

Testimony Of the Massachusetts Alliance Against Predatory Lending (MAAPL) Opposing Capital One's Acquisition of ING

My name is Nadine Cohen. I am the Managing Attorney of the Consumer Rights Unit of Greater Boston Legal Services. I am here to testify in opposition to the acquisition of ING by Capital One and ING, on behalf of my client the Massachusetts Alliance Against Predatory Lending (MAAPL).

MAAPL is a coalition of over 30 organizations in MA, committed to combating predatory lending, stopping foreclosures and ensuring fair access to credit for low income people and people of color.

The merger of these two large institutions does not provide any significant benefit to society and particularly to the low and moderate income communities of MA.

An analysis of Capital One and ING Lending in Massachusetts reveals a less than stellar record:

- ING made a large number of prime home loans (928) in Massachusetts in 2009 but only a small percentage reached traditionally underserved borrowers.
- ING issued only 8.94 percent of its home loans to low- and moderate-income borrowers compared to 26.1 percent for all lenders in MA in 2009.
- Capital One issued 97 small business loans in the state during 2009 with only 6.2 percent of its loans going to the smallest businesses, those with revenues less than \$1 million while, all lenders, as a group, issued 26.2 percent of their loans to small businesses.
- Overall, Capital One withdrew from the home loan market in Massachusetts between 2007 when they issued prime 621 loans to 2009 when they issued only 4 loans in the state (which is a 99 percent decrease). In other words, this lender is ceasing affordable and traditional home lending in favor of high cost credit card lending. This type of substitution does not meet the credit needs of our communities.
- Capital One's loans to African Americans declined from 32 loans in 2007 to zero loans in 2009. In contrast, all lenders, as a group, decreased lending to African-Americans by about 17.8 percent during this time period.
- Capital One's loans to Hispanic or Latino borrowers declined from 41 loans in 2007 to

zero loans in 2009. In contrast, all lenders, as a group, decreased lending to Hispanic/Latinos by about 12.6 percent during this time period.

- Capital One's loans to moderate-income borrowers declined by 100 percent from 2007 through 2009 from 98 to zero loans. In contrast, all lenders, as a group, increased prime lending to moderate-income borrowers by 62.6 percent during this time period.
- Capital One's loans to low-income borrowers declined 100 percent from 29 loans in 2007 to zero loans in 2009. In contrast, all lenders, as a group, increased their lending to low-income borrowers by 86.0 percent during this time period.
- Capital One's loans in minority neighborhoods (81 to 100 percent of the residents are minority) in Massachusetts totaled 16 in 2007 and zero in 2009.
- Capital One made 120 loans in low- and moderate-income neighborhoods in 2007 and only one loan in these neighborhoods during 2009. During this same time period, all lenders, as a group, increased lending to low- and moderate-income neighborhoods by 9.4 percent.

It is clear that low and moderate income borrowers and communities of color in MA will not benefit from a merger of these two entities.

In addition there are serious discrimination complaints against Capital One currently being investigated by HUD that allege racially discriminatory lending.

And ING is currently under investigation by the U.S. Department of Justice for failing to offer services in communities of color.

Capital One has a history of problematic credit card practices - 75% of Capital One's income and 66% of its revenue, comes from its credit card business. By concentrating its business in credit cards – and failing to diversify – Capital One engages in a high risk business model that is not healthy for our economy.

It is very likely that if this merger goes through Capital One will use ING deposits to purchase HSBC's credit card business – making it the largest subprime credit card issuer in the U.S. – and the 4th largest issuer of credit cards in the world - turning safe deposits into subprime risk.

Capital One is also the largest subprime auto lender in the United States with troubling practices that need to be looked at closely.

Capital One's history in acquiring other banks should cause this Board some concern. After acquiring Chevy Chase, North Fort Bank and Hibernia – community development lending, prime home loans and small business lending to low income borrowers significantly decreased.

The Massachusetts Alliance Against Predatory Lending strongly opposes a merger that will result in a decrease in lending to low income communities.

Supersizing in food is detrimental to people's health – supersizing in banks is detrimental to the economic health of our nation.

The Federal Reserve Board must apply a heightened standard to its public benefit analysis – and find that there is no public benefit to this merger.

In fact this merger creates increased systemic risks to our financial system and will not serve to meet the credit needs of the low and moderate income communities in Massachusetts and across the country.

There are clear concerns about the safety and soundness of Capital One – and its high risk and discriminatory practices - that must be fully investigated before this acquisition can be approved.

MAAPL urges this Board to not approve this merger – bigger is not always better and in banks meeting the credit needs of low and moderate income communities, and communities of color it can be – bigger is often in worse for those communities.

Thank you for this opportunity to present this testimony.