

BARNEY FRANK
4TH DISTRICT, MASSACHUSETTS

2252 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-2104
(202) 225-5931

29 CRAFTS STREET
SUITE 375
NEWTON, MA 02458
(617) 332-3920

Congress of the United States
House of Representatives
Washington, DC

558 PLEASANT STREET
ROOM 309
NEW BEDFORD, MA 02740
(508) 999-6462

THE JONES BUILDING
29 BROADWAY
SUITE 310
TAUNTON, MA 02780
(508) 822-4796

August 25, 2004

Kenneth Lewis, C.E.O.
Bank of America Corp.
100 North Tryon Street
Charlotte, NC 28255

Dear Ken,

I am very disturbed by the recent announcements by the Bank of America which will result in a reduction in economic activity by the bank in Boston. When your plans to take over Fleet were under consideration, I and other officials and community representatives in Massachusetts were assured that there would be no job loss, that important entities of the bank would remain in Massachusetts, and that in general we would suffer no economic losses from your takeover of Fleet.

These do not appear to be borne out by subsequent events. In addition, despite assurances that we would be kept informed of things, to my knowledge no officials in Massachusetts concerned with banking matters at either the state or federal level, nor any other important representatives of Massachusetts economic interests have been consulted. Indeed, not only has there been no consultation or advance notice, it does not appear that even today we have accurate accounts of what is happening. What does appear to me to be the case is that the interests of Massachusetts are being essentially disregarded by your overall strategy, and I believe that you have underlined the need for us to reexamine existing statutes, particularly those regarding bank takeovers, such as your takeover of Fleet.

In essence the Bank of America takeover of Fleet has become increasingly to resemble the swallowing up of Chrysler by Daimler. Assurances we were given last year about the role Massachusetts would be playing in the Bank of America's structure no longer seem to be worth very much.

I do acknowledge that in the area of community reinvestment where specific pledges were made in response to our concerns, BofA has been faithful to its commitment. But, in fact, this is one of the reasons why I think the law needs to be changed--under current statutes, our ability to press for commitments in the CRA areas were greater than our ability to do so in the employment area. Your activities have convinced me that we need to change this situation.

I assume you are aware of the great distress your actions have caused in Massachusetts. When the merger was pending, you and Chad Gifford did meet with members of the Massachusetts delegation to give us some of the assurances to which I have referred. I now ask you to give us very specific information about the changes in the employment situation that you have brought about with regard to both individual employment and the location of business units in Massachusetts. And we would also like a chance to discuss with you your future plans and to make clear our dismay at current trends. Indeed, I and, I believe, many of my colleagues would like to appeal to you to reexamine some of these decisions and to alter some of the policies involved.

We will be reconvening in about ten days after you receive this letter, and I would appreciate it if you could find it possible to come to Washington with whomever you thought appropriate, to give us a chance to voice these issues. I would be glad to try to schedule a mutually convenient appointment during those days when my colleagues and I will be in session in Washington. There may also be officials in Massachusetts who wish to discuss this with you and I would encourage you to be available to them as well.


BARNEY FRANK

Some Advantages of Financial Institutions and Banks

Prepared by the Democratic Staff of the House Financial Services Committee

Financial institutions and banks have the following advantages that are not available to other businesses:

Deposit taking. Only financial institutions may accept deposits from the public. Besides allowing banks to borrow money from the public without having to register the deposits as securities, deposit-taking enables financial institutions to offer checking accounts and debit cards that allow their customers to access the payment system.

Deposit insurance. The full faith and credit of the United States stands behind the FDIC. Depositors do not have to worry about the safety of their deposits, at least up to the deposit insurance cap, thereby giving banks access to a low-cost source of funds.

Access to the payment system. The payment system allows the transfer of funds from one party to another without the need to pay in cash. The Federal Reserve allows banks to maintain accounts for clearing balances so that banks can net out checks and electronic payments among each other. It also provides various payment services, including the FedWire settlement system, collecting checks and electronic transfer of funds to its member

Access to the discount window of the Federal Reserve. Banks that are members of the Federal Reserve System, including all national banks, can borrow directly from the Federal Reserve. The Fed limits discount window lending to banks needing liquidity, and it does require security, generally U.S. Treasury securities. It also has a seasonal credit program to help small banks manage regular seasonal fluctuations in their reserves. Non-banks that have liquidity needs cannot access the discount window.

Preemption of State laws. National banks and federally chartered thrifts have the advantage of preemption of state laws, such as usury, consumer protection and predatory lending laws that would otherwise apply to their lending and other activities.

Exemptions from certain securities law requirements. Under the Gramm-Leach-Bliley Act (GLBA), banks are not subject to the Securities Exchange Act of 1934 for some of their activities as broker-dealers. The exemptions relate to arrangements with third-party broker-dealers, trust activities, commercial paper, employee and shareholder benefit plans, sweep accounts, private placements, safekeeping and custody services, asset-backed securities, derivatives, and loan participations. Also under GLBA, a bank department that acts as investment advisors to mutual funds must register, but the bank itself is not required to register, as an investment advisor under the Investment Company Act.