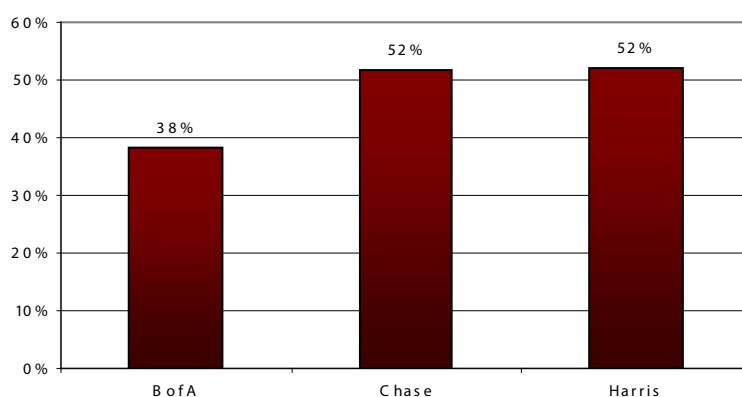
“To have a bank in our community is a big deal, because our folks are used to using the currency exchange,” the alderman of the ward said. “And that is only taking our money. It's not teaching us to be proactive with our money.” An aide to a state representative said that one day, the branch would be considered a “historical landmark.”¹⁶

While the West Englewood branch opening was undoubtedly a great thing for that community, far too many other Chicago communities have been passed over by Bank of America. To assess whether BofA underserves Chicago's minority neighborhoods, we chose to look at the distribution of the company's branches—including those it inherited from LaSalle in the recent merger—according to the number of branches in each of Chicago's 50 wards. Because they are political jurisdictions, wards are roughly equal in terms of population, and they tend to reflect the boundaries of traditional Chicago neighborhoods. We used the most current lists of branch banks provided by the FDIC,¹⁷ and compared that to U.S. Census data compiled for each ward by the Northeastern Illinois Planning Commission (NIPC).¹⁸ In addition to Bank of America—now the largest depository institution in the Chicago area—we analyzed the distribution of bank branches by the next two largest banks in the city, Chase and Harris Bank. Our analysis looked at majority minority, majority African American, and majority Latino wards.

Majority Minority Wards

Of Chicago's 50 wards, 36 qualify as “majority minority” areas, with at least 50 percent of residents identifying themselves as people of color to the U.S. Census Bureau. In these 36 wards, Bank of America has just 26 branches. In the remaining 14 wards, which are predominantly white, BofA has 42 branches. Viewed another way, while majority minority wards make up 71 percent of Chicago's population, just 38 percent of Bank of America's branches are located in those wards. While it appears that all the major banks

Figure 1: Proportion of Branch Banks in Majority Minority Wards



in Chicago have room for improvement when it comes to serving our city's minority neighborhoods, it is important to note that Chase and Harris perform far better. Both of those banks have over half—52 percent—of their branches located in majority minority wards, compared to Bank of America's 38 percent. By comparison, Bank of America has proportionately fewer branches than the city's other two largest banks in both majority minority and majority-African American wards.

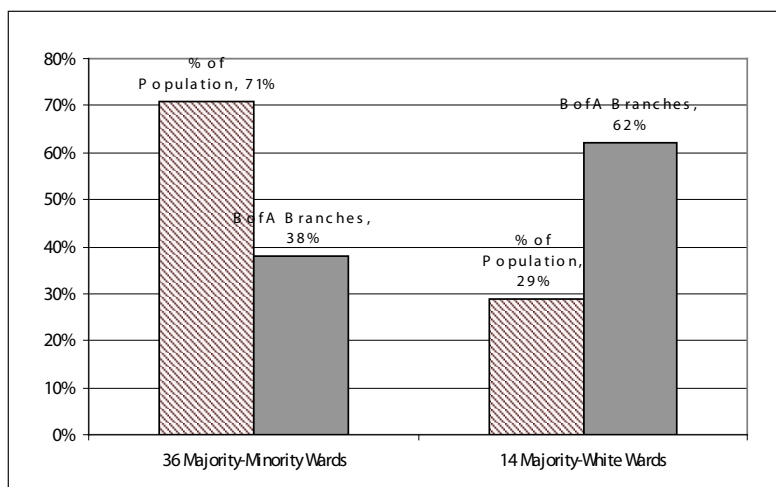
Looking in the wards with the highest percentage of minority residents—75 percent or more—Harris Bank really distinguishes itself from the city's other two largest banks. Fully 40 percent of Harris's branches in Chicago are located in those wards, which comprise 48 percent of the city's population. By comparison, just 25 percent of BofA branches and 27 percent of Chase branches are in wards with minority populations of 75 percent or greater.

Chase and Harris also perform substantially better than Bank of America in majority African American wards. Just 19 percent of BofA's branches are in majority African American wards, compared to 25 percent for Chase and 36 percent for Harris. Citywide, 37 percent of Chicago's population is in majority African American wards.[†]

In majority Latino neighborhoods, however, Bank of America (like other major banks) performs better, with 16 percent of its branches in majority Latino wards (compared to 24 percent of

the population in those wards), slightly higher than Chase (15 percent) and Harris (12 percent). While there is still room for improvement here as well, we believe that Bank of America's relatively better track record at locating branches in Latino neighborhoods may represent a concerted effort to capitalize on the growing Latino market. (For an analysis of this trend, please see the final section of this report.)

Figure 2: Bank of America Branches, Majority Minority vs. Majority White Wards



[†] We also analyzed the distribution of Bank of America's branches before the merger with LaSalle, and found very similar results. In fact, the distribution of BofA's 34 branches in the City of Chicago was somewhat worse than for the merged bank. For example, 29 percent of BofA's premerger branches are in majority minority wards, compared to 38 percent for the merged company. The distribution in majority African American wards was virtually identical (18 percent premerger, 19 percent for the merged bank). BofA actually performed somewhat worse in majority Latino wards before the merger (12 percent of branches, compared to 16 percent of branches for the merged bank). In wards with the highest concentration of African Americans (75 percent or greater), BofA before the merger counted 6 percent of branches, compared to 9 percent for the merged bank.

Looking Ward by Ward: How Does Bank of America Fare in Chicago's Most Concentrated Minority Communities?

Chicago has historically been among the nation's most-segregated cities,¹⁹ a fact that remains apparent when looking at the city's 50 wards. Nearly half—45 percent—of the city's African American population lives in the 10 wards with the highest proportion of minority residents. Seven of these wards form a contiguous stretch on the city's South Side covering neighborhoods such as Chatham, Gresham, Grand Crossing, and Englewood. The other three wards also form a contiguous stretch on the West Side covering Lawndale and East and West Garfield Park. In other words, if your ward lacks bank branches, it's unlikely that the ward next door to you is adequately served by Bank of America or some other bank; the next neighborhood over is likely to be in the same predicament as yours.

In the 10 wards with the highest minority population, BofA has just three branches (two of which it inherited from LaSalle in the merger). Two of those branches are in the 17th Ward (the site of the West Englewood branch mentioned in the opening to this section). There are no branches in the six other wards that form the South Side cluster noted above. The other branch is located in the 37th Ward, leaving the two southernmost wards in the West Side cluster entirely devoid of branches. By comparison, Chase has six branches in those wards. Harris, which has about one-third as many branches overall as BofA, has three branches in these wards.

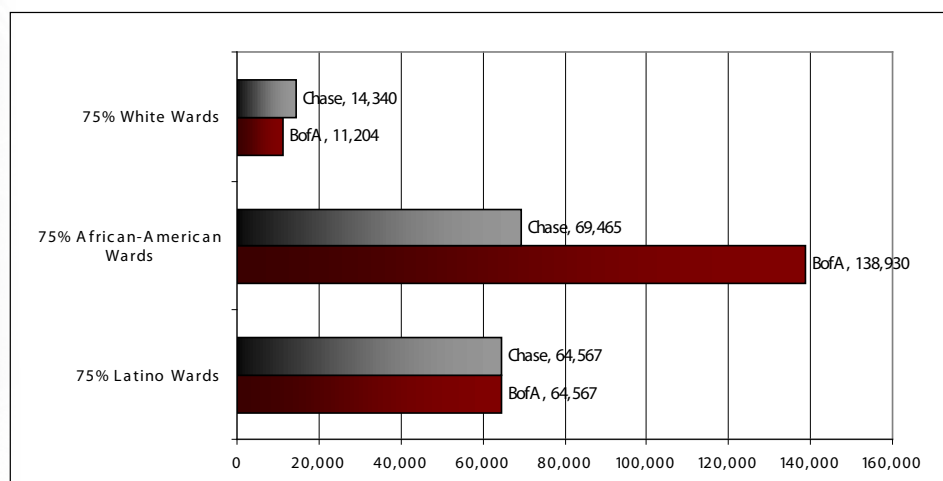
In fact, Bank of America has *12 times* more branches in the 10 wards with the lowest minority populations than in the 10 wards with the highest percentage of minority residents. That's twice as bad as Chase (which has 5.5 times as many branches in the wards with the highest number of white residents) and almost four times worse than Harris (which has 3.3 times as many branches). Tables showing the data for the 10 wards with the highest minority population and the 10 with the lowest minority population are included in Appendix Two.

Bank of America has 12 times more branches in the 10 wards with the lowest minority populations than in the 10 wards with the highest percentage of minority residents.

We also analyzed the ratio of residents to bank branches for the three major Chicago banks in the most heavily minority wards—those with minority populations of 75 percent or more. We found that in the most heavily white wards, there was an average of 11,204 residents per branch, compared to 138,930 residents per branch—more than 12 times as many—in the most heavily African American wards. Looking at wards with Latino populations of 75 percent or more, the number is still startling—64,567 residents per branch, nearly six times as many as in heavily white wards.

Because Harris Bank is substantially smaller than either Bank of America or Chase, a comparison based on these sorts of aggregate numbers does not make sense. But comparing BofA with Chase—particularly in heavily African American wards—is revealing. In those wards, there are fully twice as many residents per Bank of America branch as per Chase location.

Figure 3: Number of Residents Per Branch, Wards With High Concentration by Race or Ethnicity



Where Is BofA Growing in the Chicago Area?

Another measure of a bank's commitment to achieving a presence in minority and low-income neighborhoods is where it chooses to build its next group of branches. An analysis by the Woodstock Institute demonstrates that while the number of bank branches in the Chicago area is on the rise, there is "an increasing disparity in access to full-service branches between upper- and lower-income communities." Upper-income ZIP codes saw a 27 percent increase in the number of branch banks, while lower-income ZIP codes saw growth of just 12.8 percent.²⁰ In fact, the branch bank boom is getting so pervasive that some communities are actually setting up restrictions over their construction,²¹ particularly in upscale shopping areas and wealthy suburban communities such as Lake Forest.²²

We examined the weekly reports of applications for new branch openings filed with the Office of the Comptroller of the Currency from January through October 2007, and found eight applications by Bank of America this year. Of these, four are in majority white neighborhoods, two are in rapidly gentrifying

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Chicago's upper-income ZIP codes saw a 27 percent increase in the number of branch banks, while lower-income ZIP codes saw growth of just 12.8 percent.

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neighborhoods (430 W. Roosevelt Road, in the South Loop; and West Humboldt Park)*, two are in majority Latino neighborhoods (Little Village/Cicero and West Humboldt Park); and one is in a majority African American community (Country Club Hills).

Table 5: Bank of America Branches Built or Applied for in Chicago Area, 2007

Branch Name	ZIP Code	Demographics*	OCC Report	Status
2980 Showplace Drive, Naperville	60564	White: 85.9 % African American: 3.7 % Latino: 3.0 %	8/4/07	Effective
2337 S. Cicero Ave, Cicero	60804	White: 48.5 % African American: 1.1 % Latino: 77.5 %	9/29/07	Effective
SW Corner of 167 th and Kilbourn, Country Club Hills	60478	White: 15.6 % African American: 81.0 %	9/22/07	Approved
Uptown/ Broadway and Lawrence	60640	White: 52.4 % African American: 19.5 % Latino: 21.3 %	9/22/07	Approved
Bucktown/North and Milwaukee	60622	White: 59 % African American: 10.9 % Latino: 45.2 %	8/25/07	Application Received
West Humboldt Park, NW Corner of North Ave. and Kilbourn Ave.	60639	White: 42 % African American: 18 % Latino: 66.4 %	7/28/07	Approved
4141 W. 95 th St, Oak Lawn	60453	White: 93.5 % African American: 1.2 % Latino: 5.3 %	6/9/07	Effective
430 W. Roosevelt Rd., Chicago	60607	White: 47.6 % African American: 33.1 % Latino: 8.1 %	3/31/07	Effective

Source: Office of the Comptroller of the Currency, Weekly Bulletins for 2007 (through October 12, 2007), accessed at <http://www.occ.treas.gov/weekly/wbdown.htm>.

*The percentages may total over 100% due to the way the Census Bureau classifies race and ethnicity.

* A report on gentrification in Chicago's neighborhoods written by Loyola University Chicago's Center for Urban Research and Learning (CURL), concludes "Four of Chicago's neighborhoods—Logan Square, West Town [which is combined with Humboldt Park in the CURL analysis], the Near West Side, and the Near South Side—experienced arguably the most significant improvement during the 1990s. Each of these communities no longer qualified as low-income in 2000. Their rates of positive change generally outpaced that of the city as a whole (often by large margins). What were struggling neighborhoods in 1990 had become some of the city's most desirable 10 years later." (Philip Nyden, Emily Edlynn, Julie Davis, "The Differential Impact of Gentrification on Communities in Chicago," Loyola University Chicago: Center for Urban Research and Learning for the City of Chicago Commission on Human Relations, January 2006, p5.)



Mortgage Lending Performance: A Key Tool for Building Wealth in Minority Communities

While branch banks are a critical tool for building wealth in low-income and minority neighborhoods, they are only one of the financial services that communities need to create prosperous, sustainable futures. In particular, access to affordable and responsible mortgage loans is central to the health of neighborhood housing markets and the ability for individuals to build wealth through homeownership.

Particularly for Bank of America, there is an important link between branch banks and access to prime mortgages. In fact, the *Wall Street Journal* reported in October 2007 that BofA had announced plans to stop using mortgage brokers so that it could “devote more energy to expanding its retail lending channels, including lending through its banking centers and loan officers.”²³ As noted above, BofA uses the prominence of its branches to reach new customers, establish relationships, and offer them new products and services—including mortgages. In particular, BofA has focused on increasing the number of mortgages it originates to customers who already have accounts with the bank.²⁴

Certainly, the absence of a branch bank in a given community does not preclude an individual from seeking out a mortgage from that bank or any number of other sources. But for those customers who slip through the cracks, there can be devastating consequences. Research shows that many of those who end up with expensive subprime mortgages—loans that are plagued by higher risks, fees, and interest rates that increase the potential for default or foreclosure²⁵—may actually have qualified for higher-quality prime mortgage loans. Estimates vary, but between 10 percent and 50 percent of borrowers who received subprime loans could have qualified for prime mortgages,²⁶ but were unable to access prime credit. Among minority borrowers, there is evidence that African Americans and Latinos are more likely to get high-rate mortgages, even when comparing individuals with similar credit risks:

Our findings show that, for most types of subprime home loans, African American and Latino borrowers are at greater risk of receiving higher-rate loans than white borrowers, even after controlling for legitimate risk factors. The disparities we find are large and statistically significant: For many types of loans, borrowers of color in our database were more than 30 percent more likely to receive a higher-rate loan than white borrowers, even after accounting for differences in risk.²⁷



While there's no guarantee that these borrowers would have been able to obtain a prime mortgage had there been a branch bank in their neighborhood, there's every reason to believe that a conveniently located local branch with an incentive to recruit customers and market services would increase the likelihood that qualified borrowers and willing lenders would find each other.

This section of the report examines how well Bank of America uses its tremendous geographic reach and extensive branch network to reach minority borrowers as they seek to build wealth through owning a home. As a bank that has for years steered clear of the subprime market, BofA is the type of lender whose growth in minority markets would be welcomed. And Bank of America's mortgage business is growing, both through internal growth and by investing in outside mortgage providers. BofA was the nation's leading mortgage lender in the second quarter of 2007, with \$42.9 billion in loan originations and a 12.7 percent share of the total market.²⁸ BofA also increased its prominence in the mortgage market recently when it became the largest investor in Countrywide Financial, the nation's top mortgage lender (*see sidebar, Page 25*). But while its mortgage business appears to be expanding, there continue to be blind spots in who actually receives loans from the company.

BofA: Falling Short In Lending To Minority Communities

To be sure, the entire banking industry has a dismal record when it comes to serving the mortgage lending needs of minority communities. However, because of its expansive branch network and its position as one of the nation's largest mortgage lenders, Bank of America is in a unique position to be a leader on this issue. An analysis of BofA's lending patterns in the nation's most highly segregated cities shows that BofA has failed to step up to the challenge in the communities where it matters most.

One way to examine BofA's performance in lending to minority communities is to compare the bank's presence, or market share, in minority submarkets. Generally speaking, if a lender is equally successful at reaching different, discrete lending markets, it would be expected to have roughly equal shares of those markets. If that were the case, taking the ratio of a lender's share of an underserved market (such as minority borrowers) to its share of an adequately served market (such as white markets) would yield a number close to 1.0. However, if a lender is unsuccessful, or avoiding, lending to an underserved market this market share ratio (MSR) would be well below 1.0. Conversely, if a lender was targeting a particular underserved market, the MSR would be expected to be well above 1.0.²⁹

Below we compare BofA's share of the mortgage submarkets for African American and Latino borrowers in the six cities examined earlier with its submarket share for white borrowers. In our analysis, we included all conventional loans for one-to-four unit, owner-occupied residences in the given market.

Figure 4: BofA's Share of Mortgage Submarkets for African American and White Borrowers

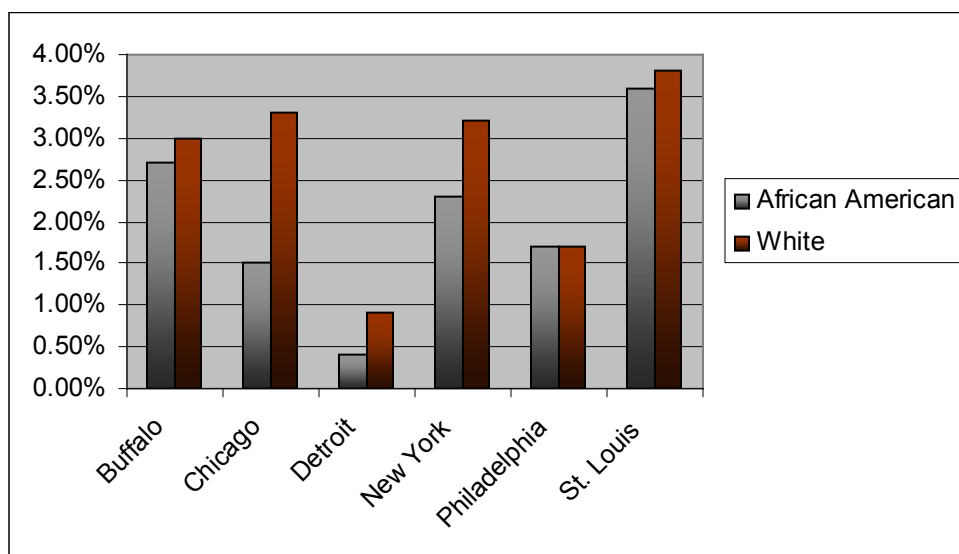


Table 6: BofA's Mortgage Market Share Ratio – African Americans to Whites (2006)³⁰

MSA	African American Submarket Share	White Submarket Share	Market Share Ratio
Buffalo	2.7 %	3.0 %	0.89
Chicago*	1.5 %	3.3 %	0.46
Detroit*	0.4 %	0.9 %	0.41
New York City	2.3 %	3.2 %	0.71
Philadelphia	1.7 %	1.7 %	0.98
St. Louis	3.6 %	3.8 %	0.95

As the table above shows, BofA was more likely to be the mortgage lender for a white borrower than for an African American in all six of the markets in 2006. BofA came closest to serving an equal share of the two submarkets in Philadelphia, where it was only 2 percent less likely to be the mortgage lender for an African American than a white borrower. It did not fare so well in some of the other markets:

- In Detroit, BofA was more than twice as likely to be the mortgage lender for a white borrower as for an African American.
- In Chicago, BofA was more than twice as likely to be the mortgage lender for a white borrower as for an African American.
- In New York City, BofA was nearly one and a half times as likely to be the mortgage lender for a white borrower as for an African American.

*Chicago and Detroit figures do not include LaSalle Bank.

BofA fared the worst in Chicago and Detroit—the two markets in this group in which it had the lowest share of bank branches in 2006.³¹

A similar comparison for the Latino community is complicated by the fact that Buffalo, N.Y., Detroit, Philadelphia, and St. Louis all have relatively small Latino populations, so there were very few mortgage loans made to Latinos by *any* bank in these markets. In Buffalo, N.Y., BofA originated only 12 loans to Latinos in 2006; in Detroit it originated only 43 loans; in Philadelphia, 296; and in St. Louis, 114.³² Because the total number of mortgage loans to Latinos is so small in these four markets, it is not possible to do a fair MSR analysis. Accordingly, we only examine the Chicago and New York City markets in the analysis below.

Figure 5: BofA's Share of Mortgage Submarkets for Latino and White Borrowers

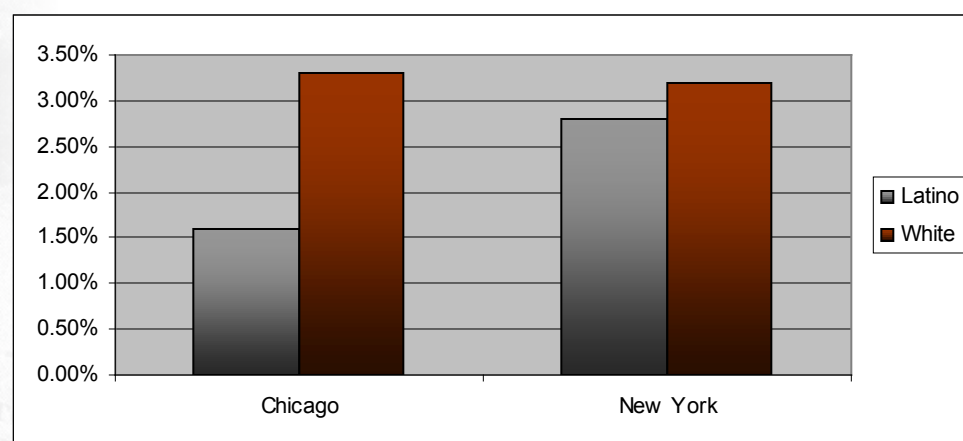


Table 7: Mortgage Market Share Ratio – Latinos to Whites (2006)³³

MSA	Submarket Share Latino Borrowers	Submarket Share White Borrowers	Market Share Ratio
Chicago*	1.6%	3.3%	0.49
New York City	2.8%	3.2%	0.88

BofA also had a smaller share of the mortgage submarket for Latino borrowers than for white borrowers in both Chicago and New York. In Chicago, BofA was ***more than twice as likely*** to be the mortgage lender for a white mortgage borrower than for a Latino borrower. In New York, it was 1.1 times as likely. Once again, BofA fared worse in Chicago, where it had about 1 percent of the total branches in the market, in 2006, as compared with New York, where it had 9 percent.

*Chicago figures do not include LaSalle Bank.

BofA and Countrywide: New Partners in a Subprime Industry that Targets Minorities

In August 2007, Countrywide Financial—the nation's top mortgage lender, and for years also a leader in the subprime market—received Bank of America's support in the form of a \$2 billion investment.

BofA has the option of converting its investment in Countrywide into a 16 percent ownership stake in the company—which would make it the largest shareholder—or to match any offer to buy the entire company.³⁴ BofA and Countrywide have been courting for years and there is still widespread speculation that its \$2 billion investment was the first step in a takeover.³⁵

BofA's investment has the potential to dramatically increase its footprint in the national mortgage lending market and in the subprime market in particular. BofA has the responsibility not only to repair its own track record in minority lending—in both branch locations and mortgage lending—but to use its influence to help address the impact of Countrywide's lending practices on minority communities as the effects of the subprime crisis continue to unfold.

Although subprime mortgages were only a portion of its mortgage business in 2006, Countrywide's scale made it the third-largest subprime lender in the country.³⁶ The company, which is 'the leading lender to all minority communities, including African Americans, Hispanics, and Asians,'³⁷ has been charged with pushing borrowers into subprime loans even if they would have qualified for prime loans and loading borrowers with excessive fees and prepayment penalties to maximize profits.³⁸ In December 2006, Countrywide struck an agreement with New York's Attorney General to compensate African American and Latino borrowers to whom it had improperly given high-cost loans.³⁹

U.S. Sen. Charles Schumer (D-N.Y.) has said that Countrywide's practices, "paint a picture . . . of greed motivating widespread irresponsible lending that have contributed to what could have been the largest home foreclosure crisis in our country."⁴⁰ Countrywide has been the target of numerous recent national protests because of its failure to help borrowers remain in their homes and avoid foreclosure.⁴¹ It has even been characterized as "the lender most unwilling to help borrowers."⁴²

Countrywide responded to this criticism in October 2007 by announcing a plan to refinance or restructure some of its loans in an attempt to avoid foreclosures as tens of thousands of adjustable-rate mortgages reset. Sen. Schumer remained skeptical of the plan, saying, "Given Countrywide's track record, a lot of questions must be answered before they get a pat on the back."⁴³ An official from the National Association of Consumer Advocates also pointed out that the 82,000 loans Countrywide has committed to modifying represent a small fraction of the total loans to more than 2 million borrowers who face foreclosure.⁴⁴

Countrywide's troublesome subprime practices likely have a disproportionate effect on minority borrowers because subprime loans are disproportionately made in minority communities. In December 2006, the Center for Responsible Lending reported that according to recent lending data more than half of mortgage loans to African American borrowers and four in 10 loans to Latino homeowners were higher cost loans, which are, by definition, a proxy for subprime loans.⁴⁵ A recent New York University study also showed that the 10 New York City neighborhoods with the highest percentage of mortgages from subprime lenders had black and Latino majorities, while the 10 areas with the lowest rates were mainly non-Hispanic white.⁴⁶

These data are particularly disturbing given the evidence that between 10 percent and 50 percent of borrowers who received subprime loans could have qualified for prime mortgages, and that African American and Latino borrowers are more likely to be given higher-rate loans than whites with similar credit risks. As discussed above, a recent Center for Responsible Lending report concluded that African American and Latino borrowers are at greater risk than white borrowers of being given higher-rate loans—even after controlling for legitimate risk factors. New York University's study also showed that home buyers in predominantly black and Latino neighborhoods were more likely to get their mortgages from subprime lenders than home buyers in white neighborhoods with similar median income levels.⁴⁷ Housing and civil rights advocates say that "minority communities whose financing needs were starved decades ago because of redlining—banks' refusal to offer loans or other services in minority areas—are now singled out for high-cost, high-risk mortgages in a kind of reverse redlining."⁴⁸



More Than Just Branch Banks: A Balanced Approach to Reversing the Legacy of Discrimination

Access to branch banks in the neighborhoods where low-income and minority residents live is a critical ingredient in reversing decades of discrimination that have left a persistent and troubling wealth gap between whites and people of color. But simply locating a branch bank in a long-neglected neighborhood is not enough. As fee income and credit card interest increasingly drive many banks' (including Bank of America's) bottom lines, low-income and minority customers are becoming an attractive target. Unfortunately, the sorts of financial services that saddle customers with high overdraft fees or expensive interest rates do not help to build wealth in these communities and, in fact, can drive customers away from banks and into the fringe financial services market. This final section examines these trends and points the way toward a set of responsible financial services that will truly build wealth in minority and low-income communities and provide community residents a path to real financial security.

The Legacy of Redlining

A significant part of the historical legacy of discrimination is “redlining,” the practice of denying or limiting financial services to specific neighborhoods, usually because the residents are poor or people of color.⁴⁹ The roots of the term are in lenders' use of color-coded maps that identified “undesirable” poor white and African American neighborhoods in red.⁵⁰ Discriminatory reliance on redlined maps affected not only individuals who were denied access to equity-building products such as home loans, but entire communities which found themselves without the capital they needed for development and reinvestment. Redlining and other discriminatory practices have contributed to the economic marginalization of entire communities, and the lingering effects of these practices can be seen in the massive wealth discrepancies between African American and white and Latino and white populations in the United States⁵¹.

Despite efforts to eradicate discriminatory practices such as redlining, a 2004 study by the Pew Hispanic Center found that the wealth gap between Latino and non-Latino white households had recently increased. The study found that though the median income of African American and Latino households is about two-thirds that of whites, the net wealth of Latino and African American households is less than one-tenth the wealth of white households.⁵²

The 2002 net worth of Latino households was \$7,932, a mere 9 percent of the \$88,651 median wealth of white households. The net worth of African Americans

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Increasingly, the banking industry sees financially struggling communities as markets to be exploited. The problem is so pernicious that it has been dubbed “reverse redlining,” or the “new redlining.”

The percentage of white households which owned homes in 2002 was 74.3 percent. The homeownership rates for Latino and non-Latino African Americans were 47.3 percent and 47.7 percent respectively.

26 percent of Latino, 32 percent of non-Latino African American and 13 percent of non-Latino white households had zero or negative net worth in 2002. These proportions are essentially unchanged since 1996.

55 percent to 60 percent of Latino and African American households had wealth less than one-fourth the national median level of wealth between 1996 and 2002. Fewer than 40 percent have middle-class levels of wealth; this proportion has not changed since 1996. Nearly 75 percent of white households have middle-class or higher levels of wealth.⁵⁶

was even less—only \$5,988.⁵⁵ Wealth can be a better indicator than income of a family or community’s true economic well-being, as it represents assets available to pay for major expenses such as retirement and college tuition, and assets that can be passed from generation to generation. African American and Latino households have a disproportionately smaller share of such assets as savings accounts and homes.⁵⁴ In part, this means that our financial institutions are not meeting the needs of all of our communities.

Among African Americans, relatively low home ownership rates reflect the aforementioned history of discrimination in the housing market. African Americans are disproportionately likely to end up with subprime mortgages, which often have exorbitantly high interest rates and carry a higher risk of foreclosure.⁵⁵ The percentage of Latino homeowners is influenced by the low home ownership rates of immigrants, who need access to affordable credit so that they can build a credit history.

“A Bull’s Eye on the Backs of African Americans and Latinos”

Increasingly, the banking industry sees financially struggling and minority communities as markets to be exploited. The problem is so pernicious that it has been dubbed “reverse redlining” or the “new redlining.”⁵⁷ While “old” redlining was based on the idea that some groups are not profitable for bankers and should be ignored for the sake of a company’s bottom line, new redlining recognizes that lower-income and minority consumers can be a source of profit in part *because* of their lack of resources. Lower-income people, especially those living paycheck to paycheck, are more likely to overdraw their checking accounts and are thus a source of overdraft revenue for banks. Similarly, a recent paper issued by the National Council of La Raza reported that Latino consumers are more likely to report having made late credit card payments that exceed 60 days,⁵⁸ giving their credit card companies an excuse to drastically raise interest rates and generate more revenue.

“The credit industry has painted a bull’s eye on the backs of blacks and Hispanics,” says Elizabeth Warren, a Harvard Law professor and an expert on lending practices.⁵⁹ Latinos are an especially attractive market because of their rapidly increasing numbers and buying power. The U.S. Latino population increased 19 percent to nearly 42 million between 2000 and 2005, while the non-Latino population increased less than 1 percent, according to U.S. Census data.⁶⁰ The United States has an estimated 12 million undocumented

immigrants, most of them from Mexico and Latin America. Bank of America and other banks are pursuing these markets with Spanish-speaking tellers, advertising campaigns, and special products.⁶¹

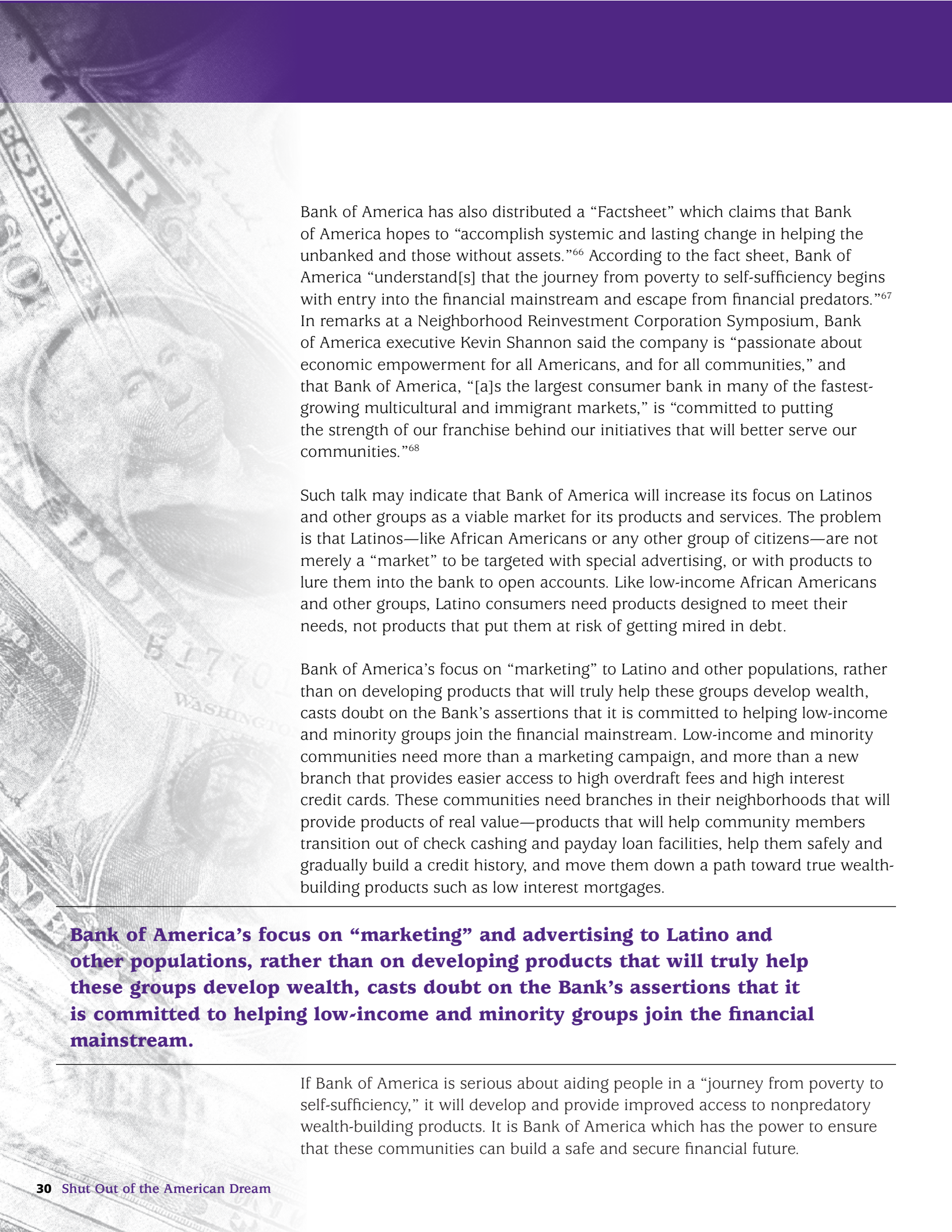
The combination of the historical legacy of economic disenfranchisement with new banking business models increasingly focused on squeezing the pocketbooks of low-income people has created a perilous situation for economically disadvantaged communities. Bank of America, like other major banks, is coming under increasing scrutiny for what have been described as predatory and abusive practices.⁶² For example, high overdraft fees on checking accounts, exorbitant late fees, and high penalty interest rates on credit cards can trap consumers in a cycle of debt from which it may be impossible to escape. In 2006, for example, Bank of America collected more than \$22.4 billion from penalty and service fees and other forms of noninterest income, more than half of the bank's annual revenues.⁶³ In its most recent annual report filed with the U.S. Securities and Exchange Commission, BofA reported that "noninterest income" increased by \$698 million—11 percent—because of debit card interchange fees paid by stores, and "higher service charges" on consumer accounts. Specifically, the company reported that "Service Charges were higher due to increased nonsufficient funds fees and overdraft charges, account service charges and ATM fees resulting from new account growth and increased usage."⁶⁴

Bank of America, like other major banks, is coming under increasing scrutiny for what have been described as predatory and abusive practices.

The increased reliance on fee income—and the consequent incentive for banks to encourage customers to incur those fees and penalties—are especially problematic for individuals and communities already struggling with low levels of wealth. For example, a person trying to build a credit history by using a high interest credit card could make a payment late, have her interest rate raised even higher, and then find herself unable to afford the new payments. Her credit rating may then be damaged, making it even more difficult for her to eventually qualify for an affordable prime rate mortgage.

More Than Lip Service: Building a Comprehensive Approach to Banking in Minority Communities

There's no shortage of public statements about Bank of America's interest in reaching out to Latino, African American and other traditionally underserved markets. When BofA was invited to testify before Congress about how it planned to help integrate the unbanked and underserved into the financial mainstream, the company sent Senior Vice President of Hispanic Consumer Marketing Gabriel Manjarrez, who told the Subcommittee on Financial Institutions and Consumer Credit that 75 percent of the country's Latino population lives in Bank of America markets, and that the bank knows "that this market ha[s] a high need for banking services."⁶⁵



Bank of America has also distributed a “Factsheet” which claims that Bank of America hopes to “accomplish systemic and lasting change in helping the unbanked and those without assets.”⁶⁶ According to the fact sheet, Bank of America “understand[s] that the journey from poverty to self-sufficiency begins with entry into the financial mainstream and escape from financial predators.”⁶⁷ In remarks at a Neighborhood Reinvestment Corporation Symposium, Bank of America executive Kevin Shannon said the company is “passionate about economic empowerment for all Americans, and for all communities,” and that Bank of America, “[a]s the largest consumer bank in many of the fastest-growing multicultural and immigrant markets,” is “committed to putting the strength of our franchise behind our initiatives that will better serve our communities.”⁶⁸

Such talk may indicate that Bank of America will increase its focus on Latinos and other groups as a viable market for its products and services. The problem is that Latinos—like African Americans or any other group of citizens—are not merely a “market” to be targeted with special advertising, or with products to lure them into the bank to open accounts. Like low-income African Americans and other groups, Latino consumers need products designed to meet their needs, not products that put them at risk of getting mired in debt.

Bank of America’s focus on “marketing” to Latino and other populations, rather than on developing products that will truly help these groups develop wealth, casts doubt on the Bank’s assertions that it is committed to helping low-income and minority groups join the financial mainstream. Low-income and minority communities need more than a marketing campaign, and more than a new branch that provides easier access to high overdraft fees and high interest credit cards. These communities need branches in their neighborhoods that will provide products of real value—products that will help community members transition out of check cashing and payday loan facilities, help them safely and gradually build a credit history, and move them down a path toward true wealth-building products such as low interest mortgages.

Bank of America’s focus on “marketing” and advertising to Latino and other populations, rather than on developing products that will truly help these groups develop wealth, casts doubt on the Bank’s assertions that it is committed to helping low-income and minority groups join the financial mainstream.

If Bank of America is serious about aiding people in a “journey from poverty to self-sufficiency,” it will develop and provide improved access to nonpredatory wealth-building products. It is Bank of America which has the power to ensure that these communities can build a safe and secure financial future.

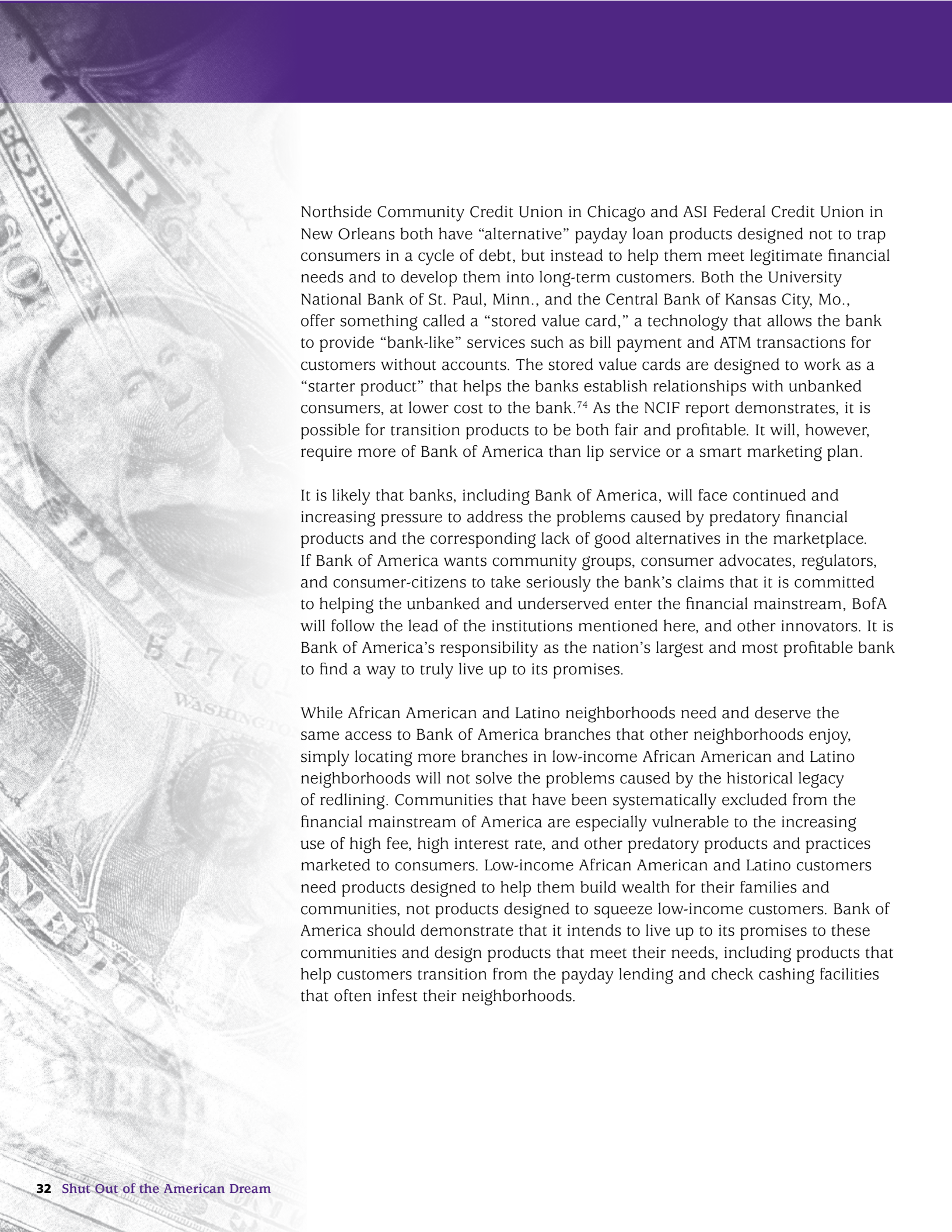
There are better paths to healthy financial futures for low-income and minority communities. The National Community Investment Fund's Retail Financial Services Initiative recently issued a report in which it identified problems and possible solutions for bringing the unbanked into the financial mainstream and helping them build assets. In "From the Margins to the Mainstream: A Guide to Building Products and Strategies for Underbanked Markets," the organization writes:

[L]ow- and moderate income consumers are not simply "regular" customers with less money. In reality, they constitute different market segments—rural residents, recent Latino immigrants, urban African Americans, for instance—each with distinctive cultural beliefs, behavior patterns, consumer preferences, and barriers to participation in the financial mainstream. Yet these markets all have one thing in common. Mainstream financial institutions have yet to figure out the right mix of products and services to meet their financial needs.⁶⁹

In fact, some modern banking practices—such as the imposition of exorbitant overdraft fees—can actually drive customers out of mainstream banks and into the fringe financial services market. For families living paycheck to paycheck, an estimated 87 percent of families with incomes under \$30,000,⁷⁰ a payday loan may in fact be a more attractive option than a checking account that produces repeat overdraft fees. What distinguishes innovators from institutions operating on the fringe is their willingness to create products that help to move customers on an asset building path, rather than to focus on their own profitability at the expense of their customers' long-term financial health.⁷¹

The NCIF report took a close look at a few institutions making genuine efforts to help unbanked and underbanked consumers move into the financial mainstream, and concluded that serving such consumers can in fact be part of a viable business model. When institutions develop products and services that help the underbanked transition out of a reliance on fringe products, these people can become customers who can then "migrate" to higher margin products such as car or home loans.⁷² Bank of America is already familiar with the "hook" concept of luring in new customers with low-margin products such as free checking accounts. It is now imperative that BofA develop products that will "hook" unbanked and underbanked consumers in a way that will truly benefit both in the long term.

The NCIF report provides many examples of successful "hook" and transition products and services now being offered by banks and credit unions. For example, the report cites both Union Bank of California and Key Bank in Cleveland for their innovative networks of branches in low-income communities as possible models other banks can follow. These branches combine check-cashing services, depository and loan products, and on-site financial education and counseling.⁷³



Northside Community Credit Union in Chicago and ASI Federal Credit Union in New Orleans both have “alternative” payday loan products designed not to trap consumers in a cycle of debt, but instead to help them meet legitimate financial needs and to develop them into long-term customers. Both the University National Bank of St. Paul, Minn., and the Central Bank of Kansas City, Mo., offer something called a “stored value card,” a technology that allows the bank to provide “bank-like” services such as bill payment and ATM transactions for customers without accounts. The stored value cards are designed to work as a “starter product” that helps the banks establish relationships with unbanked consumers, at lower cost to the bank.⁷⁴ As the NCIF report demonstrates, it is possible for transition products to be both fair and profitable. It will, however, require more of Bank of America than lip service or a smart marketing plan.

It is likely that banks, including Bank of America, will face continued and increasing pressure to address the problems caused by predatory financial products and the corresponding lack of good alternatives in the marketplace. If Bank of America wants community groups, consumer advocates, regulators, and consumer-citizens to take seriously the bank’s claims that it is committed to helping the unbanked and underserved enter the financial mainstream, BofA will follow the lead of the institutions mentioned here, and other innovators. It is Bank of America’s responsibility as the nation’s largest and most profitable bank to find a way to truly live up to its promises.

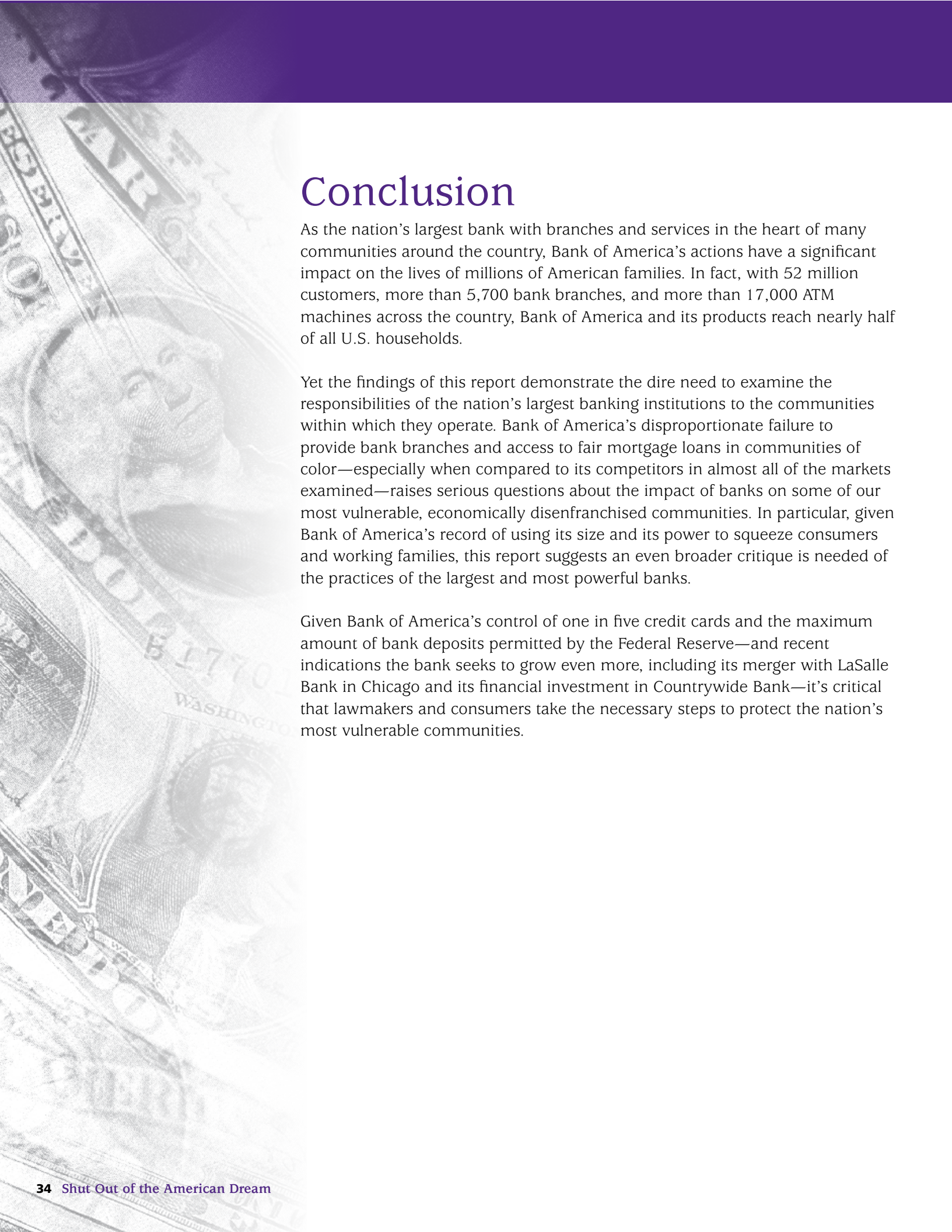
While African American and Latino neighborhoods need and deserve the same access to Bank of America branches that other neighborhoods enjoy, simply locating more branches in low-income African American and Latino neighborhoods will not solve the problems caused by the historical legacy of redlining. Communities that have been systematically excluded from the financial mainstream of America are especially vulnerable to the increasing use of high fee, high interest rate, and other predatory products and practices marketed to consumers. Low-income African American and Latino customers need products designed to help them build wealth for their families and communities, not products designed to squeeze low-income customers. Bank of America should demonstrate that it intends to live up to its promises to these communities and design products that meet their needs, including products that help customers transition from the payday lending and check cashing facilities that often infest their neighborhoods.

Charges of Discrimination from Within?

While this report shows how Bank of America's branch network and mortgage lending business underserve minority communities, two recent legal cases suggest the bank may be engaged in employment discrimination as well. According to Bank of America's own 2006 numbers, fewer than one-quarter of employees in the high-ranking "officials and managers" category were minority, but more than half of employees in the lower-paid "operatives" and "service workers" categories are minority employees.⁷⁵

In May 2007, African American employees in Missouri and Florida brought a nationwide class action discrimination lawsuit against Bank of America in federal court. The suit charges Bank of America with assigning African American employees to predominantly minority communities because the bank says clients "are more 'comfortable' dealing with sales professionals of their own race."⁷⁶ The suit also alleges "a systematic, companywide pattern and practice" of race discrimination with respect to "compensation, promotion, mentoring, training, resources and business opportunities,"⁷⁷ and makes reference to "subjective decision-making by a predominantly Caucasian management structure."⁷⁸ The Missouri plaintiff was hired from another major bank and assigned by Bank of America to predominantly African American territories in the St. Louis market. After complaints about alleged discrimination to bank management were not addressed, he quit in March 2007.⁷⁹

In May 2006, a 55-year-old African American former Bank of America vice president in the Chicago area filed suit against the company, alleging that after the bank told him he was being dismissed because of a company reorganization, a younger white employee assumed his job responsibilities.⁸⁰ The former vice president alleged in the suit that he had "received favorable performance appraisals," including regular "superior" and "consistently exceeds expectations" marks, but that he was denied promotion and comparable bonuses and was replaced by a younger, white worker with "inferior experience and capabilities." Bank of America agreed to settle the case for undisclosed terms in May 2007.⁸¹

The background of the page is a close-up, slightly angled view of a US dollar bill. The portrait of George Washington is visible on the left side, and the words "ONE DOLLAR" and "WASHINGTON" are partially legible. The bill is oriented diagonally, with the top left corner pointing towards the top left of the page.

Conclusion

As the nation's largest bank with branches and services in the heart of many communities around the country, Bank of America's actions have a significant impact on the lives of millions of American families. In fact, with 52 million customers, more than 5,700 bank branches, and more than 17,000 ATM machines across the country, Bank of America and its products reach nearly half of all U.S. households.

Yet the findings of this report demonstrate the dire need to examine the responsibilities of the nation's largest banking institutions to the communities within which they operate. Bank of America's disproportionate failure to provide bank branches and access to fair mortgage loans in communities of color—especially when compared to its competitors in almost all of the markets examined—raises serious questions about the impact of banks on some of our most vulnerable, economically disenfranchised communities. In particular, given Bank of America's record of using its size and its power to squeeze consumers and working families, this report suggests an even broader critique is needed of the practices of the largest and most powerful banks.

Given Bank of America's control of one in five credit cards and the maximum amount of bank deposits permitted by the Federal Reserve—and recent indications the bank seeks to grow even more, including its merger with LaSalle Bank in Chicago and its financial investment in Countrywide Bank—it's critical that lawmakers and consumers take the necessary steps to protect the nation's most vulnerable communities.

Appendix One: Banks Used For Peer Group Analysis By City

Market	BofA	Bank 1	Branch #	Bank 2	Branch #
Detroit	159	Comerica	170	Chase	163
St. Louis	61	U.S. Bank	115	Regions	73
Buffalo	35	M&T	65	HSBC	63
New York	509	Chase	735	North Fork	356
Chicago	194	Chase	344	Harris	198
Philadelphia	121	Wachovia	228	Citizens	208

Appendix Two: Chicago Ward-By-Ward Data

Ten Chicago Wards With the Highest Minority Population

Ward #	Alderman	% African American	% Latino	% Minority	BofA Branches	Chase Branches	Harris Branches
17	Latasha Thomas	99.1%	0.7%	99.4%	2	0	0
6	Freddrenna Lyle	99.2%	0.6%	99.2%	0	0	0
21	Howard Brookins Jr.	98.9%	0.7%	99.1%	0	1	0
34	Carrie Austin	98.6%	0.9%	99.1%	0	0	0
8	Michelle Harris	98.5%	0.8%	99.0%	0	1	0
24	Sharon Denise Dixon	96.9%	2.4%	98.8%	0	2	0
28	Ed Smith	95.7%	3.3%	98.7%	0	0	1
3	Pat Dowell	91.4%	7.4%	98.4%	0	1	1
20	Willie Cochran	97.1%	0.9%	97.9%	0	1	0
37	Emma Mitts	88.8%	9.8%	97.6%	1	0	1
	Total				3	6	3

Ten Chicago Wards With the Lowest Minority Population

Ward #	Alderman	% African American	% Latino	% Minority	BofA Branches	Chase Branches	Harris Branches
47	Eugene C. Schulter	4.2%	23.3%	32.4%	0	4	0
23	Michael Zalewski	2.8%	26.6%	29.4%	2	2	1
19	Virginia A. Rugai	25.2%	3.2%	28.2%	0	1	1
38	Thomas R. Allen	1.1%	21.8%	25.8%	2	1	1
42	Brendan Reilly	10.4%	5.2%	25.2%	16	8	4
32	Scott Waguespack	3.4%	18.8%	24.3%	1	3	1
45	Patrick J. Levar	0.7%	14.0%	19.0%	2	2	0
44	Thomas M. Tunney	3.7%	6.4%	15.3%	5	5	2
43	Vi Daley	4.9%	3.9%	13.8%	3	5	0
41	Brian G. Doherty	1.2%	5.9%	10.6%	5	2	0
	Total				36	33	10

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