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MILTON HOUSE -- Deval Patrick and his wife have owned their home in Milton's desirable Columbine section since 1989. During that period they have taken out 10 different mortgages on the house, sometimes carrying three at a time. (George Rizer/Globe Staff)



BERKSHIRES VACATION HOME -- The Patricks are building a 24-room, 10,000-square foot mansion on 77 acres in Richmond, a rural town drawing affluent second-home buyers. They are carrying mortgages of \$4.6 million on the Richmond house and 14 acres adjacent to it. (Nancy Palmieri for the Boston Globe)

Patrick's mortgages amount to \$5.9m Candidate says he has what it takes to run

The Boston Globe

By Frank Phillips, Globe Staff | March 8, 2006

With the Democratic primary heating up, Deval Patrick has stressed that he will have the funds to wage a credible campaign in what is expected to be the state's most expensive gubernatorial election ever.

Patrick is assuring supporters he has the personal assets to compete, as he takes on an incumbent attorney general with a bulging campaign account, and possibly a deep-pocketed venture capitalist.

Indeed, after a lengthy career at private law firms, the US Justice Department, and as counsel to major corporations, Patrick has considerable resources.

But he also has accumulated significant debt.

Patrick has heavily mortgaged his family's real estate. He and his wife are now carrying mortgages worth a total of \$5.9 million on their Milton home and a Berkshires vacation home. Based on the interest rates of the loans, which the Globe reviewed, the Patricks' mortgage payments are roughly \$27,000 per month.

Patrick declined to discuss his finances, and, like several other gubernatorial candidates this year, has said he will not make his income tax returns public. His only required financial disclosure, a limited report to be filed with the state, is not due until May.

"There has to be a line drawn between public affairs and private ones, and I am drawing it here," Patrick said, explaining why he will not release his tax returns.

But a Globe examination of public records -- including real estate holdings, mortgages, personal loans, and federal financial reports -- reveals this picture: Patrick, a Harvard-educated lawyer who grew up poor on Chicago's South Side, has seen his income soar over the last 20 years. But during that same period, he has also embraced financial risk, taking on significant debt.

There are no allegations that Patrick did anything improper. In fact, in a rising housing market, borrowing heavily to buy real estate with the expectation of appreciation can be a successful financial strategy.

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Since 1989, when Patrick and his wife, Diane, first purchased their Milton house for \$560,000, they have taken out 10 mortgages on the property, sometimes carrying three at the same time. They are currently carrying two mortgages worth \$1.65 million on the house. The town recently assessed it at \$1.8 million.

The mortgages include a \$1.28 million mortgage from the SunTrust Bank, a bank that has close ties to the Coca-Cola Co., where Patrick was a vice president and general counsel for four years. That loan is second in line to a first mortgage of \$350,000 the Patricks received in 2000 from Fleet Bank.

On a 77-acre tract of land in the Berkshires, where they are building a 10,000-square-foot house, the Patricks have a \$4 million mortgage that they took out in January from Berkshire Bank in Pittsfield. They also have a \$620,000 mortgage that they took out last year to buy a 14-acre adjacent lot, which an aide to Patrick said the couple intends to sell.

The current assessed value for the two Berkshire lots is \$1.1 million. The building permit for the house, filed with the Richmond town hall, estimates it will cost \$2.5 million to build. Richmond Tax Assessor Craig Swinson said that property assessments lag market value in the town.

"It might be assessed for \$2.5 million but could sell for \$4 million," Swinson said after reviewing the plans for the house, which will also include a \$90,000 swimming pool, a squash court, and a 1,000-foot driveway. Swinson stressed that he has not visited the property.

Patrick and his wife were also heavily mortgaged on a condominium they purchased in Atlanta in 2001, when he was working at Coca-Cola corporate headquarters there. They bought the condo for \$755,000, and received a mortgage from Sun Trust Bank for \$735,000, or 97 percent of the purchase price. The condo is now under agreement to be sold, said Kahlil Byrd, an aide to Deval Patrick.

The Patricks have always met their obligations, public records show, with the exception of a period in 1996, when Patrick was assistant US attorney general in charge of the Civil Rights Division in Washington. That year, a tax lien was placed on the Patricks' Milton home after they failed to make payments on \$8,778 in back taxes they owed to the IRS.

Patrick, in a statement to the Globe, stressed that he and his wife have "never failed to repay any loan we have ever had, or to meet our financial responsibilities." He declined to be interviewed about his finances.

While the 19 mortgages and personal loans the Patricks have taken out since 1989 are recorded publicly, the couple's income and assets are more difficult to determine.

In 1994, when Patrick was nominated to be an assistant attorney general in the Clinton administration, he filed a federal financial disclosure report, listing the couple's net worth at \$201,000, with assets worth \$1,034,000, including their Milton house, which they valued at \$750,000.

In the report, Patrick said he had earned a base salary the previous year as partner at the now defunct Boston law firm Hill & Barlow, where he was a partner, of \$136,000. His wife was then human resource director at Harvard University. No salary is listed for her position.

After leaving the Justice Department in 1997, Patrick went to work at the Boston firm of Day Berry & Howard for two years and then to Texaco, where he was a vice president and general counsel. Little is available in public records about his income during that period.

According to filings with the Securities and Exchange Commission, Patrick appears to have had high earnings during the years he served as general counsel at Coke. His salary at Coca-Cola began at \$1.5 million in 2001 and increased to \$2 million in his final year, 2004. He also received a \$2.1 million in severance pay in 2005 shortly after he left Coca-Cola.

The SEC documents from that four-year period also reveal that Patrick accumulated about \$2 million in stock from Coca-Cola and by sitting on the boards of directors at Reebok International Ltd. and United Airlines Corporation. Stories in trade journals, including the Atlanta Business Chronicle and Legal Times, reported that when he left Coca-Cola, in addition to the \$2.1 million in severance pay, he had between \$10 million and \$20 million in Coca-Cola stock options.

But Patrick has denied receiving anything near that, and Bruce Brumberg, editor in chief of myStockOptions.com, who examined Patrick's Coke holdings at the request of the Globe, said those reports in the trade journals were greatly exaggerated.

"It's nowhere near the \$10 million-to-\$20 million that has been reported," Brumberg said. "By the time he left the company, most of the stock options were under water or barely profitable," he said. Brumberg emphasized that it is difficult to determine how much Patrick still owns of the roughly \$2 million in Coca-Cola stock he was granted, since it is no longer required that his holdings be publicly reported.

Patrick has resigned from the Reebok and United Airlines boards, but he remains on the board of the holding company that operates the nation's largest mortgage company, Ameriquest Mortgage.

The privately held lending firm earlier this year entered into a \$325 million settlement with 49 states to settle allegations of [predatory lending practices](#). Patrick, who has been on the [board since 2004](#), declined to detail what compensation he has received from Ameriquest, saying only that it is more than \$100,000 a year.

[Patrick's wife, Diane, is a partner at the major Boston law firm of Ropes & Gray](#), where she specializes in labor and employment law. Patrick's campaign declined to reveal her salary.

Patrick says that he and his wife can meet their loan obligations if he is elected governor, a post that pays \$135,000 a year.

"We looked hard at the financial implications of dedicating ourselves full time to public service and planned accordingly," Patrick said in a statement. "Through hard work, [great opportunities](#), and continued blessings, we are in a wonderful financial position today to make this leap."

Still, the debt the couple is carrying raises a political question: If Patrick needs to draw on his own funds for his campaign, how much wealth does he have available to tap?

His rivals have large fortunes to draw on. Venture capitalist Chris Gabrieli, who put \$5 million into his race for lieutenant governor in 2002, is considering jumping into the Democratic primary. Lieutenant Governor Kerry Healey, a Republican who draws wealth from her husband's investment firm, and convenience store magnate Christy Mihos, an independent, are also running.

Patrick's fund-raising pace has picked up in recent months. Still he lags behind Attorney General Thomas Reilly, who has approximately \$4 million in his campaign war chest, to Patrick's \$850,000.

Personal debt has been an issue in state campaigns before. Governor Paul Cellucci was saddled with over \$700,000 in personal debt, most of it from credit cards. Cellucci said the debt piled up after he gave up his law practice when he became lieutenant governor, and faced education expenses for his kids and other expenses.

Cellucci never defaulted on his obligations, but faced questions about how he accumulated the debt, and how he was paying it off. A Hudson bank that had close ties to him and his family had extended him critical financial help.

But Cellucci, like other recent governors, with the exception of Mitt Romney, released his income tax returns. Patrick has declined to do so.

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