CALIFORNIA REINVESTMENT COMMITTEE

June 24, 1998

Glenn E. Loney
Presiding Officer
Board of Governors
Federal Reserve System
Washington, D.C. 20551

RE: California Reinvestment Committee testimony for Citicorp / Travelers merger.

Dear Mr. Loney,

The California Reinvestment Committee regrets it cannot present this testimony in person. We authorize the Inner City Press / Community on the Move to enter our testimony into the record, and request your consent on this matter.

Sincerely,

Alan Fisher
Executive Director

474 Valencia Street, Suite 110, San Francisco, California 94103 Tel: (415) 864-3980 Fax: 864-3981 reinvest@igc.apc.org

Testimony of the California Reinvestment Committee
RE: Citicorp / Travelers Merger
June 25, 1998
Panel Eight

We would like to extend our appreciation to the Federal Reserve for inviting public comment on the Citicorp/Travelers proposed merger. I am ___________ representing the California Reinvestment Committee (CRC) from San Francisco, California. We regret that we cannot attend in person and with our coalition members, who represent nearly 200 community-based organizations around California.

For a number of critical reasons described below, we urgently request that the Federal Reserve deny Travelers application to acquire Citicorp. The crux of our argument rests on the records Travlers and Citicorp have established in communities of color, and on how this merger will adversely affect low-income communities. As you have heard or may hear in subsequent testimony from other groups, both Travelers and Citicorp have programs supporting community investment and charitable giving. Yet, both groups also have poor histories of serving people of color, and of underserving low-income communities. In addition, the announced $115 billion dollar CRA pledge lacks scope, size, and detail for an institution the size and scope of the proposed Citigroup.

Citibank has one of the worst reinvestment programs for a major California financial institution. The bank has a record of severely underserving Hispanics in the state. California is at least 30% Hispanic, yet only 12% of mortgage applications taken by Citibank in California in 1995 were from Hispanics. In 1996, that number plummeted to only 4% of mortgage applications. Over that same period of time, the number of applications accepted from white applicants increased nearly 10%.

For many years the bank received below satisfactory ratings on its CRA performance evaluations. Oddly enough, the CRA rating for Citibank improved in 1996 as their lending record to Hispanics was decimated. And just when their rating began to improve, the Bank also dropped its commitment to low-income people and began to pander to moderate- and high-income people. The Bank has systematically eliminated low-cost products, such as those Citibank competitors offer specifically designed to meet the needs of low-income consumers. According to Citibank literature, the "Basic Banking Account" has a monthly service charge of $6.50, and is only free if you do $10,000 dollars in business with them. The new EZ Checking program is a no fee account only if you keep a balance of $1,500 dollars. Clearly, low-income account holders were not in mind when these programs were developed.

The Citibank developed a small-business loan product which has a minimum loan requirement of $100,000 dollars. This minimum requirement prevents most small businesses owned by people of color or businesses that reside in low-income communities from qualifying. Instead, these communities needs loans in amounts of $10,000 to $40,000.

The California Reinvestment Committee has tried unsuccessfully to work with Citibank. Since 1992, Citibank has refused to adopt community reinvestment recommendations provided by The California Reinvestment Committee.

If one looks at Travelers' record of serving people of color, the picture is equally harrowing to that of Citibank's. As you may already know, there is an outstanding housing discrimination complaint against TravelersGroup. The suit alleges that Travelers discriminates in the provision, underwriting, and terms and conditions of homeowners insurance to homeowners and homes in African-American and/or Latino neighborhoods. Travelers maintains a minimum policy value of $250,000 dollars in metropolitan Washington, D.C. This excludes more than 90% of homes in predominantly African-American and Latino neighborhoods from qualifying for Travelers homeowners insurance.

In what may be an effort to right their wrongs, Travelers and Citicorp have delivered a $115 billion dollar commitment to communities. Unfortunately, this pledge is minuscule for an institution the size of the proposed Citigroup. The California Reinvestment Committee has been working with banks for 11 years to develop community reinvestment goals and in all our time we have not had one bank measure its goals based on the bank's deposit base. Banks such as Bank of America, Washington Mutual, Wells Fargo, as well as others, have measured their CRA goals based on a percentage of the bank's assets. Currently, the industry standard is 8% of assets. If the proposed Citigroup were to revise its goal amount to reflect its assets, as it should, the pledge would need to be increased from $115 billion to $560 billion, nearly a 500% increase.

But more important than the size of the commitment, is how the commitment will impact communities. This commitment provides zero assurance that it will benefit low-income people because the commitment lacks details on how programs will be developed and delivered. For example, the proposed Citigroup pledges to "expand the availability of commercial and homeowners insurance coverage to low and moderate income customers," yet does not describe any details on how this program will be developed and delivered. Considering Citibank's and Traveler's histories of underserving communities of color, we are not convinced that this pledge is backed up by a clear understanding of the needs of low-income areas and communities of color, nor a concrete commitment that the proposed Citigroup will indeed serve these chronically underserved communities.

It is also discouraging that over half of the commitment, or $59 billion dollars, is committed to consumer credit which includes student loans, credit cards, and other consumer loans. Loans, such as those for students, are not usually included or appropriate in CRA commitments. In addition, there is no language in the commitment that say these products will be priced for low-income consumers.

Aside from the egregious CRA record of both lending institutions and the apparent lack of commitment to CRA in the proposed institution, this merger raises serious concerns regarding safe and sound banking practices and unfair competition.

Federal deposit insurance, normally reserved just for banks, does not protect insurance activities. There are no protections that shield deposits should the insurance affiliate in Citigroup encounter problems. In our opinion, depositors are exposed to undue risk if Bank's deposits are used to help a failing insurance affiliate.

The merged institutions would create unfair competition. No other financial institutions are allowed to combine banking and insurance at the level that Travelers and Citicorp proposed to do. Approving the merger would give the proposed Citigroup unfair market advantage. It is also our understanding that Travelers is requesting to account for the merger as a "pooling of interest." Using this form of accounting method makes the new institution appear financially stronger than it really is, thereby wrongfully attracting investors.

The CRC and its 190 member organizations strongly recommend that the Federal Reserve deny Travelers application to acquire Citicorp. The merging institutions have extremely inadequate records serving communities of color and the 1998 CRA pledge is a hollow and meager offering. The merger creates unfair competition, and is, at this time, not in the long-term interest of the law. It is an unsafe merger, and one that shows no concrete promise to serve the communities where it does business.

To whom it may concern at the Federal Reserve:

I authorize Matthew Lee of Inner City Press, or whomever he designates, to read the following comments during my scheduled appearance at the Citicorp/Travelers merger hearings on Thursday, May 25 in New York City on my behalf as a representative of the Wisconsin Rural Development Center. Matthew Lee is also authorized to answer any questions that may arise regarding these comments.
I would have preferred to make these comments myself, but unfortunately the Federal Reserve has not agreed to use readily available technologies to allow testimony from people who can not afford to travel to New York.

Sincerely,

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Hubert J. Van Tol
Banking Issues Consultant
Wisconsin Rural Development Center

Wisconsin Rural Development Center testimony to the Federal Reserve on the CitiCorp/Travelers mergers.

June 25, 1998
New York City

My name is ----------- . Hubert Van Tol of Sparta, Wisconsin, has asked me to present these comments today on behalf of the Wisconsin Rural Development Center. Mr. Van Tol also serves as a board member of the National Community Reinvestment Coalition and is a co-chair of NCRC's Legislative/Regulatory committee.

Thank you for the opportunity to testify today. We would have preferred the opportunity to testify in a location more convenient to our membership, but we nonetheless bring this message to you from our members. Don't allow this illegal merger to take place!

Wisconsin Rural Development Center has been assessing the credit needs of our communities and working with the banks of Wisconsin for the past five years. WRDC is a member of the National Community Reinvestment Coalition and we endorse NCRC's position on this merger as it has been communicated to the Federal Reserve in writing. Our members know that the consolidation in the banking industry has not provided them with benefits that are worth the increased fees. They doubt that further consolidation across the whole range of financial services will bring them any more benefits than banking consolidation has.

Our members are primarily from rural and small town Wisconsin. They are the people who work hard, play by the rules, and often find the deck stacked against them. Even if they could do so, our members would never dream of making an application to the Federal Reserve for the privilege of breaking the law. They don't think that way, and even if they did, they would have no hope of succeeding. When they hear the details of what Citicorp and Travelers are proposing to do with this merger they just shake their heads. They know why government regulators are so willing to bend and break the law on behalf of powerful corporations, but they wonder if our democracy really has to be that way.

The Bank Holding Company Act makes very clear that any bank holding company acquiring another company, which is engaged in activities which are impermissible for a bank, has two years to divest themselves of those impermissible activities. The Federal Reserve has ruled very explicitly in previous cases that during the two year waiver period the acquiring institution may not engage in cross-marketing and cross-selling between the bank and the business in question. The two year waiver period is granted in the law solely for the purpose of providing a reasonable length of time for the bank holding company to divest itself of the impermissible businesses, without having a fire sale. The three additional one year waivers were only intended for use in cases in which the bank holding company had made a good faith effort to divest itself during the two year period, but was unable to do so.

With this application Citicorp and Travelers are throwing the law, Federal Reserve precedent, and common sense out the window. They seek what they believe should be an automatic two year waiver, not so they will have time to divest their insurance underwriting business, but so they will have time to integrate the different businesses while convincing Congress to change the law. They present their application with the assumption that they are automatically entitled to a two year waiver -- and it seems the additional three one-year waivers as well--even though they have no intention of divesting their insurance underwriting business. They have made it very clear that they intend to use the two year period to build and develop their insurance business by cross marketing and cross selling between the banking and insurance sides of the business. They are rubbing our faces in their blatant disregard for current banking law.

It is clear that the Citicorp and Travelers want Congress to pass a financial modernization bill; it is also clear that the Federal Reserve wants

Congress to pass a financial modernization bill; but such a bill has not passed and in fact may not pass in the next two years. The responsibility of the Federal Reserve is to enforce the laws and regulations as they are written, not as particular Federal Reserve officials or arrogant corporate leaders may wish they were written.

While we agree that the Citicorp/Travelers CRA pledge, with nearly half of its dollars in credit card lending, is a bogus pledge, we are not raising community reinvestment issues or convenience and needs questions at this hearing. Any question of the adequacy of Citicorp's CRA record and the future CRA commitments of the merged entity is overshadowed by the legal questions raised by this proposed merger. If corporations like Citicorp and Travelers are allowed to ride rough shod over the law in this way it will mean that virtually everything about our democracy is up for sale.

We ask the Federal Reserve to do the right thing; deny this application and tell Citicorp and Travelers that if they wish to change the law, they are entitled to do that in the same way that everybody else in this country is; by petitioning Congress to change the law. But until that time they must play by the rules; just as our members do.

Thank you very much.

TESTIMONY ON CITICORP/TRAVELERS INSURANCE MERGER
Phyllis Salowe-Kaye, Executive Director
New Jersey Citizen Action

New Jersey Citizen Action, and the New Jersey Affordable Housing Network, emphatically opposes a merger of Citicorp with Travelers Insurance Group. We do so for the following reasons:

1) The merger is illegal under current law;
2) There is an issue of safety and soundness;
3) Citibank comes into this merger with a less than impressive record of service to low- moderate income communities in New Jersey, and
4) Travelers Insurance activities are not regulated under the requirements of the Community Reinvestment Act, a situation which is a threat to all low- moderate income residents of New Jersey.

Speaking to the first point, it almost seems silly to be addressing the illegality of this merger under current law when we all know that changing the law is what this is all about. Both entities have been lobbying Congress to pass The Financial Services Act of 1998 that would (PRESTO) make this all legal. But until that happens, this merger is premature and dangerous. (Afterwards, it will only be *dangerous*.) While Citigroup claims that the merger is legal so long as the new entity divests itself of Travelers underwriting business within two years, in their May 4th press release, there is no mention of such divestiture and no good faith attempt to share a plan for how this might happen. We don't believe they've given it a thought. Clearly, they expect to have one foot out of the gate when the legislation that they have lobbied for so heavily is finally passed. Why should the Federal Reserve give them that advantage?

On the second point, this merger brings up the issue of safety and soundness. no-one seems to know what this sewn together entity will look like or how it will behave once it has been created. It could be a monster. Godzilla is a fabrication. This one is real, and once it is set in motion with no rules to govern half of its limbs and part of its brain, it will be too late. This has the potential for exposing taxpayers to another situation like the S&L bailout. We oppose mixing insurance, banking and securities until there is a complete investigation of how to preserve financial safety and soundness in the context of unlimited cross-industry ownership. As a result of this merger, Citigroup could become dangerously exposed to sudden crises, either of their own making or due to events beyond their control that can wipe out assets. The Citigroup merger is being hailed by them as creating a diversified conglomerate offering an array of banking, insurance and securities products to 100 million customers in over 100 countries. Instead of diluting risk, Citigroup may actually overextend themselves and pursue even riskier loans and investments in an effort to grab market share and profits. This has been known to happen. Remember, Citicorp received constant oversight by the Federal Reserve Board and the OCC when it overextended itself in developing countries in the 1980s. This merger could create "companies too big to (be allowed to?) fail," which in times of trouble would mean costly government bailouts in order to prevent economic catastrophe. We do remember the S&L bailout. We'll never forget who paid for it.

In an event beyond their control, would some future emergency require huge policy payouts forcing Citigroup to draw down the resources of federally insured Citibank in order to bail out Travelers? Without protections would this leave the depository institution in precarious financial condition? Clearly, this particular $700 billion combination of banking, insurance and securities threatens the safety and soundness of this country's financial system.

The third issue, the poor quality of Citibank's service to low- moderate- income communities is a matter of record. While they claim some improvements over the last year, their 1996 New Jersey data is abysmal. Loans by Citicorp to African-Americans were denied 2.4 times more than Whites, a number far higher than the national denial rate of all banks. The record shows that this bank has clearly underserved a significant portion of minority and low and moderate income people and neighborhoods in New Jersey. They trail their peers in all categories we analyzed with the exception of having the same denial rates to Hispanics as all lenders. Citibank has made a lower percentage of its loans to African-Americans, Hispanics, potential borrowers in minority census tracts, low/moderate income households and low/moderate census tracts than <u>all</u> lenders as a group. They need to do better.

Although Citigroup has pledged $115 billion to lending and investing in low- moderate income communities and small business, it is difficult to project from that pledge how much of that money will actually find its way to low- moderate- income people in New Jersey when they include under "lending", student loans, credit cards and other types of consumer loans. Furthermore, the location of bank branches will become irrelevant criteria for determining service to urban areas and low- moderate-income residents if cross-marketing bank loans to policyholders becomes the primary means of marketing loans in New Jersey. And we are talking about a bank that strives for fully automated branches ... truly "people-less facilities."

Enter Travelers, and issue # 4.

Citizen Action and the Affordable Housing Network have held some promising meetings with Citibank about how they can better meet the needs of New Jersey, but nothing has been finalized yet and our recent discussions have only emphasized the lack of clarity regarding the intentions of their bride-to-be, Travelers Insurance Company.

Travelers is a real Neanderthal when it comes to recognizing and understanding their responsibilities to the low- and moderate income communities of New Jersey. Here's an example. Questioned about a Fair Housing Act complaint filed against Travelers last year which accused them of not insuring homes valued at less than $250,000, the answer of the attorney for First Trenton Indemnity, their property-casualty insurer in New Jersey was that actually, in New Jersey, they are most successful in marketing to homes of a <u>lower</u> value ..... somewhere between $200,000 and $225,000. That should make aspiring homeowners in Newark, Trenton and Camden breathe easier.

But that's not the worst of it. We still can't get any written answers about the size or composition of Traveler's property and casualty business in New Jersey and we have received conflicting information about Travelers from their own legal departments and well-meaning but unknowlegable members of Citibank's staff. On a Tuesday, we are told that New Jersey was one of the top ten markets for Travelers Property and Casualty and that they write lots of homeowners policies in New Jersey. On the following Monday we got a call telling us that almost all the wonderful things that were announced in the Citigroup Press Release won't be done in New Jersey because such an insignificant number of homeowners policies has been written by Travelers. Two days later, Citicorp tells me that Travelers market share is 4.9% and yesterday, the New Jersey Department of Banking and Insurance told me that Trenton Indemnity is the 6th largest insurer of homeowners in the state. Not great, but certainly not chump change. Am I missing something here?

Vague press releases with huge mega-pledges are useless if they are not accompanied by specific monetary and geographic commitments for products and programs that are developed with the input of the people who most affected by the merger ... and I don't mean the stockholders. Citigroup must sit down and discuss community reinvestment plans with community groups all over the country. The Citicorp/Travelers commitment makes no reference to particular geographic areas where they expect to make loans and investments. I hardly think this information will be more forthcoming when they are safely protected by a change in Federal rules about mergers unless full disclosure is required.

In their press release, Citigroup makes the following pledge: to be (and I quote) "fair and transparent in dealing with our customers and their communities, so we earn their trust and support." In light of the above lack of clarity and candor regarding the nature of Travelers current business in New Jersey, or its future commitment, or again, its plan to divest itself of underwriting business under the current law, I would say that "transparent" is light years away. They haven't made it yet out of "opaque" and into "translucent." The only thing that is transparent here is their clumsiness in trying to avoid making a clear commitment at all. This merger must be stopped.

NEW JERSEY

CITIZENACTION

Phyllis Salowe-Kaye/Executive Director

June 10, 1998

James Michener, Esq.
General Counsel
Travelers Insurance P.C.
Tower Square
Hartford, CT 06183

Dear Mr. Michener:

It was a pleasure speaking with you. I would appreciate it if you would send me the following general information about Travelers, its operations and its policyholders.

Yes (1) A Travelers organizational chart showing the various businesses and products to better understand the relationships between them;

No (2) Exact figures for the number of Travelers policyholders (both nationally and those that reside in New Jersey for all businesses);

No (3) A breakdown of policyholders, nationally and in New Jersey, for the types, length and relative value of the policies they have;

No (4) A demographic breakdown of Travelers policyholders in New Jersey, by the standard ways such things are broken down: age, gender, race, income, family status and census tract;

NO (5) Compensation figures for the top five highest-paid executives in the company for the past couple of years;

there are none (6) Some breakdown/accounting of the New Jersey based-investments Travelers has, especially those in low and moderate-income areas;

NO Portfolio (7) A full description of Travelers' social investing program, including a list of social investments made in the past five years;

Yes (8) The 1997 Annual Report.

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Thank you for your cooperation.

Very truly yours,

Phyllis Salowe-Kaye

Phyllis Salowe-Kaye
Executive Director

PSK/dem

cc: The Honorable Elizabeth Randall, Commissioner
NJ Department of Banking and Insurance
Cynthia Codella, Deputy Commissioner for Insurance, DBI
Gail Simon, Chief of Division of Life and Health, DBI

Delaware Community Reinvestment Action Council, Inc.

601 N. Church Street, Wilmington, DE 19801
Telephone: 302- 654-5024 Fax: 302- 654-5046

Testimony by Rashmi Rangan, executive director,
Delaware Community Reinvestment Action Council, Inc.
Before the Federal Reserve System, New York
June 25, 1998

My name is Rashmi Rangan. I am the executive director of the Delaware Community Reinvestment Action Council, Inc. ("DCRAC")--an eleven year old non-profit citizens' advocacy organization whose mission is "to ensure equal access to credit and capital for the under served populations and communities throughout Delaware." I am also a Board member of the National Community Reinvestment Coalition and a member of Inner City Press/Community on the Move.

Without taking away the important role that groups who have and will testify in favor of this merger application play and the support they enjoy from the banking community, we are the "Community" Reinvestment experts. We assess a bank's performance as a whole, inclusive of its affiliates and subsidiaries and in every geography the bank is chartered to do business. We assess local, regional, and national impact of a bank merger on our community.

We are opposed to the merger of Travelers Group and Citicorp. I will speak on a number of adverse issues.

The announced merger is an illegal proposal under the federal Bank Holding Company Act ("BHC Act") and the intent thereof, and even under the Federal Reserve Board's ("FRB's") own prior precedents and regulations. The BHC Act prohibits a BHC from owning insurance underwriting or agency operations; the BHC Act was enacted precisely to prohibit combinations like Travelers - Citicorp. Even Travelers states that, under current law, it would have to divest its insurance underwriting operations. The ex-Chairman of the Federal Reserve Board ("FRB") Paul Volcker says, "I find it hard to believe the law permits the combination. Glass Steagall is still here." There are substantial arguments that Travelers should be required to divest insurance operations prior to any consummation of this proposal. Underwriting Life and Property & Casualty Insurance has been found by the Federal Reserve Board to NOT BE CLOSELY related to banking.

The announced merger is an unethical proposal. Back in 1956, when the BHCA was enacted, the two year waivers granted to the Bank Holding Companies ("BHC") caught off-guard, to come into compliance (with separating insurance and banking), made perfect sense. Forty two years later, to expect these two-year waivers (particularly in hopes that lobbying efforts would crumble these fire walls) is tantamount to extortion.

Of much concern to us is the fact that discussions between the applicants and the Federal Reserve System prior to the merger announcement make a mockery of today's and tomorrow's proceedings. The following are a few quotes, citation in the detailed testimony that has been submitted along with relevant exhibits, that give us grave concern.

Citicorp CEO Mr. Reed "[t]here were enough discussions [with Fed officials] for us to know that there wasn't a legal problem,' [T]here are all indications that [the merger] will be looked at favorably." "Top officials with the two companies said they discussed the deal before Monday's announcement with Fed Chairman Alan Greenspan... The executives characterized conversations with Greenspan... as supportive..." "Appearing at the same news conference, Citicorp head John Reed said executives from both firms had spent the last four weeks "making sure with the regulatory authorities that it was possible."

At a public hearing before the Delaware Department of Insurance, Mr. Matthew Lee of ICP, presented his arguments and cross-examined witnesses concerning

1. any assurances the Federal Reserve System (the "FRS") may have given Travelers that the FRS will allow the retention and integration of Travelers insurance underwriting operations, and cross-selling and data sharing with Citicorp's banking operations, and
2. whether Travelers has made any financial projections regarding its condition if it is required to divest its insurance underwriting activities, and/or is not allowed to cross-sell or share data with Citicorp's banking operations.

No legitimate assessment of the prospective financial condition of the Applicant is possible without exploring at least

1. the likelihood that the Applicant will be able to retain its insurance underwriting operations, and to integrate cross-market with Citicorp's banking operations, and
2. the implications, including financial implications, if the Applicant subsequently, as required by current law, divests its insurance underwriting operations.

Under oath, the Travelers witness claimed that Travelers has NOT made any such financial projection, and stated that he was aware of a telephone conversation between Travelers' counsel and the general counsel of the FRS between the March 30 and March 31 letters, and that it had been conveyed to him that all that the FRS' general counsel had said in this conversation was, "Thank you for the letter." Contradicting this testimony is an article in the American Banker, May 29, 1998, "[d]uring that call, Mr. Mattingly said he told the lawyers that cross-selling plans should not interfere with the divestiture requirement or give the company an unfair competitive advantage."

The fact that lobbying efforts will be stepped up to ensure that Glass Steagall Act is repealed brings to the forefront our concerns regarding the ethics of the management of the proposed Citigroup.

To write to Mr. Mattingly, of the Feds, stating that the clients (Travelers'), "are comfortable proceeding with the transaction provided you are not uncomfortable with the type of practices outlined above" and to add "ask that you advise us if you disagree with the approach and analysis we have outlined in this letter" is playing games with the community and calls into question the ethical standards of the management. Tellingly, it reflects on the Federal Reserve Board as well. It is rather apparent from the March 30/31 letters to the Feds, that a tacit approval to use a common brand name for all products, price breaks for packaged deals, share customer data base., and provide one statement, has been granted. Implied in the communication is the fact that unless these activities are permitted, the merger will not be announced.

Even if Travelers were allowed two years to divest, the Application is informationally incomplete in that it does not provide any projections or information regarding the prospective impact of such divestiture on the financial strength of the proposed Citigroup. The Application should be dismissed as informationally incomplete.

The proposed merger is an expensive "bet". We have been led to believe in the doctrine of "too big to fail"--look at Japan. Tax payers will be stuck with bailing out these giants, should they fail. The surviving banks will be stuck with hefty premiums. Does any one remember the S&L crisis? Most mega-bank mergers today tout the advantages of electronic banking and technology. Can you imagine, within this environment, the impact on safety and soundness, when with one stroke on the key board you can move your deposits. Particularly, when the entity which is a large insurer of properties in a geography struck by natural catastrophes happens to also be your bank! What about the implied subsidy--FDIC insurance.

This proposal raises concerns with Communities' convenience and needs. This merger cannot and will not be convenient for, nor is it needed by, our communities.

Travelers' current subsidiaries have a troubled record of consumer compliance, as evidenced by lack of compliance with the Home Mortgage Disclosure Act ("HMDA"), predatory and allegedly discriminatory practices, as stated by Ms. Mary Harris of Dover, Delaware.

Travelers Group symbolizes communities' anti-trust.
We do not trust Primerica Financial Service agents in our communities.
We do not trust Commercial Credit loan officers in our communities.
We do not trust Property Casualty Insurance insuring our communities.
We do not trust Travelers Group, in our communities.

Travelers Group has insurance underwriting policies that have a disparate and discriminatory impact on the minority community seeking insurance policies.
Travelers Group's Commercial Credit violates fair lending and consumer disclosure laws.
Travelers Group's Primerica targets minority and low-and moderate-incor milies for e..ensive, predatory, and self-serving lending, investing, and insurance sales.

Citicorp's subsidiaries have a disparate record of lending in Delaware. The Applicant's non-binding, non-specific lending pledge is more than half credit card lending (which other banks have not included in their pledges), and has no specific commitment to Delaware.

Citicorp and its banks, which are subject to the Community Reinvestment Act ("CRA") have in recent years abandoned low and moderate income ("LMI") neighborhoods, and communities of color. This is reflected by Citicorp's massive branch closings and downgrades, by Citicorp's automatic teller machines ("ATM"), electronic banking and fee policies, and by Citicorp's lending record, which disproportionately excludes and denies African Americans and Hispanics and applicants in LMI census tracts.

The proposed combined company would be worse than its constituent parts:

1. Citigroup would disproportionately exclude LMI neighborhoods and communities of color from Citicorp's normal interest rate, high technology products and services, while
2. Citigroup would target these communities with Primerica's and Commercial Credit's misleading, overpriced loans and insurance.

CRA Pledge
Given our experience with mega-pledges with no geographic specificity, we remain unimpressed.

This Application should be denied.

THE DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.

1. DCRAC MISSION

Our mission is "to ensure equal access to credit and capital for the under served populations and communities throughout Delaware through Education, Advocacy, and Legislation".

In order to accomplish our mission we shall::

- Ensure that all Delawareans are aware of their rights and responsibilities under the Community Reinvestment Act and other fair lending laws, and
- Ensure that Delaware lending institutions meet their communities' entire banking, credit, and capital needs.

The under served communities are:

- Low and moderate income,
- Minority, and
- Distressed neighborhoods

2. DCRAC PURPOSE

EDUCATION	ADVOCACY	LEGISLATION
Educating our constituency on the availability and desirability of community reinvestment, and community, economic, and housing development activity. Our constituency is made up of: • low and moderate income families and locations and minority community • lending community and other private sector • regulatory community and other public sector • non profit organizations	Advocating on behalf of the under served populations and communities throughout Delaware to the public and private sector communities.	Oversight of public policy and legislative changes which impact Delaware's under served populations and communities by monitoring impending legislation, analyzing impact, disseminating information and reacting.

3. DCRAC PROGRAMS

EDUCATION		ADVOCACY	
EDUCATION	**OUTREACH**	**BANK MONITORING**	**NEEDS ASSESSMENT**
Grass roots • Workshops • One-on-One Counseling	Grass roots • Marketing • Special events	Bank analysis • Public Perception • Public Files	Survey • Public • Non-profit
Larger Constituency • Conferences • Publications	Larger Constituency • Marketing • Special Events	Data analysis • Housing • Small Business	Task Force • Housing • Small Business

4. DCRAC FACT SHEET

NAME	Delaware Community Reinvestment Action Council, Inc.
ADDRESS	601 North Church Street, Wilmington, DE 19801
COMMUNICATION	TELEPHONE: (302) 654-5024 FACSIMILE: (302) 654-5046
EXECUTIVE DIRECTOR	Rashmi Rangan E-MAIL: rashmi@bellatlantic.net
# BOARD MEMBERS	Currently, Eleven
AVERAGE ATTENDANCE	60%
# REGULAR MEETINGS	Four
# EXECUTIVE COMMITTEE	Five
AVERAGE ATTENDANCE	75%
# REGULAR MEETINGS	Twelve
IRS DESIGNATION	501 (c) 3
FEDERAL I.D. #	51-0329119
INCORPORATION	Delaware, March 31, 1988
GEOGRAPHY SERVED	State of Delaware
TYPE OF SERVICE	Policy, research, advocacy, education.
TARGET POPULATION	Lower Income families, minority communities, and targeted census tracts, throughout the state of Delaware.

5. ORGANIZATIONAL STRUCTURE

BOARD OF DIRECTORS	Sets Policy; Financial & Project oversight; Serves as Support Resource; Hires Executive Director .
EXECUTIVE COMMITTEE	Designated to act on behalf of the Board .
EXECUTIVE DIRECTOR	• Overall Internal and external organizational growth • Internal and External communication • Public Relations • Financial Management (financial analysis & grant and proposal writing; Fiscal management & accounting; employee benefits; IRS guidelines; etc.) • Program management (development, proposals, management, monitoring, implementation, evaluation, etc.) • Project management (design, development & implementation) • Research • Building partnerships and networks

6. CURRENT BOARD MEMBERS

Sharon Caulk	Through PSA Credit Union provides an alternative to access to credit and capital.
Walter Clark	Provides understanding of legal ramifications of social injustice.
Barry Davis	Provides financial, board development, & crisis management skills.
B. Durosomo	Understands impacts of Public Policy, Leader in the Nigerian community.
Juana Fuentes	Can use the Human Relations Commission's authority to enforce the laws.
Waldron Giles	Well known and respected in the Small business community.
Vandell Hampton	Represents rural community's concerns.
Vanessa McCleary	Can rally the housing counselors to share predatory lending information with their clients.
Joe Myer	Leader in the non-profit community serving housing production and consumption.
Dolores Solberg	Represents the needs of Kent and New Castle County citizens.
Dorothy Taylor	Herself a victim of predatory lending, supports this campaign.
Robert Watson, Jr.	Well respected in the grass roots, Realtor, religious, and legislative community
Bruce Wright	DCRAC's outreach person in the lower income communities of Sussex County.

7. EXECUTIVE DIRECTOR RESUME

DCRAC Related Experience

Manage DCRAC programs, internal and external organizational growth, fiscal stability; develop relationships with the public sector, the private sector, the non-profit sector; Challenge, testify, take legal recourse in response to merger applications by banks; Prepare educational and informational materials; Provide technical and resource support to the Board of Directors and non-profit organizations; Manage media and community relations; Serve as a point of contact for all Community Reinvestment Act and Delaware banking related inquiries.

Past Experience

Housing Counselor, NCALL Research, Inc. (October 1993 to December 1994)
Research Associate, DCRAC (September 1990 to September 1992)

Education

M.A.	Urban Affairs and Public Policy, University of Delaware (1993)	Major: Energy and Urban Policy.
M.A.	University of Lucknow, India (1983)	Major: English Literature.
B.S.	University of Lucknow, India (1979)	Major: Chemistry, Zoology, and Botany.

Volunteer Activity

A seat on the Board of Directors of the National Community Reinvestment Coalition
A one year term as a Community Advisory Board member on The News Journal's Editorial Board
A seat on the Board of Directors of the Peoples Settlement Association Federal Credit Union
Active member on several housing issues and small business issues groups in Delaware

Recognition/Awards

Community Reinvestment Award of Excellence
presented by the National Community Reinvestment Coalition, 1998
Minority Small Business Advocate of the Year
Presented by the U.S. Small Business Administration, 1997

8. DCRAC HISTORY

ORGANIZATIONAL BEGINNINGS In 1987, then State Representative Jim Sills (now Mayor, Wilmington) also a professor at the College of Urban Affairs and Public Policy at the University of Delaware, enlisted two Ph. D. students to research "redlining" practices of Delaware's full-service banking institutions. These studies documented discriminatory lending and hiring practices and gave DCRAC the leverage to challenge reorganizational plans of several banks. As a result, Delaware Trust Company, Bank of Delaware, and Wilmington Savings Fund Society signed a five year contractual agreement with DCRAC.

PEOPLE INVOLVED Dr. James H. Sills, Jr. founded the organization in 1987. After Dr. Sills' historic election as the first African-American Mayor of the City of Wilmington, Mr. Keith Booker took over the reigns in 1992 and served four years as its chair. Mr. Jamal Mubdi-Bey served as Vice-Chair from 1988 through 1995. Various Board members from the community over the years actively participated in the organization. Students and Staff of the College of Urban Affairs and Public Policy, University of Delaware provided research and management support. Board member Dolores Solberg who took leave of absence to serve as acting Director.

CONTRIBUTION TO THE DELAWARE COMMUNITY Housing Counseling programs were introduced statewide. Secondary Mortgage Assistance programs were developed. Several smaller lending institutions agreed to voluntarily comply with CRA and to make deposit account investments in the Peoples Settlement Association Federal Credit Union.

PAST FUNDING provided by Allen Hilles Foundation; Speer Trust Commission; FCC National Bank; Gannet Foundation; Delaware Housing Coalition; Delaware State Housing Authority; Housing Capacity Building Program; City of Wilmington; Wilmington City Council; Wilmington Savings Fund Society; Grant-in-Aid; New Castle County Council; and Sponsors of "Celebrate CRA" event.

9. PAST EXPERIENCE AND ACCOMPLISHMENTS

EDUCATION	ADVOCACY	LEGISLATION
Quarterly newsletters (Ten thus far)	Bank analysis of over 20 local banks.	Constantly responding to new legislation introduced in the House and the Senate.
Workshops (over 40 attended by more than 150 families)	Data analysis of home lending since 1990.	Shared concerns with the larger community on Bank Modernization Act through newsletters and other media.
Conferences (panelist on over 10 local, regional and national conferences)	Challenged several CRA bank mergers and the policies of the Federal Reserve Board.	Actively involved in strategic planning conducted by Center for Community Change to respond to the bank modernization act.
CRA training (Community groups in Dayton- Ohio, NCRC, and NCALL Research staff)	Negotiated four CRA commitments	Addressed concerns with finger-printing requirement by banks to open accounts.
Built a strong network of professionals in the CRA, Housing, Small Business field locally, regionally, and nationally.	Established Housing Counseling profession.	Addressed concerns with predatory lending and "gag orders" in CRA challenges.
Director wrote columns in the News Journal.	Initiated the implementation of secondary mortgage assistance programs.	Addressed concerns with "credit scoring" and its repercussions on the community.

10. DCRAC BUDGET FISCAL YEAR 1998-99

Expense Category	**Education**	**Advocacy**	**Legislation (incidental)**	**TOTAL**
Wages & Benefits	24,485.00	24,485.00	0.00	48,970.00
Postage & Telephone	1,800.00	1,800.00	0.00	3,600.00
Supplies & Equipment	2,400.00	2,400.00	0.00	4,800.00
Membership & Subscription	875.00	875.00	0.00	1,750.00
Organizational[1]	1,920.00	1,920.00	0.00	3,840.00
Publication & printing	3,000.00	3,000.00	0.00	6,000.00
Rent	1,200.00	1,200.00	0.00	2,400.00
Travel & Training	900.00	900.00	0.00	1,800.00
Events	5,000.00	5,000.00	0.00	10,000.00
Miscellaneous	990.00	620.00	0.00	1,610.00
TOTAL	42,570.00	42,200.00	0.00	84,770.00
Revenue Category				
Grants	26,750.00	26,750.00	0.00	53,500.00
Contracts and fees	11,270.00	0.00	0.00	11,270.00
Fund raiser	4,550.00	15,450.00	0.00	20,000.00
Total	42,570.00	42,200.00	0.00	84,770.00

[1]Includes audit, fees, insurance, etc.

April 16, 1998
New York Times

ESSAY / By WILLIAM SAFIRE

Don't Bank On It

WASHINGTON -- "Mere size is no sin," William Howard Taft is supposed to have said, refuting the trustbusting philosophy of his predecessor, Theodore Roosevelt. (At the time of the apocryphal remark, Taft weighed 300 pounds.)

When a big bank on the West Coast decides to merge with a big East Coast bank, that doesn't bother me. All the stuff about synergies and cost-saving layoffs and global reach will be meaningless soon enough; future banking will be done on the Internet, every home a branch, and today's giants will be undercut by speedy cyberbankers unencumbered by overhead.

Far more troubling is the kind of marriage proposed by Citibank and the Travelers Group of insurance companies and stock brokerage. That would require changing the law that keeps banks -- where individual deposits are insured up to $100,000 by the Federal Government -- separate from other enterprises.

With remarkable chutzpah, these companies have embarked on a course that blithely assumes that change in law.

They think they can count on Republicans in Congress who say that the 1933 Glass-Steagall Act is a Depression-era relic. Fears that a market collapse could affect banks are old hat, these descendants of Dr. Pangloss insist. Break down the fire wall and let the Federal Reserve keep a benign eye on everything financial; we don't even have to fear fear itself.

Not so fast. Suppose the Big Quake afflicts California. Or maybe a Category 5 hurricane, which comes every decade or so, rips along the expensive expanses of a place like Long Island. That would put a lot of pressure on even the most reinsured insurance company.

If you heard such news, and you could switch your money out of the bank affiliated with that insurer with a keyboard stroke, wouldn't you be inclined to play it safe? And wouldn't that Internetted panic cause a run on the superbank?

That's being alarmist, of course. Such disasters are just as unlikely as a market crash (which we all assure each other can never happen again). But before the cash cow of Chase Manhattan starts making cow-eyes at the thundering herd of bulls of Merrill Lynch, Congress had better take a close look at the downside of upsizing across the old boundaries.

1. No private enterprise should be allowed to think of itself as "too big to fail." Federal deposit insurance, protecting a bank's depositors, should not become a subsidy protecting the risks taken by non-banking affiliates. If a huge "group" runs into trouble, it should take the bank down with it; no taxpayer bailouts should allow executives or stockholders to relax.

2. What about privacy? Our bank already knows the details of our buying habits. Won't the affiliated stockbroker and insurance salesman have access to the superbank's records? Do we want a bank that handles our credit cards to be calling us at dinner time as a financial-service telemarketer?

3. Let's not be in such a big rush to knock down barriers. The Government's biggest financial mistake of the past generation was to raise deposit insurance to $100,000 while allowing housing S.& L.'s to plunge into commercial lending. That all but removed the element of risk from foolish or corrupt loans and helped bring on the S.& L. debacle. Good fences make good banks.

4. Beware the slippery slope to crony capitalism. Paul Volcker, former Fed chairman, is less troubled than I am about an amalgam of financial services, provided the Fed is the supervisor. "But there is an Anglo-Saxon

tradition separating banking and commerce," he says. "I'd continue to draw the line between finance and business."

There's the rub. If commercial banks invade mutual funds, stock brokerage, investment banking, insurance sales and the like -- or get invaded by them -- that "finance" is likely to spill over into "commerce and industry." That's the seamlessly interconnected philosophy. And that's the path of Japanese keiretsu, the cozy network of insider financial dealings that crushes competition and breeds inefficiency.

"Mere size" can be a virtue when it reduces prices. But the fewer the competitors, the more collusive the pricing.

Our financial institutions can go global without going gaga.

I've never knocked greed, but this spread-eagled "universality" is getting out of hand. Let bankers be bankers.

Delaware Community Reinvestment Action Council, Inc.

601 N. Church Street, Wilmington, DE 19801
Telephone: 302- 654-5024 Fax: 302- 654-5046

Testimony by Rashmi Rangan, Executive Director, Delaware Community Reinvestment Action Council, Inc. (DCRAC)
Before the Delaware State Bank Commissioner at the Public Hearing
in the matter Travelers Group's Proposed Acquisition of Citibank Delaware and its Subsidiaries
June 23, 1998

Good morning. My name is Rashmi Rangan. Today, I speak on behalf of DCRAC (of which I am executive director), Inner City Press/Community on the Move ("ICP") of which I am a member, and on behalf of myself as a consumer of banking services and as a tax paying citizen.

We are here to strongly urge you to:
1. deny this application
2. ask you to request further information on this application
3. ask that you send a representative to the public meeting the FRB has scheduled, for June 25 and 26, 1998, in New York City, and
4. Ask that you defer ruling on this Application until the issues of the legality of the overall combination have been resolved.

I will speak on a number of adverse issues, which are hereby entered into the record before the Commissioner.

We are opposed to the merger of Travelers Group and Citicorp. Since we are opposed to the merger as a whole, it goes without saying that we are opposed to mergers of parts. This merger does not serve the convenience and needs of our communities. The legislative environment within which the merger is announced raise ethical concerns. Finally, we are concerned with the issues of financial safety and soundness of the proposed Citigroup and the impact of these concerns on the larger community.

The announced merger is an illegal proposal.
The ex-Chairman of the Federal Reserve Board ("FRB") Paul Volcker has publicly questioned whether Travelers can legally acquire Citicorp and its subsidiaries (including Citicorp Assurance Co.). "Vol[c]ker Rips Big Banking Merger, Questions legality of Citicorp deal", American City Business Journals, Inc., June 1, 1998, which reports: ' "I find it hard to believe the law permits the combination. Glass Steagall is still here." said Vol[c]ker, who led the country in its successful fight against runaway inflation during the 1980s...'

Most fundamentally, the larger proposed acquisition (of Citicorp, Inc., Citibank Delaware's parent, by the Travelers Group) of which this Application is a part would be an ILLEGAL combination, under the federal Bank Holding Company Act ("BHC Act") and the intent thereof, and even under the Federal Reserve Board's ("FRB's") own prior precedents and regulations. Even Travelers states that, under current law, it would have to divest its insurance underwriting operations. We are glad to note that Governor Meyer, in his testimony before House Banking Committee, agrees that these "activities would have to be divested under current law." There are substantial arguments that Travelers should be required to divest these operations prior to any consummation of this proposal.

The BHC Act prohibits a BHC from owning insurance underwriting or agency operations; the BHC Act was enacted precisely to prohibit combinations like Travelers - Citicorp. ICP's April 13, 1998 Protest (a copy of which the FRB should have forwarded to you) provided some of the relevant citations.

Underwriting Life and Property & Casualty Insurance has been found by the Federal Reserve Board to NOT BE CLOSELY related to banking. "The plain and unambiguous language of Section 4 of the Act...by its terms prohibits a bank holding company from acquiring or retaining control, directly or indirectly, or any company other than a bank unless that company's activities are authorized under one of the non-banking exceptions in the Act...Under the 1982 amendment to section 4(c)(8) of the Act, the Board no longer has the discretion to permit a bank holding company or any of its nonbank subsidiaries to underwrite or sell insurance beyond the seven situations set forth in the statute." (Concurring Statement of Governor Angell, in Citicorp/Family Guardian Life Insurance Co., 76 Fed. Res. Bull. 997 (1990)). The proposed Citigroup will be engaged in marketing a product it is not allowed to sell. The proposed Citigroup, rather than preparing to strip itself of non-permissible activities, will be preparing for merging the non-permissible activities within the charter.

The announced merger is an unethical proposal.
The Glass Steagall Act ("GSA") of 1933 separates securities and insurance, and the Bank Holding Company Act ("BHCA") of 1956 separates insurance and banking. Back in 1956, when the BHCA was enacted, the two year waivers granted to the Bank Holding Companies ("BHC") caught off-guard, to come into compliance (with separating insurance and banking), made perfect sense. Forty two years later, to expect these two-year waivers (particularly in hopes that lobbying efforts would crumble these fire walls) is tantamount to extortion. I quote from comments filed by Mr. Matthew Lee to the Federal Reserve Board ("FRB") that provide a clearer analogy of what this merger application means. "A city passes a local law requiring all apartment buildings to have fire escapes, but gives two years for owners of existing buildings to install such fire escapes. Forty two years later, a real estate developer announces it will construct a new building, without fire escapes, counting on a two year safe harbor during which time it will lobby City Council to repeal the fire escape law."

The proposed Citigroup has no intentions of divesting itself of Insurance activities (non-permissible and very profitable). Rather, it intends to invest these two years (and additional three year waivers that the Federal Reserve **may, again not an automatic extension,** grant) to lobby Congress to repeal the GSA which has withstood demolition attempts since 1979, and amend the BHCA so that the proposed CitiGroup can concentrate its economic resources ($7.5 billion income and $50 billion revenues) and financial services (insurance, consumer finances, brokerage & investment, banking). Citicorp employs full time in-house lawyers, outside legal and consulting firms, and has a multi-million dollar lobbying budget.

Citicorp CEO Reed's statement, quoted in the American Banker of April 7, that "[t]here were enough discussions [with Fed officials] for us to know that there wasn't a legal problem,' Mr. Reed said..."[T]here are all indications that [the merger] will be looked at favorably." B. Rehm, Megamerger Plan Hinges on Congress, American Banker, April 7, 1998, at 1. See also: "Top officials with the two companies said they discussed the deal before Monday's announcement with Fed Chairman Alan Greenspan... The executives characterized conversations with Greenspan... as supportive..." Reuters newswire, April 6, 1998, 19:24 EDT, Regulators Likely To Okay Citicorp/Travelers Deal. See also: "Appearing at the same news conference, Citicorp head John Reed said executives from both firms had spent the last four weeks "making sure with the regulatory authorities that it was possible." Agence France Presse, April 6, 1998, Travelers, Citicorp Chairmen Confident of Federal Merger Approval.

More recently, as concerns about these communications and their still partially withheld contents have grown, Citicorp (and the FRB) have in part reiterated, and in part changed, their positions. See, e.g., J. Morrison, Fed's Hand in Citicorp/Travelers Deal Questioned, Reuters newswire, May 27, 1998: The amount of private written correspondence and talks with Fed officials is unknown... A spokesman for Citicorp said the pre-application talks with Fed officials were appropriate. "We feel that all the notifications that we made to regulators and officials on a very confidential basis were totally appropriate in keeping with the usual communications between the regulators and those institutions that are regulated,' the Citicorp spokesman said. A Travelers spokeswoman could not be reached for comment... [A] spokesman for the Federal Reserve emphasized that while applicants like Citicorp and Travelers may hold private talks with staff, it is the board members at the Fed who rule on the request. "It's up to the board to make the decision, not the staff, and the board members do not meet on a specific application with anyone except the staff here," Fed spokesman Joe Coyne said. He added that it is unlikely staff members would help an applicant formulate its application. "The staff would never do anything like that," he said.
In terms of the proposed Citigroup's reliance on buying time within which to lobby Congress for change, I again cite from Mr. Lee's comments to the FRB. Section 4(a)(2) of the BHCA (12 USC 1843(a)(2)), in some circumstances gives a company up to two years from the date it became a BHC, to divest its non permissible activities. The FRB has conditioned approvals (United Kentucky/Louisville Trust Co.,) upon a commitment from the applicant that divesting of non-permissible activities will take place prior to consummation, (Marine Bancorp/Coast Mortgage, 58 Fed. Res. Bull. 505, 506 (1972)) directing termination of non-permissible activities "at the earliest practical time and to undertake no new projects in this line of activity.", and (Baltimore Bancorp/Charles street Savings and Loan Ass'n), while allowing two-year period, maintained that divestiture would ordinarily be required prior to consummation.

One theme of my counterpart, Mr. Matthew Lee's of ICP, arguments and cross-examinations at the Delaware Insurance Department's public hearing was the pre-merger announcement discussions between Travelers and the Federal Reserve Board. In that light, Mr. Lee cross-examined Travelers' general counsel concerning

1. any assurances the Federal Reserve System (the "FRS") may have given Travelers that the FRS will allow the retention and integration of Travelers insurance underwriting operations, and cross-selling and data sharing with Citicorp's banking operations (including in light of the letters from Travelers' and Citicorp's counsels to the general counsel of the FRS, discussed in the June 2 comment and discovery request), and
2. whether Travelers has made any financial projections regarding its condition if it is required to divest its insurance underwriting activities, and/or is not allowed to cross-sell or share data with Citicorp's banking operations.

Travelers' general counsel stated that he was aware of a telephone conversation between Travelers' counsel and the general counsel of the FRS between the March 30 and March 31 letters and that it had been conveyed to him that all that the FRS' general counsel had said in this conversation was "Thank you for the letter."

Inconsistent with this testimony is an article from the American Banker newspaper of May 29, 1998, in which long-time banking reporter Barbara A. Rehm reported that "[d]uring that call, Mr. Mattingly said he told the lawyers that cross-selling plans should not interfere with the divestiture requirement or give the company an unfair competitive advantage." B. Rehm, Citi Protester Critical of Fed Counsel's Role, American Banker, May 29, 1998, at 2.

Asked to explain the inconsistency between his testimony as to the substance of this call (i.e. that it consisted only of "Thank you for the letter") and what Mr. Mattingly told reporter Barbara Rehm was said, Travelers' general counsel stated that he stood by his testimony, and noted that all he had testified to was what he was TOLD had been said on the call.

There are serious questions of fact that should be resolved in this proceeding. This is relevant to the prospective financial condition of the proposed acquirer. If Travelers did receive assurance from the FRS' general counsel, it reflect positively on future financial strength -- but it would reflect adversely on the integrity factor. If Travelers did not receive any assurance, that is relevant to the future financial strength of Travelers -- and Travelers' purported failure to make any financial projection of the implication (1) having to divest insurance underwriting operations or (2) of being precluded from cross- marketing and sharing data would reflect adversely.

The proposed merger raises concerns on future financial strength of the acquirer.
Another theme of my counterpart, Mr. Matthew Lee's of ICP, arguments and cross-examinations at the Delaware Insurance Department's public hearing was (and will be) that no legitimate assessment of the prospective financial condition of the Applicant is possible without exploring at least

1. the likelihood that the Applicant will be able to retain its insurance underwriting operations, and to integrate cross-market with Citicorp's banking operations, and
2. the implications, including financial implications, if the Applicant subsequently, as required by current law, divests its insurance underwriting operations.

Under oath, Travelers general counsel claimed that Travelers has made no financial projections as to the impact divestiture would have on the financial strength of the Applicant. This is either not credible, or shows a lack of managerial resources at the Applicant.

Can you imagine going to bank to borrow money for your business without projecting your financial statements to reflect the impacts on your revenue and expenses of a very real eventuality and/or a very real possibility that the basis of your projections may change! To assume that cash receivables from divesting will keep a mammoth entity in business when the rationale for merger is the opportunity, "as Weill said Monday, with undisguised glee, "This should be fantastic for the expansion and sale of our insurance products." (Citicorp, Travelers in Behemoth Merger, Tribune, 4/7/98) is irrational. The proposed Citigroup's financial strength is merely an illusion. On these grounds alone, the merger must be denied.

We now know that prior to announcing the merger on April 6, 1998, there were meetings between the regulator and the regulated where certain assurances were sought before announcing the deal.

3. If Travelers did receive assurance from the FRS' general counsel, it reflects positively on future financial strength -- but it would reflect adversely on the integrity factor that must also be considered.
4. If Travelers did not receive any assurance, then the financial future of Travelers requires greater scrutiny. Particularly, in light of Travelers' purported failure to make any financial projections based on:
   (A) having to divest insurance underwriting operations, or
   (B) being precluded from cross-marketing and sharing data.

The Travelers witness claimed that Travelers has NOT made any such financial projection, and stated that he was aware of a telephone conversation between Travelers' counsel and the general counsel of the FRS between the March 30 and March 31 letters, and that it had been conveyed to him that all that the FRS' general counsel had said in this conversation was, "Thank you for the letter." Contradicting this testimony is an article in the American Banker, May 29, 1998, "[d]uring that call, Mr. Mattingly said he told the lawyers that cross-selling plans should not interfere with the divestiture requirement or give the company an unfair competitive advantage."

Even if Travelers were allowed two years to divest, the Application is informationally incomplete in that it does not provide any projections or information regarding the prospective impact of such divestiture on the financial strength of the Application, or of the proposed Citigroup. The Application should be dismissed as informationally incomplete.

The Commissioner should obtain, enter into the record, and consider the DEDI transcript and record. The transcript raises other adverse issues, including managerial issues, about the Applicant.

The proposed merger is an expensive "bet".
Since the announced merger plans of Travelers and Citicorp, newspaper headlines across the nation have highlighted the uncertainties. For example, The News Journal, 4/7/98, "Gigantic merger is risky", American Banker, 4/7/98, "Megamerger Plan Hinges On Congress", New York Times, 4/7/98, "Shaping a Colossus: The Law; A Challenge to the 1930's Division of Financial Power", New York Times, 4/8/98, "Shaping the Colossus: The Investors, The Citigroup Deal: A Day After, Cooler Heads Evaluate Merger", American Banker, 4/8/98, "Fed Seen Getting In a Bind Over Citi Divestiture", Washington Post, 4/9/98, "Citicorp-Travelers Deal to Test Old Regulatory View: Laws Ban Bank-Insurance Mixture", Reuters, 4/29/98, "Travelers must divest insurance--Meyer".

We have already addressed the illusionary future financial strength of the acquirer. We now raise some serious concerns about the impact of the merge on the larger community. We have been led to believe in the doctrine of "too big to fail". Contradicting this faith is Japan. It is important to point out that the largest financial institution in the world is Tokyo Mitsubishi--a Japanese bank.

Tax payers will be stuck with bailing out these failed giants. Does any one remember the S&L crisis? The surviving banks will be stuck with hefty premiums.

Ethical Concerns
The fact that lobbying efforts will be stepped up to ensure that Glass Steagall Act is repealed brings to the forefront our concerns regarding the ethics of the management of the proposed Citigroup.

To write to Mr. Mattingly, of the Feds, stating that the clients (Travelers'), "are comfortable proceeding with the transaction provided you are not uncomfortable with the type of practices outlined above" and to add "ask that you advise us if you disagree with the approach and analysis we have outlined in this letter" is playing games with the Federal Reserve Board and calls into question the ethical standards of the management. Tellingly, it reflects on the Federal Reserve Board as well. It is rather apparent from the March 30/31 letters to the Feds, that a tacit approval to use a common brand name for all products, price breaks for packaged deals, share customer data base., and provide one statement, has been granted. Implied in the communication is the fact that unless these activities are permitted, the merger will not be announced. How can these activities be permitted? I repeat an earlier quote,"The plain and unambiguous language of Section 4 of the Act...by its terms **prohibits a bank holding company from acquiring or retaining control, directly or indirectly, or any company other than a bank unless that company's activities are authorized under one of the non-banking exceptions in the Act...Under the 1982 amendment to section 4(c)(8) of the Act, the Board no longer has the discretion to permit a bank holding company or any of its nonbank subsidiaries to underwrite or sell insurance beyond the seven situations set forth in the statute.**" (Concurring Statement of Governor Angell, in Citicorp/Family

Guardian Life Insurance Co., 76 Fed. Res. Bull. 997 (1990)).

I understood the purpose of granting some transitional time was to permit the newly created Bank Holding Company to begin and execute a divestiture plan. It certainly does not sound like a divestiture plan to me.

The proposed merger faces severe opposition.
News media has highlighted the severe opposition to the merger from the Nader group, ICP, DCRAC, and other community activists across the nation. Congresswoman Maxine Waters has stated she will introduce legislation to block the review of merger applications of institutions accused or found guilty of money laundering charges (The Associated Press, 4/9/98, "Citicorp/Travelers Merger Hits Snags"). The article goes on to detail the pending investigations by the US Department of Justice, Swiss and Mexican Governments into allegations that Citibank laundered drug money for the jailed brother of the former Mexican President.

News media has also begun investigating campaign contributions to the Senate Banking Committee chair, Sen. D'Amato (The Associated Press, 6/2/98, reporting on a story by The New York Times), "D'Amato went to bat against depression-era regulations that hamper bank, insurance and securities business mergers after a meeting with Sanford I. Weill, chairman of Travelers Group, and other prominent Wall Street executives. Travelers and its subsidiaries have contributed more than $375,000 to D'Amato-controlled committees, including $190,000 to New York's republican State Committee."

Communities' convenience and needs
The proposed merger will have adverse impact on the **communities' convenience and needs**. Let us categorically state, that this merger cannot and will not be convenient for, nor is it needed by, our communities.

Travelers' current subsidiaries have a troubled record of consumer compliance, as evidenced by lack of compliance with the Home Mortgage Disclosure Act ("HMDA"), predatory and allegedly discriminatory practices, as stated by Ms. Mary Harris of Dover, Delaware. Citicorp's subsidiaries have a disparate record of lending in Delaware. The Applicant's non-binding, non-specific lending pledge is more than half credit card lending (which other banks have not included in their pledges), and has no specific commitment to Delaware.
Travelers Group symbolizes communities' anti-trust.
We do not trust Primerica Financial Service agents in our communities. They have been insinuating themselves into our homes and our bank accounts misrepresenting themselves as financial planners/advisors. Since when did we begin calling our sales people advisors?
We do not trust Commercial Credit loan officers in our communities. Since when did loan sharking become mainstream lending?
We do not trust Property Casualty Insurance insuring our communities. Since when did we legitimatize insurance redlining and insurance discrimination?
We do not trust Travelers Group, in our communities. We do not trust Travelers group--period.

We charge Travelers Group to have insurance underwriting policies that have a disparate and discriminatory impact on the minority community seeking insurance policies. The Fair Housing Council of Greater Washington filed complaints with the Department of Housing & Urban Development. The complaint includes structuring its rating territories so that minorities pay a higher price. Matched paired testing, conducted by the Fair Housing Council documented disparate treatment of minorities. I submit into evidence Rangan Exhibit C that summarizes their report.

We charge Travelers Group's Commercial Credit with violating fair lending and consumer disclosure laws. We have forwarded a complaint referred to HUD from an elderly black couple. To give you an insight on the Harris' case, they went to Commercial Credit for a $7,000 loan. They ended up borrowing $52,000 ($11,000 of which were closing costs) against their home on which they initially owed less than $13,000. They did not realize that they had paid five points and an $8,890 premium for credit life insurance!

We charge Travelers Group's Primerica with targeting minority and low-and moderate-income families for expensive, predatory, and self-serving lending, investing, and insurance sales. Primerica, targets community leaders to become Primerica's Financial Service Agents. Their designation of their sales personnel as "Financial Planners/Advisors" is a misnomer. They will now have a few more wares to peddle to the unsuspecting families who meet with the sales agent under the assumption that they will help them plan and invest their finances.

We remain concerned with the company's and the agents' compliance with fair lending and disclosure laws. Most of all, we are concerned with the financial rape of our lower income and minority communities. Issues of predatory lending--which violate all statutory laws--merit scrutiny. We remain gravely concerned over regulatory oversight of the various aspects of financial business conducted by the thousands of Primerica Financial Services agents.

Citicorp

In the Wilmington, DE MSA in 1996, Citibank Mortgage made 21 loans to whites, and none to African Americans. In the Wilmington, DE MSA in 1996, Citibank FSB made 18 loans to whites, and none to African Americans.

Citicorp and its banks, which are subject to the Community Reinvestment Act ("CRA") have in recent years abandoned low and moderate income ("LMI") neighborhoods, and communities of color. This is reflected by Citicorp's massive branch closings and downgrades, by Citicorp's automatic teller machines ("ATM"), electronic banking and fee policies, and by Citicorp's lending record, which disproportionately excludes and denies African Americans and Hispanics and applicants in LMI census tracts.

Travelers

The Travelers Group is a strange conglomeration of upscale businesses (for example, Solomon Smith Barney) on top of a profit engine of predatory businesses aimed at lower income, more predominantly minority consumers -- for example, Primerica Finance Services ("PFS"), and the nationwide subprime lenders Commercial Credit and Travelers FSB. As ICP and DCRAC demonstrated to the Office of Thrift Supervision ("OTS") in a six month proceeding in 1997, these last three businesses are all inter-connected: the PFS agents push high interest rate home equity loans to LMI, disproportionately minority consumers, loans "manufactured" by Commercial Credit, and now booked through Travelers FSB (to evade state laws). Even in that first proceeding in which ICP raised these issues, the OTS concurred with many of the concerns ICP raised, and imposed, based on Travelers' record, unprecedented consumer protection safeguards on its conditional approval of Travelers FSB. See, e.g., OTS Press Release and Order of November 24, 1997, especially Conditions 14-17 thereof. Condition 14(a) acknowledges that PFS (and now Travelers FSB, which is subject to CRA scrutiny) make the type of mortgages referred to in Section 103(aa) of the Truth in Lending Act; Condition 15 acknowledges that the new Travelers FSB pays broker fees of fully 3.4% of the loan amount.

While the unprecedented conditions the OTS applied to Travelers FSB and PFS by no means fully resolve these companies questionable practices, it appears that if this proposed merger were fully effectuated, the detailed conditions so recently imposed by the OTS would become void or moot, and/or would not necessarily be applied (as they should be) to Citicorp's operations, including but not limited to Citibank FSB. Of particular import is Condition 14(a), requiring that all PFS customers "are properly and completed apprised of the financing options reasonably available to them through the New FSB and the costs and risks associated with each option." Inter alia, this requires the type of "referral up" (i.e. ensuring that an "A" credit borrower is given an "a" priced loans, even if the borrower initially approaches, or is approached by, the conglomerate's "B&C" unit) that ICP has asked the FRB to require of diversified bank holding companies which own both "A" priced banks, and "B&C" lending subprime finance companies. Travelers, to which, based on adverse practices that ICP documented to the OTS, these consumer safeguards and training requirements were imposed by the OTS, is now applying to the FRB to become a bank holding company, and to acquire, inter alia, Citibank FSB, to which no such protections apply. The FRB must inquire into (including at the requested evidentiary hearing) and act on this issue, in this proceeding.

Travelers' Commercial Credit Loan, Inc. Targets Minorities for High Priced Loans

In the Charlotte, NC MSA in 1996, Commercial Credit Loan made 19 loans to African Americans, and 23 loans to whites. For comparison's sake (and the comparison is relevant and significant, in light of the proposed combination), Citibank Mortgage in the Charlotte MSA in 1996 made 10 loans to whites and only one loan to an African American; Citibank FSB in the Charlotte MSA in 1996 made 40 loans to whites and no loans to African Americans. Both Citibank Mortgage and Citibank FSB are normal interest rate lenders; they both disproportionately exclude minorities from their marketing and lending. Commercial Credit Loan, Inc., is a high interest rate lender -- it target and lends to minorities at a much higher rate than they are represented in the demographics of, or other leaders' data in, this MSA.

This exemplifies the discriminatory pricing / separate-and-unequal structure that the proposed Citigroup would have. This proposal should be denied.

Commercial Credit and PFS Violate HMDA; Travelers Has Admitted This But Has Only Committed to Address It In Two States, and Has Not Corrected Its HMDA Data

In 1997, ICP raised to the New York State Banking Department (the "NYSBD") the fact that Travelers' Commercial Credit's loans in New York were reported as virtually all "race not available," and argued that Commercial Credit was violating HMDA's requirement that lenders and their affiliates are required to request, record and report race and national origin information about applicants, so that the public and regulators can enforce the fair lending laws. Travelers repeated denied that it was violating HMDA. However, the NYSBD (and Connecticut Banking Department, to which ICP also raised this issue) both found that Travelers and Commercial Credit had been violating HMDA. This is evidenced inter alia by a letter from Commercial Credit to the NYSBD, dated July 30, 1997, stating that:

> The purpose of this letter is to confirm our conversation today. You have advised that it is the position of the [NYSBD] that Primerica Financial Services Home Mortgages, Inc. and its representatives (collectively, "PFSHMI") are deemed affiliates of Commercial Credit Plan Incorporated of Georgetown ("CCPIG"). Therefore, it is the Department's position that in taking mortgage loan applications, PFSHMI is acting on behalf of CCPIG and must comply with the requirements imposed upon lenders under [HMDA]... In accordance with our discussion, we will promptly clarify our policy to require PFSHMI to make a visual observation if the applicant does not voluntarily complete the HMDA questionnaire during a face-to-face interview. All information collected in this manner will be compiled for CCPIG's HMDA reporting purposes.

Clearly, Commercial Credit (and PFS) violated HMDA in 1996 and previous years. Commercial Credit's 1996 HMDA data has not, however, been corrected. ICP has requested from Travelers and Commercial Credit their 1997 Loan Application Register ("LAR"), to see if that data complies with HMDA; ICP will be submitting further comments after it receives and reviews this data. In 1996, for example, in two markets in which Citicorp is subject to CRA, Buffalo and Rochester, Commercial Credit Plan, Inc. reported the following data:

Buffalo-- three loans to whites, one loan to an African American, and fully 56 originations reported as "race not reported;" no denials at all reported.
Rochester-- two loans to whites, none to minorities, fully 40 originations reported as "race not reported; no denials at all reported.

Further note that the "commitment" to come into compliance with HMDA quoted above was only made to New York and Connecticut regulators; it was never made to the OTS, nor is it referenced in the OTS's November 24, 1997, conditional Order.

Travelers, Citicorp's proposed merger partner, does have subsidiaries (its finance company, Commercial Credit, the insured depository institution it uses, Delaware-based Traveler Bank & Trust, FSB, and its retail distribution affiliate, Primerica Financial Services ["PFS"]) which target LMI and minority communities -- but only with higher than normal interest rate loans and overpriced and less-than-fully-explained insurance products. Travelers has recently had to admit to systematic violations of the Home Mortgage Disclosure Act ("HMDA"), reflecting adversely on the managerial record of the proposed acquirer.

Travelers & Citicorp
The proposed combined company would be worse than its constituent parts:

1. Citigroup would disproportionately exclude LMI neighborhoods and communities of color from Citicorp's normal interest rate, high technology products and services, while
2. Citigroup would target these communities with Primerica's and Commercial Credit's misleading, overpriced loans and insurance.

As an example, consider the following:

Commercial Credit Loans, Inc. is one of Travelers' subprime (higher than normal interest rate) lending units. In the Greensboro, NC Metropolitan Statistical Area ("MSA") in 1996, Commercial Credit Loan, Inc. made 10 loans to African Americans and 25 loans to whites. For comparison's sake (and the comparison is relevant and significant, in light of the proposed combination), in this MSA in 1996, Citibank FSB made 13 loans to whites, and none to African Americans; Citibank Mortgage made seven loans to whites and none to African Americans. Both Citibank Mortgage and Citibank FSB are normal interest rate lenders; they both disproportionately exclude minorities from their marketing and lending. Commercial Credit Loan, Inc., is a high interest rate lender -- it targets and lends to minorities at a much higher rate than they are represented in the demographics of, or other leaders' data in, this and other MSAs. For further example, in the Charlotte, NC MSA in 1996, Commercial Credit Loan made 19 loans to African Americans, and 23 loans to whites. Citibank Mortgage in the Charlotte MSA in 1996 made 10 loans to whites and only one loan to an African American; Citibank FSB in the Charlotte MSA in 1996 made 40 loans to whites and no loans to African Americans.

Citicorp's disparate record raises a "red flag" (or presumption) that discrimination is occurring; this proposal should be denied on this ground alone.

CRA Pledge
On May 4, 1998, Citicorp and Travelers announced what they call a $115 billion, 10 year "commitment" --

ICP states for the record that this announcement does not address the adverse issues raised and documented in ICP'S April 13, 1998, Comment.

ICP has conducted the following analysis of the pledge"

The press release (that is all it is -- let the record reflect that the FRB refused to monitor or enforce Chemical Banking Corporation's and Chase Manhattan Corporation's press release "commitment" of late 1995) is sub- headlined, "Includes Insurance for the First Time" -- but there is very little detail on this, no dollar volume is assigned to insurance, it is essentially a continuation of Travelers' limited programs to date. In fact, Travelers owns Primerica Financial Services, which pitches term life insurance of questionable quality (and higher than normal interest rate home equity loans) to working class people. The point would be to clean up inequities in Travelers / PFS' existing insurance operations, which this announcement does not do.

At page 1-2, the only dollar break-out in the Announcement is set forth: $6 billion of the purported $115 billion will be "targeted" for the Center for Community Development Enterprise.

After issuing the Release, Citibank disclosed this break down for the remained of the $115 billion: $59 billion: credit cards and student loans. $20 billion: "affordable housing" $30 billion: small business.

ICP notes: other banks do not include credit card lending in their CRA commitments -- here, it is nearly half of Citibank's pledge. 18% interest rate credit cards, to college students and through "take one" hand outs by ATMs, are simply not CRA-relevant loans. See below.

On page two, Citibank claims to have improved its record in 1997 -- even if true, that would not resolve the adverse issues of record in this proceeding, given the stark racial disparities in Citibank's 1996 lending (see ICP'S 52-page April 13, 1998, comment).

Page 3 shows that the purported ""inclusion"" of insurance in the pledge is limited to property casualty insurance, and is little more than a continuation of Travelers existing programs. Travelers' "Urban Availability of Insurance" program is said to have been founded in 1994 -- but is only operational in four cities, none of them being New York (Citibank's and Travelers' headquarters, and where Citibank takes most of its deposits). Expanding this program to "as many as six new cities" over three years is not a meaningful benefits, and hardly constitutes "one plus one equaling three," as the Release quotes Mr. Weill as saying.

That Citicorp and Travelers purport to be "focus[ing] public attention on this critical need" exemplifies the arrogance and/or paternalism of these two companies. The first step for these companies would be to get their own house in order -- for Citibank to stop closing its few remaining branches in modest income neighborhoods, and to address the racial disparities in its mortgage lending, and for Travelers to commit to clean up its higher than normal interest rate and fee home equity lending, as only two examples. It appears to ICP that the Companies are trying to DIVERT public attention from these company-specific issues, by doing such things as paying for an annual test that will measure the financial skills of high school seniors (page 4, near bottom).

Even as to the one category that the Announcement breaks out -- the $6 billion targeted at the Center for Community Development Enterprise -- little detail is given, Low Income Housing Tax Credit are lumped in with "investments in housing securities" that could involve buying Fannie Mae securities that institutional investors not subject to the CRA already buy. Virtually all other banks break out tax credits for investments in loan funds, etc. -- this lack of specificity is telling.

The formal "pledge" set out on page six is intangible, to say the least:

1. The Companies "pledge" to be "transparent" (Pledge #1); (NOTE: the lack of specificity in this Release is not a good start to the pledged "transparency");
2. The Companies pledge to "modernize [their] products" -- which has been Citibank's justification for closing many of its branches in low income neighborhoods, claiming that more and more people access Citibank over the Internet;
3. The Companies pledge to "take an even more visible role as a financial sector leader" -- given the massive lobbying budgets of each company, not really the problem that needs to be addressed; etc..

As to Messrs. Reed and Weill's joint quote, it is unclear if they are committing that, for example, the Primerica door-to-door sales people would start offering Citibank's products -- or continue offering Travelers FSB's and Commercial Credit's high priced, relatively low quality (but more profitable) products. Significantly, the release ends with a listing of Travelers' operating companies, including Primerica Financial Services and Commercial Credit -- presumably part of the pledge, with their questionable and higher than normal priced (many credibly say "predatory") products.

This Application should be denied.

We again urge you to:

1. deny this application
2. ask you to request further information on this application
3. ask that you send a representative to the public meeting the FRB has scheduled, for June 25 and 26, 1998, in New York City, and
4. Ask that you defer ruling on this Application until the issues of the legality of the overall combination have been resolved.

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Business

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Finance mergers fought from a new angle

Complaints filed with insurance regulators in Del.

By JONATHAN D. EPSTEIN
Staff reporter

Taking a new tack in their ef-
ts to block or delay major bank
rgers, a community activist
oup in Wilmington and its New
rk-based partner have filed
otests with Delaware insurance
gulators against two major fi-
ncial services mergers.

The move by the Delaware Com-
nity Reinvestment Action Coun-
, together with Bronx-based
ner City Press/Community on the
ve, marks a rare occasion when
mmunity activists have been able to target a banking merger through insurance regulators.

The activists say the merger of Travelers Group and Citicorp, and the acquisition of Wilmington-based Beneficial Corp. by consumer finance rival Household International, would be "hazardous and prejudicial to the insurance-buying public" and would "harm Delaware residents and consumers," according to a letter from Inner City Press to the state Insurance Department.

Accusing the companies of insurance "redlining" and predatory lending, the groups are calling on bank and insurance regulators to reject both mergers.

Insurance redlining means the companies don't offer insurance in certain areas, often low-income or minority. Predatory lending involves targeting low-income and minority borrowers with significantly higher interest rates and fees, and promoting their own costlier products when customers could qualify for traditional bank loans or insurance with lower rates.

"I am elected by the people of Delaware. I will make my decision based on what is in the best interests of the people of Delaware."

Donna Lee Williams, insurance commissioner

In an unusual move, the activists even called on state Insurance Commissioner Donna Lee Williams to withdraw herself from decision making on the Household application because officials from both Household and Beneficial have contributed to her re-election campaign.

Citing a study by trade publication National Underwriter, the groups note that Williams received several hundred dollars from Household and about $3,000 from Beneficial in 1996 alone.

But Williams said Tuesday she does not plan to step aside, adding that the campaign contributions do not create a conflict of interest under Delaware law. She noted that she appoints an independent hearing officer to take testimony and make recommendations on mergers, and does not discuss cases with her staff or either of the companies.

"I will not recuse myself from making the final decision in this case. That is my responsibility," she said. "I am elected by the people of Delaware. I will make my decision based on what is in the best interests of the people of Delaware."

Delaware insurance regulators held a hearing into the Household-Beneficial deal last week and will consider the Citicorp-Travelers merger Thursday in Dover.

DCRAC executive director Rashmi Rangan plans to testify against the latter deal. A decision must be made within 30 days of a hearing.

See INSURANCE — B8

Insurance: Groups file challenges to mergers

FROM PAGE B5

"If you are in the subprime business, you're gouging a community. If you're gouging a community, you're violating all applicable consumer protection laws," Rangan said. "We don't want them to be able to peddle more wares to a larger customer base."

Travelers and Citicorp announced their $80 billion merger April 6. As part of the deal, Travelers, an insurer, is applying to acquire Delaware-based Citicorp Assurance Co., which insures only the risks of Citicorp or its affiliates.

Prospect Heights, Ill.-based Household agreed the next day to buy Beneficial for more than $8 billion, including subsidiaries Central National Life Insurance Co. and Wesco Insurance Co.

The insurance protests are an unusual step for the two community organizations, which have teamed up frequently in the past two years to protest major banking mergers using the 1977 federal Community Reinvestment Act. The law requires banking regulators to take into consideration the comments of communities and community activists about a bank's lending record in low-income or minority areas.

These two mergers also involve insurance subsidiaries, however, giving the groups a new venue for their protests — which also have been filed with the Federal Reserve Board and the federal Office of Thrift Supervision.

But insurance laws don't give community groups as much weight, forcing them to rely on more limited guidelines that merely require regulators to consider the concerns of the "insurance-buying public." And that's given Travelers and Citicorp a chance to fight back.

The companies argued that the activists don't have the right to challenge the merger at the state level because Citicorp Assurance Co. doesn't insure the general public.

Insurance regulators mostly sided with the companies, ruling that Rangan can participate but only as a consumer, not a representative of DCRAC, because she is not a Delaware attorney and the organization itself would not be affected by the merger.

On Household's side, the activists accuse the company of shedding its traditional commercial banking business two years ago because chief executive William F. Aldinger preferred to focus on the higher-rate and more profitable consumer finance business.

And they said the company's plans to shut down several Beneficial lending operations, merge or sell Beneficial's community bank and thrift subsidiaries, and close hundreds of consumer finance offices nationwide will only hurt consumers, especially in Delaware.

"It is impossible to see how this proposal ... offers any real benefits, particularly to low- and moderate-income consumers and people of color, in the state of Delaware," wrote Matthew Lee, executive director of Inner City Press.

However, Household officials counter that the activists are unfairly using government lending data for Household that fail to reflect the company's actual record, because most of its operations are not subject to government reporting.

Officials also defended the company's higher rates, saying that most of its customers don't have major banking relationships and are more likely to default than typical bank customers.

Finally, the operations slated for closure generally duplicate what Household already has or believes it can do more effectively, Household assistant general counsel Paul R. Shay wrote in a letter to Lee.

Travelers grilled on buyout plan

Activists ask about tacit Fed support

By JONATHAN D. EPSTEIN
Staff reporter

Community groups squared off with attorneys from Travelers Group Inc. at a Delaware Insurance Department hearing Thursday, as the activist groups from Delaware and New York tried to block Travelers' planned purchase of Citicorp and its Delaware insurance subsidiary.

Taking advantage of an opportunity to cross-examine company officials — not allowed in banking hearings on mergers — the activists peppered Travelers attorneys with questions about discussions the two companies had with senior Federal Reserve officials — including Chairman Alan Greenspan — prior to the merger announcement.

Through more than six hours of testimony and cross-examination, the activists tried to determine if Fed officials — whose approval is required for the merger to go through — gave the companies any kind of tacit advance support or advice for their merger plans.

In particular, Matthew Lee, executive director of New York-based Inner City Press/Community on the Move, wanted to know if the Fed had offered the company any guarantees that it would be able to get a two-year waiver allowing it to cross-sell banking and insurance products to a broader customer base despite federal laws barring banks from underwriting insurance.

Travelers' attorneys, for their part, acknowledged the discussions but denied that Fed officials had provided any assurances.

And they argued that such questions were irrelevant to the hearing, which dealt only with the acquisition of the Delaware insurance subsidiary. But Lee argued that his questions addressed the future financial strength of the company and the integrity of its officers, issues that the Insurance Department must consider.

Travelers and Citicorp announced their record-setting $70 billion merger April 6. As part of the acquisition, Travelers is acquiring Citicorp Assurance Co., a Delaware-based company that insures Citicorp and its banking and credit-card subsidiaries against potential loss from lending activities. As a result, the merger is subject to approval from state insurance regulators.

The merger is particularly controversial within the industry because it would unite the second-largest commercial bank and one of the nation's largest insurance companies. Decades-old federal banking laws bar banks from underwriting most forms of insur-

See TRAVLERS — back page

June 5, '98
The News Journal
Wilmington
Delaware

Travelers: Activists question firm's future financial strength

FROM PAGE B7

ance and limits their securities activities. Citicorp's insurance underwriting is permitted because of its internal nature.

Travelers — which is technically acquiring Citicorp and becoming a bank holding company — is counting on a Fed waiver giving it two years to come into compliance with the law. The Fed is also authorized to grant up to three one-year extensions after the waiver expires.

In the meantime, Travelers and Citicorp are hoping that Congress, which has been trying to change the law for more than two decades, finally will approve legislation lifting barriers between the banking, insurance and securities industries.

Lee and Rashmi Rangan, executive director of the Wilmington-based Delaware Community Reinvestment Action Council, questioned the future financial strength of the combined company if banking regulators require it to sell its insurance underwriting business to comply with federal law.

Travelers and Citicorp, backed by more than a dozen attorneys from New York and Washington, fought back.

"This is not the Fed," said Edward P. Welch, a partner at Skadden Arps Slate Meagher & Flom in Wilmington, representing Travelers. "This is the Delaware Insurance Commission. What we're talking about is one tiny Delaware insurance company at the bottom of the chain. It only does a limited amount of business."

Business

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Activists renew crusade against merger

Groups want Fed to reject deal between Citicorp and Travelers

By JONATHAN D. EPSTEIN
Staff reporter

Still hoping against the odds to ock the pending merger of Citirp and Travelers Group, commu-ty activists in Delaware and New ork have asked the Federal Rerve to reject the deal and bar sev-al officials — including Fed airman Alan Greenspan — m considering the application.

The Delaware Community Reinvestment Action Council and Bronx, N.Y.-based Inner City Press/Community on the Move, have accused officials of the two companies of improperly seeking and possibly obtaining assurances from Greenspan and other Fed officials that the merger would be approved.

The two groups have filed formal protests demanding that the Fed — which is considering whether to approve the merger — immediately dismiss the current application and require that it be resubmitted, with a clear statement from regulators that there is no guarantee of approval.

And they're demanding that several Fed officials, including Greenspan, excuse themselves from voting on the merger. "The process is significantly tainted," said Inner City Press director Matthew Lee, in a letter to Greenspan and the Fed board of governors.

Travelers officials, however, have repeatedly said they did nothing wrong, and did not receive any formal assurances from the Fed. They and banking industry attorneys said that alerting regulators to such a merger is not unheard of, and is even appropriate for such a complex and unusual deal.

Fed officials won't comment. A public meeting on the merger will be held Thursday at the Federal Reserve Bank of New York; Lee and DCRAC executive director Rashmi Rangan plan to testify.

The activists, who also accuse the two companies of having a poor record of serving low-income and minority communities, also plan to protest the merger at a New Jersey Insurance Department hearing in Trenton and a Delaware Banking Department hearing Tuesday in Wilmington.

The $80 billion merger of the nation's second-largest commercial bank and one of the largest insurers has generated an unusual level of controversy both because of its sheer size and because current federal law separates the banking, insurance and brokerage industries.

Officials of the two New York-based financial giants told reporters when they announced the merger April 6 that they already had told Greenspan and a senior Fed attorney of the deal.

Based on those discussions, the companies had said, they were confident that the deal would be approved and that they would be able to obtain the necessary gov-

See CITICORP — B12

Citicorp: Conflict claimed in merger with Travelers

FROM PAGE B9

ernment waivers to allow them to legally continue operating both the insurance underwriting and banking businesses, while cross-selling the products to each other's customers — a key part of the merger.

That set off a firestorm of criticism from observers, activists and even members of Congress. Both the Fed and the banks soon clarified publicly and in congressional hearings that no guarantees of regulatory approval were granted, while also noting that it is the entire Fed board of governors, not the staff attorneys or Greenspan alone, that must decide on a merger.

The deal, which would create the world's largest financial services company, relies heavily on the ability of the new company — to be called Citigroup — to increase revenue by selling Travelers insurance to Citicorp customers and the bank's products to Travelers customers.

But that's also where it runs squarely into conflict with the law.

Under 1933 and 1956 laws, banks are severely restricted in their brokerage activities and are barred from underwriting most forms of insurance. The law authorizes the Federal Reserve to automatically grant a two-year waiver to allow a company to come into compliance with the law if it was not already a bank holding company — like Travelers.

The Fed also has the option to grant up to three one-year extensions of the waiver.

In the meantime, the two companies are counting on rising pressure in Congress to change the law within the next five years. Lawmakers have tried unsuccessfully for about 20 years to break down the barriers between the banking, securities and insurance industries. Legislation passed the House in early May by a single vote, but the Senate isn't expected to take up the bill this year.

Rangan, Lee and other consumer and community activists said Citicorp and Travelers are violating current law to pressure Congress and regulators, and force through changes that could harm the public by creating a company that is too big and too dominant.

They said that relying on such a legal change could put the financial stability of the company at risk if it must sell its insurance operation.

However, Travelers officials said that rather than receive outright assurances from Fed General Counsel J. Virgil Mattingly Jr. or Greenspan, it was the lack of any outright disapproval of their plans by either Fed official that gave them confidence to proceed.

And they reiterated that they are prepared to sell off the insurance underwriting business if necessary to comply with federal law, but don't believe that would hurt the combined company since each separate unit remains profitable and Citigroup would still be able to sell insurance to customers.

OFFICE OF THRIFT SUPERVISION

APPROVAL OF APPLICATION FOR CONVERSION TO FEDERAL SAVINGS BANK CHARTER, HOLDING COMPANY ACQUISITION AND TRUST POWERS

ORDER NO.: 97-120

DATE: November 24, 1997

Travelers Group, Inc., CCC Holdings, Inc. and Commercial Credit Company (jointly, the "Holding Companies"), seek approval of the Office of Thrift Supervision (the "OTS") to convert The Travelers Bank, Newark, Delaware (the "Bank"), from a Delaware-chartered commercial bank to a Federal stock savings bank (the "New FSB") pursuant to 12 U.S.C. § 1464(e) and 12 C.F.R. § 552.2-6; to acquire the New FSB pursuant to 12 U.S.C. § 1467a(e) and 12 C.F.R. § 574.3; and for the New FSB to engage in trust operations pursuant to 12 U.S.C. § 1464(n) and 12 C.F.R. §§ 545.96 and 550.2 (together, the "Applications"). The Bank has deposits insured by the Bank Insurance Fund ("BIF") and proposes to retain BIF deposit insurance after the conversion.

The OTS has considered the Applications, as supplemented by representations by the Holding Companies, the Bank and their attorneys, under the factors set forth in 12 U.S.C. §§ 1464(e), 1464(n) and 1467a(e) and 12 C.F.R. §§ 545.96, 550.2, 552.2-1, 552.2-6 and 574.3, and under the Community Reinvestment Act, 12 U.S.C. § 2901 *et seq.*, and the OTS regulations thereunder, 12 C.F.R. Part 563e. In addition, the OTS has considered a digest from the Northeast Regional Office, an analysis prepared by Corporate Activities, an analysis from Compliance Policy and a legal opinion from the Business Transactions Division. Furthermore, the OTS has considered comments on the Applications submitted by Inner City Press/Community on the Move, Bronx, New York, and Delaware Community Reinvestment Action Council, Inc., Wilmington, Delaware.

This approval order shall also serve as notice to the New FSB that the OTS reserves the authority to evaluate the appropriateness of marketing disclosures as they pertain to the differentiation between insured and uninsured products by having its examiners periodically, and without identification as OTS employees, solicit the New FSB, the S.M.A.R.T. offices or individual agents for information on nondeposit investment or insured products.

For the reasons set forth in the Northeast Regional Office digest, the analysis from Corporate Activities, an analysis from Compliance Policy and the Business Transactions Division legal opinion, the Director finds that the Applications satisfy the applicable approval standards, provided that the conditions set forth below are satisfied. Accordingly, the Applications are hereby approved, subject to the following conditions:

1. The proposed transaction shall be consummated no later than 120 calendar days after the date of this approval order, unless an extension is granted for good cause by the Northeast Regional Director, or his designee ("Regional Director");

2. On the business day prior to the date of consummation of the proposed transaction, the chief financial officers of the Bank and the Holding Companies shall certify to the Regional Director, in writing, that no material adverse events or material adverse changes have occurred with respect to the financial condition or operations of the Bank and the Holding Companies since the date of the financial statements submitted with the Applications;

3. The Bank will obtain all required regulatory and shareholder approvals prior to consummation, will act to satisfy all requirements and conditions imposed by the OTS, and will comply with all applicable laws, rules and regulations;

4. No later than 5 calendar days from the date of consummation of the conversion, the New FSB shall file with the Regional Director, a certification by legal counsel stating the effective date of the conversion and that the conversion has been consummated in accordance with the provisions of all applicable laws and regulations, the Applications, this Order and the representations by the Holding Companies, the Bank and their attorneys;

5. The New FSB and the Holding Companies' subsidiary securities brokerage entities, or any of the Holding Companies' subsidiaries that engage in securities brokerage ("Broker Dealer") must be operated as separate legal entities so that: 1) their respective accounts and records are not intermingled, 2) each observes the procedural formalities of separate legal titles, 3) each is held out to the public as a separate enterprise, and 4) neither dominates the other to the extent that one is treated as a mere department of the other;

6. A majority of the New FSB's board of directors must not be comprised of individuals who are directors or employees of any securities affiliate;

7. The New FSB and the Broker Dealer are prohibited from sharing common officers unless prior written approval is obtained from the Regional Director, which shall be based on criteria such as regulatory compliance, experience, character, integrity and the ability to perform both duties;

8. With respect to transactions between the New FSB and the Broker Dealer, the New FSB and the Broker Dealer must take measures necessary to ensure that their officers and directors adhere to the principles set forth in OTS regulations on conflicts of interest, 12 C.F.R. Section 563.200; corporate opportunity, 12 C.F.R. Section 563.201; self-dealing,

12 C.F.R. Section 550.10; and any other additional or successor statements of policy or regulations addressing these subjects. The officers and directors of the New FSB and the Broker Dealer are prohibited from using their influence to: a) take advantage of a business opportunity for the securities affiliate's benefit when the opportunity is of present or potential advantage to the New FSB; or b) place the securities affiliate in a position that leads to, or could create the appearance of a potential conflict of interest; *

cross marketing

9. The New FSB, its Holding Companies and the Broker Dealer are subject to the provisions of 12 C.F.R. Section 563.76, Offers and Sales of Securities at an Office of Savings Association, and related policy established in OTS Thrift Bulletins 23-2, InterAgency Statement on Retail Sales of Nondeposit Investment Products (the "InterAgency Statement"), and 23a, Limited Exceptions to Prohibitions on Sales of Savings Institution's Securities, and any additional or successor statements of policy or regulations addressing these subjects. The New FSB and the Holding Companies shall ensure compliance by the Broker Dealer with, at a minimum, the General Guidelines in Disclosures and Advertising set forth in the InterAgency Statement whenever the Broker Dealer or their representatives market, or offer for sale, deposit products of the New FSB;

10. The New FSB shall operate within the parameters of the submitted business plan. Any proposed major deviations or material changes from the submitted plan, and in particular those pertaining to the cross-marketing of deposit and non-deposit products, shall receive the prior written non-objection of the Regional Director. The request for change shall be submitted a minimum of 30 days before the proposed change is anticipated. In the event of a proposed contractual change involving service providers, a revised plan shall be submitted to the Regional Director a minimum of 15 days prior to entering into the contract;

11. Any contracts or agreements pertaining to transactions with affiliates not yet submitted to the OTS for review shall be provided to the Regional Director and shall receive his written non-objection prior to execution;

12. The New FSB's CRA plan shall be subject to any future changes in requirements contained in regulatory policies or regulations that the OTS, on its own, or acting in concert with other financial institution regulatory agencies, determines are appropriate for depository institutions;

13. Any changes that the New FSB initiates to its CRA plan within the three year period following approval of the Applications shall be subject to the prior written approval of the Regional Director;

14. Within 90 days of consummation, the New FSB's Compliance Officer shall develop a plan to:

(a) monitor the sales practices of Primerica Financial Services Home Mortgages, Inc. ("PFS") representatives to ensure that all customers, particularly those who have applied for high loan-to-value ratio loans and for mortgages referred to in Section 103(aa) of the Truth in Lending Act, are properly and completely apprised of the financing options reasonably available to them through the New FSB and the costs and risks associated with each option;

(b) provide compliance training to PFS agents, underwriters and other appropriate personnel in the loan approval process on regulatory matters and consumer protection issues associated with high loan-to-value ratio loans and for mortgages referred to in Section 103(aa) of the Truth in Lending Act;

(c) place controls and review procedures in the loan approval process to ensure that, on applications for high loan-to-value ratio loans and for mortgages referred to in Section 103(aa) of the Truth in Lending Act, due consideration is given to the customer's ability to repay; and

(d) ensure that senior management of the New FSB exercises appropriate caution in approving the terms for high loan-to-value ratio loans and for mortgages referred to in Section 103(aa) of the Truth in Lending Act and addresses its ability to maintain the confidence of customers and the public in its lending operations.

The plan shall include provisions for semiannual reporting to the Regional Director on the activities conducted under the plan and the results of the plan. Such reports shall commence six months after consummation and continue for three years after consummation;

15. All agreements, policies and standards or contemplated changes in such agreements, policies and standards that pertain to the New FSB's payment of broker fees (currently 3.4% of the loan amount) provided to agents for the marketing of the New FSB's home equity loans, are subject to the prior written non-objection of the Regional Director;

16. The New FSB will, on a semiannual basis, analyze and report to the Regional Director progress made on the fulfillment of the lending commitments to low- and moderate-income borrowers it has included in its business plan. Increases to those lending commitments will be expected as operations under the business plan proceed; and

17. The New FSB shall not make any lending decisions, in whole or in part, on any prohibited basis including the age or location of a dwelling.

Any time period specified herein may be extended by the Northeast Regional Director, or his designee, for good cause, for up to 120 calendar days.

Office of Thrift Supervision NEWS

1700 G Street, N.W., Washington, D.C. 20552 Telephone (202) 906-6677

FOR RELEASE at 4:30 p.m. EST
Monday, November 24, 1997
OTS 97-83

For further information
Contact: William Fulwider
202/906-6913

OTS APPROVES TRAVELERS GROUP FOR FEDERAL THRIFT CHARTER

WASHINGTON, D.C., Nov. 24, 1997 – The Travelers Group, Inc. received approval from the Office of Thrift Supervision (OTS) today to convert its Delaware-chartered commercial bank to a federal thrift charter. The new institution, Travelers Bank & Trust, FSB, will operate out of Newark, Del.

OTS also granted the new thrift full trust powers which will be conducted through an agency office located in New York. Travelers Bank & Trust will be a subsidiary of Commercial Credit Company, which is a subsidiary of Travelers Group. OTS approved both as thrift holding companies, as well as another Travelers subsidiary, CCC Holdings, Inc. The conversion to a thrift will permit Travelers to consolidate its mortgage lending operations and trust activities in one institution, using the powers afforded by the federal thrift charter.

As part of its approval, OTS imposed a number of conditions that Travelers must fulfill regarding CRA and lending concerns noted by OTS, as well as by two groups that protested the application.

Travelers will have no deposit base outside Delaware, but will do most of its lending activities outside the state. OTS noted that Travelers has taken the view that its CRA obligation extends throughout all of the communities where it does business and has made an initial pledge to make at least $430 million in home equity loans to low- and moderate-income borrowers over the next three years. Moreover, OTS and Travelers expect that home equity lending will increase beyond this level as Travelers' business plan unfolds. The new thrift's CRA plan must comply with

-more-

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Any time period specified herein may be extended by the Northeast Regional Director, or his designee, for good cause, for up to 120 calendar days.

By Order of the Director of the Office of Thrift Supervision, or her designee, effective November 24, 1997.

John F. Downey

John F. Downey
Executive Director, Supervision

Office of Thrift Supervision NEWS

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-more-any future changes in regulatory requirements, and changes to its plan within the next three years must have the written approval of OTS.

OTS said the former Travelers Bank, as a state-chartered entity, was examined by the Federal Deposit Insurance Corporation (FDIC) for CRA purposes and received a "satisfactory" rating on its last CRA examination.

Additionally, the thrift must develop a plan covering high loan-to-value ratio loans and high-cost mortgages to: a) monitor sales practices to ensure that all customers, particularly those applying for these loans, are apprised of available financing options; b) provide compliance training to agents, underwriters and other personnel; c) ensure that due consideration is given to the mortgage customer's ability to repay; and d) ensure that senior thrift management exercises appropriate caution in approving these loans and addresses the thrift's ability to maintain customer and public confidence in its lending operations.

Other conditions in the OTS approval order require that the new thrift clear with OTS all fee payment arrangements for agents marketing its home equity loans; that it not make any lending decisions on any prohibited basis, including the age or location of a dwelling; and that the new thrift follow regulations and guidance pertaining to the cross-marketing and sale of non-deposit products and any transactions with affiliate companies within the Travelers family.

###

June 20, 1997
FROM:
Mr. James Harris
Mrs Mary Harris
6 Lingo Drive
Dover, Del 19901
302/697-3564 H
302/674-6274 W

IN MAY of "96 - we took out a Home Equity loan with Commercial Credit (we received a flier in the Mail Which included paying off all other debtors and Doing Some Improvements in our home.

Really we went for a loan of $6,000.00, but we were co-hearsed into a "Consolidation Loan";

Where we were taken advantage of by,

A paying Large Points for taking out the loan...

B $8,000.00 + dollars for Life Insurance and it was not for the whole term of the loan as we found out later...

C. Years were added onto the loan that we didnt know about until recently. 20yr 25yr

D. We paid into Commercial Credit within that year "96 - "97 - approx. $6,000.00 + dollars but only $1,000.00 + dollars were added to our account.

E. We were charged $1,800.00 for ...

Rest of balance from the Pay off figu

G We know Some of the papers we Signed were without money figures on them until after we Signed.

H We trusted these people to do what was Right as with any Loan Business.

I We didnt Realize the over-charges until we went to pay them off. The balance was greater than what it should have been. (Very-un-fair).

We were Ripped off and the paper work will prove it.

Thx

The Harris

June 23, 1997

Office of Thrift Supervision
Attn: Messrs. Corcoran and Sjogren
1700 G. Street, N.W.
Washington, DC 20552

RE: Additional Comments Protesting and Requesting Oral Argument on Traveller' Applications--expanded now to include Security Pacific Financial Services

Dear Messrs. Corcoran and Sjogren:

We again join with the Inner City Press/Community on the Move's protest now expanded to include Travellers' acquisition of Security Pacific Financial Services.

Additionally, today I met with an elderly African-American couple to assess the nature of their victimization by Commercial Credit. Attached is their signed and dated letter to me. Their problems are listed below.

April 1996: The Harris' went to Commercial Credit for a $7,000 loan. They were offered a consolidation loan package to pay off all other debts. They were paying approximately $800/month in all their debts and were reluctant to consolidate their auto (2 years left with approx. 300/month payment) loan and their Commercial credit loan (2 years left with approximately 150/month payment). Their Farmer's Home loan and the loan from a bank cost them another 350/month--both were for 10 years. The Harris' were given a good faith estimate for $20,001 on April 29.

May 1996: Settlement statement--The Harris' have signed a settlement statement which shows that they borrowed $52,022.64 from Commercial Credit. There is clearly a grave discrepancy here. Line 1600 shows 52,022.64 as the loan amount, yet the points are charged on the basis of a mortgage of $49,545.37. Additionally, the Disclosure Statement, Note and Security Agreement shows amount financed as 49,545.37 and principle as 52,022.64. The points (2477.27) that were tacked on to the loan do not reflect in the amount financed. How in the world was Commercial Credit going to collect on this.

Question, why is the principle different from amount financed?

Further, analysis gives us some clues on Commercial's tactics. The Harris' were paying 83.34/month for the first year for the points and would have paid 125.34/month thereafter for 19 years. The 5 points over the twenty years would have cost the Harris' $29,577.60. If Commercial were to claim that 83.34 in the first year and 125.34 thereafter additional mortgage payment was going toward insurance--might I add, that the Harris' did not realize that they borrowed 8828.91 to pay for a 10 year credit life insurance covering the principle

Nowhere in the paperwork have I seen the actual interest rate that the Harris' were paying. In the disclosure statement I do notice that the regular monthly loan payment without insurance is $384.36 (extrapolating it to the amount financed $49,545.37 for 20 years, I get a 7% interest rate--excellent deal if there were no catches). The APR is a whopping 10.80 percent. If this was a simple loan from a bank, the points would have been added to the total mortgage--which would then be $52,022.64 and at 7% for 20 years the Harris' would have paid $44,316.07 in finance charges versus $72,278.63 that they would have paid with Commercial. (Harris' are looking to refinance--they have an excellent credit and in no way can Commercial claim risk minimizing strategies that add on unnecessary financial burden).

Inadequate disclosure: When Harris' went to closing, they knew that they were paying off $33,038 and receiving $6,999.78. They did not see the numbers, subsequently reflected in the settlement sheet which include a closing cost of $11,984.18. Loan discount fees were 5% (assuming borrowing $49,545.37 this equals $2477.27 accurately reflected on line 802); a Credit Life Insurance premium of $8828.91 (In Mrs. Harris' words, "I am not stupid. If I knew I was paying $8828.91 for a ten year credit insurance premium, I would have said no.")--at 7% for 10 years this works out to a monthly payment of $96.73, more than enough to buy a $300,000 term life insurance.

Borrowers did not know that there were prepayment penalties and this note carried a demand feature. The Harris' firmly believe that when they signed the documents the form was relatively blank. They knew that their payments will be 467.70 per month for 20 years--and were quite comfortable with this payment. They did not know that they had to only pay 384.36/month for the mortgage. They pay their home owners and their taxes on their own. To date they know that they pay a little extra every month for insurance.

Why should they have paid an additional monthly insurance premium when they have already financed it at a usury cost of 96.73/month for a 52,000 ten year coverage!

Excessively high and duplicate charges: In the Settlement sheet, line 1103 is a title examination fee of $150; line 1108 is a title insurance fee of 75.00 (1109 and 1110 lenders and owners coverage is not applicable!).--title search fees in Dover, Delaware run around $75.00. Document preparation fees of $125 is an excess (most do not even charge any) Recording fees run at about $8/page and a total of $7 to record--did Commercial record 9 pages!.

Prepayment penalties: The Harris' did not know that paying off their mortgage early would cost them a hefty sum (5% of unpaid principle if paid off in the first year, 4% within two years, 3% within 3 years, 2% within 2 years and 1% within 5 years). They also did not know that cancelling insurance would cost them on the basis of "Rule of 78"--I myself do not know what this is.

Inaccurate application of payment toward principle: A payment history versus what should have been applied follows for a one year period--this is assuming the rate to be 7% amortized over twenty years on a 49,545.37 loan.

The absolutely haphazard and random manner, in which Commercial applied the payments of $467.70 (see the following table) each month toward principle against the $384.36 that should have been amortized following standard amortization schedules resulted in paying down the loan by only $871.25 versus $1177.57.

Random application of payment toward principle:

date	Principle should be	Interest should be	Principle applied	Interest/charges applied	Not applied
6/15/96	95.02	289.34	0	6.51	81.84
7/15/96	95.57	288.79	97.47	370.23	
8/15/96	96.13	288.23	52.76	414.94	
9/15/96	96.69	287.67	79.09	388.61	
10/15/96	97.26	287.1	53.82	413.88	
11/15/96	97.83	286.53	118.85	348.85	
12/15/96	98.40	285.96	106.76	360.94	
1/15/97	98.97	285.39	56.05	411.65	
2/15/97	99.55	284.81	69.35	398.35	
3/15/97	100.13	284.23	82.72	384.98	
4/15/97	100.72	283.64	70.52	397.18	
5/15/97	101.30	283.06	83.86	383.84	
Total	1177.57	3434.75	871.25	4279.96	81.84

Due to the prepayment clause--not adequately disclosed--attached to the insurance, when the Harris' wanted to have the premium applied to their principle, only $7,026.63 of the $8828.91 was applied. It cost the Harris' $1802.28 to insure for $52,00 for one year. The pay off balance on 06-09-97 was $46,541.95.

We urge you to investigate the Commercial Credit's lending policies and practices for fair lending violations. We also urge you to interview Ms. Harris and carefully review facts as I have stated herein. Upon OTS gaining the Harris' approval, I will gladly share documentation with you. Once again, we protest Travellers' reorganization plans, request a hearing on this matter, and request additional time to prepare our testimony. Thank you for your attention.

Sincerely,

Rashmi Rangan

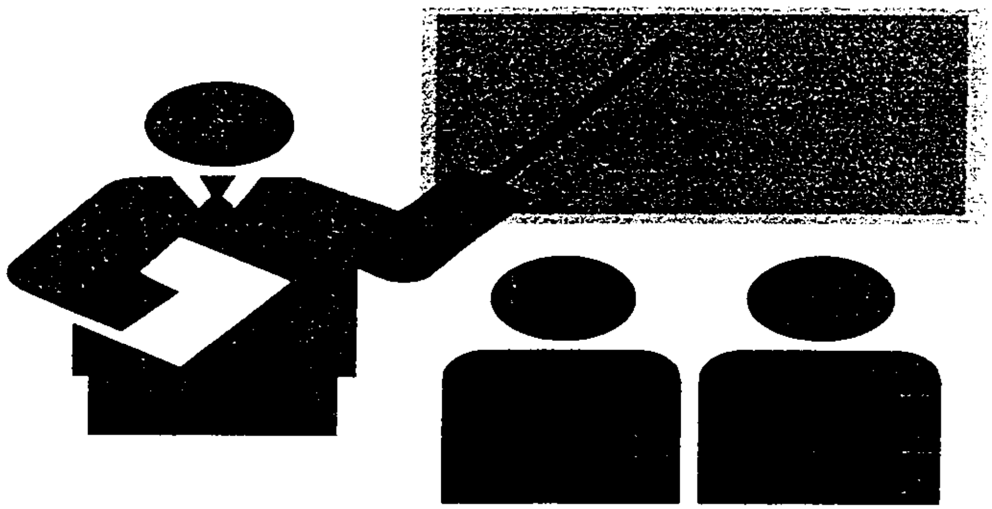
Rashmi Rangan

Lending Guide

Analysis of Home Mortgage Disclosure Act Data

1992-1995

Rochester, New York



Issued by:

GREATER ROCHESTER COMMUNITY REINVESTMENT COALITION (GRCRC)

P.O. Box 39541

Rochester, New York 14604

EXECUTIVE SUMMARY

This guide, issued by the Greater Rochester Community Reinvestment Coalition (GRCRC), contains analysis of lending patterns in Rochester. GRCRC was convened in 1993 to generate discussion about lending patterns in Rochester. The Coalition is releasing this guide to home mortgage lending to continue the ongoing discussion on this subject. The guide is based on an analysis of 1993, 1994 and 1995 HMDA data.[1] 1995, is the most current year for which data is available.

Some of the most significant findings of the guide are as follows:

- In 1992 the suburbs had a lending rate that was one hundred and fifty percent (150%) higher than the city lending rate. In 1995 that gap had narrowed so that the suburban lending rate was only thirty-five (35%) higher than the city's lending rate.
- In 1995 the disparity in the lending rate between white and minority moderate income had been eliminated.
- Denial rates for minority loan applicants continue to be two or three times the rate for white applicants.
- There has been no improvement in lending to rental units in the city since 1992.

While significant improvements have occurred in the last four years much work remains to be done. The Coalition believes that by continuing to work with area banks, the city, county and community we can continue to improve on the work that has been done. We can also address the problems of high minority denial rates and lack of rental lending with innovative solutions.

We would like to see members of this community use this guide to support the banks that are lending in the city, particularly in the low and moderate income and minority neighborhoods in the city. We would like to hear from individuals about their experiences with area banks in obtaining mortgage loans, small business loans and personal loans.

We challenge the banks who have not made any significant improvement in their lending performance since 1992 to do better. A number of banks are lending aggressively and prudently in the city's underserved neighborhoods. It can be done. If banks continue to underserve our low income communities we should ask ourselves whether we should continue to bank with them.

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[1] Some of the HMDA analysis was completed using HMDA Works, a software program developed by the Center for Community Change.

INTRODUCTION

In May of 1993 the Coalition issued a report about mortgage lending in Rochester. The report was based on an analysis of Home Mortgage Disclosure Act (HMDA) [2] data for 1992. The report found that lending in inner city neighborhoods was one quarter of lending in the Metropolitan Statistical Area (MSA)[3] and that moderate income minority census tracts had significantly lower rates of lending than moderate income white census tracts.

In April 1995 a report on the comparison of denial rates for home mortgage loans in the Rochester MSA between blacks, Hispanics and whites was released. That report found that black and Hispanic applicants had a denial rate that was two or three times as high as white applicants. This disparity existed across all income groups.

The Coalition is releasing this guide to home mortgage lending to continue the ongoing discussion on this subject. The guide is based on an analysis of 1992, 1993,1994 and 1995 HMDA data. It compares lending patterns between the city of Rochester and the MSA as well as in different census tracts in the city. It looks at denial rates amongst different racial groups in the MSA. It also compares the lending patterns of the nine largest area banks.

The Community Reinvestment Act is a Federal law that was originally passed in 1977. New regulations were issued in July 1995 and the law was considerably strengthened. The Act requires federally insured banks to serve the credit needs of the entire community, including the low and moderate income community. This includes having affordable mortgage products, small business loans and checking accounts that can be utilized by low and moderate income residents of the banks' service area.

Banks must also report by census tract where their home mortgage loans were made; the income, race and sex of the applicants; and the outcome of each application for a loan. This data can be analyzed to measure a bank's lending performance. Beginning in March 1997 banks over a certain size will also be required to report their small business loans.

For more information about the Coalition or the guide call Ruhi Maker at 716-454-4060 x737 or Sister Beth LaValle at 716-244-4817.

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[2] This report uses Home Mortgage Disclosure Act (HMDA) data which is a vailable for public review at the Office of Housing, City of Rochester which serves as a federal depository.

[3] The Metropolitan Statistical Area (MSA) includes the Monroe, Wayne, Ontario, Livingston, Orleans and Genesee counties.

COMPARISON OF THE CITY OF ROCHESTER TO MSA

LENDING IN THE CITY OF ROCHESTER HAS INCREASED

Home Mortgage lending in the city of Rochester has increased in the last four years and the lending gap between the city and the suburbs has narrowed. The Coalition's analysis of the 1992 HMDA data revealed a significant disparity between lending rates in the city and the surrounding suburbs. 1993, 1994 and 1995 saw a significant improvement in lending for owner-occupied mortgages in the city.

TOTAL HOME MORTGAGE LOANS IN THE CITY

1992 2,927

1993 5,974

1994 4,441

1995 3,739

In 1992 there were approximately 3,000 home mortgage loans made by all financial institutions in the city. That number increased dramatically in 1993 and 1994 during the refinance boom. Interest rates for home mortgage loans were lower than they had been in years and many home-owners refinanced their mortgages. In 1995 there were almost 3,800 loans in the city.

TOTAL FHA AND CONVENTIONAL LOANS IN CITY

YEAR	FHA	CONVENTIONAL	TOTAL
1992	338	579	917
1993	944	843	1787
1994	787	1,335	2122
1995	795	1,331	2126

Total FHA & Conventional Loans in the City

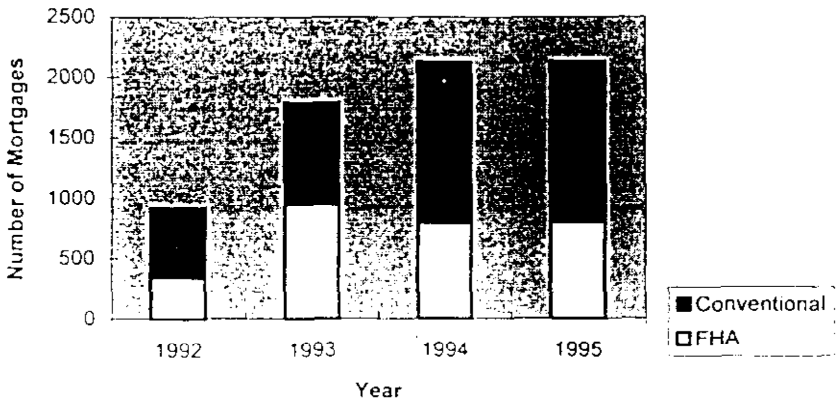

Chart A

A breakdown of the kinds of loans is more illuminating. Home mortgage loans include FHA, VA,[3] conventional home purchase, refinances and home improvement loans. If the increase in city lending was limited to refinances and home improvement loans it would merely be an indication of existing homeowners obtaining financing. However the number of FHA and conventional loans has doubled in the last three years. In 1992 there were only 917 conventional and FHA home purchase loans. In 1995 there were over 2,000 FHA and conventional loans.

PERCENTAGE OF LOANS IN THE CITY

1992	1993	1994	1995
11%	17.5%	20%	20%

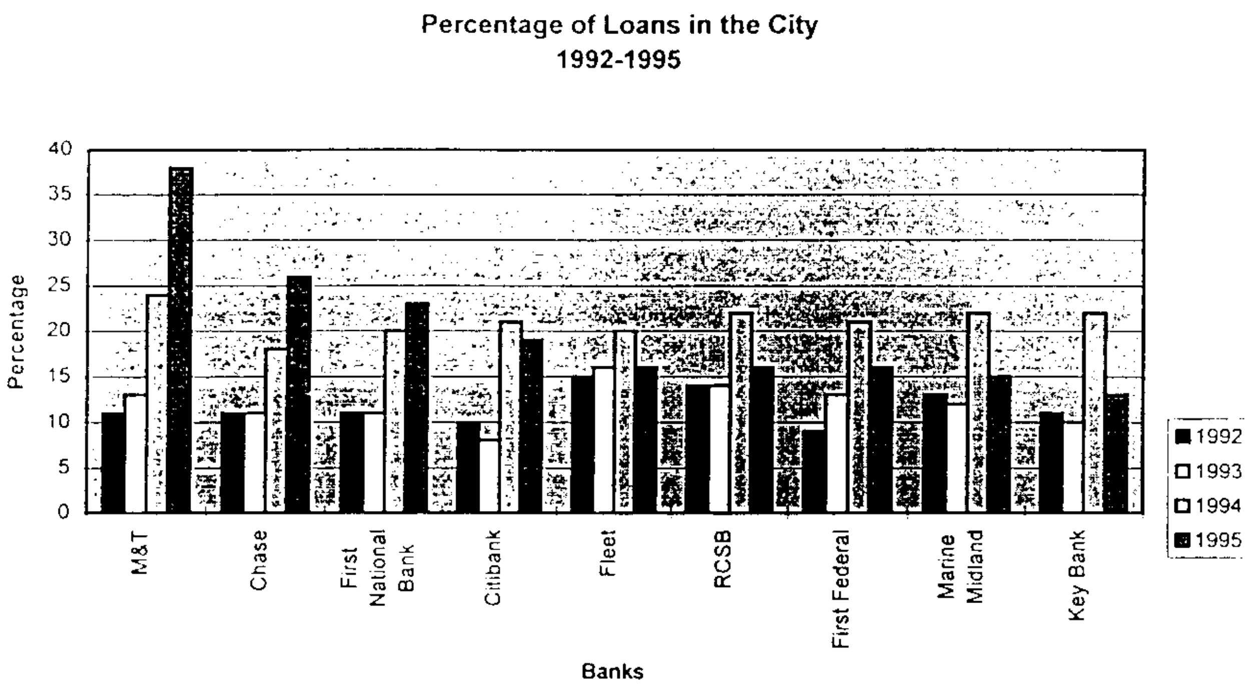

Chart B

A greater proportion of the total loans made in the MSA are now made in the city. In 1992 only 11% of the total loans made in the MSA were made in the city. In 1995 that percentage had increased to 20%. More loans were made in the city and fewer loans were made in the MSA as a whole.

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[3] Federal (FHA) and Veterans Administration (VA) loans are insured by the Federal Government.

Another way to look at the lending data is to examine the number of loans made per 1000 housing units (HU)[5]. In 1993 the lending rate of all banks was 59/1000 HU in the city. It was 85/1000 HU in the MSA.

In 1994 the gap in the lending rate between the city and MSA narrowed. The city lending rate dropped to 44/1000 Housing units. The MSA lending rate was 55/1000 Housing units. In 1994 there were 12,000 fewer refinances in the MSA. Interest rates were higher and fewer people were refinancing their mortgages. This resulted in a lower lending rate in the MSA. The drop in the city lending rate was caused by the fact that there were 1,200 fewer refinances in the city.

By 1995 the city rate was 37/1000 HU and the MSA rate was 47/1000 HU.

Although the gap in the lending rate between the city and the MSA has narrowed and is a cause for celebration it still exists. The Coalition believes that there is still an unmet need for lending in the city and banks need to reach out to residents to meet that need. The city of Rochester has initiated a Homeownership program which includes help with closing costs, for Home Expo homes as well as rehabilitation of existing homes. Many of the area banks have introduced affordable mortgage products. Although housing prices in the city have been falling since 1994 and interest rates are higher, the number of first mortgages (FHA, VA and conventional) originated by the lending institutions has been maintained at the same level as 1993. The lower prices may have made home ownership an option for many moderate income residents who were previously renters.

Given the high cost of renting in the city and the suburbs, as well as the poor quality of some of the rental stock, it should be possible to market homeownership options to many moderate income city and suburban residents. It is the Coalition's belief that lending can be increased in the city.

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[5] This guide analyzes the rate of lending per housing unit. Some analysis are done based on the rate of owner-occupied housing units. we have deliberately chosen to include all housing units because of the high percentage of rental units in the city and the lack of lending to rental units. Excluding the rental units would have resulted in a higher rate per HU which would have inaccurately reflected the lending pattern in the city.

COMPARISION OF CENSUS TRACTS WITHIN THE CITY OF ROCHESTER

LENDING IN PREDOMINANTLY MINORITY CENSUS TRACTS HAS IMPROVED MEASURABLY

TOTAL LOANS IN MINORITY CENSUS TRACTS

1992	1993	1994	1995
534	1,013	1,086	997

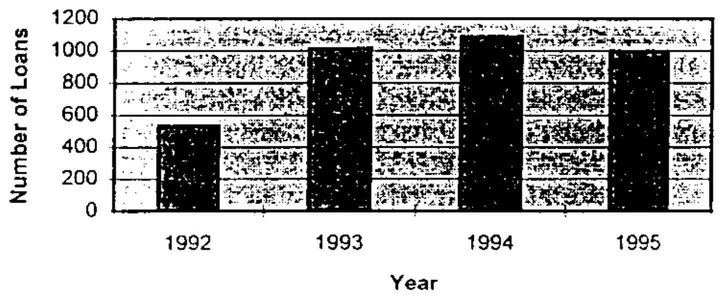

Chart C

CENSUS TRACTS WITH A MINORITY POPULATION GREATER THAN 80%

The Coalition's report analyzed 1992 HMDA data to see how lending in predominantly minority census tracts compared with lending patterns in predominantly white census tracts in the city. We determined that there was very little lending in census tracts which had a minority population of more than 80%. Lending has improved measurably in the last three years. In 1992 there were a total of 161 loans in 80%+ minority census tracts. In 1993 that figure had increased to 312 in 1994 to 403 loans and in 1995 to 417 loans.

Despite the improvement, predominantly white city census tracts still have twice as many total loans as predominantly black census tracts. In 1994 city census tracts with a minority population of under 10% had 950 loans; more than twice the number of loans in census tracts with a minority population of more than 80%. This is especially concerning as almost a 1000 more people were living in the 80% to 100% minority census tracts than in the census tracts with 10% or less minority population.

CENSUS TRACTS WITH A MINORITY POPULATION GREATER THAN 50%

Lending in census tracts with a minority population in excess of 50% also improved. In 1992 there were a mere 534 loans in such census tracts. There were approximately 1,000 loans in those census tracts in 1993, 1994 and 1995.

LOANS IN MODERATE INCOME CENSUS TRACTS

YEAR	1992	1993	1994	1995
MINORITY	120	470	366	330
RATE\1000 HH	15	58	42	39
WHITE	487	1255	981	815
RATE\HH 1000	22	58	45	38

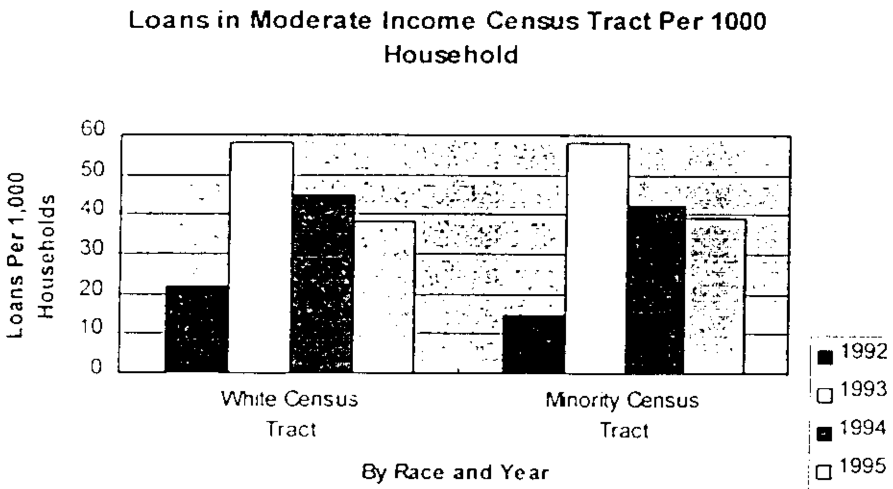

Chart D

There is no longer a disparity in the lending rates of white or minority moderate income census tracts. The coalition's previous report had pointed out the difference in the lending rate in minority moderate income (50% < 80% MFI)[6] census tracts versus white moderate income census tracts. Since income in white and minority moderate income census tracts is the same one possible cause for the disparity in lending rates was the race of the residents of the census tract.

In 1992 the lending rate (loans per 1000 housing units) in moderate income minority census tracts was lower than in white moderate income minority census tracts. The minority rate was 15/1000 HU. The rate in white census tracts was 21/1000 HU. Census tracts that had a minority population greater than 50% and a median income between 50% - 80% of the MSA median only had 120 loans in 1992.

However lending has increased in both white and minority moderate income census tracts. In 1995 the lending rates for white and minority moderate income census tracts were identical. The city's lending rate was 37 loans/1000 HU.

[6] The area Median Family Income was $40,856 in 1992. Moderate income (50-80%)is $20,428 - 32,684.

The neighborhoods represented by these minority moderate income census tracts are the SWAN x PLEX areas to the east of Genesee St. and the 14621 neighborhood in the Northeast.[7] These neighborhoods have suffered from years of disinvestment. The increased lending is a modest beginning which needs to be built upon.

[7] The 19th ward is another minority neighborhood but is not included in this portion of the analysis as it is middle income(>80% of MFI). The loans generated by the construction of First Place are also not included in these numbers as census tract 55 is low income (<50% MFI)and minority.

DENIALS

AFRICAN AMERICAN AND HISPANIC APPLICANTS WERE DENIED MORTGAGE LOANS AT TWO TO THREE TIMES THE RATE AS WHITE APPLICANTS

In April 1995 the Coalition released a report on denial rates in mortgage lending in 1993. The report found that black and Hispanic loan applicants were two or three times more likely to be denied loans as white loan applicants. This disparity persisted across all income groups.

1995 DENIAL RATES ACROSS INCOME LINES

Income	White	Black	Hispanic	Asian
Less than 80% of median (low-mod)	26%	36%	22%	27%
80-99% of median	17%	31%	25%	21%
100-120% of median	14%	26%	17%	14%
More than 120% of median (upper)	10%	25%	11%	9%

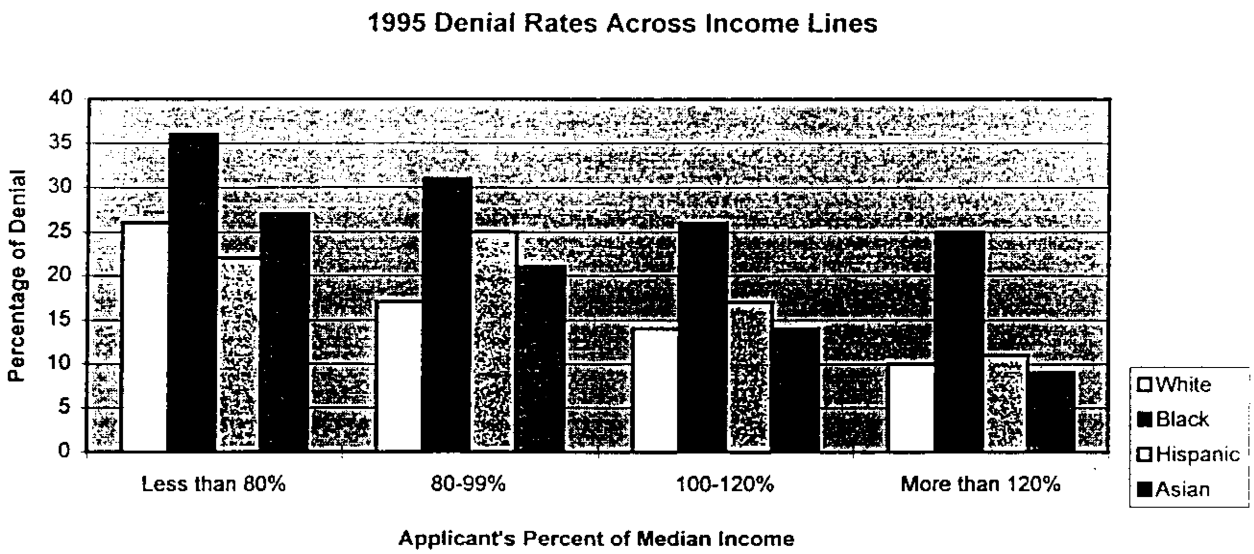

Chart E

The chart above analyzes denial rates across income and race lines. These rates are based on denials by all the financial institutions lending in the MSA. The denial rate for all ethnic groups decreases as income goes up. Low-mod income whites have a denial rate of 26%, whereas upper income whites have a denial rate of 10%. Similarly low-mod income blacks have a higher denial rate (36%) than upper income blacks (25%). However upper income blacks have more than twice the denial rate as upper income whites, Asians and Hispanics.

The following table contain the percentage of denials for the three groups referred to above as well as the black to white and Hispanic to white denial ratio for the nine banks.

BLACK DENIALS

As is apparent from the table in 1995 black applicants were twice or three times as likely to be denied loans as whites. The only bank which was the exception to this rule was M & T which had comparable denial rate for blacks and whites.

HISPANIC DENIAL

In 1995 Chase, Fleet, Key and M & T had lower denial rates for Hispanic applicants than for white applicants. However, Hispanics were denied at one and a half to two times the rate of white applicants by the remaining banks.

This disparity cannot be explained on the basis of income alone because, for most banks it persists for black and Hispanic applicants whose income is greater than 100% of median or $40,000 a year for a family of four. The disparity in the denial rates also persists for applicants whose income is in excess of 120% of median i.e. $48,000 a year.

Citibank has consistently had one of the highest denial rates for blacks in 1993 (71%), 1994(44%) and 1995 (55%).The high denial rate is accompanied by a lack of home mortgage loans to black applicants.

In 1994 M & T had the worst denial rate for black applicants, 43% of black applicants and 35% of Hispanic applicants were denied loans. In contrast 17% of white applicants were denied loans. However M & T made more loans to black applicants (126) than any other bank. It also had the most loans to each of the other minority groups and a total of 238 loans to all the minority groups. 14% of it's lending was to minority groups.

M & T's denial rate improved in 1995. Only 19% of black and 8% of Hispanic applicants were denied loans. Furthermore M & T continued to be a market leader in making loans to minorities

Marine has improved its black denial rate which was 55% in 1993 and 36% in 1995. Marine's Hispanic denial rate has remained largely unchanged. It was 34% in 1993 and 32% in 1995. Both rates were twice the white denial rate.. Furthermore in 1994 and 1995 Marine only made approximately 100 home mortgage loans to all minority applicants each year.

The disparity in denial rates is very disturbing, particularly since it persists for upper income blacks. It cannot be explained away on the basis of income, i.e. that blacks who are low-income would be more likely to have poor credit history's and therefore more likely to be denied loans.

RECOMMENDATION

In light of the data presented the Coalition strongly recommends that the city and county fund a testing program to ascertain the reason for the disparity in the denial rates for different racial groups.

The Coalition also recommends that banks with a disparity in their denial rates fund pre-purchase counseling programs like the ones offered by the Home Store to better screen applicants and channel them into credit counseling and Home Buyer clubs where appropriate.

Applicants who have been denied should similarly be referred to credit counseling. If appropriate, applicants should be advised about the steps they can take to improve their credit history and encouraged to reapply in the future.

Banks with a disparity in their denial rates should institute a process of blind second review for all minority applicants. They should also provide training on Fair Lending practices and all applicable laws to their staff.

TABLE 1

DENIALS % 1993 ROCHESTER MSA					
BANK	WHITE %	BY RATIO B - W	BLACK %	BY RATIO H - W	HISPANIC %
CHASE	11	2.1	23	2.0	22
CITI BANK	19	3.9	71	1.4	25
FIRST FEDERAL	[illegible]	4.5	27	1.7	10
FIRST NATIONAL	[illegible]	1.3	13	0	0
FLEET	[illegible]	[illegible]	25	1.2	11
KEY	[illegible]	[illegible]	30	2.3	25
M & T	[illegible]	1.6	29	1.1	20
MARINE	[illegible]	3.7	55	2.3	34
RCSB	14	3.5	49	2.8	39

TABLE 2

DENIALS % 1994 ROCHESTER MSA					
BANK	WHITE %	BY RATIO B - W	BLACK %	BY RATIO H - W	HISPANIC %
CHASE	12	3.5	41	0.6	7
CITI BANK	18.5	2.3	44	1.7	32
FIRST FEDERAL	8	3.1	24	0.77	6
FIRST NATIONAL	15.5	2.1	33	1.3	20
FLEET	10	2.76	28.5	0.97	10
KEY	18	0.93	17	0.55	10
M & T	17	2.54	43	2.07	35
MARINE	14	2.88	41.5	2.36	34
RCSB	17	2.09	35.6	1.95	33

TABLE 3

DENIALS % 1995 ROCHESTER MSA					
BANK	WHITE %	BY RATIO B - W	BLACK %	BY RATIO H - W	HISPANIC %
CHASE	16	2.1	34	.75	12
CITI BANK	25	2.2	55	1.9	47
FIRST FEDERAL	8	3.2	26	2.2	18
FIRST NATIONAL	8	2.6	21	1.4	11
FLEET	20	2.1	43	.55	11
KEY	26	1.3	35	.34	9
M & T	15	1.2	19	0.5	8
MARINE	15	2.4	36	2	31.5
RCSB	18	2.5	46.7	2.3	41.6

RENTAL LOANS

LOANS TO RENTAL UNITS HAVE DECREASED SINCE 1993

1-4 family

Year	1995	1994	1993
City	274	365	454
MSA	719	822	1019
Top 9 Banks MSA	230	402	474
Other Financial Institutions	489	420	545

The city of Rochester has over 40,000 units of rental housing. More than 50% of the housing stock is rental. The lack of lending to non-occupant units was pointed out in the Coalition's 1994 report. Unfortunately the picture has not improved much in the last three years. In 1993 there were 454 rental loans in the city; there was only one mortgage loan for every 100 units of rental housing. This has a dramatic negative impact on the quality of life of tenants, as landlords are unable to buy or sell property, or borrow to make repairs.

Property values have fallen in the city in the last few years. Many owner occupant and non-owner-occupant properties are mortgaged for more than their market value. That makes it hard for landlords to obtain financing. Representatives of a number of area banks have represented to the Coalition that they view lending to landlords as high-risk. There seems to be a perception in the banking community that many landlords are simply in the business to maximize their profits at the expense of the tenants, the property and the bank. Therefore many banks require at least 30% equity in a non-occupant property before they will extend a mortgage.

Whereas that characterization may be true of some landlords it is unfair to landlords and to their tenants to have underwriting guidelines for all non-occupant properties based on a worst case scenario.

RECOMMENDATION

In the last few years many of the larger Banks have created affordable home mortgage programs for owner-occupants. The programs have had more flexible underwriting criteria and low down payments. In exchange applicants have had to participate in pre-purchase counseling.

The Coalition is recommending that the banks explore a pilot program for landlords with a proven track record. The pilot program should enable landlords to obtain Home Improvement loans, refinance their property or purchase a new unit. Criteria could include that the landlord has maintained the property free of code violations for a certain number of years, that the taxes are current, the program could require that the landlord live near the property. For first time landlords the bank could require that the landlord successfully complete the city funded training program offered by the Housing Council. The point of the criteria would be to identify landlords who will maintain the property and not merely treat it as a cash cow. In return the bank would only require a [illegible] -[illegible] down payment instead of the 30% currently required.

ROCHESTER MSA
1993 RANKING OF BANKS

BANK	RANK
FLEET	1
M & T BANK	2
KEY BANK	3
FIRST FEDERAL	4
MARINE	5
FIRST NATIONAL	5
ROCHESTER COMMUNITY SAVINGS BANK	7
CHASE	7
CITIBANK	9

GRCRC 1996

ROCHESTER MSA 1994 RANKING OF BANKS	
BANK	**RANK**
KEY BANK	1
FLEET	2
M & T BANK	2
FIRST FEDERAL	4
MARINE MIDLAND	5
ROCHESTER COMMUNITY SAVINGS BANK	5
FIRST NATIONAL BANK	7
CHASE	8
CITIBANK	9

ROCHESTER MSA 1995 RANKING OF BANKS	
BANK	**RANK**
M& T BANK	1
FLEET	2
FIRST NATIONAL BANK	3
CHASE	3
KEY	5
MARINE	6
FIRST FEDERAL	7
ROCHESTER COMMUNITY SAVINGS BANK	8
CITIBANK	9

COMPARISON OF NINE MAJOR BANKS

The guide contrasts the lending performance of the nine banks with the largest deposits that serve the Rochester MSA. These are Chase, Citibank, First Federal Savings and Loan of Rochester, Fleet, First National Bank, Key Bank, M & T Bank, Marine Midland and Rochester Community Savings Bank. Data reported by the banks mortgage subsidiaries (if any) was also included. Onbank a new comer to the Rochester market has not been included in the ranking.

The banks were given a rank based on thirteen factors:

1 & 2. The number of minority applications and loans in the MSA as a percentage of the total number of minority applications and loans.

3 & 4. The number of low-mod applications and loans in the MSA as a percentage of the total number of low-mod applications and loans.

5. The volume of non owner-occupant loans in the MSA.

6. The number of loans in minority and low-mod census tracts in the city.

7. The total number of loans in the city.

8 & 9. The percentage of black and Hispanic denials.

10 & 11. The black to white and Hispanic to white denial ratio.

12. The Bank's loan to deposit ratio (the dollar volume of home mortgage loans as a ratio of their deposits in the Rochester MSA).

The individual ranks were placed in four categories and each bank received a MSA rank, a city rank, a denial rank and a loan to deposit rank. These ranks were amalgamated into a composite rank. The best possible rank is 1 and the worst rank is 9.

Home Mortgage Loans in Rochester MSA/City

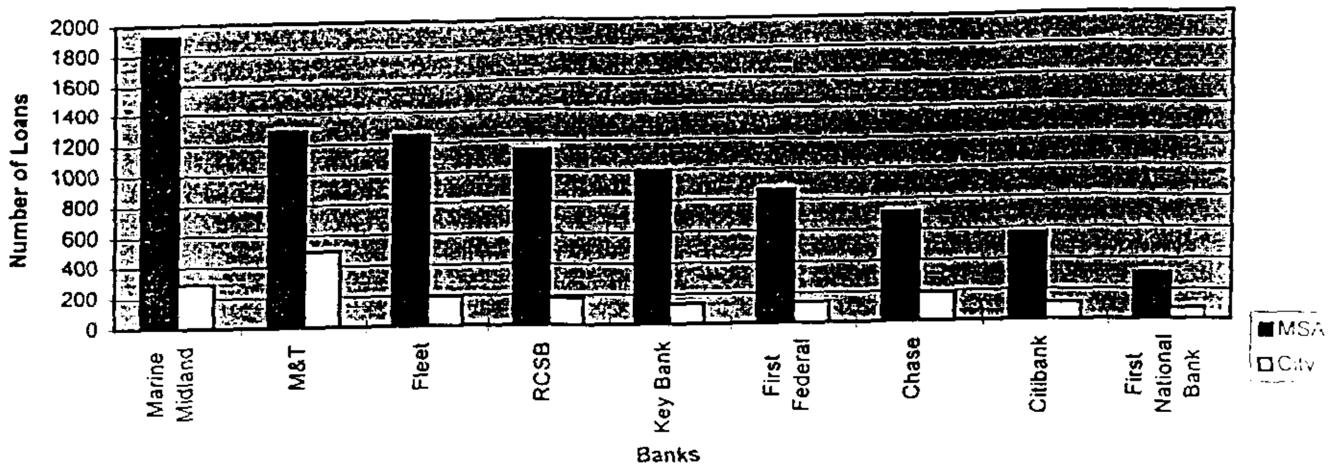

Chart F

Chart F demonstrates the proportion of lending by the nine area banks in the MSA and the city of Rochester.

Total Home Mortgage Loans Rochester MSA/Low-Mod Household 1995

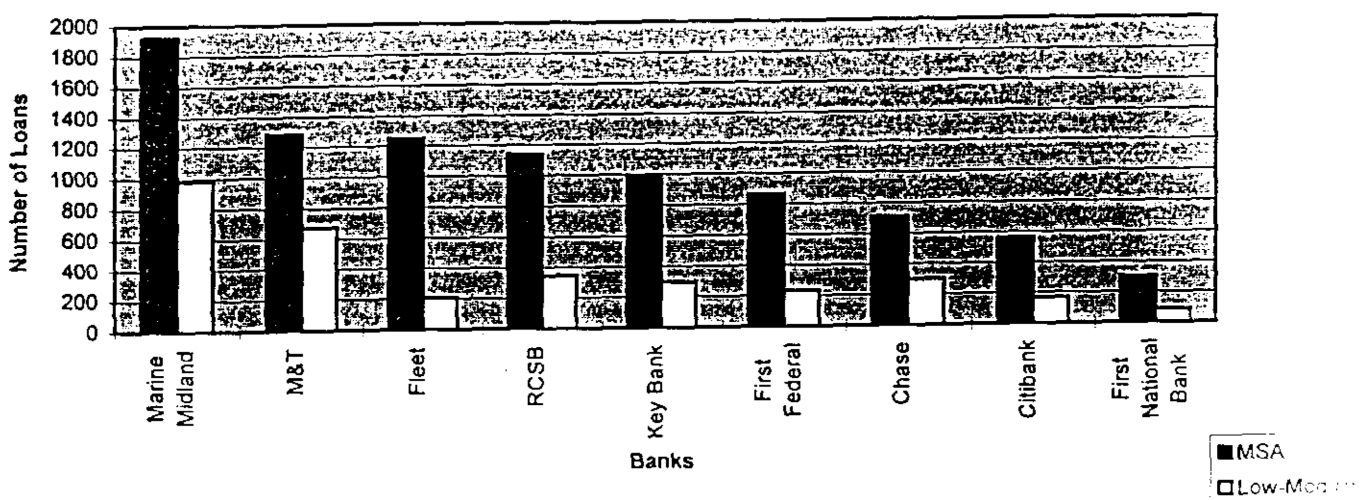

Chart G

Chart G demonstrates the proportion of lending by the nine area banks to all households in the MSA and to all low-mod households in the MSA, including low-mod households in the city of Rochester.

Home Mortgage Loans in Rochester MSA/Minority Household
1995

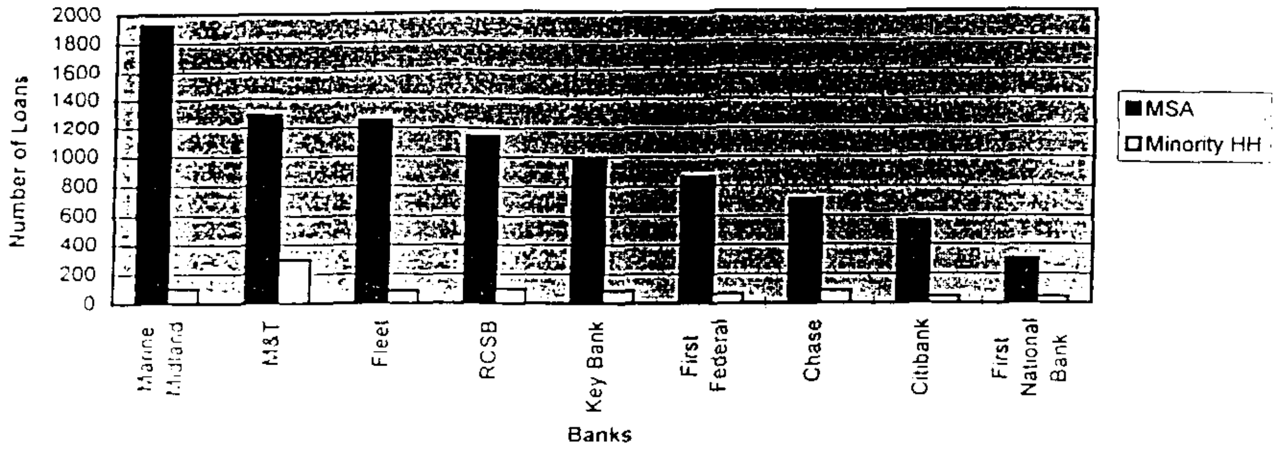

Chart H

Chart H demonstrates the proportion of lending by the nine area banks to all households in the MSA and to all minority households in the MSA, including minority households in the city of Rochester.

CHASE

1993 Rank: 7
1994 Rank: 8
1995 Rank: 3

	1995	1994	1993	1992
TOTAL LOANS TO:				
MSA	710	902	1699	1850
City	189	159	194	212
Minority households	109	60	98	NA
low-mod households	191	188	403	NA
PERCENT OF LOANS IN THE CITY:				
	26	18	11	11
TOTAL LOANS TO CITY CENSUS TRACTS THAT ARE:				
>50% minority	59	38	40	38
low-mod	73	86	85	76

DENIALS

RACE	WHITE	BLACK	HISPANIC
1995	16	34	12
1994	12	41	7
1993	11	23	22

Chase has improved its overall ranking from 8 in 1993 to 3 in 1995. Chase has been making fewer home mortgage loans in the MSA and in the city since 1992. However a larger percentage of the MSA lending has occurred in the city. In 1995 and 1994 more than half the loans in the city were in low-mod census tracts. In 1995 a third of Chase's loans were in minority census tracts. Chase made 28 and 20 non-occupant loans in 1994 and 1995 respectively. In 1995 Chase increased its lending to minority borrowers in the Rochester MSA.

In 1995 and 1994 black applicants were denied at twice or three times the rate of white applicants. In 1995 34% of black applicants were denied loans by Chase. In contrast only 16% of white applicants were denied loans. In 1995 the disparity in the denial rate for blacks persisted at more than 100 % of median income. There was no disparity for blacks at incomes greater than 120% of median income.

Citibank
1993 Rank: 9
1994 Rank: 9
1995 Rank: 9

	1995	1994	1993	1992
TOTAL LOANS TO:				
MSA	565	808	663	1068
City	107	171	56	107
Minority households	42	68	47	NA
low-mod households	165	174	106	NA
PERCENT OF LOANS IN THE CITY:				
	19	21	8	10
TOTAL LOANS TO CITY CENSUS TRACTS THAT ARE:				
>50% minority	22	23	4	13
low-mod	50	54	18	31

Citibank has persistently been ranked last three years in a row for its home mortgage lending record in Rochester. It is the largest bank in the MSA in terms of its local deposits. Despite that fact its volume of mortgage lending in the MSA and in the city has been on the decline since 1992. However a larger percentage of Citibank's lending occurred in the city in 1994 and 1995.

Although Citibank made very few loans in the city, in 1994 and 1995, almost half the loans in the city were in low-mod census tracts and a quarter were in minority census tracts. Citibank has made virtually no non-occupant loans in the last four years.

DENIALS

RACE	WHITE	BLACK	HISPANIC
1995	25	55	47
1994	19	44	32
1993	19	71	25

Citibank has one of the worst denial rates for blacks and Hispanics amongst all nine banks. In 1995 55% of black applicants were denied loans. Black applicants were more than twice as likely to be denied loans as white applicants. This denial ratio remained the same for black applicants whose income exceeded 100% of area median which is $40,000 for a family of four.
Hispanic applicants also had a much higher denial rate than white applicants.

First National Bank

1993 Rank: 5
1994 Rank: 7
1995 Rank: 3

	1995	1994	1993	1992
TOTAL LOANS TO:				
MSA	301	204	415	890
City	71	41	44	95
Minority households	42	20	25	
low-mod households	86	32	49	NA
PERCENT OF LOANS IN THE CITY:				
	23	20	11	11
TOTAL LOANS TO CITY CENSUS TRACTS THAT ARE:				
>50% minority	22	10	9	16
low-mod	48	20	11	37

DENIALS

RACE	WHITE	BLACK	HISPANIC
1995	8	21	11
1994	15	33	20
1993	9	13	0

FNB improved its rank and lending record in 1995. It increased lending to low-mod and minority households and census tracts. FNB is the smallest of the nine banks in terms of local deposits.

Black applicants were twice as likely to be denied home mortgage loans as white applicants in 1994 and 1995.

First Federal
1993 Rank: 4
1994 Rank: 4
1995 Rank: 7

	1995	1994	1993	1992
TOTAL LOANS TO:				
MSA	863	1250	2264	1016
City	135	267	292	96
Minority households	65	119	120	NA
low-mod households	229	215	415	NA
PERCENT OF LOANS IN THE CITY:				
	16	21	13	9
TOTAL LOANS TO CITY CENSUS TRACTS THAT ARE:				
>50% minority	48	61	39	17
low-mod	65	143	108	36

First Federal lending peaked in 1993 but declined in 1994 and 1995. However a greater percentage of the lending occurred in the city. In 1994 and 1995 more than half the loans in the city were in low\mod census tracts. More than a quarter of the loans were in minority census tracts. First Federal made 49 non-occupant loans in the MSA in 1994. First Federal also initiated the construction of First Place, a sub-division within the city of Rochester which been a significant contribution in the revitalization of a low-income neighborhood of the city. Ground has also been broken on Edison Place. Funding is being sought for a third sub-division, Goodman Plaza. The Coalition applauds First Federal for its efforts in the city and urges other banks to emulate its example.

DENIALS

RACE	WHITE	BLACK	HISPANIC
1995	8	26	18
1994	8	24	6
1993	6	27	10

Black applicants were three times more likely to be denied home mortgage loans than white applicants. Hispanic applicants had a lower denial rate than white applicants in 1994 but a higher one in 1995. Black applicants at 120%+ of median income had comparable denial rates to white applicants.

Fleet
1993 Rank: 1
1994 Rank: 2
1995 Rank: 2

	1995	1994	1993	1992

TOTAL LOANS TO:

	1995	1994	1993	1992
MSA	1,247	1,747	3,423	1,979
City	195	349	555	297
Minority households	85	146	235	NA
low-mod household	204	302	845	NA

PERCENT OF LOANS IN THE CITY:

	1995	1994	1993	1992
	16	20	16	15

TOTAL LOANS TO CITY CENSUS TRACTS THAT ARE:

	1995	1994	1993	1992
>50% minority	38	85	100	57
low-mod	174	269	247	120

In the last four years Fleet has maintained 15-20% of it's lending in the city. In 1994 and 1995 approximately 80% of Fleets loans in the city were in low-mod census tracts. Almost 25% were in minority census tracts. Fleet made 80 non-occupant loans in the MSA in 1994, more than any of the nine banks included in this guide.

DENIALS

RACE	WHITE	BLACK	HISPANIC
1995	20	43	11
1994	10	28	10
1993	11	25	11

Black applicants were three times more likely to be denied loans than white and Hispanic applicants. In 1995 43% of black applicants were denied loans, compared to 20% of white and 11% of Hispanic applicants. The difference in the denial rate persisted at 100% and 120% of MFI. However, at 120% of MFI the gap between the black and white rate was narrower. The denial rate for Hispanics above 80% of MFI was negligible.

Key Bank
1993 Rank: 3
1994 Rank: 1
1995 Rank: 5

	1995	1994	1993	1992
TOTAL LOANS TO:				
MSA	996	1,999	2,361	1,803
City	127	448	246	204
Minority households	85	143	85	NA
low-mod households	294	502	574	NA
PERCENT OF LOANS IN THE CITY:				
	13	22	10	11
LOANS TO CITY CENSUS TRACTS THAT ARE:				
>50% minority	47	137	58	48
low-mod	85	405	103	101

In 1994 Key Bank's lending more than doubled in the city as a percentage of its MSA lending. In 1994 Key made the most number of loans to minority applicants in the MSA, it made the most number of loans in the city as well as in low\mod census tracts. 90% of Key bank's loans were in low\mod census tracts and more than a quarter were in minority census tracts.

Unfortunately this lending performance was not maintained in 1995. Not only did the absolute number of loans in the city and MSA drop dramatically, 75% of the loans were home improvement loans as opposed to home purchase loans. Most of low\mod loans were Home Improvement Loans.

DENIALS

RACE	WHITE	BLACK	HISPANIC
1995	26	35	9
1994	18	17	10
1993	12	30	25

Key was the only bank among the nine surveyed that had comparable denial rates for black and white applicants in 1994. However its black denial rate was higher than the white rate in 1995. Hispanic applicants had lower denial rates than white applicants in 1994 and 1995.

M & T
1993 Rank: 2
1994 Rank: 2
1995 Rank: 1

	1995	1994	1993	1992
TOTAL LOANS TO:				
MSA	1,285	1,718	2,470	1827
City	492	407	328	207
Minority households	296	238	223	
low-mod households	671	477	665	
PERCENT OF LOANS IN THE CITY:				
	38	24	13	11
TOTAL LOANS TO CITY CENSUS TRACTS WHICH ARE:				
>50% minority	111	101	82	35
low-mod	331	405	167	88

M & T has steadily improved its lending record in the city of Rochester over the last four years. In 1995 almost forty percent of its loan origination in the MSA were in the city. In 1994 and 1995 70 % of M & T 's loans in the city were in low\mod census tracts and 25% in minority census tracts.

DENIALS

RACE	WHITE	BLACK	HISPANIC
1995	15	19	8
1994	17	43	35
1993	18	29	20

In 1994 M & T denial rates for black and Hispanic applicants were amongst the worst of all nine banks surveyed. 44% of black applicant and 35 % of Hispanic applicants were denied loans; only 17% of white applicants were denied loans. This disparity in the denial rate persisted for applicants at 100% > of median income. On the other hand, M & T originated 238 loans to minority applicants in 1994, more than any of the other area banks.
In 1995 the disparity in the black and white denial rate had narrowed. However, it persisted even for blacks at 120% of MFI. The denial rate for Hispanic applicants was lower than the white rate.

The Coalition applauds M & T for its record of lending in the city, and in low\mod and minority neighborhoods in the city. As is apparent from the guide M & T has one of the best records of lending to the city, the low and moderate and minority community in Rochester. The Coalition has had an ongoing relationship with M & T for over two years. We have had a number of meetings with them where our input was solicited and proffered. M & T has provided the Coalition with a letter of understanding which we will work on implementing.

Marine

1993 rank: 5
1994 Rank: 5
1996 Rank: 6

	1995	1994	1993	1992
TOTAL LOANS TO:				
MSA	1,925	1,706	1,874	1,992
City	289	380	224	211
Minority households	100	96	137	
low-mod households	980	492	628	
PERCENT OF LOANS IN THE CITY:				
	15	22	12	13
TOTAL LOANS IN CITY CENSUS TRACTS THAT ARE:				
>50% minority	98	112	60	60
low-mod	259	380	109	95

In 1994 Marine increased the number of loans it made in the city. However almost 60% of those loans were home improvement loans. Virtually all the loans were in low\mod census tracts and 25% were in minority census tracts.

Similarly in 1995 56% of the lending in the city were Home Improvement loans which averaged $10,000 a loan. This pattern has existed since 1992. At first glance Marine's lending record in the city, in minority and low\mod census tracts and to minority borrowers looks good. However a more detailed analysis reveals that most of such lending is limited to Home Improvement Loans as opposed to first mortgages (FHA\VA, conventional and refinances). In 1995 50% of Marine's lending in the MSA was comprised of Home Improvement loans. However 60 -80% of it's lending in minority census tracts, in low-mod census tracts and to minority borrowers was comprised of Home improvement loans.

DENIALS

RACE	WHITE	BLACK	HISPANIC
1995	15	36	32
1994	14	42	34
1993	15	55	34

Black and Hispanic applicants have a denial rate that is two to three times the white denial rate in the last three years. Although, the black rate has improved from 55% in 1993 to 36 % in 1995 it is still twice the white denial rate. The Hispanic denial rate has remained at 34%.

The disparity in the denial rate persisted for higher income blacks.

The Coalition has had a series of meetings with Marine in the last two months, following Marine's announcement that they were proposing to acquire First Federal Saving's and Loan of Rochester. During the meetings the Coalition raised a number of concerns with Marine. In response to the issues raised by the Coalition Marine has committed to the following actions:

1. Becoming a member of the Federal Home Loan Bank.
2. Continuing the activities of First Federal's home building subsidiary, BHD.
3. Marketing their affordable mortgage product, Marine 97 to low-mod and minority individuals in Rochester.
4. Providing grants for pre and post purchase counseling.
5. Creating a Marine Citizen's Advisory Council which will include Coalition membership.

RCSB
1993 Rank: 7
1994 Rank: 5
1995 Rank: 8

	1995	1994	1993	1992

TOTAL LOANS TO:

	1995	1994	1993	1992
MSA	1,139	1,557	2,808	2,457
City	179	344	378	342
Minority households	100	166	166	NA
low-mod households	341	359	728	NA

PERCENT OF LOANS IN THE CITY:

	1995	1994	1993	1992
	16	22	14	14

TOTAL LOANS TO CITY CENSUS TRACTS THAT ARE:

	1995	1994	1993	1992
>50%	63	85	102	76
low-mod	132	200	154	133

RCSB increased its percentage of lending peaked in city in 1994. However, most of the loans made in the city, in 1994 and 1995, were home improvement loans. Low\mod loans were HI. Approximately 25% of city loans were in minority census tracts and almost 60% were in low-mod census tracts.

DENIALS

RACE	WHITE	BLACK	HISPANIC
1995	18	47	42
1994	17	36	33
1993	14	49	39

Black and Hispanic applicants were denied loans at two or three times the rate of white applicants. In 1995 47% of black applicants, 42% of Hispanic applicants and 18% of white applicants were denied loans.

GREATER ROCHESTER
COMMUNITY REINVESTMENT COALITION
P.O. BOX 39541
ROCHESTER, NEW YORK 14604

June 23, 1998

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th and Constitution Ave., NW
Washington, DC 20551-0001

Re: Citicorp-Travelers Application

Dear Ms. Johnson,

I am writing to you on behalf of the GREATER ROCHESTER COMMUNITY REINVESTMENT COALITION (GRCRC). GRCRC is a coalition of thirty not-for profit organizations and individuals based in Rochester, New York. GRCRC was convened in 1993 to generate discussions about lending patterns in Rochester, New York.

GRCRC is opposed to the proposed merger of Citicorp and Travelers Group and is requesting that the Federal Reserve Board turn down the proposed Citicorp-Travelers merger application. It is GRCRC's position that the Citicorp -Traveler's Group should not be approved while Financial Modernization legislation is pending in Congress. GRCRC is not opposed to financial modernization. However modernization needs to occur through legislation and not by piecemeal approval of individuals mergers. Financial institutions, that are insured by taxpayer dollars have community reinvestment obligations to fulfil. Their safety and soundness are also issues of concern to all of us. There needs to a public dialogue accompanied by legislation, before financial institutions are permitted to engage in the business of banking ,insurance and securities on the scale envisioned by the merged institution. Legislation must ensure that the interest of consumers will be protected and that the Community Reinvestment Act will be extended to the entire financial institution, including the insurance and securities subsidiary.

I will not belabor the policy issues raised in the press and by other groups opposed to the merger. The point I want to make here is that GRCRC would oppose the merger irrespective of Citicorp's record of lending in Rochester, New York. Unfortunately, an analysis of their HMDA and small business lending data consistently finds them at the bottom of the large financial institutions in Rochester.

Citicorp's presence in Rochester, New York is through it's subsidiary, **Citibank NYS (Citibank)**. In 1996 Citibank was ranked second in terms of total dollar value of local deposits. Citibank had over $1.6 billion in deposits locally. However Citibank ranked last in terms of HMDA loans originated in Rochester.

1. **HMDA Analysis**

In 1996 GRCRC released a report on HMDA data for Rochester New York for the years **1993-1995.** The report ranked all major 9 banks, doing business in Monroe County, on their Home Mortgage Data Act (HMDA) record. **Citibank had the worst record of lending, in low and moderate income neighborhoods, of all 9 banks and ranked last, all three years in a row.** During that period Citibank also denied mortgage loans to Black applicants at 2 -3 times the rate it denied them to white applicants. A copy of the report is attached to these comments.

GRCRC has analyzed **1996** HMDA data which will be released later this summer. The HMDA numbers show that **Citibank had the fewest number of loans of all the largest 9 banks in** Rochester in each of the following categories:

- total number of loans in the MSA,
- total number of loans in the city,
- number of loans to Black/Hispanic households in the MSA,
- loans to low-mod income census tracts,
- loans to low-mod income households in the MSA.

1996 is the most current year for which HMDA data is publicly available.

In terms of marketshare, Citibank's HMDA market share was under 2% for the MSA and to low and moderate income households in the MSA; 1% for loans in the City of Rochester; under 1% for loans to Black/Hispanic households in the MSA and in low and moderate income census tracts. Citibank had 45 loans in the City of Rochester, compared to M&T Bank, which had 188. Citibank had 11 loans to Black and Hispanic households in the MSA, M&T had 98. M&T had local deposits of $1.02 billion. (A HMDA marketshare analysis for 1996 originations is attached to these comments.)

Furthermore, in 1996, only 4% of Citibank's total HMDA loans were in low-moderate income census tracts. The other large banks percentage of loans in low–mod income census tracts ranged from a high of 22% (Key) to 11% (First Federal, now merged with Marine Midland). Only 2% of Citibank's loans were to Black/Hispanic households.

Citibank has consistently had a high denial rate for Blacks and Hispanic applicants. In 1996, 54 % of Black and 31% of Hispanic applicants were denied home mortgage loans. The white denial rate was 19%. GRCRC has documented this disparity in denials for 1993-1995 as well. A map of the City of Rochester, which displays the census tracts in which Citibank did not make home mortgage loans, in 1996, is attached. Citibank did not make home mortgage loans in approximately half the census tracts in the City. Pie charts depicting racial composition are overlaid on the map. A review of the map shows that Citibank did not make mortgage loans in a significant proportion of minority census tracts.

1. Small Business Lending Analysis

GRCRC has also analyzed small business data for 1996. The seven largest banks originated 80% of the small business loans in terms of dollar volume. Citibank ranked four out of seven in terms of small business lending in Monroe County.

Citibank was not a market leader in small business lending. A market share analysis of 1996 small business loans in Monroe County is attached. Citibank originated $9 million in small business loans in low and moderate income census tracts in Monroe County. Marine Midland, the market leader in that category, made $50 million. Citibank made $1.6 million in loans to businesses with revenues under $1 million in low and moderate-income census tracts. M&T, the market leader in that category, made $ 7 million in small business loans.

A map showing the census tracts in the City of Rochester in which Citibank originated no small business loans is attached to these comments. Pie charts depicting racial composition are overlaid on the map. A review of the map shows that Citibank did not make small business loans in a significant proportion of minority census tracts. In light of this data, GRCRC requests that the Federal Reserve considers the Fair Lending implications of Citibank's lending practice.

2. Branches

Citibank has 13 branches in Monroe County. 11 branches are in suburban Monroe County and two are in the City. Of the City branches one is downtown and one is in the Northeast quadrant of the City. The lack of branch presence in the City may partially explain Citibank's lending record.

GRCRC is a coalition of thirty not-for-profit organizations. It was convened in 1993 to generate discussions about lending patterns in Rochester and to ensure that the credit needs of low-income and minority residents of our community are met. GRCRC seeks to support long-term solutions, which provide resources, knowledge and skills to build community and individual net wealth.

GRCRC has had ongoing discussions about the credit needs of the community with four area banks. It has been our experience that the three banks with regional or local decision making authority, Marine Midland, M&T and RCSB have been most responsive to meeting the needs of our community. Quite simply put, if a community is 1 % of the market share of a large mega bank, the needs of that community will not be of primary interest to the decision makers of the mega bank. However, when Rochester represents a significant proportion a banks market share the regional Presidents return our phone calls and make sure the deal gets done, even if someone has to work on it over the weekend. I can only speak to the experience of our Coalition members.

Finally, there has been a flurry of community development lending, by Citibank, to a number of members of the Coalition in the last two years. Needless to say, we welcome such activity. We hope that Citibank will improve on its community development lending record whatever the outcome of this application.

If you have any questions about these comments please feel free to contact me. I can be reached at 716-454-4060.

Yours truly,

Ruhi Maker Esq.

Top 7 Banks
1996 City of Rochester, Monroe County
Small Business Loans

	AFI	Chase	Citibank	First National	Fleet	Key	Marine	M&T	Top 7	OFI
Total No.	7282	92	421	242	602	182	2276	801	4616	2,666
Total Amt. (Millions)	710	1.7	40	29	107	32.5	220	147	577.2	132.8
LMCT No.	1425	21	91	43	164	64	338	207	928	497
LMCT Amt (Millions)	179	325,000	9	3.4	29	10.5	50	44	146	33
Businesses <1 Million No.	2825	28	206	109	280	90	586	293	1,592	1,233
Businesses <1 Million Amt. (Millions)	124	609,000	11.5	7.3	25	8	17	27	96	28
Businesses <1 Million LMCT No.	507	2	34	12	62	27	124	66	327	180
Businesses <1 Million LMCT Amt. (Millions)	25	13,000	1.6	446,000	5	3	4	7	21	4

MARKET SHARE

		Chase	Citibank	First National	Fleet	Key	Marine	M&T	Top 7	OFI
Total No.		1%	6%	3%	8%	2%	31%	11%	63%	37%
Total Amt. (Millions)		0%	6%	4%	15%	5%	31%	21%	81%	19%
LMCT No.		1%	6%	3%	12%	4%	24%	15%	65%	35%
LMCT Amt. (Millions)		0%	5%	2%	16%	6%	28%	25%	82%	18%
Businesses <1 Million No.		1%	7%	4%	10%	3%	21%	10%	56%	44%
Businesses <1 Million Amt. (Millions)		0%	9%	6%	20%	6%	14%	22%	78%	22%
Businesses <1 Million LMCT No.		0%	7%	2%	12%	5%	24%	13%	64%	36%
Businesses <1 Milliona LMCT Amt. (Millions)		0%	6%	2%	20%	12%	16%	28%	84%	16%

Rochester MSA HMDA 1996

	AFI	Chase	Citibank	FNB	FF	Fleet	Key	M&T	Marine	ON	RCSB	Top 10	OFI
MSA	25824	608	476	537	1430	1305	825	1262	1589	252	1022	9306	16518
City	4256	118	45	108	215	148	94	188	184	19	156	1275	2981
Black/Hispanic HH MSA	1185	57	11	57	97	56	48	98	66	4	82	576	609
Low-Mod HH MSA	5411	174	78	130	384	273	270	369	264	103	253	2298	3113
Low-Mod Income CT	3553	85	21	76	154	199	179	175	286	38	122	1335	2218
Non-Occupant	897	17	5	16	34	41	3	39	82	3	14	254	625

Market Share Rochester MSA-1996-HMDA

		Chase	Citibank	FNB	FF	Fleet	Key	M&T	Marine	ON	RCSB		OFI
MSA		2.4	1.8	2.1	5.5	5.1	3.2	4.9	6.2	1.0	4.0		64.0
City		2.8	1.1	2.5	5.1	3.5	2.2	4.4	4.3	0.4	3.7		70.0
Black/Hispanic HH MSA		4.8	0.9	4.8	8.2	4.7	4.1	8.3	5.6	0.3	6.9		51.4
Low-Mod HH MSA		3.2	1.4	2.4	7.1	5.0	5.0	6.8	4.9	1.9	4.7		57.5
Low-Mod Income CT		2.4	0.6	2.1	4.3	5.6	5.0	4.9	8.0	1.1	3.4		62.4
Non-Occupant		1.9	0.6	1.8	3.8	4.6	0.3	4.3	9.1	0.3	1.6		69.7
Loans as % of Total in:													
Low -Mod CT	14	14	4	14	11	15	22	14	18	15	12		13
Black/Hispanic HH	16	19	2	11	7	4	6	8	4	2	8		4
City	16	19	9	20	15	11	11	15	12	8	15		18

Testimony on behalf of the Greater Rochester Community Reinvestment Coalition, regarding the proposed merger between Citicorp and Travelers Group.

Public Hearing June 25th. 1998. New York, New York.

My name is Ruhi Maker. I am co-convenor of the Greater Rochester Community Reinvestment Coalition in Rochester New York. I work as a Senior Attorney at The Public Interest Law office of Rochester.

I am here today to speak against the proposed merger of Citicorp and Travelers Group. In the name of 'modernizing' the laws governing the financial institutions of this country, the CEOs of the largest of those institutions have been lobbying for a number of years to repeal the Glass-Stegall Act. Despite pouring millions of dollars of contributions into the campaigns of the members of the House and Senate Banking Committees, they have failed to achieve their goal, and there is still no consensus on what financial modernization should look like.

In the face of this failure, the CEOs of Citicorp and Travelers, two of the largest financial institutions in the country have now decided to simply forge ahead with a merger that takes advantage of a loophole in the existing law, trusting that their political and financial clout will ensure that there fait accompli is legalized retroactively.

This is not modernization, it is a reversion to the oligarchies of the past. As someone who grew up in Pakistan, I know what it is like to live in an oligarchy, where a handful of families controlled the economy and were free to act as if they were above the law. For the Federal Reserve to approve this merger under these conditions would send a clear signal to the elite's of this country that their privileged status carries no corresponding obligations to the community.

True financial modernization would require the systematic revision of the laws governing the financial industry. It cannot be done by granting piecemeal exceptions to existing regulations every time there is a new merger.

True financial modernization would require the systematic extension of existing community reinvestment obligations from the banking industry to the insurance and security industries, in line with their recently acquired right to provide services formerly restricted to banks.

True financial modernization would require an increase in the responsiveness of financial institutions to the needs of their host communities. Here I can speak from my own experience as a member of the GRCRC. We have had continuing discussions with four area banks about the credit needs of Rochester. The three banks with regional or local decision making authority have been far more responsive than has the mega-bank. When Rochester represents a significant proportion of a bank's market share, the regional president returns our phone calls and makes sure the deal gets done, even if someone has to work on it over the weekend. When Rochester represents only 1% of an essentially global bank's market, the needs of a local community are of very low priority.

As the trend toward globalization of the economy proceeds apace, we must ensure that the democratic accountability of those who control the commanding heights of the economy keeps pace. Otherwise false modernization is liable to land us back in the era of the robber barons.