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Bank of America layoffs to hurt Maryland

by Ben Mook

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Bank of America's plan to shrink its workforce by 10 percent over the next few years will almost certainly have significant effect on Maryland, given the bank's presence and stature in the state, analysts said.

Bank of America Corp., the biggest U.S. lender by assets, will eliminate 30,000 jobs in the next few years as part of Chief Executive Officer Brian T. Moynihan's plan to bolster profit and the company's stock price. Bank of America is the largest bank in Maryland with roughly 3,900 workers and 20 percent of the market share in the state. The company did not provide details on Monday about where the job cuts would come from or when they would happen.

"It's bad news for Maryland, but the state lost most of its locally owned banks a long time ago," said Richard Clinch, director of economic development at the Jacob France Institute of the University of Baltimore. "But, as a regional banking center for them, we're going to lose jobs — the question is how many?"

The job reductions are part of an overhaul that aims to remove about $5 billion in annual costs by the end of 2013. Moynihan's plan, dubbed Project New BAC, included a management shakeup last week that elevated Thomas K. Montag and David Darnell to co-chief operating officers and left Sallie Krawcheck and Joe Price without jobs.

"We don't have to be the biggest company out there, we have to be the best," Moynihan said Monday at a New York investor conference. "We can get out of things we don't need to do, make the company leaner, more straightforward, more driven."

Bank of America announced the job cuts in a statement minutes after President Barack Obama began delivering remarks about his efforts to increase employment. The Charlotte, N.C.-based company is seeking to shave about 18 percent of $27 billion in consumer-related expenses, Moynihan said.

Bank of America ranks as the largest employer among U.S. lenders, with Moynihan estimating its workforce at about 287,000. The company has already ceded the title of largest home lender to Wells Fargo & Co., and slipped to No. 2 in deposits at midyear behind New York-based JPMorgan Chase & Co.

People affected by the cuts may include those working in data centers and deposit systems, said Moynihan, 51. The company had 63 data centers inherited through its acquisitions, and "we'll take that down," he said. Also targeted are three deposit systems, one scheduled to be "merged out" this year and another in 2012, plus "tens of millions of square feet" in idle real estate.

Those are part of Project New BAC's first phase, which focuses on consumer banking, credit cards, home loans and technology, Moynihan said. The second phase will begin in October and continue until April, covering institutional services such as global markets, commercial banking and corporate banking, according to the investor presentation.

"When you take phase 1, and combine with phase 2, we feel comfortable we'll get back to the 55 percent efficiency ratio we talked about in March," Moynihan said. The ratio measures expenses as a percentage of revenue; a lower number implies higher profitability.

Moynihan has sought to bolster capital at the bank and confidence among investors after a 54 percent slide in the stock from the time he became CEO in January 2010 through last week. His tenure includes posting a record $8.8 billion quarterly loss, committing $30 billion to clean up faulty mortgages and selling at least $40 billion of assets and preferred shares.

Peter Morici, a professor at the Smith School of Business at the University of Maryland, College Park, and former chief economist at the U.S. International Trade Commission, said the job cuts and other measures were necessary for the bank to cut expenses and restore investor confidence.

"Bank of America needed to do something really quickly to get its house in order and get the attention of Wall Street," said. "This is going to have an effect, but it's not going to break the Maryland economy."

The Maryland Department of Labor, Licensing and Regulation did not receive a notice of pending layoffs but is keeping a close eye on the situation for when details do come to light.

"We haven't seen anything yet about what the layoffs might be in Maryland," said DLLR spokesman Mike Raia. "We're holding out hope that by some miracle Maryland is spared, but the Dislocation Services Unit is ready to act if that doesn't happen."

According to outplacement consultant firm Challenger, Gray & Christmas Inc., the Bank of America job cuts as announced would be the biggest of the year and the largest since the U.S. Postal Service's 30,000 person reduction in 2010.

Earlier, in an Aug. 18 memo, Moynihan disclosed 3,500 job cuts that will affect operations across the firm and include as much as 5 percent of the investment-banking unit, or about 600 people, two people with knowledge of the plans said last month.

"This obviously is a challenging time for our company in the markets, and for our shareholders," Moynihan said in the memo. "I know it is tough to have to manage through reductions, but we owe it to our customers and our shareholders to remain competitive, efficient and manage our expenses carefully."

Bank of America leaders had been "fighting a different battle" before, and that was to gain scale, Moynihan said. His predecessor, Kenneth D. Lewis, spent more than $130 billion assembling a company with leading positions in deposits, credit cards, mortgages, investment and corporate banking and wealth management. The firm had $2.26 trillion in assets as of June 30.

One of Moynihan's decisions — to get out of managing private-equity investments gained in the 2009 acquisition of Merrill Lynch & Co. — has saved millions of dollars a year, he said. Moynihan said he was following a blueprint for asset sales he gave to directors in 2009, as Bank of America directors were interviewing candidates to succeed Lewis, who resigned at the end of that year.

Bloomberg News contributed to this article.

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