James T. Campen Chapter 2

The Struggle for Community Investment in Boston, 1989–1991

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"INEQUITIES ARE CITED IN HUB MORTGAGES: Preliminary Fed finding is 'racial bias.'"[1] On January 11, 1989, with this front page headline, the *Boston Globe* trumpeted the conclusions of an unpublished study by the prestigious Federal Reserve Bank of Boston. An accompanying diagram dramatized the finding that mortgage loans in the predominantly black neighborhoods of Roxbury and Mattapan would have been more than 100 percent greater "if race was not a factor." The second paragraph of the story on the leaked report quoted its damning finding that "this racial bias is both statistically and economically significant."

Almost exactly one year later, on January 10, 1990, the heads of the city's leading banks emerged from a meeting with Boston's Mayor Raymond Flynn to announce that they had agreed on a $400 million dollar program to help meet the need for affordable housing, adequate banking services, and economic development finance in the city's poor and minority neighborhoods. (When the Massachusetts Bankers Association's statewide "Community Investment Program" was unveiled at a Martin Luther King Day breakfast five days later, it was characterized as a $1 billion, five-year effort.)[2]

In the year between these two dates, Boston experienced a protracted set of struggles over community reinvestment that was unprecedented in the range of participants who were intensely involved and in the breadth of issues addressed. This chapter offers an account of those struggles, their antecedents, and their consequences. We begin by setting the stage with a description of the circumstances in which the Fed's study was first undertaken, then set aside, and subsequently leaked. The second section surveys the major participants in the community investment struggles. The third section provides an account of the main events during the remarkable year that followed the leak of the Boston Fed study. The next two sections summarize the bankers' programs and present a critical review of what was accomplished in the eighteen months following their announcement. The last two sections evaluate the success of the struggle for community investment in Boston and identify some lessons from the Boston experience that may have more general relevance.

SETTING THE STAGE

One of the primary legacies of "the Massachusetts Miracle"—the boom years for the state's economy that came to an end in 1988 almost as abruptly as the presidential campaign of Governor Michael Dukakis that it had made possible—was an acute problem of housing affordability. By 1987, the Boston area had the largest gap between earnings and house prices of any of the nation's fifty largest metropolitan areas: the average Boston-area wage of about $25,000, although 10 percent above the U.S. average, was less than half the $60,000 family income needed to afford the median-priced Boston-area home—which, at $181,200, was approximately double the national average (Dreier, Greiner, and Schwartz 1988).

As housing prices soared, and federal housing funds plummeted, it became increasingly difficult for anyone, except those at the top of the income distribution, to purchase a home. The problem was exacerbated as the banks' conformance with standard secondary-market criteria to determine eligibility for mortgage lending unreasonably excluded many potential home buyers in all parts of the city. For example, banks continued to require that monthly mortgage and related payments not exceed 25–28 percent of income at a time when almost a third of Boston renters were paying over 40 percent of their incomes on housing costs.

Other bank practices, however, gave a distinctly racial dimension to Boston's housing affordability problem:[3] in low- and moderate-income white neighborhoods, readily available bank credit fueled the speculative frenzy of gentrification and condominium conversion that reduced the ability of long-time residents to afford to continue living in their own neighborhoods. Minority areas largely escaped this problem, but the banks' diminishing presence in, and general unfamiliarity with, minority neighborhoods made bank mortgages hard to come by there. Between 1978 and 1988, banks closed 40 percent of their branch offices in the predominantly minority areas of Roxbury, Mattapan, and Dorchester while increasing the number of branches in mainly white East Boston, Hyde Park, and West Roxbury by over 30 percent (Community Investment Coalition 1989: 5). A survey in early 1989 found that "Boston's twelve largest lending institutions have five times more offices in white areas than in areas [with the same total population] that are predominantly black or Hispanic" (Hanafin 1989).

Although Boston had been one of the major centers of the community reinvestment movement from the mid-1970s through the early 1980s (see Greenwald 1980: chaps. 5–6), the movement had been largely inactive for several years. Instead, various cooperative efforts to address the problem of housing affordability in Boston—involving banks, government agencies, nonprofit developers, and community groups—had been underway at least since the establishment of the Boston Housing Partnership in 1983. Bankers were also participating in the Task Force on Financing Affordable Housing led by the state's association of community development corporations (CDCs), with support from the Boston Fed and the Federal Home Loan Bank of Boston, that began meeting in mid-1987. Participants on all sides of the subsequent struggles over community investment told me that the personal relationships established during these earlier efforts were significant in facilitating a constructive dialogue when the struggle over community investment intensified in 1989.

One of the responses to the affordable housing problem involved city-aided efforts to develop mixed- and low-income housing projects, often on vacant parcels of land donated by the city. By late 1988, both minority developers and city housing officials perceived that banks were discriminating against projects in Roxbury, Boston's major black neighborhood. Meetings of bankers, city officials, and developers were held. The *Boston Globe* began to publicize the controversy. In this context—and well aware of the studies of mortgage lending discrimination in Atlanta, Detroit, and elsewhere—Boston Redevelopment Authority (BRA) Director Stephen Coyle and Director of Housing Peter Dreier proposed sponsoring a major study of lending patterns in Boston. They tentatively arranged for the study to be undertaken by Charles Finn, a University of Minnesota economist who had played an important role in redlining studies in Detroit, Atlanta, and other cities. However, in late December the BRA's board of directors surprised observers by voting against going ahead with the study.

It was probably no coincidence that the politically explosive findings of the Boston Fed's draft study—cited at the beginning of this chapter—appeared on the front page of the *Globe* soon thereafter. With the disclosure of this study, the issue of community reinvestment in Boston irrevocably became a major local issue. What mattered even more than the study's findings—after all, racial disparities in lending patterns could hardly have been major news to anyone at all familiar with the situation—was its sponsorship. This was the first study by any of the four federal bank regulatory agencies that had contained such conclusions. The fact that the study was done at the Fed gave it and its findings a respectability and credibility that no study sponsored by community advocates or the media could hope to achieve. Furthermore, the Boston Fed, in its capacity as a regulator, could hardly refrain from following up on the findings of its own research department.

Ironically, the draft study, by researcher Constance Dunham and community affairs officer William Spring, considered patterns of mortgage lending by race almost incidentally (only three of the thirty-two pages of the draft manuscript's text were devoted to the topic) in the course of a more general exploration, using Boston as a case study, of how the Community Reinvestment Act (CRA) could be used more effectively to promote the creation of affordable housing. Noting that one motive behind passage of the CRA was "the hope of eliminating geographical discrimination in credit" and that "studies of lending in Boston in the 1970s showed that uneven patterns in housing finance did exist, and that these were related to the racial composition of neighborhoods," the authors undertook an econometric analysis of mortgage lending data for the city's sixteen major neighborhoods from 1981–85. They found, in brief, that Boston "continues as a city with significant racial lending bias" (Dunham and Spring 1988: 3, 6–8).

The Boston Fed's initial reaction to the leak was to claim that its failure to publish the study was due to concern with methodological problems and data reliability, and it resisted numerous calls by community advocates and public officials for the study's release. (Indeed, the draft study has to this day not been made public by the Fed.) Instead, the Fed promised, on the same day that the story appeared in the *Globe*, that a rigorous and methodologically sound study would be completed and released within the next few months. The next day, prodded by an open letter from Mayor Flynn, the BRA board reversed itself and approved the hiring of Charles Finn to undertake a study of Boston lending patterns.

Thus, the initial response to the leaking of the draft study guaranteed that the issue of racial discrimination by banks would not quietly fade away. Even if some bankers could hope that the revised Fed study would somehow exonerate them (Robert Sheridan, president of the Massachusetts Bankers Association, bravely stated that "the record of the industry is impeccable. . . . A thorough, complete analysis will show no bias" [*Boston Globe*, Jan. 12, 1989]), they were convinced that Finn's findings would be highly critical. Knowledge that these two reports would be forthcoming conditioned everything that followed.

The press coverage given to the leak was influential in a second way, as well. While Dunham and Spring were motivated primarily by the general issue of housing affordability, it was the issue of racial disparities that dominated press coverage. Although all parties to the events that followed recognized the importance of both issues, everyone also remained aware that it was the racial aspect of the situation that would dominate the publicity and the politics, and that would ultimately be the main factor in providing pressure on the bankers to improve their performance.

Introducing the Actors

Perhaps the most striking feature of the struggles over community investment in Boston is the very large number of participants who played significant roles. The three central roles can be characterized as those of "the community," "the banks," and "the city." But none of the "actors" who played these principal roles was a single entity; each had its own constituent groups, internal structure, tensions, and disagreements. In addition, many other actors made important contributions to the events of 1989 and after.

The Community

On the community side, the major actor was the Community Investment Coalition (CIC), an alliance of six member groups formed in early 1989 specifically to carry out a campaign for increased bank investment in

Boston's minority community. The Massachusetts Affordable Housing Alliance (MAHA) is itself a statewide coalition of over one hundred groups working to increase public and private funding for affordable housing; MAHA's Home Buyers Union is a group of low- and moderate-income tenants, primarily black women, organized to create opportunities for becoming first-time home buyers. The Greater Roxbury Neighborhood Authority is a community organization advocating on behalf of Boston's minority community. The Dudley Street Neighborhood Initiative is a cross between a neighborhood organization and a community development corporation, working to empower residents while physically and economically redeveloping the Dudley Street area of Roxbury. Hotel and Restaurant Workers Union, Local 26, is noted for its progressive social activism, including its recent first-in-the-nation successful contract negotiation for a housing trust fund for the union's members.

The CIC began with these four members, but by the summer had expanded to include two CDCs that build affordable rental and ownership housing in Boston's minority neighborhoods: Nuestra Communidad and Urban Edge. The members of the CIC united behind a comprehensive set of proposals including banking services, provision of affordable mortgages to low-income home buyers, and financing of affordable housing development. Nevertheless, the different emphases of the groups—some more concerned with affordable mortgages and others with development of additional affordable housing units—contained the potential for emergence of tensions later in the year.

Two statewide groups also played significant roles on the community side. The Massachusetts Association of Community Development Corporations represents more than forty CDCs statewide, most involved primarily in the development of affordable housing. The Massachusetts Community Action Program Directors Association (MASSCAP) represents twenty-five community action (antipoverty) agencies throughout the state. It had independently initiated a CRA campaign in early 1988 and maintained a single-minded focus on basic banking services.

The Banks

The major Boston-based banks responded to the situation collectively as well as individually. Their collective response was organized by the president and other top staff of the Massachusetts Bankers Association (MBA), the trade group whose membership included virtually all of the state's approximately two hundred fifty commercial and savings banks. To help formulate and coordinate this response, the MBA hired community reinvestment consultant Jim Carras, one of the principal leaders of the local community reinvestment movement during its heyday a decade earlier.

Boston's five largest banks played prominent individual roles in addition to the roles that their executives played in shaping the collective MBA response. Bank of Boston, long the region's preeminent bank, had recently found itself challenged by rivals whose growth was fueled by mergers during the 1980s. By the end of 1988, both Bank of New England and Shawmut National Corporation (which had dual headquarters in Hartford and Boston) were also in the nation's top twenty-five banking companies, ranked by total assets. Taken together, these three banks held 30 percent of all deposits in Massachusetts banks and thrifts.

The other two Boston banks in the nation's top one hundred (each ranked about sixtieth) were only about a third as large, with total assets of approximately $10 billion apiece, and each was something of an anomaly. Although Boston provided the corporate headquarters for the statewide chain of banks operated by BayBanks, Inc., BayBank Boston itself was relatively small, with assets of approximately $0.6 billion. State Street Bank had retreated almost totally from retail banking during the 1980s, closing all but six branch offices and concentrating on providing custodial, trust, and related financial services to mutual funds and other institutional clients.

In addition, the Boston Bank of Commerce, in spite of its relatively tiny size (total deposits of $60 million), was able to play a significant role by virtue of its status as Boston's only black-owned and black-managed bank.

The City

At various points, the City of Boston was represented personally by Mayor Raymond Flynn, perhaps the most populist/progressive of the nation's big-city mayors. However, the city's day-to-day involvement was through two units of the city bureaucracy that often had conflicting agendas. The BRA placed particular emphasis on the availability of affordable mortgages for low-income residents in all of the city's neighborhoods. The city's Public Facilities Department, in contrast, gave almost exclusive emphasis to the formation and implementation of successful partnerships for financing the development of additional affordable housing. Members of the Boston City Council, an entity with limited power but substantial visibility, also spoke out, introduced local ordinances, and otherwise brought pressure to bear on the banks.

Other Actors

Although the other banking regulators maintained a fairly low profile, the Federal Reserve Bank of Boston under its new president, Richard Syron, chose to play an active role in the community reinvestment arena. Indeed, Syron expressed his intention of placing the Boston Fed "at the front of the pack" among the country's twelve regional Federal Reserve Banks (*Boston Herald*, June 16, 1989). Congressman Joe Kennedy, a member of the House Banking Committee whose district includes parts of Boston—and who had established his political credentials in this area by being largely responsible for the inclusion of amendments strengthening the federal CRA and the Home Mortgage Disclosure Act in the final version of the S & L bailout bill in August 1989—also intervened in the local struggles on a number of occasions. In addition, the Reverend Charles Stith, head of the national Organization for a New Equality (ONE), was an articulate spokesman for the needs of the minority community, even in the absence of a substantial local constituency. The excellent working relationships that he established with the presidents of the Boston Fed and the MBA enabled him periodically to play a mediating role.

Although there were no major research or investigative reporting initiatives (as in Atlanta or Detroit) by either of the Boston dailies, the *Globe* and the *Herald* both gave prominent attention to the ongoing struggles over community investment issues. Beginning even before the leak of the draft Fed study, one of the major dynamics throughout the community investment struggles was that one party would leak a story to the *Globe* or the *Herald*, and thus other parties were forced to react. There can be little doubt that much less would have been achieved in the absence of the unrelenting publicity provided by the local papers.

THE COMMUNITY INVESTMENT CAMPAIGN OF 1989

During the first few months of 1989, both the Community Investment Coalition and the Massachusetts Bankers Association were occupied primarily with internal matters, preparing themselves for the campaign ahead. Although initial talks toward forming the CIC began in January, the coalition only officially announced its existence in June with a letter to major banks that identified primary concerns and promised delivery of a comprehensive community investment proposal during the summer. MAHA proposed that the residents of black neighborhoods suffering from redlining make common cause against the banks with the residents of white neighborhoods hit by gentrification, but the CIC decided to focus its efforts on Boston's minority neighborhoods.

The Massachusetts Association of CDCs (MACDC) took part in the CIC's early discussions but ultimately decided to participate in the process independently, rather than as part of the coalition. The CIC's focus was almost exclusively on Boston, whereas MACDC wanted to push for a statewide response to the problems of affordable housing development and community-based economic development that were facing its member CDCs throughout the state.

Meanwhile, the major banks (most of which operated throughout the state) and the MBA were debating among themselves over the nature of their response. The ultimate decision—that the response should not only be collective in nature but also involve an approach that was both comprehensive in program elements and statewide in scope—was not reached easily. Not the least of the difficulties, and a continuing source of tension as the year progressed, was the centrifugal force generated by the fact that the bankers were accustomed to competing intensely with each other rather than working together. Tensions among the big Boston-based commercial banks were, moreover, accompanied by longstanding rivalries between big and small banks, between Boston-based banks and banks based elsewhere in the state, and between commercial and savings banks.

Nevertheless, after some initial attempts to discredit the study being undertaken by Charles Finn for the BRA and to urge a lower-profile approach on the Boston Fed, the bankers agreed to adopt a constructive and cooperative approach, rather than a defensive and confrontational one. One factor pushing them in this direction was the "Joint Statement" on the CRA, released in March by the four federal bank regulatory agencies. This pronouncement clearly indicated that the regulators would henceforth be taking banks' responsibilities toward their local communities much more seriously (*Federal Register*, April 5, 1989: 13743–47). In any case, following the advice urged on them by the MBA executive staff and their consultant, Jim Carras, the major banks assumed a basic stance that amounted to saying "we want to do much better in these areas than we have in the past, and we welcome input from all parties into *our process* of deciding just what we ought to do and how we ought to do it."

One preview of controversies to come was provided by the Bank of Boston's May announcement of a first-time home buyers' program that targeted $5 million of below-market-rate mortgages for houses in Boston. The program was aimed at making mortgages affordable to purchasers with family incomes between $35,000 and $45,000. The CIC response criticized the program as a public relations gimmick that did not really address the needs of most residents of Boston's minority neighborhoods—where fully 80 percent of families had incomes below that level—and made clear that it was seeking mortgages that would be affordable to community residents with annual incomes between $15,000 and $35,000.

The process advanced to a new level in June and July, when the MBA, in cooperation with the Boston Fed, sponsored a series of three public forums. Audiences numbering in the hundreds heard representatives of community groups, nonprofit developers, city agencies, and banks discuss the entire range of issues that they thought the banks ought to be addressing in order to be more responsive to community needs. At the first forum, where a ten-member panel addressed the subject of affordable housing, a significant breakthrough came in the statement of Richard Driscoll, chairman of the Bank of New England:

> The problem of affordable housing . . . needs more involvement by everybody, certainly by banks, certainly by my own bank. Everybody involved needs to abandon old ideas about how this problem will be solved. Certainly banks have to stop saying "we've never done it this way before" or "our current policies prevent us from doing that" or "it's not my problem, let's give it to the government."
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> (*Boston Globe*, June 23, 1989)

One of Boston's two black city councilors, Bruce Bolling, took the occasion to announce that he would be introducing an anti-redlining ordinance to prohibit the city from doing business with banks that practice discriminatory policies and to establish a city banking commission. This was the first step in a months-long series of city council actions, in which councilor David Scondras played the leading role, that added to the publicity and pressures confronting the bankers. One of these efforts was a task force established to devise and draft a linked deposit banking program for the city that would tie city deposits, and its other banking business, to bank performance in meeting community needs. Representatives from the CIC participated in this initiative.

On the day before the second forum, one focusing on bank products and services, community groups took the first of several direct actions. The CIC organized picketing and sit-ins at a Roxbury branch of the Bank of Boston to protest redlining of minority neighborhoods and the more limited hours and services at branches in minority areas than at other Bank of Boston branches; six people were arrested.

The third forum was on investing in community economic development, a topic placed on the agenda primarily as a result of an initiative by proponents within the banking community. They argued that neighborhood economic viability ultimately depended on successful locally based businesses that could generate the jobs and incomes necessary for residents to make mortgage or rental payments and to become profitable consumers of bank services. At the conclusion of this forum, MBA president Robert Sheridan committed his organization to coordinate further reviews by individual banks and by the MBA itself. He promised to convene a statewide bankers' meeting in early September to present the results of these efforts to formulate a comprehensive, programmatic response to the problems identified.

By this point it was clear that the banks were committed to adopting a program that would respond to the criticisms that they had not been meeting the needs of the minority community. It was also becoming clear to members of the CIC and the Flynn administration that while the bankers would solicit their input (as at the MBA/Fed forums), they wanted a banker-controlled process of review and decision-making. As Peter Dreier, the mayor's top housing adviser, told reporters after praising the process that allowed substantial community input at the forums: "This could be window dressing or it could be a window of opportunity" (*Boston Globe*, July 21, 1989). Much of what happened during the next six months needs to be understood as part of a protracted campaign by the CIC and the Flynn administration to prevent the banks from being able to proceed unilaterally.

Several developments during August put the bankers on notice that their control of the process was being contested. Early in the month, the Greater Roxbury Neighborhood Authority (GRNA) released the results of an independent study of mortgage lending patterns in Boston that it had commissioned in March (LaPrade and Nagle 1989). The study reinforced the conclusions of the draft Fed study leaked in January: prominent press coverage highlighted the comparisons of paired neighborhoods, with income and demographic characteristics similar except for racial composition, in which primarily black census tracts received only a fraction as many mortgage loans as primarily white census tracts.

On August 25, the CIC took the initiative by releasing its own "Community Investment Plan," an impressive twenty-nine page document that outlined problems of banking services and housing affordability and offered a detailed proposal for increased branches and improved services plus $2.1 billion ($210 million per year for ten years) to finance housing creation and preservation (Community Investment Coalition, 1989). The proposal was delivered directly, as well as indirectly via the front page of the *Boston Globe*, to over twenty leading Boston banks. The CIC requested prompt responses and invited the bankers to attend a community meeting in Roxbury on September 27 to discuss the proposal.

Three days later, the Massachusetts Association of CDCs (MACDC) unveiled its own community reinvestment proposal. This six-page plan, more comprehensive but less detailed than that of the CIC, was statewide in scope and emphasized the roles of CDCs in promoting small business development as well as in creating affordable housing. In MACDC's cover letter presenting this proposal to the MBA, the group pointedly noted the CIC's community investment proposal and indicated that it intended to work with "them and you."

Before anyone could work with anyone, however, the Boston Fed released its revised study of "Geographic Patterns of Mortgage Lending in Boston, 1982–1987" (Bradbury, Case, and Dunham 1989) on August 31. The study's methodology was much more sophisticated than that of the draft leaked almost eight months earlier, but the general conclusion reinforced the earlier findings:

> Housing and mortgage credit markets are functioning in a way that hurts black neighborhoods in the city of Boston. . . . The ratio of mortgage loans to the potentially

> mortgagable housing stock is substantially lower in predominantly black neighborhoods than in white neighborhoods. . . . Lower incomes, less wealth, lower-valued housing units, less housing development, and other factors in black neighborhoods do not fully explain these persistent patterns by race. Adjustment for these neighborhood characteristics reduces the size of the discrepancy in mortgage lending . . . but a 24 percent difference remains. (p. 4)

Although the Fed's researchers were careful to point out that this state of affairs might have had causes other than discrimination by the banks, they also emphasized that "even if the disparities in mortgage activity were not the fault of lenders, banks and thrifts would be expected to help correct the situation," because of their obligations under the CRA (Bradbury, Case, and Dunham 1989: 4). The results of this careful study by the Boston Fed again focused public attention on the community investment struggles and highlighted their racial dimension. It further strengthened the position within the MBA of those (already dominant) who argued for a constructive response rather than stonewalling or denial.

The expectation had been that the Fed study and the Finn/BRA study would be released at about the same time. Given the enormous impact of the Fed study, however, BRA officials saw little advantage to be gained from quick release of their study. They decided to withhold it until it could have maximum impact on the ongoing process. Until that moment, the Finn study would remain officially incomplete. In the meantime, Mayor Flynn began to play a more active role in the process, announcing that he had instructed the city's treasurer, the highest ranking black member of his administration, to begin a round of talks with local bankers.

The MBA's refusal to include CIC representatives among the community advocates invited to their industry-wide meeting, scheduled for September 8 at a hotel twenty miles west of Boston, provided a dramatic early example of the bankers' ongoing attempts to deal with those community advocates that they viewed as "moderate" or "pragmatic" while excluding from the process those community representatives they regarded as more "militant" or "ideological." The *Boston Globe* (Aug. 29 and Sept. 1) reported a firm line by the MBA on this matter, but in the face of threatened pickets—as well an important statement of solidarity by the MACDC, which said that it would not attend unless the CIC was also invited—the bankers changed their mind on the eve of the session.

That this particular attempted exclusion was symbolic rather than practical was apparent from the nature of the meeting, which consisted of a series of speeches by regulators, followed by presentations by the heads of four MBA special community-banking task forces, each of whom was a top official of one of the big Boston banks. These presentations, and an accompanying package of handouts, established the four-part structure that was eventually included in the programs announced four months later: bank products and services; mortgage lending; financing affordable housing; and minority economic development.

The bankers announced that the task forces in each of these areas would continue to meet and would be open to participation by all interested parties. Finally, MBA officials promised to unveil by mid-October, six weeks later, a community investment program, reflecting input by individual banks throughout the state, that would include specific dollar amounts along with program details. The next day's papers carried not only stories about the meeting and the promised programs but also accounts of demonstrations, organized by the GRNA, that included picketing at downtown Boston branches of the Bank of Boston and the Bank of New England.

Throughout the rest of September and October, the struggle over what sort of community investment program would ultimately emerge continued on many fronts. The MBA's four task forces each began to meet, a process that eventually involved more than two hundred regular participants in face-to-face discussions about the practical problems of putting together workable programs. Bankers and community advocates later agreed on the value of the task force experience not only in establishing personal relationships and lines of communication but also as a process of mutual education about the realities of the disparate worlds in which each worked.

On September 10, Mayor Flynn appropriated the city council's initiative by unilaterally announcing his intention to issue executive orders creating a linked deposit banking program and establishing the Community Banking Commission.

On September 12, MAHA submitted a formal CRA challenge to State Street Bank's application for approval from the state banking commissioner to open a branch office in Tokyo. In transforming itself into a provider of financial services rather than a retail bank, State Street had closed eleven Boston branches since 1983 and had a relatively poor record of providing credit to local low- and moderate-income neighborhoods. Two weeks after the mid-October public hearings on the challenged application, the bank invested $1.5 million in a limited equity cooperative housing project in Roxbury, widely regarded as an investment that it would not otherwise have made.[4]

On September 13, action on another front was heightened when the governor introduced legislation to promote bank investment in local communities by, among other things, strengthening the state's CRA, already one of the strongest in the nation. The CIC and its allies introduced several amendments.

On September 27, the CIC's community meeting in the auditorium of the Trotter elementary school in Roxbury drew a large and enthusiastic crowd to hear community advocates articulate their needs and concerns and summarize the content of the community investment plan that the CIC had distributed to the banks a month before. Diana Strother, cochair of both MAHA and its Home Buyers Union, pointedly asked each bank's representative to respond "yes or no" to the question of whether it would agree to negotiate with the CIC about this plan. Several smaller banks said yes, but all of the major banks declined. Their general position was essentially that they would be happy to talk with any community representatives, but that they wished to proceed on the basis of their own program, not the CIC's.

On September 29, the U.S. House Banking Committee held a day of hearings in Boston on local community reinvestment issues, its first hearing outside of Washington, D.C., on a community credit issue. State and local officials, bank regulators, and top banking executives all testified to their commitment to respond effectively to the acknowledged problems documented in the Boston Fed study. Committee chair Henry Gonzalez was there, but it was Rep. Joe Kennedy's show, and he left little doubt where he stood. In a press conference before the hearings themselves, he endorsed the CIC's Community Investment Plan.

On October 20, the CIC filed a CRA challenge to the application of BayBank Harvard Trust to open a new branch in the Allston/Brighton area of Boston. The challenge was critical of the CRA record both of this particular bank and of the entire BayBanks chain. Their very weak record of mortgage lending in predominantly black census tracts was consistent with the fact that out of 230 branches statewide, none were in Boston's minority neighborhoods.

As October ended, the MBA had failed to meet its self-imposed mid-October deadline for announcing the final version of its plans with dollars attached; and the principal players—the CIC and the leading Boston bankers—still had not met in direct negotiations.

On November 8, for the first time, a top official from one of the major Boston banks agreed to negotiate directly with the CIC. Once again, the breakthrough initiative was taken by Richard Driscoll of the Bank of New England. The other major banks soon followed his lead, and the rest of the process involved numerous direct meetings among these parties.

Three days later, Mayor Flynn threw a third community investment plan into the arena. Calling for the commitment of $1 billion of bank funds over a five year period, the city's plan had the same basic elements as those of the CIC and the MBA. It differed in attempting to cast the issue more along class lines than racial ones, by including certain of the city's low- and moderate-income white neighborhoods among the targeted areas needing better treatment by the banks. Also in November, the Massachusetts CAP Directors Association (MASSCAP) released the results of a substantial survey of the need for and availability of basic banking services to low-income residents statewide. The survey report placed particular emphasis on the unwillingness of banks—particularly the "Boston Big 4 Banks"—to cash government welfare checks for individuals without accounts and on the lack of affordable basic bank accounts.

Frustrated by the process of forging a collective response, and seeking competitive advantage for themselves, two of the big banks announced initiatives of their own. On November 16, four days before the hearing on its challenged application, BayBanks announced its plan to open five new branches and twenty-five new automated teller machines (ATMS) in Boston's low- and moderate-income and minority neighborhoods within the next three years. The CIC responded with pickets both at the bank's busy Copley Square branch in downtown Boston and at the home of the BayBank Boston Chairman Richard Pollard (who was also serving as chairman of the MBA),[5] complaining that branches and ATMS were not enough and that the bank needed also to respond to the need for affordable housing construction and mortgages.[6] Two weeks later, in early December, the Bank of Boston announced its plan for improved service in the greater Roxbury area, including a new branch with an ATM, the upgrading of other branches, and the extension of banking hours.

Through mid-December the four MBA task forces continued to meet, and negotiations continued about the size and shape of the final program. General agreement was reached on most issues, but significant disagreements persisted. Most important, the bankers continued to resist the insistence of the mayor and some CIC members, particularly MAHA staffers Lou Finfer and Tom Callahan, that the final program include a substantial commitment for mortgages with below-market interest rates that would make homeownership possible for a significant number of first time homebuyers with incomes in the $15,000–$30,000 range. With this deadlock persisting, the bankers resolved to publicly unveil their program during the week before Christmas.

At this point, on December 20, the BRA created an uproar by releasing its long-overdue mortgage lending study (Finn 1989). Charles Finn's main quantitative finding was that banks made 2.9 times as many mortgage loans per thousand privately owned housing units in low-income white neighborhoods as in minority neighborhoods at the same income level (3.4 times as many if government-insured mortgages were excluded from the calculations.)[7] He reported individual white/minority lending ratios for each of the twenty largest banks in Boston; and the prose accompanying his quantitative results offered a much sharper indictment of bank performance than did the Boston Fed study.

The resulting publicity led the bankers to postpone announcing their program. Angry bankers and concerned editorialists offered numerous predictions that the entire initiative might unravel.[8] What happened instead was almost three weeks of intense negotiations, most around the issue of below-market-rate mortgages. The ongoing talks were punctuated by a number of high-profile compromise initiatives and mediating efforts. Mayor Flynn, whose clout was enhanced by growing speculation that he was about to announce his candidacy for governor (he would have been the instant front runner, had he decided to run), joined with the BRA in actively pushing for an agreement including below-market-rate mortgages, and he pledged city money to help fund part of the subsidized mortgage package. This position was opposed within city hall by the Public Facilities Department (PFD), which wanted to avoid jeopardizing the agreements already obtained from the banks for funding city-sponsored housing development projects. Similar stresses grew within the CIC: MAHA and its Home Buyers Union remained determined to hold out for the inclusion of below-market-rate mortgages in the final package, while another member group, Local 26 of the Hotel and Restaurant Workers Union, threatened a class action lawsuit against the banks, with the stated purpose of convincing the bankers to agree to provide subsidized mortgages. Yet Gus Newport, the black former mayor of Berkeley, California, who was now executive director of the Dudley Street Neighborhood Initiative—which wanted quick funding for the affordable housing projects on which it was cooperating with the PFD—allowed himself to be quoted in the press as being in favor of settling for what had already been agreed to. The bankers also disagreed among themselves on what was to be done.

In the midst of all this, the revelation that Charles Stuart was the prime suspect in the widely publicized (e.g., *Time* and *Newsweek* cover stories) murder of his pregnant wife Carol and near fatal wounding of himself the previous November raised racial tensions in Boston to the boiling point. Stuart, who jumped off a bridge to his death after learning of his imminent arrest, had cynically claimed that a black man had shot them both, and much of the city had succumbed to racial hysteria as police, press, and public all too readily accepted his story. Now Boston's blacks learned that the intense police harassment inflicted on residents of the neighborhood where the killing took place was the consequence of a cruel hoax perpetrated by a white man.

The desire of the city's white political and business leaders to calm the heightened racial tensions almost certainly was a factor in finally bringing the negotiators to agreement. On January 10, 1990, just six days after Charles Stuart's suicide, the city's leading bankers emerged from the mayor's office to announce a mutually acceptable community investment program.

The formal unveiling of the MBA's statewide "Community Investment Program" took place on January 15, at the annual Martin Luther King Day breakfast sponsored by Reverend Charles Stith. The MBA press release describing the program failed to give any special mention to the central roles played by the CIC and Mayor Flynn; it spoke instead in general terms of "elected officials and regulators and . . . more than 40 statewide and Boston-based community groups who were involved in the discussions that helped shape the package."

Two weeks later, the CIC sponsored a public meeting in the auditorium of the Dudley Square branch of the Boston Public Library. Willie Jones, GRNA board member, presided over a set of announcements by representatives of ten of the city's largest banks of the individual bank commitments for investment in Boston's minority neighborhoods that he and other CIC negotiators had obtained.

Only a highly abbreviated account of the community reinvestment struggles in Boston between January 1989 and January 1990 could be included here, and many significant events and influential actors had to be omitted. From what has been related, however, it should be clear that the Community Investment Coalition and its allies carried out a campaign that operated on many fronts. They effectively borrowed and built upon a variety of tactics developed in earlier efforts in Chicago and elsewhere, and subsequently employed in other cities. These included: (1) undertaking direct action (picketing and demonstrations); (2) sponsoring a research study on mortgage lending patterns; (3) preparing a comprehensive community investment plan; (4) holding community meetings, attended by bankers, in support of the plan; (5) making two CRA challenges to bank applications; (6) working in support of proposed state legislation, including some provisions that it had submitted; (7) supporting initiatives at the city level by progressive city councilors; (8) conducting direct negotiations with bankers; (9) submitting information to the local media on a regular basis; and (10) threatening a class action lawsuit.

What Was Won: The Bankers' Promised Programs

The statewide Community Investment Program announced by the Massachusetts Bankers Association in the middle of January 1990 contained dollar totals for various program elements, but no indication of amounts to be committed by individual banks. (This was probably because total individual bank commitments remained far below the announced totals; the MBA leadership had failed to elicit substantial participation in the program beyond that of the big Boston banks.) The Boston community investment initiatives announced by the CIC at the end of the month consisted of a compilation of individual bank commitments, some outside of the MBA framework. Whereas the statewide program was in form clearly a unilateral program of the bankers, as opposed to an agreement with any community group or public agency, the Boston program took the form of commitments announced at a CIC-sponsored public meeting.

The MBA characterized its statewide initiative as a "$1 billion program" ($465 million of new bank funds, some in pools where dollars would be recycled two or three times during the five-year life of the program), whereas the CIC calculated the bank commitments to Boston over the next five years at $397 million, of which $206 million was part of the statewide MBA program. All such totals are suspect, and should be taken as providing no more than rough indications of the overall size of the envisioned programs. A better way to see what was involved is to review each of the four major program components.

Basic Banking Services

The banks agreed to provide nine new full-service branches and thirty-two new ATMs in Boston's minority neighborhoods over the next five years. An unspecified number of existing branches would expand their banking hours and range of services offered. An eighteen-member Massachusetts Community and Banking Council (MCBC)—with nine community representatives and nine banking representatives—would be established as a nonprofit corporation to oversee provision of banking services, sponsor consumer education about banking and credit issues, undertake community credit needs assessments, and provide a forum for continuing dialogue about community needs and bank performance in meeting these needs.

Affordable Housing Development

A second new nonprofit corporation, the Massachusetts Housing Investment Corporation (MHIC), would be established to: assemble and administer a $100 million loan pool for construction and rehabilitation of affordable housing; provide technical advice and assistance to facilitate $100 million of equity investments in low-income housing projects qualifying for federal tax credits; and find sources for permanent (mortgage) financing of the affordable housing projects after completion of construction.

Mortgage Lending

One element of the MBA program was referred to as the "FannieMae/GE" program, because the General Electric Capital Corporation agreed to provide up to $35 million of private mortgage insurance for the first 80 percent of mortgages to qualifying first-time homebuyers in targeted neighborhoods statewide, and FannieMae (the Federal National Mortgage Association) agreed to purchase the mortgages from the issuing banks in spite of their nonstandard terms. The terms were nonstandard in that the loans, made at market interest rates and perhaps with modest discounts from standard closing costs, would require just a 5 percent down payment and allow monthly housing payments of up to 33 percent of income (rather than the typical maximum ratio of 28 percent).

More important, in response to the final round of pressure applied by the Flynn administration and some CIC members, six banks committed themselves to provide a total of $30 million for mortgage loans in Boston's minority neighborhoods at one percent below the market interest rate. Part of the compromise agreement was that these subsidized loans would be outside of the MBA program itself. Pledges of up to $10 million in state and city government funds to subsidize interest and down payment costs promised to make homeownership possible at an income level below $20,000. With an average low-cost house priced at $75,000 (given Boston's inflated housing market), $30 million would make possible about four hundred mortgages. The details of the subsidized mortgage program were to be worked out over the next sixty days.

In addition, some individual banks announced commitments to lend a total of $150 million for home mortgages in minority areas over the next five years.

Minority Business Development

A third statewide corporation, the Massachusetts Minority Enterprise Investment Corporation (MEIC), would be established to provide equity capital, loans, technical assistance, and other support to minority businesses. The banks would supply the MEIC with $10 million capitalization and $50 million for lending.

What Was Delivered: The First Eighteen Months

Although the MBA program announcement included an explicit commitment to "development of an efficient mechanism, acceptable to all parties, to monitor the progress of the various program components and to assess their success in achieving their goals," implementation of such a monitoring mechanism had been only partially accomplished eighteen months later.

The CIC, the city, and the banks have continued to work on the development of a mutually acceptable framework for reporting on program progress. As of August 1991, the agreed-upon procedure involved quarterly submission of data by individual banks, compilation of these data by the CIC, and detailed review at a meeting of city, bank, and CIC representatives held one month after the end of each quarterly reporting period. The tables produced each three months covered only part of the overall community investment program: they provide information on new branches and ATMS and on the status of the four pools of money created by the MBA program (the MHIC pools for housing loans and equity investments and the MEIC pools for capitalization and for lines of credit.)[9] These detailed quarterly tables provide the principal source for this section's account of how bank performance through the first half of 1991 was related to the programs promised at the beginning of 1990.[10]

Basic Banking Services

The initial commitment to open nine new branches in Boston's minority neighborhoods had fallen to eight by mid-1991 (apparently because the reported commitment from one now-failed bank, First Mutual, was a typographical error), but two other branches were upgraded to full-service status. One of the eight branches was already open for business. Under the auspices of MCBC, a joint community-bank task force began meeting in January 1991 to consider collectively the merits of alternative locations for the remaining branches. Four high-priority sites were identified and by July individual banks had made specific commitments to locate branches at three of these four locations—Bank of Boston and Fleet Bank in the predominantly black neighborhoods of Grove Hall and Egleston Square,[11] respectively, and BayBank Boston in the low-income Hispanic neighborhood of Hyde Square. In addition, eighteen of the promised thirty-two new ATMS were already in operation.

The April 1990 implementation of a statewide government-check-cashing program—although not mentioned in the MBA's January 1990 announcement—has been justifiably heralded by the MBA as one of the program's great successes. Over two hundred banks, including all of the big ones, with over two-thousand branches statewide, were participating in the voluntary program, cashing government checks for non-account-holders with proper identification. (A maximum fee of fifty cents may be charged; most charge nothing.) Only those familiar with the stubborn resistance of bankers to such programs can appreciate the accomplishment that it represents; Massachusetts became the only state with such a program (voluntary or mandatory). Its adoption, the result of negotiations within the framework provided by MCBC, reflected primarily the efforts of MASSCAP, which focused its energy on accomplishing this specific goal.

The next item on the MASSCAP agenda was widespread availability of low-cost basic banking accounts for low-income people. In August 1991, MCBC was finalizing guidelines for a program whereby banks statewide would voluntarily offer such accounts. Meanwhile, all of the major Boston banks had already introduced low-cost basic bank accounts that were much improved over what was available before the struggles over community investment began to intensify. The new basic checking accounts (savings accounts were also available) typically required no minimum balance, offered seven or eight checks and a similar number of ATM transactions per month, and cost about three dollars per month—less than the cost of cashing a single modest government check at a check-cashing store. In a closely related initiative, MCBC and the Massachusetts Department of Public Welfare jointly announced in July 1991 a new program allowing welfare recipients with accounts at participating banks to opt for direct deposit of their twice-monthly welfare checks; the great majority of the banks taking part in the check-cashing program chose to participate in the direct deposit program as well.

Affordable Housing Development

The Massachusetts Housing Investment Corporation began operations in July 1990. Bank commitments to MHIC's housing loan pool, originally targeted at $100 million, never grew beyond $55 million, and stood at $48 million in mid-1991. Of this, $35 million had actually been delivered to MHIC, which made its first loan in December, then made commitments through July on ten loans for a total of $7 million, and had numerous additional proposals pending in the pipeline.

Tax credit equity investments facilitated by MHIC in low-income housing projects were also targeted at $100 million. Bank commitments stood at $53 million in mid-1991, down slightly from the original level of

$55 million. Through June, equity investments of $11 million had been completed and $7 million more had been committed.

No progress toward MHIC's third objective, securing a regular source of permanent financing for the housing projects receiving its construction loans, had been made by mid-1991. Instead, project sponsors were forced to continue to seek such "take-out" financing on a case-by-case basis, although MHIC now offered assistance in this process.

Mortgage Lending

No reliable quantitative information on the mortgage lending portion of the banks' programs can be reported here because there was, as of mid-1991, no monitoring of this activity. However, representatives of the CIC and the major banks agreed in late July on a reporting format that will include, for each bank, the number of loans and the dollar amount in each special mortgage lending program (publicly subsidized below-market loans; FannieMae/GE mortgages; individual banks' special mortgage products), cross-tabulated by zip code, race of borrower, and income level. These reports are due semiannually, beginning in September 1991 for the period from program inception through June 1991.

Meanwhile, CIC representatives believed that the FannieMae/GE first-time homeowners program, highly touted by the bankers in January 1990, had been almost a total nonstarter in Boston and that the initial mortgage lending report would show that few loans had been made in the city under this program. In any case, the CIC from the beginning had made clear its view that the program offered little to make housing at Boston's inflated prices affordable to its primary constituency—the low-income residents of the city's minority neighborhoods.

In the area of mortgage lending, the major objective of the CIC and the Flynn administration was to create below-market-rate subsidized loans that would make homeownership possible for low-income residents. This was the issue on which they won bank concessions as a result of endgame pressure. The first such publicly subsidized, below-market-rate mortgage loan under the program was not completed until February 1991. As of mid-1991, it appeared that approximately two hundred of these loans—about half of the envisioned total—would be completed before available funding was exhausted sometime late in the year. It took a major struggle in the spring of 1990 for the CIC and the city to overcome the banks' announced intention of offering adjustable-rate rather than fixed-rate mortgages. The price of obtaining agreement on fixed-rate mortgages was making the interest rate one-half of a percentage point, rather than a full percentage point, below the market rate.

Another major struggle was over the state's and the city's promised contributions to the program. As a result of extraordinarily severe fiscal crises, the state's contribution was ultimately cut back from an initial promise of $8 million to $1 million and the city's contribution from $2 million (or more, in some public pledges) to $1 million. At times it appeared as if there might be no public money at all. The city finally agreed, in April 1991, to honor, even partially, its commitment to contribute only after being presented with a file folder full of press clippings that quoted the mayor vigorously denouncing the banks for failing to live up to their commitments in a timely manner. The program's ability to deliver mortgages affordable to low-income residents was also set back when the Bank of New England canceled its $5 million commitment (subsequently restored by Fleet in mid-1991) and when, after several months of waiting in vain to see public money, some other banks went ahead with offering below-market-rate loans without the public subsidies designed to accompany them.

Minority Business Development

The process of establishing the Massachusetts Minority Enterprise Investment Corporation (MEIC) was not complete until the very end of 1990, partly because of a several-month wait for the necessary regulatory approval of its innovative legal status as a community development corporation with a venture capital component, jointly owned by several banks. As of June 30, 1991, its capital stood at $3 million in hand, out of $4.1 million in current bank commitments (down from original commitments of $5 million, just half of the $10 million target announced in January 1990). In addition, $15 million in lines of credit had been committed by banks (out of the $50 million originally announced). In April 1991 MEIC began taking loan applications, and by the end of July it had approved three loans.

What Was Accomplished: An Interim Assessment

Given this account of what Boston banks promised in January 1990, and of what they delivered in the subsequent eighteen months, what can be concluded about the success of the Boston campaign for community investment? This section addresses this question in terms of the following three criteria: delivering loans and banking services to previously underserved neighborhoods; building institutions and creating relationships between banks and the community that contain the potential for bringing about and sustaining improved future performance; and changing the general political climate and awareness level concerning community investment issues.

This assessment is necessarily a preliminary one. Eighteen months is simply too short a period on which to base confidently a judgment of the programs' successes and failures. On the one hand, initiating innovative programs may require significant start-up time, so that it is inappropriate to expect one-third of the results in the first one-third of the five-year program period. On the other hand, early achievements may prove to be one-time phenomena and to be not sustained over a longer period of time. The most thorough and impressive evaluation of a community reinvestment program to date was completed a year after the conclusion of the first five-year period of the Neighborhood Lending Programs of three major Chicago banks (Bradford 1990); a similar timetable for reviewing the Boston community investment programs would result in a 1996 assessment.

Moreover, evaluating the accomplishments of the campaign for community investment in Boston involves a broader perspective than that required for assessing the accomplishments of the specific programs announced by the MBA and the Boston banks in January 1990. A number of positive developments outside of the framework of the announced programs can be reasonably attributed to the impact of the community investment campaign.

It must also be emphasized that the period immediately following the announcement of the bankers' program was an extremely difficult one for the local economy. The failure of the Bank of New England and the steadily deepening fiscal crises of the state and city governments were only the most visible results of the collapse of real estate markets and the onset of a severe regional recession. All of the big Boston banks (with the sole exception of State Street) not only suffered serious losses but also had their very survival called into question. This harsh economic environment helps to explain why the community investment campaign's greatest single success by mid-1991 was the government-check-cashing program (which costs the banks almost nothing), and its greatest disappointments were in the areas of lending for affordable housing development and minority business development (where viable projects were much more difficult to put together, especially in a period when fear of further loan losses was in the forefront of bankers' minds). Meanwhile, the immense pressures on state and local government budgets were primarily responsible for the slowing of the subsidized, below market-rate mortgage program and its shrinking to approximately half its intended size.

Delivery of Loans and Banking Services

In terms of actual loans and services, the latest CIC tables (based on bank data for the period ending June 30, 1991) indicate that out of a total of $260 million initially promised for the program's four pools (two each within MHIC and MEIC, just $18 million had actually been invested in projects during the first eighteen months of the five-year program. As of June 30, $48 million more had been turned over to the pools by the banks, and an additional $55 million of funds had been committed but not yet delivered. The overall total of these three sums, $121 million, stood at just 47 percent of the total announced in January 1990.

The shortfall in deliveries of loans and investments reflected the state of the economy and the banking industry as well as the lengthy start-up period for the nonprofit institutions. The shortfall in commitments also reflected the almost total failure of the MBA to meet its stated objective of obtaining widespread participation in its program by smaller banks in Boston and around the state. Indeed, the six biggest Boston banks (including the Boston Safe Deposit and Trust Company, a so-called nonbank bank) accounted for 90 percent of the total commitments to the program.

However, in the area of bank products and services, which are not reflected in these reported dollar totals, initial accomplishments more than lived up to promises: new branches and ATMs were being implemented at a pace that would meet the targeted number before five years was over, other branches were upgraded, the government-check-cashing program had been adopted by almost all MBA member banks, and the availability of low-cost basic bank accounts had been dramatically expanded.

Institutions and Relationships

By mid-1991 all three new statewide corporations were in active operation, under the leadership of full-time presidents well-respected by both bankers and community advocates. Both MHIC and MEIC clearly had the potential to contribute significantly to the development of affordable housing and minority businesses when economic conditions began to improve and MCBC, in particular, had successfully provided an ongoing forum for community representatives and banking leaders to deal with the entire range of community investment issues. The level of communication and mutual understanding between the various participants in the process of housing and small business development had expanded greatly beyond where it was when the community investment campaign began. All of these are very significant, although not easily quantified, accomplishments, with great potential to result in substantially improved delivery of credit and banking services in the years ahead. The mid-1990 selection of Richard Driscoll as the new president of the MBA was another promising development—as chairman of the local Bank of New England, Driscoll had made important contributions to moving the process ahead in 1989.

Outside of the framework provided by the new statewide corporations, a number of multibank loan pools and consortiums were created in different parts of the state—from Cape Cod in the east to Pittsfield in the west, Lawrence in the north, and New Bedford in the south, with Cambridge, Fitchburg, and other cities in between. Although the accomplishments of these new entities do not show up in any of the CIC's summary tables, their existence surely stems from the Boston-based struggles for community investment.

Public Consciousness of Community Investment Issues

The community investment campaign was enormously successful in raising general awareness of community investment issues among bankers, politicians, government officials, community residents, the press, and the public at large. The altered political climate concerning these issues was dramatically illustrated at least three times by mid-1991.

First, the attention focused on community investment issues enabled MAHA and its allies both inside and outside of the CIC to make a persuasive case for major state banking legislation aimed at furthering community investment. Among the numerous CRA-related provisions in the new law, enacted in July 1990, was one that coupled approval of nationwide reciprocal interstate banking with the requirement that any out-of-state bank acquiring a Massachusetts bank make available to the Massachusetts Housing Partnership (a state entity promoting affordable housing development) on favorable terms (at its average cost of funds) an amount equal to 0.9 percent of its new in-state assets.

Second, in the process that culminated in the Federal Deposit Insurance Corporation (FDIC) selection of Fleet/Norstar as purchaser of the failed Bank of New England, the press gave extensive coverage to demands by community groups and the Flynn administration that the FDIC give community reinvestment considerations significant weight when choosing among the competing banks. These demands were widely echoed, even by the state's new conservative governor, William Weld. In this climate, even though the FDIC had ruled that the state's July 1990 interstate banking law was not binding in the case of acquisition of a failed bank, Fleet chose nevertheless to announce that it would comply with the legislative provision. As a result, the April 1991 FDIC decision to award the Bank of New England to Fleet/Norstar led to the announcement by Fleet that it would provide the Massachusetts Housing Partnership with $63 million upon acquiring the $7 billion of assets from the Massachusetts component of the failed bank. In addition, Fleet proclaimed that it would honor or exceed all of the commitments, totaling at least $29 million, that the Bank of New England had made to the community investment programs announced in January 1990. In the midst of the state's fiscal and banking crises this was very good news, and it was news that almost surely would not have occurred in the absence of the struggles, beginning in January 1989, over community investment.

Third, the existence of scams in home improvement contracting and second mortgage lending emerged in May 1991 as a major public issue, and revelations about these scams can be traced directly to the community investment struggles of 1989. A detailed account of the behind-the-scenes maneuvering that preceded the saturation coverage of the issue by local television news (Channel 7) and the *Boston Globe* (where the story was given front page coverage on thirty-one out of the fifty-four days beginning on May 6) showed that news outlets originally discounted public interest in the scams. The fact that large numbers of poor, elderly black homeowners were actually losing their homes as a result of these scams was presented the previous summer to a rival TV station (Channel 5) and a rival newspaper (the *Herald*). These outlets considered the issue for months before deciding that it was not really "a story." Only when news personnel recognized that the areas in which the second mortgage scams were happening (Boston's black neighborhoods) were precisely the same areas that the 1989 mortgage lending studies showed were being underserved by banks did the media decide that they had a major story (Jurkowitz 1991). The story line was that banks were not just failing to serve black neighborhoods. They were actually profiting from the resulting conditions by supplying credit to unscrupulous second mortgage companies—companies that were exploiting vulnerable people with high interest rates and exorbitant fees before finally, in many cases, taking away their homes. It is still too early to tell what the consequences of the many-faceted struggles over this highly charged issue will be for the ongoing struggles over community investment in Boston. What is clear already is that it would not have become a major issue without the campaign that began in the aftermath of the leaked Boston Fed study in January 1989 (Dreier 1991).

Future Prospects

Throughout the campaign for increased community investment the MBA repeatedly emphasized that it was more important to establish the necessary foundation for long-lasting change than to provide a one-shot program or some "pots" of money. Community advocates generally agreed on the need for banking institutions to change so that serving the banking needs of low-income and minority neighborhoods would become a regular part of their business activities. At the same time, however, the advocates continually expressed their frustration at the slow pace of the process (especially as the bankers failed to meet their own self-imposed deadlines) and their worry that the bankers might be pursuing relationships and institutions not as a means for achieving the delivery of loans and banking services, but rather as a substitute for them. One of the merits of the current monitoring system, as partial and unsatisfactory as it may be, is that it reflects an agreement that relationships and institutions cannot persist without concrete accomplishments and that quantitative monitoring of actual performance is an important part of the joint process of delivering loans and services while continuing to build institutions and relationships. While future developments necessarily remain uncertain, the establishment of the three new statewide corporations and the considerable broadening and deepening of bank-community relationships have great potential for facilitating community investment in the years ahead.

CONCLUDING OBSERVATIONS

Boston's community investment campaign offers potentially useful lessons for other communities engaged in similar struggles. Five principles deserve particular emphasis.

An Inclusive, Constructive Approach

The Boston experience is notable for the broad range of participants. The primary community advocate, the CIC, was itself a coalition of six member groups representing a variety of different constituencies, and a number of other community advocates played major roles. Many banks were involved and they acted collectively, guided by the Massachusetts Bankers Association, as well as individually. Numerous government agencies played roles. Literally hundreds of people participated in task forces and meetings. Equally important, both the CIC and the bankers generally focused their energy on developing constructive programs rather than on a negative dynamic of criticism and defensiveness. The results showed that such a process can work. It produced a well-designed set of programmatic initiatives and new institutions dedicated to community investment and to expanded delivery of basic banking services. It also produced countless new human contacts and exchanges, with positive results ranging from new levels of understanding to productive working relationships.

The Necessity and Effectiveness of Militancy

At the same time, it is true that nothing significant would have been accomplished without intense pressure from the community groups and, at times, the city government. Every individual that I interviewed, on whatever side of the struggles, shared this perception. Even individuals involved in the bankers' efforts to exclude community militants from the process in favor of those perceived as more moderate acknowledged the effectiveness of militancy. Any particular militant action almost inevitably prompted bankers or editorial writers to respond by worrying that the militancy threatened to destroy the constructive process underway; in fact, militancy generally led instead to constructive dialogue and positive accomplishments. A corollary principle, also validated by the Boston experience, is that the announcement of an agreement or program, no matter how good, does not itself represent victory; it merely marks the end of one phase of struggle and the beginning of a new one. Careful monitoring, to provide the basis for renewed application of pressure when necessary, is an important part of this new phase.

The Primacy of Race

While the community reinvestment struggles of the 1970s tended to be framed in terms of inner-city neighborhoods versus the suburbs, those of the last few years have tended to be framed in terms of racial disparities in credit flows and banking services. Boston is no exception. The claim of racial disparities in lending patterns catapulted the Boston Fed's leaked draft study onto the front pages of the local papers and the confirmation of this finding in the revised Boston Fed study and then the BRA/ Finn study focused intense attention on community investment issues later in the year. In the media-dominated public and political arena, allegations of racial discrimination by banks can become a major issue. Furthermore, lack of media interest, combined with racial politics within the city, doomed the efforts by MAHA and the mayor to broaden the campaign. They had sought to frame the issue in class terms as well as racial terms by highlighting the need for improved bank performance in meeting the credit and affordable housing needs of lower-income white neighborhoods as well as those of lower-income minority neighborhoods.

Community Groups Need Allies

Although in Boston, as in most other places, the major push for improved community investment performance came from community groups, these groups are generally not strong enough to accomplish their goals entirely on their own. Significant gains usually require a set of political circumstances, reinforced by community group pressures, that lead the most important potential allies for community groups—government banking regulators and local politicians and government officials—to decide to temporarily support community group efforts. In Boston's community investment struggles, the mayor and the BRA allied themselves closely with the CIC in pressuring the banks. In addition, the Boston Fed played an important role both by sponsoring the initial and revised studies of mortgage lending patterns and by urging a constructive response to the banks from its position as a major bank regulator.

History Matters

Previous community reinvestment struggles, both locally and nationally, provided a foundation that made possible the accomplishments of the most recent community investment campaign in Boston. Locally, the earlier round of struggles provided experience, personal relationships, and state level legislation that was drawn upon in the most recent struggle. One example of this is provided by Jim Carras, a leading community reinvestment advocate during the decade-earlier period who now, serving as a community reinvestment consultant to the MBA, urged an avoidance of the mistakes of the past by emphasizing constructive approaches, community involvement in program design, and the need to build sustainable institutions. At the federal level, legislation won in the mid-1970s established the regulatory framework and goals which led to the draft Fed study that was eventually leaked. This legislation made available (through the Home Mortgage Disclosure Act) the data used in both the draft Fed study and the Finn/BRA study to document the existence of racial lending disparities. It also provided (through the Community Reinvestment Act) community groups and the Boston Fed with the basis for insisting that banks had an affirmative obligation to respond to the problems uncovered. Just as the participants in Boston's community investment campaign of 1989–91 built on the foundation laid down by previous struggles, it can be expected that their contributions will in turn help provide a basis for further accomplishments in future years.

Notes

1. In preparing this chapter, I have benefited greatly from the generous assistance of numerous participants in the events described. I have assembled an extensive set of documents with the help of the Community Investment Coalition, the Massachusetts Bankers Association, and others. (For the most part, I have avoided cluttering the chapter with numerous citations to either newspaper articles or unpublished documents; I will be happy to furnish interested readers with information on the source for any statement or fact of particular interest.) My set of press clippings is much more complete than it would have been without access to the collections of Jim Carras and Peter Dreier. Many individuals shared their insights and recollections in interviews and provided helpful comments on previous drafts; these include Tom Callahan, Jim Carras, Jim Cuddy, Peter Dreier, Joe Feaster, Robert Fichter, Bonnie Huedorfer, Willie Jones, Tom Kennedy, Arthur MacEwan, Tom Schumpert, Ed Shea, Robert Sheridan, Bill Spring, Richard Thal, Kathy Tullberg, Ken Wade, and Marc Weiss. In addition, some of my knowledge is first-hand: I was an active member of the Task Force on Linked Deposit Banking formed in the summer of 1989 by City Councillor David Scondras. I also volunteered consulting services to Joseph McGrail, counsel to the city treasurer, as he worked during 1990–91 to implement Boston's Linked Deposit Banking Program, and attended a number of the public meetings mentioned in the text.
2. Although the following pages will show that there are important statewide dimensions of the reinvestment struggles discussed in this chapter, and of the resulting programs and institutions, I believe that it is correct to view what happened as primarily a Boston—rather than a Massachusetts—phenomenon.
3. In this chapter, the word "Boston" refers to the City of Boston itself, which contains only one-fifth of the Boston metropolitan area's population (563,000 out of 2.8 million in 1980). Blacks, who accounted for 22 percent of the city's population in 1980, were concentrated in just three of the Boston's sixteen planning districts: the contiguous neighborhoods of Roxbury, Mattapan, and Dorchester held over three-quarters of the city's blacks.

4. The banking commissioner approved State Street's application for the Tokyo branch on December 28.
5. One factor in BayBanks' decision to provide these new branches and ATMS was a personal experience that Chairman Pollard related later at public meetings. One day his illegally parked car was towed to a lot in Roxbury. When he went to claim it, he was informed that he needed to pay in cash. No problem, he thought, he would just go to a nearby BayBank branch or ATM. He was chagrinned to learn that the nearest one was miles away.
6. In January BayBanks withdrew its challenged application in the face of its almost certain rejection. In response, the commissioner communicated his negative assessment of the company's CRA performance by denying a different pending application by the parent corporation.
7. Finn's methodology was very different from that of the Boston Fed's researchers in several ways: he used Home Mortgage Disclosure Act (HMDA) data as reported by the banks rather than deed transfer data, he focused on neighborhoods that had at least 70 percent minority residents as opposed to those with at least 80 percent black residents, and his data covered a seven-year rather than a six-year period. Thus it was noteworthy that his finding of 66 percent fewer mortgage loans in minority neighborhoods than in white neighborhoods (1/2.9 ≐ 0.34) was so close to the Fed's finding of 60 percent (Bradbury, Case, and Dunham 1989:21).
8. Although the precise timing of the study's release was clearly (and effectively) designed to advance the mayor's agenda at a crucial point in the process, the Finn report was, from the banks' point of view, a ticking time bomb that had to go off at some point. It was unrealistic to hope that the city could simply bury such a well-publicized study, even if it had wanted to do so. The situation was different from ten years earlier, when a city-sponsored study that found "pronounced racial redlining" by a number of large Boston banks was suppressed after the banks agreed to participate in the city's loan programs; in that case, the existence of the study was known to only a few, and the city's contract with the group that prepared the study prevented the researchers from releasing or discussing it (*Boston Globe*, January 29, 1989).
9. Although these sets of tables are informative for participants in the struggles over community investment in Boston, they are not public reports. The CIC intended to use them as a basis for preparing reports that would be released quarterly to its constituencies and to the media, beginning in October 1990, but it has not been successful in meeting this timetable. The CIC released its first report in December 1990. In mid-August 1991 it was anticipating the release of a second report in September and considering a more realistic goal of semiannual public reports.
10. I have also drawn upon an informative progress report issued by the MBA in January 1991 on the first anniversary of their program announcement, reports from the three statewide corporations created under the program, and personal interviews.
11. As discussed in the next section, Fleet Bank of Massachusetts became the successor bank to the failed Bank of New England in July 1991. Fleet agreed to honor the Bank of New England's original commitments to the community investment programs announced in January 1990, and even though these commitments were not finalized in time to be included in the CIC tables for the period ending June 31, they are counted in the totals given in this and the following section.

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