

The Charlotte Observer

Bank of America challenged over mortgage practices

[But shareholders reject N.Y. official's proposal for audit committee review.](#)

By Rick Rothacker and Kirsten Valle Pittman Staff Writers

Thursday, May. 12, 2011

Bank of America chief executive Brian Moynihan faced more complaints about his bank's handling of foreclosures at Wednesday's annual meeting, but shareholders rejected a proposal that called for an audit committee review of the mortgage business.

The mortgage measure received one of the higher vote totals among eight shareholder proposals but fell short of approval. The New York City Comptroller submitted the item at Bank of America and other large banks after allegations surfaced last fall of widespread irregularities in foreclosure practices.

"All we're asking the audit committee to do is its job," Michael Garland, executive director for corporate governance for Comptroller John Liu, said after the meeting.

At Moynihan's second annual meeting as CEO, shareholders elected all 13 directors on the ballot, ratified the bank's executive compensation and voted down the eight shareholder proposals. Stockholders also favored an annual vote on executive pay and approved PricewaterhouseCoopers as auditor.

A group of clergy members staged a protest outside before the meeting, but the event was more low-key than the past few gatherings, when shareholder anger was more raw in the wake of the financial crisis. Moynihan even collected compliments at the meeting from community advocates, including the NAACP's chief executive, for the bank's decision to stop charging overdraft fees on debit card transactions.

In his opening remarks, Moynihan worked to distinguish the successful parts of the company from the struggling mortgage business, clearly laying the blame on the 2008 purchase of Countrywide Financial. The Charlotte bank agreed to take on the tottering lender's troubled loans "just when you shouldn't have done it," said Moynihan, who joined the bank in 2004.

Regulators "welcomed" the acquisition at the time, but "attitudes have changed," Moynihan said, likely alluding to regulatory investigations of servicing practices at large lenders. Moynihan stressed the bank's efforts to work with struggling borrowers, including completing 840,000 loan modifications since 2008.

Also referring to the bank's lingering mortgage problems, board chairman Chad Holliday Jr. told shareholders the bank is "behind on some of the things we wanted to accomplish," but is working to create a solid foundation for the future. "We are behind (Moynihan) and his team 100 percent," said Holliday, who was reaffirmed as chairman.

Bank of America was one of the servicers that met Tuesday in Washington with state attorneys general and federal officials probing mortgage practices. A person familiar with the situation said both sides want to reach a settlement

quickly but that sticking points remain, including the amount of money servicers might pay. Servicers have offered to pay a \$5 billion penalty, much less than the \$20 billion sought by some officials.

Moynihan also addressed the Federal Reserve's rejection in March of the bank's request to modestly increase its penny-per-share quarterly dividend in the second half of the year. The bank won't resubmit its request until it knows it will get approval, he said.

To get the Fed's assent, the bank must finish Merrill Lynch merger work, including improvements to risk management systems, Moynihan said. He expects that work to be completed this year. The bank also needs to lower the company's "perceived volatility" in the mortgage area, he said.

This year's gathering was held for the first time at the bank's new environmentally friendly 1 Bank of America Center tower in uptown. Before the meeting, a crowd of about 30 demonstrators gathered outside, protesting the bank's efforts to help struggling borrowers.

The clergy and homeowners - part of a coalition of religious leaders called N.C. United Power - came to Charlotte from around the country and called on the bank to modify more mortgages and help more customers keep their homes.

"No society can allow a permanent debtor class to emerge," said Mike Broadway, a professor of theology and ethics at Shaw University Divinity School in Raleigh.

Nearby, a man held a sign condemning those who "cheat an owner of his house, a man of his inheritance." Another held an oversized envelope, addressed to Moynihan, from "the millions of households who have lost their homes - return address not available."

The protestors also highlighted a recent investigation by Guilford County's register of deeds that turned up about 4,500 loan documents from banks including Bank of America and Wells Fargo & Co. with apparently fraudulent signatures.

"We think there's a smoking gun," said Gerald Taylor, leader of N.C. United Power, who called on other clerks to conduct similar investigations. "Why has nobody... been brought to justice on this?"

The Rev. Clyde Ellis, a pastor from northern Virginia, said foreclosures have affected many from his congregation. One couple he knows has lost more than 70 percent of its income but was denied a loan modification, he said.

Later, inside the annual meeting, Ellis spoke in favor of the shareholder proposal that called for an independent review of the bank's loan modification and foreclosure processes.

"You just need to come to Prince William County - you'll see some disaster," Ellis told Moynihan, referencing an earlier comment about the bank's response to the earthquake and tsunami in Japan. "Sir, you've got to accept full responsibility for everything that has happened in this foreclosure situation."

The bank CEO thanked him and promised to prioritize helping the county.

Read more: <http://www.charlotteobserver.com/2011/05/12/2290258/bofa-challenged-over-mortgage.html#ixzz1Pq3qFBm8>