

BANKAMERICA'S MERGER WITH NATIONSBANK

REMARKS BY  
DAVID A. COULTER  
CHAIRMAN AND CHIEF EXECUTIVE OFFICER  
BANKAMERICA CORPORATION

FEDERAL RESERVE BANK OF SAN FRANCISCO  
JULY 9, 1998

As have millions of individuals who count on Bank of America when the time comes to purchase their home, educate their children, or start their business.

I can assure you that BankAmerica has brought unparalleled commitment to the communities we serve. The new BankAmerica will continue in this manner, but on a much larger scale than ever before – in fact – it will be positioned to create economic opportunity nationwide.

Long ago, Bank of America sought to empower people by opening bank branches in hundreds of communities throughout California. Today, we're bringing a wide array of financial services even closer to home, and making them available to customers 24 hours a day.

And we are not turning our back on the communities that need financial services the most. In South Central Los Angeles, for example, we have more branches than all other banks combined.

We have played a principal role in capitalizing one of Los Angeles' three African American-owned financial institutions, Founders National Bank. Just last month the CEO of that bank, Carlton Jenkins, said this in a letter to the Federal Reserve Bank in Richmond, Virginia:

“BankAmerica has been an extremely significant participant in the growth and maturation of Founders National Bank. This, in spite of the fact that in several of our branch locations, we are clearly a competitive institution to them.”

The BankAmerica Board of Directors has established as a goal that its major operating units receive “Outstanding” ratings for their CRA activities. We are living up to that standard.

BankAmerica Corporation has five bank subsidiaries, and all five currently hold “Outstanding” Community Reinvestment Act ratings. Two of those have been earned under the new CRA regulations.

Our flagship institution, Bank of America National Trust & Savings Association, has received four consecutive “Outstanding” ratings. Our Federal Savings Bank is rated outstanding by the Office of Thrift Supervision. Our Community Development Bank is rated outstanding by the FDIC. Bank of America Texas and our Credit Card Bank in Phoenix are rated outstanding by the Office of the Comptroller of the Currency.

We believe that allocating the resources and performing at a level to achieve these outstanding ratings is important. We believe it is equally important to reward outstanding banks by placing value on their outstanding ratings at times like this.

mortgage loans were made to minorities and low-and-moderate-income borrowers.

- We have just introduced a new zero-downpayment mortgage program for low-and-moderate-income borrowers, which has had stunning results in our demonstration markets. In fact, we accepted nearly \$300 million in applications in just three months.
- In 1992, we introduced Advantage Business Credit, a lending initiative that has taken much of the paperwork out of small business loan applications for \$100,000 or less. In fact, the application for this product is just one page . During the last six years, our ABC program has generated loans of \$4.1 billion.
- And we have trained more than 15,000 of our employees in diversity programs so that they can respect and cherish the differences that make our company and our communities unique. We believe that changing demographics represent new markets and opportunities for us to serve people. Or as my predecessor, Dick Rosenberg, said so often: "service to low-income communities is the right thing to do, and the smart thing to do."
- We're also helping to meet the financial needs of a changing population by delivering ATM service in three languages and staffing many branches with employees who speak Spanish, Japanese, Korean, Chinese and Tagalog.
- And, since 1991, we have helped to strengthen local education, economic development and environmental quality with \$206 million in contributions to non-profit organizations across the western United States.
- We were a leading advocate for the revised CRA regulations, encouraging banks, regulators and politicians to give the regulations a chance. We recently commented positively to the Federal Reserve on Regulation B, which calls for the voluntary collection of race and gender data on small businesses. We have spoken out and taken leadership positions on child care, Proposition 13, urban sprawl, water, Hispanic higher education and other issues important to all of our communities.
- We've established ourselves as good corporate citizens through an environmental program that has resulted in, among other things, debt-for-nature swaps to preserve Latin American rain forests. We were the first major financial institution to sign the CERES Principles, which hold signatories to a strict environmental code of conduct.

Throughout the nation, Bank of America's record is one of commitment --



**BANK OF AMERICA'S  
COMMITMENT TO COMMUNITY REINVESTMENT**

For release:

In 1906, following the earthquake that destroyed much of San Francisco, Bank of America founder A.P. Giannini set up shop on a street corner and began lending money to help local residents rebuild. It was an early example of what is now called community development lending. While his competitors were catering to the wealthy, Giannini pioneered a system of branch banking that helped millions of people, including farmers, immigrants and wage-earners, to buy homes, build businesses and save for the future.

Today, Bank of America continues to demonstrate that community development lending is good business. Indeed, between 1992 and the end of 1996, Bank of America made \$15.9 billion in community reinvestment loans. Last year, the bank announced a 10-year pledge of \$140 billion for small business, affordable housing, lower-income mortgage lending and consumer loans. And recently, for the fourth consecutive time, federal regulators gave Bank of America their highest rating -- an "Outstanding" -- for meeting the credit needs of communities and lower-income borrowers.

The San Francisco-based Greenlining Institute goes even farther. In an October 1997 letter to then-Comptroller of the Currency Eugene Ludwig, the institute's executive director and general counsel wrote that the "so-called 'Outstanding' rating given to almost half of all very large financial institutions is inadequate regarding Bank of America. As we previously discussed, Bank of America is the overall CRA leader. We believe the rating for Bank of America should be "Outstanding Plus."

**SUPPORTING SMALL BUSINESS**

***Making Loans and Lines*** -- Between 1992 and 1997, the bank made \$3 billion in conventional small business loans and lines of credit for less than \$50,000. In 1997, we made \$1.1 billion in loans and lines for \$100,000 or less.

***Cutting Red Tape*** -- The bank offers conventional small business loans through Advantage Business Credit, a program that streamlines the application process and shortens turnaround times for loans and lines of credit as high as \$100,000. The application for this product is just one page and no supporting financial documents are required for most requests of \$50,000 or less.

***Offering Unsecured Credit for Working Capital*** -- Our ABC Express Line features unsecured revolving lines of credit of up to \$10,000 for short-term working capital. The program also provides an optional overdraft protection service for checking account customers. In addition, Bank of America's Business Card offers small business credit lines of \$25,000 or less.

***Helping Firms That Don't Qualify for Conventional Loans*** -- Through its Community Development Bank subsidiary and the community development division of its Federal Savings Bank, Bank of America has booked nearly \$1.5 billion in government-related small business loans and \$2 billion in credit for multi-family affordable housing, including more than \$600 million in the first half of 1998. BofA's Community Development Banking Group...

- Has Preferred Lending Status in all of the SBA districts where we operate;
- Was the first bank to book loans under the SBA's FA\$TRAK program aimed at widening credit access;
- Made more government-guaranteed loans in the SBA's four-state western region than any other lender last year;
- Earned the SBA's recognition for its record of lending to firms owned by women and minorities.
- Received Certified Lender status in all of the U.S. Department of Agriculture districts in which we operate.

## **PROMOTING HOME OWNERSHIP**

***Lending to Lower-Income Borrowers*** -- Between 1992 and 1997, Bank of America booked \$12.8 billion in home loans to lower-income borrowers and those in lower-income census tracts.

***Creating Mortgage Programs That Are Flexible and Affordable*** -- In 1990, Bank of America introduced its Neighborhood Advantage, which combines special underwriting criteria with low downpayment options to make home mortgages more easily available to lower-income borrowers and census tracts. In addition to offering down payments as low as 5 percent, this initiative also considers the employment and credit histories of loan applicants.

***Introducing a Zero-Downpayment Option*** -- This year, we announced the creation of a \$500 million zero-downpayment program for creditworthy borrowers in 23 states and the District of Columbia.

## FINANCING AFFORDABLE HOUSING CONSTRUCTION

***Providing Clean, Safe and Affordable Places to Live*** -- Bank of America Community Development Bank is the nation's largest source of multi-family affordable housing construction finance. During the last five years, the Community Development Bank and the community development division of our Federal Savings Bank have booked more than \$1.7 billion of affordable housing loans.

***Investing in Low-Income Housing Tax Credits*** -- BofA has invested \$667 million in federal tax credits aimed at expanding the availability of low-income housing throughout the United States.

***Introducing Fixed-Rate, Low-Cost Construction Financing*** -- In 1997, we perfected the utilization of affordable housing bonds to incorporate both construction and term financing for affordable housing projects.

## MAKING CONTRIBUTIONS AND INVESTMENTS

***Helping to Build Strong Communities*** -- Bank of America and the BankAmerica Foundation together this year will contribute \$40 million to non-profit agencies across the nation. Since 1991, we have helped to strengthen local education, economic development and environmental quality with \$206 million in contributions to non-profit organizations across the western United States.

***Battling Poverty in the Southwest*** -- Joining the U.S. Department of Agriculture and the Ford Foundation, Bank of America has invested \$500,000 in a community development initiative for small towns along the U.S.-Mexico border.

***Forming Economic Development Alliances*** -- We were the founder of the California Community Reinvestment Committee, which provides permanent financing for multi-family affordable housing and serves as the model in the western United States for other bank consortiums. We have invested in dozens of other similar multi-bank organizations.

***Supporting Minority Capital Formation*** -- To help create jobs and stimulate economic growth in minority communities we have invested more than \$32 million in minority venture capital funds.

***Encouraging Community Leadership*** -- In 1996, we joined the Development Training Institute and the Local Initiatives Support Corporation and to create the BankAmerica Leadership Academy, an intensive training program for non profit management. Our \$2.8 million investment in this initiative includes \$1.1 million for start-up funding and \$1.7 million for community development grants.

***Helping to Shape Sound Policies*** -- We were a leading advocate for the revised CRA regulations, encouraging banks, regulators and politicians to give the new rules a chance. We also supported voluntary disclosure of small business lending data and the permanence of a federal tax-credit program that offers incentives for the development of low-income housing. We have spoken out and taken leadership positions on many issues important to our communities -- issues like education, child care, urban sprawl and water.

***Preserving Environmental Quality*** -- In addition to organizing debt-for-nature swaps aimed at preserving Latin American rain forests, Bank of America was the first major financial institution to pledge adherence to the so-called CERES Principles, which hold signatories to a strict environmental code of conduct.

## **TAILORING INITIATIVES TO MEET LOCAL NEEDS**

***Encouraging Rural Development*** -- In 1997, Bank of America became the first major financial institution to launch a widespread rural initiative, which includes \$500 million for community development lending in rural areas across the United States.

***Promoting Neighborhood Revitalization*** -- Working with several community-based organizations, Bank of America has undertaken a pilot program called BONUS -- Building on Neighborhood Unifying Strategies -- that directs lending and other resources to six communities in three states.

***Helping to Rebuild Inner-City Communities*** -- An example of Bank of America's innovation can be found in Los Angeles, where we set aside \$25 million to help 500 businesses that had been damaged or destroyed in the civil unrest of 1992. These loans required no payments on principal or interest for three years. They provided "patient" capital that enabled inner-city entrepreneurs to get back on their feet.

***Reflecting the Diversity of Our Customers*** -- Bank of America is helping to meet the financial needs of the country's changing population. Many Bank of America branches are staffed by employees who speak Spanish, Japanese, Korean, Chinese and Tagalog. We also deliver ATM service in three languages -- English, Spanish and Chinese. And our community reinvestment initiatives support the growing demand for affordable housing, small business lending and consumer finance.

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# NationsBank

Hugh L. McColl Jr., Chief Executive Officer, NationsBank Corporation  
Testimony on Community Investment Commitment  
Federal Reserve Board Public Hearings  
San Francisco, California  
July 9, 1998

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Thank you, David.

This meeting is about the effects bank mergers have on communities. This is a subject that is close to my heart — as all of you know, my company has been through many mergers over the past 20 years.

In each, our intention has been to employ more people, lend more money, do more business with minority vendors, be more active in the community and generally make a bigger difference than our predecessor institutions.

In fact, in reviewing the effects of these mergers on our communities, we have found — almost universally — that employment, lending, community development efforts and charitable contributions actually increase.

That has been our vision, and it will continue to be so with this merger — in San Francisco, in Charlotte and throughout our coast-to-coast franchise.

Our goal is for the new BankAmerica Corporation to be the best community development bank in this country.

So, I welcome the opportunity to share with you the values, efforts and achievements that make NationsBank a positive force in all the communities where we do business.

As you know, NationsBank has a strong record of community investment. We have achieved and maintained “Outstanding” CRA ratings. We have been a leader in our local markets. And we have consistently sought out local community-based partners to help us achieve our community development goals.



Consider some of our results:

- In 1997 alone, our mortgage lending to minority borrowers topped \$2.7 billion, and our mortgage lending in low-income neighborhoods topped \$2.5 billion.
- NationsBank is the number one bank lender to small businesses in this country. Our total production in 1997 was more than \$11 billion, \$2.3 billion of which was loaned in low-income areas. We also are the number one bank originator of SBA loans in the U.S., and we have preferred lender status in every state in our franchise.
- Our investment capabilities are significant and unique with more than \$520 million in community development equity investments currently on our books.
- The NationsBank Community Development Corp., with the help of many local partners, has developed or re-habbed more than 14,000 units of affordable housing, investing more than \$300 million. Our CDC is the only bank-owned CDC that serves as both a developer of — and investor in — affordable housing.
- The NationsBank Small Business Investment Corp. makes equity investments in small and minority-owned companies. Through it, we've invested more than \$15 million in small businesses across the country.
- Finally, we have invested more than \$50 million in minority-owned financial institutions and community development financial institutions. These organizations extend our reach to low-income borrowers and provide capital to distressed neighborhoods in ways that no traditional bank can.

Now, looking at what we've accomplished is important. But, to understand how we'll continue to be successful in the future, we should look at how we've achieved these results.

Our approach can be boiled down to three basic principles: one, we build strategic alliances with community-based organizations; two, we believe in a national commitment delivered and differentiated locally; and three, we believe strongly in accountability.

Our partners include national organizations as well as hundreds of local community-based organizations in cities, towns and neighborhoods where we do business.

These alliances represent a fundamental way we do business. We seek partnerships for the betterment of neighborhoods. Our purpose in these partnerships is not to compete against community-based organizations but, rather, to work with them to improve neighborhoods.

Our decentralized management philosophy means that we understand one size does not fit all for communities in need. In other words, associates across the country do not get community development instructions from Charlotte, North Carolina. They get the resources they need, and they get a corporate culture that backs them up when they decide what needs to be done.

Our commitment to accountability is self-evident. Since 1992, we have provided detailed reporting at the local, state and national level on all our results.

This process ensures that we continue to meet the evolving needs of our communities. Equally important, it provides further opportunities to gain feedback from community groups, civic leaders and the public.

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Let me be perfectly clear about one thing: our goal has never been simply to meet the requirements of the Community Reinvestment Act. We strive to lead in everything we do, and that includes building strong communities.

Our commitment to our communities extends throughout the company ... to every business line and to every associate throughout the franchise.

Beyond our core business activity, which fuels the economy, supports the tax base and provides employment, there are five areas in which NationsBank and its associates are active in supporting our communities. They are: (1) community leadership and associate volunteerism; (2) individual and corporate philanthropy; (3) commitment to diversity; (4) minority business development; and (5) progressive marketing programs and business policies.

I'll touch on each of these areas briefly.

Community leadership and associate volunteerism are important parts of the NationsBank culture. At the corporate level, we provide leadership to our communities by putting our financial muscle behind important community projects ... by advocating for a stronger CRA and a permanent Low Income Housing Tax Credit ... and by working with local governments and community organizations to achieve shared goals.

We also have a strong culture of associate volunteerism. Associate volunteers receive two hours of paid time off every week to work in the schools... local councils within the bank identify volunteer opportunities for associates ... and our newest program, NationsBank NEIGHBORS, offers cash grants in an associate's name to organizations at which associates volunteer.

The next area I mentioned is philanthropy.

Simply put, NationsBank is the most generous financial institution in the country, and the new BankAmerica will be so by a long shot. Our combined budget this year will exceed \$100 million. No one else even comes close.

One of the most important aspects of our decision-making process is that we put control over charitable dollars in the hands of local executives who know best how to serve their communities. This policy has resulted in not just increased giving, but more effective giving, with dollars going where they are needed most throughout the franchise.

The third area in which we work very hard to strengthen communities is building diversity among our own associates. Our company will stretch from coast to coast and will include the entire sunbelt, the Pacific Northwest, the Midwest and the Mid-Atlantic. While we are unalterably opposed to quotas of any type, we will continue to support affirmative action, and we will have one of the most diverse workforces of any large corporation in the country.

And, it is our intention that our board of directors will be one of the most diverse corporate boards in the country — not at some time in the distant future — but on day one.

One of our most important areas of focus in building strong communities is minority business development.

NationsBank has been a pioneer and a national leader in creating and sustaining a strong minority business development program. NationsBank was the first financial institution to be recognized by the Minority Supplier Development Council as the Corporation of the Year — and the first to receive this recognition two years in a row.

In 1990, NationsBank set a goal of 10 percent for directing discretionary spending to women- and minority-owned businesses. Since then, we have averaged more than 15 percent, amounting to more than \$470 million spent with women- and minority-owned businesses. Once again, our self-imposed goal turned out to be a floor, not a ceiling. And in typical NationsBank fashion, we blew it away.

Finally, we are supporting our communities through progressive marketing programs and business policies.

For example, we have had a formal Hispanic Marketing Program for more than five years in an effort to reach out to this growing segment of our population.

We've installed bi-lingual ATM's, hired bi-lingual tellers and telemarketers and formed partnerships with the National Council of La Raza, the Hispanic Association on Corporate Responsibility and SER-Jobs for Progress Inc.

Through these partnerships, we have begun to develop programs and products that will make banking with us easier and more accessible for all members of the Hispanic community.

What we want to establish with our customers — all our customers, regardless of race, ethnicity or economic means — are strong relationships. That's why we implemented a relationship approach to fees and pricing that minimizes fee increases for as many of our individual deposit account customers as possible.

This Spring NationsBank broke from the pack to offer pricing benefits to a vast number of customers. We eliminated check card fees for all customers, and fees for a broad array of services associated with our two most popular accounts were eliminated or frozen through the year 2000.

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Now, we've heard David Coulter talk about his company's commitment to building strong communities across the Western half of the United States. And you've heard me talk about my company's commitment to doing the same across the NationsBank franchise.

In fulfilling these commitments, both our companies have a strong record of accessibility and proactive partnership with local community groups. In fact, since our merger announcement, we've met with hundreds of community organizations to talk about ways we can best work together to improve our neighborhoods and communities.

Bringing our companies together will only enhance our ability to deliver on all our commitments.

The company we will create will be the leading American bank of the 21st century, and we'll be this country's premiere community development bank as well. This will benefit all our constituents.

- First ... our customers will see a new standard for choice, convenience, value and market presence.
- Second ... our associates will realize more opportunities from working at a larger, stronger company.
- Third ... by investing in our communities ... by providing good jobs and creating new ones ... and by helping to improve the quality of life for customers and associates alike ... we will be the model for corporate citizenship.

We will build on the best initiatives from both banks, retaining the Bank of America Community Development Bank and the NationsBank Community Development Corporation. These vehicles, as well as new initiatives to promote rural development and Indian Country lending and investment, will be used to rebuild neighborhoods, create jobs and provide access to the financial system as never before.

We will keep decision-making in the hands of local bankers and managers, who know best how to serve their communities.

We will continue to lead, locally and nationally — and we will deliver on our commitments, whatever and wherever they may be.

Recently we announced a 10-year, \$350 billion commitment to community development lending and investing. The commitment targets \$180 billion for small business lending, \$115 billion for affordable housing, \$25 billion for economic development and \$30 billion for consumer lending.

Let me underscore, this is a floor and not a ceiling. Furthermore, fulfilling this commitment will not be easy. It will be a stretch. This commitment will push our new company — and each of us individually — to be even more proactive, more innovative and more creative than we have ever been. We view this as a challenge — and, as with all challenges, we are ready and eager to take it on.

Both banks have a demonstrated record of working with community partners. Yet, there are those who oppose this merger because we have not signed "CRA agreements," and because we have not itemized the commitment by market or product.

I understand the passion these organizations have for their specific communities. As I've said, we share common goals. However, their desire to receive the greatest financial support possible for their individual causes should not overshadow the fact that our pledge — the largest of its kind ever — is designed to benefit all our communities.

When we created this commitment, we decided to not itemize the commitment by market or by product. There is a good reason for this.

Because community needs and circumstances are always changing, we believe the best approach is a flexible commitment that establishes goals on a nationwide basis, and relies on capacity and demand within each market to determine how goals are met.

Our outstanding record of achievement, accountability and public reporting of results demonstrates that CRA agreements and itemized commitments are unnecessary for our company.

They are unwarranted. They are burdensome to manage. They divert resources from the areas most in need. They prevent us and our partners from meeting the changing needs of our communities.

In short, they are not in the best interests of underserved neighborhoods.

For our part, NationsBank is — and the new BankAmerica will be — devoted to building strong, growing, vigorous communities everywhere we do business.

Community development has been a part of both our cultures, and it will be an integral part of our new culture.

It's a fundamental part of the way we do business. It's essential to the future health of our company. And, perhaps most important, it's simply the right thing to do.

This is what we have always believed. It's what we believe today. And, I assure you, it's not going to change.

Thank you.

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FOR IMMEDIATE RELEASE

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July 9, 1998 – The chief executive officers of NationsBank and BankAmerica today outlined their combined company's goals for community investment, corporate philanthropy and diversity at a public meeting held as part of their proposed merger. On April 13, NationsBank and BankAmerica signed a definitive agreement to merge.

"Our goal is for the new BankAmerica Corporation to be the best community development bank in this country," said Hugh L. McColl, Jr., chief executive officer of NationsBank.

"I can assure you that BankAmerica has brought unparalleled commitment to the communities we serve," said David A. Coulter, chief executive officer of BankAmerica. "The new BankAmerica will continue in this manner, but on a much larger scale than ever before. In fact, it will be positioned to create economic opportunity nationwide."

In prepared remarks made in San Francisco at a meeting called by the Federal Reserve Board of Governors, McColl also said:

-- The new company's board of directors "will be one of the most diverse corporate board of directors in the country – not at some time in the distant future – but on day one" of the merger. He added that the new BankAmerica "will have the most diverse workforce of any large corporation in the country."

-- The new BankAmerica Corporation will be the most generous financial institution in the United States "by a long shot." The philanthropic budget for the combined companies in 1997 will exceed \$100 million. "No one else even comes close."

"My company has been through many mergers over the past 20 years," McColl said. "In reviewing the effects of these mergers on our communities, we have found – almost universally – that employment, lending, community development efforts and charitable contributions actually increase.

"This has been our vision, and it will continue to be so with this merger – in San Francisco, in Charlotte and throughout our coast-to-coast franchise."

McColl also said that the new combined company will continue to operate the Bank of America Community Development Bank once the merger is completed. In the past five years, this unit has booked nearly \$1.5 billion in government-related small business loans and \$2 billion in credit for multi-family affording housing, the number-one source for these loans in the United States.



BankAmerica has long sought to empower people by opening bank branches in hundreds of communities throughout California," Coulter said. "We are not turning our back on the communities that need financial services the most. We have more branches in south central Los Angeles than all other banks combined."

Each company currently holds an "Outstanding" rating from the Office of the Comptroller of the Currency, which is the highest rating given to a bank for its compliance with the Community Reinvestment Act.

Both chief executives provided details of their companies' community development accomplishments at the meeting. Coulter pointed out the following results at BankAmerica:

- The company has expanded home ownership among low-income and minority borrowers through the Neighborhood Advantage Program, which has generated more than \$15 billion in loans. In 1997, nearly one-fourth of the bank's mortgage loans were made to minorities and low- and moderate-income borrowers.

- BankAmerica recently introduced a new zero downpayment loan program for low-income borrowers that has generated nearly \$300 million in home mortgage loan applications in just three months in demonstration markets.

- In 1992, the bank introduced Advantage Business Credit, a lending initiative that has taken much of the paperwork out of small business loan applications for \$100,000 or less. During the last six years, the program has generated \$4.1 billion in small business loans.

- Last year, BankAmerica became the first major bank to launch an initiative tailored specifically around the banking needs of rural America – a \$500 million community development lending and philanthropy program called Rural 2000.

McColl pointed out the following results at NationsBank:

- In 1997 alone, the company made more than \$2.7 billion in mortgage loans to minority borrowers and more than \$2.5 billion in mortgage loans in low-income neighborhoods;

- NationsBank is the leading small business lender in the United States. It made more than \$11 billion in 1997, including \$2.3 billion in low-income areas. The company is the number one lender among banks of loans guaranteed by the U.S. Small Business Administration;

-- The NationsBank Community Development Corporation (CDC) has developed or renovated more than 14,000 affordable housing units by investing more than \$300 million. The CDC is the only bank-owned CDC that serves as both a developer and investor to develop affordable housing.

-- The company's commitment to supporting minority-owned financial institutions and community development financial institutions has resulted in investments of more than \$50 million.

NationsBank Corporation, with \$315 billion in total assets, is the third largest U.S. bank with full-service operations in 16 states and the District of Columbia.

BankAmerica, with \$260 billion in total assets, delivers financial services to more than 11 million households and nearly 1 million businesses in the western United States and around the world.

[www.nationsbank.com](http://www.nationsbank.com)

[www.bankamerica.com](http://www.bankamerica.com)

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**Congress of the United States**  
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*Panel 1*

**Testimony Submitted by Barbara Lee, Member of Congress, to the  
Federal Reserve Board Meeting on the Merger of the  
BankAmerica with Nations Bank. San Francisco, July 9, 1998**

**Dolores Smith  
Presiding Officer**

**Presiding Officer Smith and Other Panelists:**

Thank you for providing this opportunity to me and to my representative, Ms. Roberta Brooks, to address the issue of the merger of the BankAmerica with Nations Bank. I very much regret not being here personally to talk to you but I only learned about this meeting accidentally and could not rearrange my schedule.

The first issue I will raise is the regulatory role of the Federal Reserve Board relative to the ability of these two banks to merge. Congress, through the 1956 Bank Holding Company Act, gave the Federal Reserve System the responsibility to review such mergers and to specifically consider the likely effects of the acquisition on competition, and the convenience and needs of the community to be served. Due to the increasing number of mergers in the 1950's, Congress reinforced the 1956 act by passing the Bank Merger Act in 1960.

The Bank Merger Act strengthened the language of the Federal Reserve Board's responsibility. It stated that the Federal Reserve may not approve any merger that could substantially reduce competition. It also was concerned that a merger not create a monopoly unless it finds that the anticompetitive effects of the transaction

are outweighed by the transaction's probable beneficial effects regarding the convenience and needs of the community to be served.

The next issue I wish to address is that of the scale of the banks that are merging. The planned merger of BankAmerica with NationsBank would make it the second largest bank in the U.S., with assets of \$580 billion. This merger must be placed in the context not of a single event, but as the first of a series of announced, planned mergers: Citicorp's \$72 billion merger with Travelers Corp., and First Chicago Corp's \$30 billion deal with Banc One Corp. Another merger with similar significance to California as BankAmerica, is that of California Wells Fargo with Norwest Corp. The consolidation of Wells Fargo with Norwest Corp will make it the seventh largest bank in the nation, with assets of \$190 billion.

This leads me to my third point. Given the regulatory responsibilities of the Federal Reserve System and the size of the banks under consideration, I would expect, as many of my constituents and colleagues on the House Banking Committee do, that the Federal Reserve would consider this merger with appropriate gravity. One measure of the seriousness of the Federal Reserve would be its willingness to listen and the respect it will give to the testimony from people who would be affected by such a merger.

It was therefore surprising to learn that only one session was to be held, on a single day, in all of California. You have undoubtedly received a great volume of mail on the subject of your willingness to listen. I understand that as a consequence of the extent of the mail, we the public, now have two days instead of the original single day. I run the risk of stating the obvious that a two-day hearing in one part of California on the loss of the largest bank in California is totally inadequate and, at the risk of being rude by being clear, unacceptable behavior from a government agency.

**My colleagues on the House Banking Committee, Congresswomen Lucille Roybal-Allard, and Maxine Waters, representing constituents in Southern California, share my concern with the negligible time that is being given by the Federal Reserve to the public and to elected representatives to hold the appropriate discourse on this merger. Although I am pleased that my representative did not have to travel to Los Angeles to voice our concerns, I am dismayed that so serious a matter should be given so little attention. This is a merger that affects the entire nation, just as Microsoft's practices affect the entire nation. I strongly recommend that the Federal Reserve hold hearings in every state in which either BankAmerica or NationsBank hold assets of \$1 billion or more.**

**I ask that a letter signed by myself, Representative Roybal-Allard and Waters, to Hugh McColl, Chairman and CEO of NationsBank and David Coulter, Chairman and CEO of Bank of America be accepted as part of my testimony.**

**We need hearings in which to consider the almost countless number of anticipated problems that will arise from consolidation of these two banking giants. Among the anticipated problems are these:**

**Loss of service. There is great anxiety expressed by my constituents over the steady decline, in the last twenty years or so, of banking services and the accompanying tariffs for even the simplest services, such as using the ATM. The pattern of less service and more cost is so clear as to make this proposed merger a crisis point. By delegation from Congress, the Federal Reserve System has the responsibility for responding to their concerns. How are you executing this responsibility?**

**Loss of jobs. How many jobs will be lost when BankAmerica moves from the Bay Area to North Carolina? Job holders, families, the public must be told.**

**Community Development, and Reinvestment. BankAmerica's record of community investment is better than Nations. But BankAmerica is leaving California. What will the more dominant NationsBank do for their California depositors?**

**Corporate investments in the African American and the Latino communities: The most reliable figures that we can get are dismal. African Americans are 12 percent of the population. Majority-owned banks lend to Black-owned businesses at a rate that is one-half of one percent (0.5) of their total business loans. The Latino American community receives about one tenth of one percent (.01) of the loans by majority banks.**

**In conclusion, I want to express my most profound concern that the Federal Reserve System, at this time, respond appropriately to the public's need for full, open hearings and discussion of this merger as the first, of a series of expected mergers.**

**We Americans are quick to criticize the banking methods of Japan, China, Indonesia, and rightly so. Each one of these countries has powerful banks that practice in the dark, under the cover of a powerful combination of government and business. I fear that more Americans are realizing that although we may have the forms of democracy, we have little access to our country's power. The figures are stark. It is hard to ignore the fact that the top one percent of this country owns 40% of the wealth or, put another way, the top 20% of the country owns 80% of the wealth. The leverage of accessibility is obviously on the side of those with overwhelming wealth.**

**I trust that the Federal Reserve remembers its birth in this republic and that its true loyalties will be with the people.**

**Thank you.**

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**Thank you.**

Committee on the Budget

Committee on Banking  
and Financial ServicesSubcommittee on Financial  
Institutions and Consumer CreditSubcommittee on Capital Markets and  
Government Sponsored Enterprises**LUCILLE ROYBAL-ALLARD**

33RD DISTRICT, CALIFORNIA

July 7, 1998

Hugh McColl  
Chairman and Chief Executive Officer  
NationsBank  
901 West Trade Street  
Charlotte, North Carolina 28202

Dear Mr. McColl:

As a member of the Banking Committee and Chair of the California Democratic Congressional Delegation, I am writing to express my concern with the proposed merger of Bank of America and NationsBank. I am especially concerned about its impact on lending, investing, employment and other financial services for low-income and minority Californians.

This merger will no doubt have a greater impact on California than any other state in the country. The relocation of the headquarters of California's largest financial institution to North Carolina particularly concerns me and the merger activity that has occurred in California to date reinforces this concern.

In California alone, more than 80 banks and thrifts have been acquired by other institutions since 1996. In 1992, when Bank of America purchased Security Pacific Bank, they closed over 400 branches. In 1996, Wells Fargo closed hundreds of branches throughout the state after purchasing First Interstate Bank. While we cannot fully anticipate the long-term effects of these and future mergers, the obvious and immediate impact has been fewer branches and escalating bank fees.

I commend Bank of America for its prior and current community reinvestment commitments to our California communities. Bank of America's pledge of \$140 billion over the next 10 years should be applauded, as well as NationsBank and Bank of America's recent announcement of an unprecedented \$350 billion commitment to low-income communities.

However, I would appreciate receiving details on how this pledge will benefit California's consumers and communities. In requesting this information, I would respectfully point out that these specific requests are not unprecedented, and reflect commitments that other California institutions have made in the past. Therefore, I am confident that NationsBank and Bank of America will continue their good faith efforts to meet the needs of our California communities.

WASHINGTON, D.C. OFFICE:  
2415 Rayburn House Office Building  
Washington, DC 20515-0533  
Telephone: (202) 225-1766  
Fax: (202) 226-0350

DISTRICT OFFICE:  
255 East Temple Street  
Suite 1860  
Los Angeles, CA 90012-3334  
Telephone: (213) 628-9230  
Fax: (213) 628-8578

CHAIR, CALIFORNIA DEMOCRATIC  
CONGRESSIONAL DELEGATION

*panel 1*



Specifically, I would appreciate your response to the following questions:

- 1) Does the bank intend to earmark a portion of the \$350 billion to California? Given Bank of America's dominance in California, it is critical that the community reinvestment commitment be California-specific and commensurate with the proportion of the Bank's deposits and activities originating in the state.
- 2) How will the institution fulfill regional commitments within California given the geographical, social and ethnic diversity of our communities? What culturally-appropriate products and services will be available to consumers, considering the various credit, investment and economic development needs of our state's communities?
- 3) How will the new bank maintain and expand Bank of America's present programs and commitments in California, such as the Community Development Bank, Rural 2000 Initiative, Economic Development Initiative, the BankAmerica Foundation, and affordable housing activities? It is vital that these programs be distinct entities within the merged bank and continue to be based in California, given the tremendous need in our state and the collective expertise Bank of America has acquired in serving our communities.
- 4) What will be the bank's specific goals on the type and amount of loans for minority or women-owned small businesses and home loans?
- 5) How will the new bank minimize branch closings and increase branch openings in regions and communities that are presently underserved by traditional banking institutions?
- 6) Does the new bank intend to lower or stabilize ATM and bank fees? I am very concerned about rising bank fees, and their adverse impact on financially underserved, low-income communities.

A dedicated commitment to California is an exciting and challenging opportunity for banks. This merger has the potential to create mutually beneficial outcomes for both consumers and banks given California's ever-growing, entrepreneurial immigrant communities, expanding small-business market, and booming economy.

I look forward to working with you to meet these above-mentioned goals and anticipate your prompt reply.

Sincerely,

  
Lucille Roybal-Allard  
Member of Congress

Committee on the Budget

Committee on Banking  
and Financial Services

Subcommittee on Financial  
Institutions and Consumer Credit

Subcommittee on Capital Markets and  
Government Sponsored Enterprises



**LUCILLE ROYBAL-ALLARD**

33RD DISTRICT, CALIFORNIA

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CHAIR, CALIFORNIA DEMOCRATIC  
CONGRESSIONAL DELEGATION

July 7, 1998

David Coulter  
Chairman and Chief Executive Officer  
Bank of America  
555 California Street  
San Francisco, CA 94104

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Specifically, I would appreciate your response to the following questions:

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Sincerely,



Lucille Roybal-Allard  
Member of Congress



Panel 1

July 8, 1998

Ms. Jennifer Johnson  
Secy. of the Board  
Federal Reserve Board  
20<sup>th</sup> & Constitution Ave, NW  
Washington D.C., 20551

Dear Ms. Johnson:

We are writing to express to the Federal Reserve Board (Board) concerns of the City and County of San Francisco (City) regarding the merger of BankAmerica Corporation (Bank) with NationsBank. The Bank has become part of the fabric that makes up the greater San Francisco Bay Area (Bay Area), and is involved in virtually every aspect of the City's banking activities on behalf of our citizens.

The City's relationship with the Bank has evolved over the years into one in which the Bank is essential to the financial well-being of the City, as well as our reputation as one of the nation's premier financial centers. Not only is this relationship crucial in terms of lending programs, bond sales, housing and community development, but the Bank contributes to the vibrancy of our local economy. In 1997, the Bank purchased goods and services from local vendors totaling over \$340 million. The importance of the Bank to the City cannot be overstated. For example, the City maintains significant deposits and a wide array of services with the Bank including bimonthly payroll deposits approximating \$30 million. In fact, the City of San Francisco is the Bank's largest customer in Northern California.

It is quite natural, then, that we, along with our fellow elected City's officials, would be concerned about any changes to the Bank's structure or its ability to respond to the banking needs of the City. Here are the key areas that we feel will be adversely impacted.

**SMALL BUSINESS LENDING:** Much of the Bay Area's success in the new global economy has been driven by small businesses which have created over a third of the new jobs in the City over the last year. Many of these businesses have been established with loans from the Bank, which has been the leading lender to small businesses in our region on a dollar basis. A larger number of these enterprises are minority or women-owned. As you are probably aware, larger,

merged banks tend to provide fewer loans to small businesses. In 1996, the Bank made over 2,600 small business loans in the City, totaling almost \$150 million.

**CHARITABLE GIVING:** The Bank has been a vital player in supporting the City's nonprofit community, which serves the needs of poor, immigrant and homeless San Franciscans, in addition to other worthy philanthropic endeavors. Last year, the Bank and its Foundation gave over \$35 million to Bay Area nonprofits, community groups and cultural institutions. Without the Bank's presence, we are concerned that no other corporate partner would have the capacity to assume the role of the Bank in this arena.

**JOBS:** According to the Bank's own documents, the Bank employs 9,855 full-time and part-time staff in the City. We are already working closely with state and federal officials to meet the requirements of welfare to work laws in order to train and hire workers for an increasingly limited pool of jobs. Any significant effort by the Bank or the new entity to downsize or reduce workforce in the Bay Area will have an adverse impact on the Bay Area's economy, particularly in the new welfare to work environment.

**HOUSING:** Our Mayor's Office of Housing has developed a close relationships with the Bank, and their joint activities have helped to put San Francisco in the forefront of national efforts to provide low and middle-income housing in an increasingly restrictive housing market.

Recognizing the need to address the financing needs of affordable housing developments in "high costs" communities like the San Francisco Bay Area, the Bank created the BankAmerica Corporation Community Development Bank (BACDB), a separate chartered bank and an affiliate of the Bank. In the San Francisco Bay Area, BACDB has loaned \$39 million; this amount has been leveraged with local and private funding sources to build or renovate 930 affordable housing units. BACDB has also been a leader in developing other important affordable housing programs through the use of various financing mechanisms. It is imperative that the BACDB remain in San Francisco to maintain its success.

**BONDS:** The Bank has been the primary bank in underwriting municipal notes and bonds for San Francisco. It was the Bank that had the vision to buy \$35 million in bonds to finance the Golden Gate Bridge. The Bank has remained the leading purchaser of bonds from the City, including those to finance our airport.

In buying the City's bonds, the Bank competes with numerous Wall Street banks. Their knowledge of and commitment to local San Francisco issues has resulted not

only in capital market access for the City, but also in lower interest rates for our taxpayers.

As a consequence of these concerns, we strongly urge that the Board proceed with the utmost caution in its evaluation of the proposed merger. Therefore, we recommend that the Board require, at a minimum, that the new entity do the following:

- Make specific written financial and other resource commitments (not goals) for affordable housing lending and equity investments, small business support and lending, and
- Maintain BACDB as the lead community lending unit for the community grants programs
- Retain employees in San Francisco who make decisions impacting charitable giving and community-based programs.

These requirements will help detail for the Board and the public the stated commitment of the Bank and NationsBank to providing \$350 billion in community reinvestment lending.

If you have any questions regarding our concerns, please feel free to contact us.

Sincerely,



WILLIE L. BROWN, Jr.  
MAYOR



SUSAN LEAL  
TREASURER

cc: Senator Dianne Feinstein  
Senator Barbara Boxer  
Congresswoman Nancy Pelosi  
Alan Greenspan  
Joy Hoffman  
California Reinvestment Committee  
Greenlining Institute



Panel 1

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Sincerely,



WILLIE L. BROWN, Jr.  
MAYOR



SUSAN LEAL  
TREASURER

cc: Senator Dianne Feinstein  
Senator Barbara Boxer  
Congresswoman Nancy Pelosi  
Alan Greenspan  
Joy Hoffman  
California Reinvestment Committee  
Greenlining Institute

Panel 2,  
Good Morning my name is  
Karyl Bivins, Jr. Chairman of the  
Black Business Assn of Los Angeles  
We have over 850 African American  
Business Owners many are customers  
of BJA. Take any statistics compiled  
by local, state or Federal govt regarding  
banking including the many statistical  
reports compiled by independent  
surveys and you will find African  
Americans consistently benefiting less  
from banks, S&L's and Thrifts.

Government/Regulators must take  
action to protect us. My colleagues  
and I would not be here today

if Bank of America and Nation's Bank  
were good Corporate Citizens. <sup>The BBA</sup> We  
share the lack of confidence of this  
merger along with the National Black  
Business Council and the National Black  
Chambers of Commerce. These 3 organi-  
zations nationwide represent over 75,000  
Black Businesses nationwide. We are  
prepared to prove that less than 1%  
of the dollar value of all business  
loans let by these 2 Banks went to  
spice on American's businesses. What  
we have here is a clear case of  
white wealth built on minority  
labor. Regulators here are clear

3

The Black Community demands inclusion. Inclusion leads to growth & exclusion leads to poverty for our communities. Regulators here are plea. Less than 2% of B2B and Nation's Banks vendor contracts are awarded to African Americans unlike its competitors Wells Fargo, Union Bank and Sunva Bank. Inclusion leads to growth, exclusion leads to poverty. Regulators here are plea. They are unwilling to set goals of any kind. They throw out large #'s such as \$350 Billion CRA Commitment - How do you monitor that?

4

Regulators here our plea!  
There are many pending race  
discrimination cases before the  
justice dept. while these cases  
are awaiting to be heard - The  
large # of cases filed would  
suggest there is different by  
some validity to most of these  
cases. Regulators here our  
plea. Bof a lost million  
of dollars over seas but were  
bailed out by the IMF but  
minutes can't get a small  
business loan. Regulators Please  
here our plea!

Is this the ant face of a good  
Corporate Citizen? This is  
how BOFA and Nations Represent  
themselves to you but they can't  
fool us. We have had the  
opportunity to deal with them on  
a first hand basis. This  
merger brings Capitalism to our  
communities but w/o Capital!!!  
During the civil rights movement  
we won everything we ~~thought~~ thought for  
but we don't have what we  
need. Regulators ~~are~~ <sup>are</sup> here  
ample.

STATEMENT OF STELLA J. ADAMS  
REGARDING THE MERGER  
OF  
NATIONSBANK  
AND  
BANK OF AMERICA

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Mr. Chairman, and members of the Federal Reserve Board, My name is STELLA J. ADAMS, and I am the Executive Director of the North Carolina Fair Housing Center and Secretary of the Community Reinvestment Association of North Carolina.

I bring you greetings on behalf of the people from the woods and the 'hoods of North Carolina. Our State motto is ~~██████████~~ "To Be Rather Than To Seem".

I am here because the people who have asked me to come and speak on their behalf want "to be". They want to be homeowners, they want to be entrepreneurs and business owners,, they want to be residents in safe and healthy communities, they want to be residents in racially and economically diverse neighborhoods, they want to be catalysts for positive change in their communities.

By contrast, NationsBank "seems to be." Nations seems to be a leader in providing mortgage loans to low wealth and minority customers. Nations seems to be a leader in lending to small businesses, Nations seems to be a leader in making loans to African American and Female entrepreneurs, Nations seems to be a leader in Community Reinvestment.

But I can honestly say to you that NationsBank expansion west has reduced its commitment at home. NationsBank was the Number 1 bank in North Carolina when it merged with C&S/Sovra in ~~1998~~. It is now the number 5 bank. It used to be "the best bank in the neighborhood". You ask any native tarheel who had that slogan and they will readily answer NCNB. Now that it has a focus on being the best bank in the world. Our neighborhoods in NC have become insignificant. We are worried about our future with this bank. ~~We were told that the new bank had the same~~

1 ~~Bank America because of the over one hundred year old tradition that the bank had in San Francisco,~~  
2 ~~I shared a little history with a member of the NationsBank staff our relationship with this bank is~~  
3 ~~over 124 years old.~~ How long will it be "profitable" to remain headquartered in a state in which you  
4 are not a competitor? Nations certainly shows no interest in obtaining greater marketshare. When we  
5 shared our concerns about their commitment we were met with a sorta "what do you expect we're not  
6 the biggest bank in the state" attitude. Well when I share with their competitors where they are  
7 missing the mark they have a "what can we do together to improve this attitude"

8 Nationsbank's commitment to community reinvestment is all smoke and mirrors. This is  
9 easy to do when one has no set target and no set goals. Who then can question whether or not you  
10 have done enough? Who then can say that you've accomplished anything longstanding? I enter into  
11 the record a community needs assessment for the state of North Carolina. I expect you to do your job  
12 and decide if a demand driven approach will address this need.

13 I understand that Hugh McColl is a great military strategist, and he has certainly carried out  
14 his campaign to become the first coast to coast bank with the determination and brilliance of Patton  
15 or is it more like Sherman's march to the Sea.

16 He has developed a clear vision and a strategic plan of action for every stage of this merger  
17 except one... and that is the Community Investment program. Instead of precision planning and  
18 targeting to get the biggest bang for the buck and to provide lasting improvements. He has opted for  
19 a scattershot approach. Where you are sure to hit something but you are not necessarily having an  
20 impact.

21 We want a strategic plan of action, we want quantifiable goals and objectives to meet the  
22 Credit needs of our communities.

23 Here's to the land of the long leaf pine, the summer land where the sun doeth shine, where the  
24 weak grow strong, and the strong grow great, heres to down home the old North State.

25 The people of North Carolina helped its financial institutions grow Great through our  
26 deposits, our loyalty and our visionary banking laws. NationsBank is honorbound to serve the people  
27 of North Carolina and the other underserved communities throughout the franchise. We are not  
28 Unprofitable customers, we ask only for access to capital and the opportunity to prosper and to grow strong.





Publisher of Consumer Reports

Earl Lui  
9:10 am Thursday

Panel 2

June 11, 1998

Mr. Linn Gill  
Federal Reserve Bank of Richmond  
P.O. Box 27622  
Richmond, Virginia 23261

**Subject: Comments on NationsBank/Bank of America Merger Application**

Dear Mr. Gill:

Consumers Union, the nonprofit publisher of *Consumer Reports* magazine, is submitting these comments on the proposed merger of Bank of America and NationsBank and to raise concerns about the merger's impact on consumers. The Federal Reserve Board has authority under the Bank Holding Company Act to address public interest concerns. The Board should require conditions prior to approval so that the concerns and needs of the communities in which the merged bank operates are met, including adopting consumer protections and ensuring that basic banking services for low and moderate income consumers are promoted, not harmed, by the merger.

**A. Essential conditions of any approval**

In evaluating the impact of the proposed merger on the convenience and needs of the public, we urge the Federal Reserve Board and System to consider the potential for harm to consumers from the use of cookie-cutter products, higher fees, loss of consumer privacy, expanded cross-selling, and an approach to community reinvestment which must focus on local needs or community strengthening. If this proposed merger is approved, we believe that the merged bank should be required to make the following commitments as conditions of approval:

- 1. Commit to not increase current fee levels and minimum balance requirements, or to introduce new fees on existing products or services for a reasonable period of time, which will benefit, in particular, consumers who have limited banking choices because of resource constraints or geography.** We know from the experience of customers in California after previous mergers of Bank of America/Security Pacific and Wells Fargo/First Interstate, that in the short term, consumers face confusion, changes in accounts, and loss of convenience while systems are being integrated. Moreover, while banks tell consumers that "bigger is better," studies by the Board and others show that large banks charge higher fees for many types of accounts than smaller banks, and that multi-state banks charge higher fees than single-state banks.
- 2. Dedicate a significant portion of the projected benefits in cost savings from each merger for the first five years after the merger to increase access to banking services and credit for low income consumers.** A set-aside for the unbanked and other low income consumers of some of the promised cost savings from the

proposed merger would help to ensure that even more consumers are not excluded from the banking system as a consequence of the merger.

**3. Commit to reach an agreement with community groups and Community Reinvestment Act coalitions in every affected state on future CRA commitments before regulatory approval. These agreements should describe specific programs and specific dollar goals for CRA activity in each area.** This guarantee would help focus the attention of the new nationwide bank on local needs. The large dollar goals announced by NationsBank for the merged bank are unlikely to result in real progress unless they are a first, not a last, step in a process to build programs that serve local needs which are not already served by the banking system.

**4. NationsBank must commit to comply with all state consumer laws, rules, and regulations in every state where it operates.** This would ensure that consumers get the benefit of their own state's consumer protection laws even when the bank is headquartered in North Carolina.

**5. Adopt strong consumer safeguards on retail sales activities and agree to be responsible for losses arising from violations of these safeguards.** Safeguards are needed to protect consumers from being coerced into buying products they don't need to get the products they want, from the loss of financial privacy, from being deceived about whether a product is federally insured, and from being sold products not suitable to a particular consumer's financial needs. Further, a redress mechanism is needed for consumers to be able to recover losses from the bank when they violate the rules. Until the FFIEC puts strong regulatory safeguards in place, merger approval should be conditioned upon an agreement to comply with protections against deceptive and misleading practices. The nearly \$7 million in penalties paid to three regulatory entities in May 1998 by NationsBank illustrates the need for these protections.

#### **B. Community reinvestment: NationsBank's merger application**

The impact of this merger on the convenience and needs of the communities where the bank will operate will be highly affected by the components and structure of its CRA program. The details of the proposed CRA program should be provided in additional filings in the merger approval process and discussed in public hearings held in major market areas throughout the country. While the merger application discusses current and past CRA activities in great detail, it does not reveal which of those programs will be retained in the merged bank. The merger application states that these decisions have not yet been made.

The portion of the application referring to past CRA performance reveals many similar programs, but also very significant differences in the types of programs currently offered by the two banks. These differences include the level of their commitment to important areas such as affordable housing lending, consumer lending, loans to the disabled, and penetration by LMI applicants or geographies in their relative applicant pools for home mortgages and small-business loans.

The comparison chart below is drawn from information contained in the merger application which illustrates some of the differences between the two banks. For example, NationsBank and Bank of America have very different percentages of applicants for home mortgage and home improvement

loans who are of low or moderate income, as shown in the lines of their charts titled "LMI applicants" in NationsBank's Annex B and the Bank of America table which follows it in the CRA appendix to the merger application. According to these documents, 11.4% of NationsBank's applicants for home mortgage and home improvement loans were of low and moderate income, while 20.2% of Bank of America's applicants for the same types of loans were of low and moderate income.

Similarly, Bank of America received a higher percentage of its small business applications from LMI geographies, according to the 1997 numbers filed with the merger application. The Bank of America table reveals that 27.1% of its small-business applicants were from LMI geographies, while for NationsBank the figure was 21.5%. Bank of America also shows a somewhat higher penetration of branches in LMI geographies – 25% vs. 22%. To the degree that these differences suggest that the two banks have different target markets, differences in effectiveness of outreach or in the desirability of their products to lower income applicants and geographies, these differences should be thoroughly explored by the regulators and public before the merger is considered for approval.

### Comparison of Selected Community Reinvestment Act (CRA) and Community Outreach Programs

TYPE	NATIONSBANK	BANK OF AMERICA
1997 percent of LMI (mortgage and home improvement) applicants as a percentage of such applicants	11.4% (34,803 of 305,931) (Source: Annex B)	20.2% (28,800 of 142,500) (Source: Bank Table)
1997 percent of small business applicants from LMI geographies	21.5% (13,130 of 61,149) (Annex B)	27.1% (18,055, Bank Table gives % but not base) (Bank Table)
Percent of banking centers/branches in LMI geographies	22% of banking centers (Application p. 9)	25% of branches (Application p. 14)
Percent of ATMs in LMI geographies	22% of banking centers (Application p. 9)	application silent
Low cost checking	yes, fee not listed (Application p. 9)	application silent
Number of languages available at ATMs	2 (Application p. 9)	4 (Application p. 14)

\* As described in merger application. Unless otherwise noted, all page citations are to the appendix to the application titled: Performance of NationsBank and Bank of America Under the Community Reinvestment Act of 1997.

<b>In-branch customer service phones with multiple languages</b>	application silent	yes, selected branches offer Chinese, Korean, Spanish and Vietnamese (Application p. 14)
<b>Loan program for the disabled</b>	application silent	yes (Application p. 11)
<b>Secured credit card with automatic graduation feature</b>	application silent	yes (Application p. 11)
<b>Programs to expand access of LMI customers to computers</b>	application silent	yes, community access initiative (six locations) (Application p. 20)
<b>Disaster relief program</b>	application silent	yes (Application p. 15)
<b>Affordable housing lending</b>	<i>Community Development Lending Unit has made \$350 million in loans to benefit consumers at 80% or less of median income (includes commercial and retail space). (Application p. 6)</i>	<i>\$1.7 billion in past five years in affordable housing loans. Sponsored more than 100 successful AHP applications. (Application p. 13)</i>
<b>Tax credit investments</b>	Has made more than \$340 in investments or commitments plus some fund investments. (Application p. 16)	Has invested more than \$590 million in the past five years. (Application p. 13)
<b>Bond financing for affordable housing</b>	application silent	yes, integrates construction and 30-year fixed-rate financing (Application p. 19)
<b>Fannie Mae Special Affordable Housing Lender status (for multi-family lending)</b>	application silent	yes, first in the U.S. (Application p. 20)
<b>Border town "colonias" development program</b>	application silent	yes, initial investment is only \$500,000 (Application p. 20)

<b>Financing for child care centers</b>	yes, for-profit centers (Application p. 5)	yes, focus on low and moderate income communities; childcare facilities in affordable housing developments financed in Los Angeles; working on bond finance program (Application p. 19)
<b>Expedited small business loan approval</b>	yes, 2 state pilot, average loan size \$100,000 (Application p. 5)	Yes, ABC and MWBE, \$2,500 to \$100,000 loan size range (Application p. 12)
<b>SBA FASTRAK status</b>	yes (Application p. 5)	yes, average loan size \$20,000 (Application p. 13)
<b>Fair lending customer advocate program</b>	yes (Application p. 6)	application silent
<b>Spanish loan by phone and Spanish loan documentation</b>	application silent	yes (Application p. 11)
<b>Special underwriting for low and moderate income consumer loans</b>	application silent	yes, BASIC (Application p. 10)
<b>Minority-owned bank investments</b>	yes (Application p. 16)	application silent
<b>Below market rate financing for home loans</b>	yes (Application p. 15)	application silent
<b>Zero down payment home-buyer program</b>	yes (Application p. 5)	yes (Application p. 18)
<b>Rural initiative</b>	application silent, but May 1998 pledge says BofA's rural initiative will be "leverage[d]"	yes (Application p. 18)
<b>Environmental policies and principles unit</b>	application silent	yes (Application p. 20)

At least in California, the Bank of America has taken the view that CRA is more than a numbers game. It has created an institutional culture in which credit – and to a lesser extent services – to

lower income consumers and to the nonprofit community that serves the poor are fully integrated into the business plans of the operating units.

Bank of America's record in California suggests that it has learned to ask itself internally the important question that community groups often are asking from the outside: What is being done to build the necessary infrastructure to bring lower income people more fully into our economy? How can the bank contribute to the health, stability and development of low income communities and neighborhoods? What are the future challenges facing these communities, and what products should the bank be developing now to meet those challenges? If the merged entity does not have a process, an institutional structure, and a determination to ask and address these questions, then the merger will be a great loss for low income consumers in California and perhaps throughout the country.

### **C. NationsBank's/Bank of America's CRA announcement**

Because the merger application discusses only the past CRA record of the two banks, and not their plans for the future, the May 20, 1998 CRA announcement by NationsBank is of crucial importance to communities throughout the U.S. This CRA dollar goal announcement should be the beginning, not the end, of a national discussion about the merged bank's CRA plans. CRA dollar goals are useful only if they are part of a process to institutionalize a goal to integrate credit and services for the underserved into every part of the bank. To be meaningful for low income consumers and communities, CRA dollar goals must:

1. be tied to specific programs;
2. target underserved groups;
3. be accompanied by detailed business plans to reach underserved communities with products that are designed to meet the needs of those communities;
4. be sufficiently detailed and specific so that they can't be satisfied just by continuing programs for credit already being extended by the bank; and
5. provide measurable subtargets by topic and region so that both the bank and communities can measure progress.

A general large dollar goal which is not backed with a business plan to extend credit and services to the underserved can be misleading and can create unfulfilled expectations in underserved communities. Consumers Union is a member of the California Reinvestment Committee (CRC). We attend community meetings hosted by the CRC in different parts of urban California. One of the most common messages we hear at those meetings is that low income communities are not seeing additional credit on the street, even several years into large, multi-year dollar goals by several California banks.

In the past few years, a number of financial institutions have announced large dollar goals which can be met in large part by "business as usual" – more careful counting of lending that is already occurring. Unless it is supplemented with local and regional CRA agreements and more specific targeting, this could be a primary effect of the recent announced goal.

## **Items that are missing from the NationsBank/Bank of America CRA announcement**

One could legitimately ask: What could be wrong with a \$350 billion promise? The announcement could serve as a first step toward a meaningful CRA program, but only if much more work is done targeting state and regional goals, and other additions are made. Here are some of the items that are missing from the pledge:

### **1. The \$350 billion pledge is not enforceable**

The announced commitment is not enforceable in its present form. Neither the merger application nor the commitment states that the commitment will be made part of the merger application or that it is offered as a condition of merger approval. The regulators must make CRA and related commitments a condition of approval. The OCC and Federal Reserve staff have stated at various times that they lack the authority to enforce promises made by banks to community groups under the CRA. It is likely that the CRA announcement will be considered by the Board as evidence on the issue of whether the merger meets the convenience and needs of the community. If the announcement is considered by the Board, then its provisions must be made enforceable by making compliance with it a condition of any approval.

### **2. No promises on access to deposit services and to branches**

The announcement is silent on critical questions such as the means that will be used to promote access to services for consumers who are presently unbanked and overcharged in the so-called "alternative" financial services sector. Providing access to deposit services is essential to good CRA performance. In this age of welfare to work, there can be no dispute that bringing lower income consumers more fully into the financial services mainstream is fundamental to the convenience and needs of the communities where those consumers live.

The announcement also does not discuss branch location, future branch closure plans (either as a result of general cost-cutting in a post-merger environment or in states with overlap such as Texas), future plans for offering a low-cost checking account, or the development of an account to serve the unbanked. Studies suggest that one of the deterrents to use of the traditional banking system by low income consumers is the design of traditional checking accounts. In particular, a bounced check fee can significantly drive up the cost of an account held by one who is not sophisticated in account management. NationsBank's \$25 bounced check fee from its Texas fee schedule certainly presents this potential.

### **3. Absence of specific state and local goals**

The announcement lacks state-specific goals. It lacks any information about the dollars that will be allocated to Texas, to California, or to any of the other 20 states where the merged bank will do business. Moreover, the announcement fails to address how the merged bank will meet the credit needs of specific regions within large states, such as Texas and California. Added specificity is needed. Every state which is considering the impact of this merger deserves to know what the corporate commitment is to its own region.

Community groups nationwide have struggled for many years to turn the Community Reinvestment Act (CRA) into a viable tool for revitalizing their communities. Consumers Union is an active member of both the California Reinvestment Coalition and the Texas Community Reinvestment Coalition. These CRA groups were formed during tumultuous periods in our financial industry to ensure that the credit needs of their states' local communities were not ignored. This work has led to meaningful commitments between banks and community groups and a heightened awareness of inequities in the financial industry. It is important that the broad pledge for the merged bank not be a substitute for existing and future efforts at the local and state levels. Further, it is critical to the financial health of our underserved communities that the banks enter into negotiations with local groups to form useful, sustained agreements before any approval of this merger.

The California Reinvestment Committee is actively seeking a written commitment by NationsBank on issues including:

1. California-specific commitments;
2. intrastate regional commitments to the widely varying regions of California;
3. preservation of the Bank of America Community Development Bank;
4. charitable giving goals with set-asides for economic development and affordable housing;
5. a set-aside of part of the merger's cost savings for the unbanked either in cash or in stock options to be exercised by a community foundation;
6. targeting of the affordable housing goal credit to support units serving very low income consumers;
7. support for technical assistance to pre-bankable small businesses;
8. targeting of the small business loan goal credit to serve businesses seeking loans of \$25,000 or less;
9. a fee freeze;
10. an EFT 99 product;
11. a commitment not to close branches in minority and low income communities;  
and



12. a target to lend to the low income population to match their percentage of the state's population; and to do so through the bank, not through subprime affiliates.

NationsBank and Bank of America have met twice with CRC on these issues since the merger was announced, and it appears likely that a written commitment may be made on some, but not all, of these issues.

In addition to the issues discussed above, the Texas Community Reinvestment Coalition seeks commitments which support the following needs of low income and minority Texans:

- providing down-payment assistance to loan applicants in underserved tracts with high minority concentration or high low income populations;
  - establishing economic development and affordable housing goals in *colonias* regions of Texas;
  - incorporating a "second-review" program with members from community groups and housing advocacy organizations into its mortgage decision process to ensure that loans in underserved areas have been fairly reviewed;
  - making available to community groups reporting of small business and consumer loans by census tract in addition to HMDA reporting; and
  - establishing monitoring meetings on a periodic basis with neighborhood groups in underserved census tracts statewide to ensure all affected communities are served.
4. **The current level of performance in community lending casts doubt on the value of the \$350 billion pledge.**

In the banks' CRA announcement, several assertions are made regarding the leading role the merged bank will take in community lending and investment. Currently, NationsBank's and Bank of America's level of performance in some minority and low and moderate income communities raises concerns about the merged bank's ability to meet this ambitious pledge. In Texas, NationsBank loaned more than \$455 million dollars in 1996 for single-family housing to white, black, and Hispanic borrowers. Yet, white borrowers disproportionately received 86% of the total amount loaned. (See table below). Regulators must address these gross disparities in lending, particularly in states like Texas where affordable housing stock exists in low income, high-minority and inner-city areas.

## NationsBank \$ Amount Loaned for Owner-Occupied Housing—1996

Race	\$ Amount Loaned	Percentage
White	\$391,176,000	86%
Hispanic	\$ 45,582,000	10%
Black	\$ 17,986,000	4%
<b>Total</b>	<b>\$454,744,000</b>	<b>100%</b>

The announced commitment also suggests that future investment in minority and low and moderate income communities will grow as the financial resources of the merged bank increases. Since NationsBank and Bank of America are presently two of the largest financial institutions in the nation, their current level of performance in community lending should serve as a good indicator of the merged bank's potential to meet the credit needs of underserved communities. NationsBank is the largest bank by asset size in Texas (\$60 billion). However, it is not the largest home mortgage lender among minority and low income communities. In addition, the most recent HMDA figures show Hispanic and African American applicants in Texas are two to three times as likely to be denied for a home loan by NationsBank than a white applicant. In Texas, Bank of America primarily targets low income and minority communities with manufactured housing loans, which are substantially more expensive than conventional home loans. If the merged bank is to lead the financial industry in community lending and investment as it asserts it will, current lending patterns of the merging banks warrant close scrutiny. In Texas, these patterns do not promote the revitalization of inner city communities.

### 5. Absence of targets to serve low and very low income consumers

The NationsBank announcement lacks targeting to ensure that a significant portion of the credit will serve low and very low income consumers. Instead, it generally lumps together low and moderate consumers and communities. Very low income consumers are the group that requires the most thought, outreach, and creativity to serve. A close reading of the NationsBank announcement reveals that it could satisfy the announced goal for housing by counting a variety of loans that won't go to low income or very low income consumers. The announcement permits the merged bank to count all of the following toward its housing goal:

1. all home loans to minority applicants in any neighborhood and of any income level;
2. all loans to buy or build properties in low and moderate income census tracts (apparently including gentrification projects not designed to be affordable to current neighborhood residents); and

3. and all single-family dwelling lending for housing in low to moderate income geographies regardless of the income of the borrower.

These are all appropriate and useful forms of credit. However, the \$115 billion ten-year housing goal could be fully satisfied with these types of loans, without extending any credit to a low income single-family home buyer or to support the financing of multi-family units affordable to low income and very low income people.

In the San Francisco MSA, the 100% of median target in the bank's CRA pledge means that goal credit could support lending in apartments to serve families earning \$61,300 per year. In Los Angeles the 100% of median standard means that the goal credit could be used to support loans for homes and apartments targeted to families earning \$46,900 a year. Meanwhile, nonprofits producing affordable housing in California often are targeting people earning just a fraction of the area median income.

#### **6. The broad small business credit category illustrates the weaknesses of a vague CRA goal**

Dollar goals work for communities when they drive a financial institution to include in its business plan new products and services reaching out to unserved and underserved persons and communities. Without additional targeting, the CRA announcement will not serve that purpose. The small business loan category in the announcement illustrates the problem. Over half of all the funds, \$180 billion, are designated for small-business loans. The announcement appears to leave to the merged bank broad discretion as to how the credit counted against goal may fall among several categories. The announcement permits up to half of the \$180 billion to be made in loans from \$100,000 to \$1 million in size. These are unlikely to be the small businesses most in need of additional sources of credit. For this reason, the California Reinvestment Committee has suggested that the target loan size for this program should be \$25,000 and under.

If the \$180 billion in loans were made in credit-scored loans to borrowers in amounts of nearly \$100,000, the pledge might not do much to increase the pool of credit available to small businesses in this country. On the other hand, the goal could be very meaningful if it were targeted for loans to pre-banked business, for loans to businesses graduating from government guaranteed loans or micro-loans to traditional bank credit, or for loans to businesses graduating into bank credit from the shoestring-plus-personal-credit method of finance used by many small businesses in their early years.

It has become common to count all small-business loans toward large CRA dollar goals without distinguishing between two very different types of loans: first, loans to small businesses that receive a widely available credit-scored product and second, loans to newer small businesses, businesses located in low income communities that commit to hire local residents, and businesses that have limited access to credit. In the home mortgage area, banks and regulators have recognized the special value of extending credit to persons not already served by the system. This has been manifested in the development of underwriting, products, and outreach for first-time home buyers. It may be time for any small business CRA commitment to begin to focus on "first-time business borrower" programs.

**7. No promises of charitable support for affordable housing and community economic development**

The announcement is silent on any commitment for charitable giving. Other major institutions operating in California have committed a percentage of net profit to charitable contributions, and have specifically targeted a significant portion of those contributions for affordable housing and economic development. For example, Washington Mutual has committed at least two percent of its pretax earnings to charitable giving, with a share for California proportional to the size of its deposit base, assets, and number of employees and branches in the state. Washington Mutual has promised that 70 percent of the California share will go to underserved communities and three-quarters of that will be in the form of cash or below market rate loans. One half of the California contribution is to be targeted for activities that promote housing and economic development. (Letter of May 22, 1998 from Kerry L. Killenger, Washington Mutual, to Alan Fisher, California Reinvestment Committee.) Whether or not grant-making practices fall within the CRA, a bank that uses grant programs to build a nonprofit infrastructure can make a long-term difference in the quality of life in low income communities. An overall dollar goal for charitable contributions and a set-aside for affordable housing and community development economic development are an essential part of effective community building.

**8. The future of the Community Development Bank is not discussed**

NationsBank's CRA announcement does not reveal the fate of the Bank of America Community Development Bank. The Community Development Bank has been important to California's low income community. It has developed new credit products needed by nonprofits serving the community. It has supported and enhanced the nonprofit community. It has used existing government guaranteed loan programs to expand the group of people receiving credit. These philosophies work in the diverse California market. The Community Development Bank works with and supports nonprofits as they design housing and services for the low income public. The Community Development Bank has played an important role not only in meeting existing demand for credit, but in working to develop new products and bring along newer nonprofits – those that aren't among the most established and well-known in their markets. These philosophies must be retained.

**D. NationsBank's and Bank of America's CRA records in Texas illustrate the need for detailed, specific, localized CRA commitments**

NationsBank and Bank of America have been inconsistent in their CRA lending to low income and minority communities in Texas. While NationsBank Mortgage performed well in some lower income and minority census tracts in Dallas, their market presence in underserved communities in other Texas MSAs was weak. Although agreements between NationsBank and some community groups exist, the bank has not lived up to the spirit of these agreements in some cases. In Austin, for example, NationsBank entered into a local agreement to increase lending and investment in traditionally African American neighborhoods. While a few home loans have been made to African American borrowers, most of these loans were not made in the inner city census tracts where older, traditionally African American neighborhoods are located. This lending pattern does

not promote revitalization of older communities and leaves these communities without the resources to rebuild and create a sound financial base for community development.

While Bank of America's CRA efforts in California have led to innovative lending and investment products, that bank has failed to implement these products for underserved communities in Texas. Instead, the most recent HMDA data shows Bank of America disproportionately targets Texas low income and minority communities with manufactured housing loans. The lack of access to conventional home loans harms low income and minority consumers by restricting their choices of home loan products to fewer, more expensive options, such as manufactured housing, and curbs their opportunity for homeownership and community development. In light of Bank of America's recent decision to sell its manufactured housing unit, we would urge the merged bank to offer and market all products – including conventional home loans – that promote homeownership and stable banking relationships.

The unevenness of NationsBank's and Bank of America's lending performance in Texas underscores the need for local commitments. As each local economy transforms in response to changes in the financial industry, the approaches of lenders to meet local credit needs must also change. The merged bank must be structurally flexible yet philosophically consistent in addressing these credit needs, or disparate lending patterns will continue.

- 1. NationsBank's record of branch openings in Texas shows that special care should be taken to ensure that branch closings do not harm low income communities.**

If the merged bank closes branches for any reason, low and moderate income areas in particular should be protected from such closures.

### **Historical Branch Openings and Closings**

An examination of NationsBank's record of branch openings and closings in detail in one state, Texas, illustrates the need for the regulators to place conditions on any merger approval that will protect low and moderate income communities from further branch closures. NationsBank's Texas record shows that it appears to target new branches in upper income rather than in low or moderate income areas. In 1996, NationsBank opened nearly as many branches in upper income areas in Texas as in middle, moderate, and low income areas combined. NationsBank opened 28 branches in upper-income areas, 18 in middle income areas, and eight and three in moderate and low income areas, respectively, as the table below illustrates.

## NationsBank Branch Openings – 1996

Total	Full Service	Drive-Up	In-Store	In-Store Express
Upper Income (total 28)	12	1	12	3
Middle Income (total 18)	5	2	9	2
Moderate Income (7) Unidentified type (1) (total 8)	6	0	1	0
Low Income (2) Unidentified type (1) (total 3)	2	0	0	0

Despite more branch closings in upper income areas, the net branch openings in 1996 in upper and middle income areas totaled 40, while net branch openings in low and moderate income areas totaled only ten.

## NationsBank Branch Closings – 1996

Total	Full Service	Drive-Up	In-Store	In-Store Express
Upper Income	5	n/a	n/a	n/a
Middle Income	1	n/a	n/a	n/a
Moderate Income	1	n/a	n/a	n/a
Low Income	n/a	n/a	n/a	n/a

### 2. Low and Moderate income Communities Already Suffer From a Lack of Bank Branches

Texas was hit hard by the bank failures in the 1980s – 40 percent of all bank failures nationwide during the 1980s occurred in Texas. (Kenneth J. Robinson, *The Performance of Eleventh District Financial Institutions in the 1980's: A Broader Perspective*, Federal Reserve Bank of Dallas Financial Industry Study, May 1990, pp. 13-24.) Low income neighborhoods were disproportionately affected by bank closures.

A study from Texas A&M on the availability of banking facilities between 1985 and 1993 found that low income areas, high poverty areas, and high minority areas all experienced a decline in the availability of bank branches during this time span. Specifically, the study revealed that the average number of branches for zip codes in the highest income quartile stayed roughly the same while zip codes in the lowest income quartile experienced a decline of 11 percent. For below poverty zip codes, this decline was an even more dramatic – 13 percent. In addition, while predominately white zip codes actually saw their number of branches increase by four percent, minority zip codes saw theirs decline by ten percent.

(Leonard Bierman, Donald R. Fraser, Javier Gimeno, and Lucio Fuentelsaz, *Regulatory Change and the Availability of Banking Facilities in Low Income Areas: A Texas Empirical Study*, SMU Law Review (Volume 49, No. 5, July-August 1996), pp. 1438-1439.)

As mainstream financial institutions such as banks have failed to fully serve low income communities, higher-cost non-bank institutions have grown substantially. In Texas the number of regulated lenders in Texas (non-bank lenders, largely finance companies) increased 42 percent between 1992 and 1996. Along with this growth, the volume of loans – the total dollar amount loaned in a calendar year – increased by almost 50 percent between 1992 and 1995. Pawn lenders also experienced substantial growth. (Office of Consumer Credit Commission, Texas, *Regulated Loan Licenses and Pawnshop Licenses*, March 12, 1997).

The growth in the high-priced, non-bank sector is a nationwide trend. A 1997 report by the Consumer Federation of America found that there were 5,400 checking outlets – more than double the 2,151 existing in 1986. Such businesses cash 150 million checks annually, with a face value of \$45 billion. These services can be an expensive way to conduct routine financial services – Consumers Union’s West Coast Regional Office has estimated that cashing paychecks and buying money orders for a family with \$15,000 in annual income would cost about \$330 a year in California. A study by Consumers Union’s Southwest Regional Office found a similar family could spend between \$150 to \$370 annually in Texas just to cash their paychecks.

The development of high-priced, non-bank deposit services does not affect all groups in our society equally. According to the Survey of Consumer Finances, more than half of families without checking accounts are nonwhite or Hispanic, and 85 percent have less than \$25,000 in annual income. The vitality of the “alternative” high-priced non-bank sector strongly suggests that banks have done a poor job of serving the entire community. To begin to reverse these trends, NationsBank and Bank of America should be required to keep branches in low and moderate income areas open after the merger. Where divestiture is required, it should not include the closure or sale of branches in low and moderate income areas. Further, the merged bank should adopt a business plan to develop an account that effectively competes with the check cashers for the business of lower income consumers.

The NationsBank merger application refers to a confidential exhibit B which apparently contains a list of the branches that have been identified for closure as a result NationsBank's acquisition of Barnett. This list should be made public now, so that those communities which will be affected by the most recent NationsBank merger may participate in the comment process on this merger. Making this information public at this time also will permit those communities likely to be affected by NationsBank's future branch siting and closure decisions to evaluate the likelihood of future harm in their communities from NationsBank's process for determining which branches to retain.

#### E. Consumer protection

Given consumer concerns about the impact mergers could have on fees, quality of service, and market power, the Federal Reserve Board should take strong action to assure that the public interest is served by the merger between Bank of America and NationsBank, and that the convenience and

needs of consumers are met, as required under Section 3(c)(1)(B) Bank Holding Company Act. Thus, in addition to meeting the needs of consumers and communities, as discussed elsewhere in these comments, the Board should ensure that, in the consideration of the merger application, the merged entity should provide affordable bank services to low and moderate income consumers through low-cost basic banking, and that all consumers are protected from abusive and deceptive sales practices. Specifically, the Board should ensure that the merged entity provides:

## 1. Affordable banking services

The new entity should have targets to lower or freeze fees and should require the bank to provide low-cost checking to all its customers throughout the country.

Millions of Americans, looking for a place to safely deposit their hard-earned dollars and a means to pay their bills, get hit every month with checking account fees they cannot avoid. Those fees are going up as banks have increased checking account charges unless high minimum balances are met – balances that are out of reach for many American families.

Many consumers cannot sustain the high minimum deposits required to avoid monthly charges. Low cost basic banking accounts, with reasonable service fees and low or no minimum initial deposit or balance requirements, are needed to lessen the financial burden on low and moderate income consumers. These accounts should be actively marketed. Making a commitment to low-cost basic banking as part of a merger application is consistent with the intent of Congress when it required the Board to consider the effect of a bank merger on the public interest, and in meeting the needs and convenience of the communities where the bank is located.

In addressing the merger, the Board should ensure that the new entity is committed to meeting the needs of the lower and moderate income consumers by offering low-cost basic banking. To the extent such accounts may be offered today, the Board should ensure that the bank makes consumers aware of that option, and ensure that such low-cost accounts are preserved.

## 2. Protections against abusive and deceptive sales practices

To help ensure consumers derive some benefit from the merger other than simply the convenience of having more branches for those who travel, the merged entity should be required to comply with a package of consumer protections, including:

- **Measures to protect against confusion over products:** The merged entity should not be able to use taxpayer protections to mislead or confuse customers about the products sold. This means clear disclosures about whether the products are FDIC-insured or subject to risk of loss of the principal before any solicitations involving non-insured products are made. It also means clear and separate delineation of insured from non-insured activities, e.g., separate sales areas in any bank branch, prohibition against the use of names of subsidiaries that are substantially similar to that of the bank, and compensation structures that limit the potential for high-pressure sales tactics or unsuitable sales.



- **Privacy protections:** Consumers should be given the option to consent in writing before the new entity is permitted to share information about customers internally or with affiliates.
- **Suitability standards:** Studies and surveys indicate that some banks recommend products that do not meet the consumer's financial needs, or are unsuitable, often placing the consumer at risk of losing their savings. To protect against this, sales of products should be subject to suitability standards.
- **Protections against high pressure sales tactics:** Consumers obtaining loans should not be subject to unsolicited sales pitches for other products until after the loan has been made.
- **Redress mechanism for people to recover losses:** Most importantly, the new entity must agree, even if not mandated under current law, to compensate consumers for any losses that are due to violations of these protections.

### 3. Cost savings to be passed on to consumers

There has been a lack of strong evidence to justify the escalating bank fees and increasing number of charges for various services, particularly at a time when bank profits have reached record levels. There has been much discussion about synergies and efficiencies that will benefit consumers – we ask that the Board make sure that consumers actually benefit by requiring that a share of the cost savings be passed on to consumers through lower fees or at least a moratorium on increasing fees, and through programs to bring in the unbanked.

### 4. Compliance with laws

There is a growing trend, aided by bank regulators, to permit banks to ignore state consumer laws in states other than their home state. States have traditionally had authority over businesses that operate within their borders. The Board should make compliance with state consumer law in all the states in which the merged bank does business a condition of the merger.

### 5. Compliance with anti-trust laws

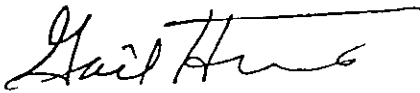
The Board is obligated to carefully consider the anti-competitive affects of the merger. Consumers may be substantially harmed by concentration of market power. It is vital that consumers be protected, and these effects be fully considered.

## Conclusion

This merger will have deep impacts on consumers and communities throughout the U.S. In order to have a chance of meeting the convenience and needs of the whole community, this proposed merger must be structured to benefit, not harm, consumers at every income level. Both banks should work closely now, as well as in the future, with state and local CRA coalitions, community groups, and

nonprofit service providers to build state and regional plans and programs that will make the merged bank's CRA program a strong tool to extend credit and deposit services beyond those now served by the banking system. In addition, the applicants should put into place, or the regulators should require that they do so, specific guarantees and commitments addressing issues including fees, consumer protections, and dedication of part of the cost savings to bring the unbanked into the banking system.

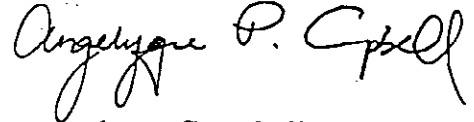
Sincerely,



Gail Hillebrand  
West Coast Regional Office



Frank Torres  
Washington Office



Angelyque Campbell  
Southwest Regional Office

cc: Office of Comptroller of the Currency  
Antitrust Division, Department of Justice  
Mr. Hugh McColl  
Mr. David Coulter  
Secretary to the Board/Board of Governors of the Federal Reserve System  
Mr. Mullane - NationsBank  
Ms. Bessant - NationsBank



Leslie Abrams  
will read the statement.

7/9/98

Panel 2

### NATIONAL BLACK CHAMBER OF COMMERCE NOT CONVINCED ABOUT NATIONS/BANK OF AMERICA MERGER

African Americans, as well as all other minorities, have yet to attain their fair share of the American economic enterprise. One thing is quite certain. Power will concede nothing without a demand and we cannot expect progress without certain standards and criteria being established.

Nations Bank wants to throw out a big number with no mechanisms in place to set the pace, monitor compliance and ascertain what is good performance and fine corporate responsibility. Thus, it is certain that the minority communities who are presently served by Bank of America will digress in real community reinvestment.

Nations Bank should also answer for the serious amount of discrimination complaints from its workforce. The lawsuit filed by Nations Bank against the Office of Federal Contract Compliance Programs (Department of Labor) to prevent an audit to investigate this mass of discrimination complaints is shocking. Attorney General Janet Reno has also issued warnings to Nations about its performance in equal opportunity hiring.

Without proper "checks and balances" there is no assurance that the performance previously displayed by Bank of America will endure and will most likely not improve.

  
HARRY C. ALFORD  
President & CEO



Panel 10

**Comments of**

Peter Skriftern

Executive Director

Durham Affordable Housing Coalition

NationsBank/Bank of America Merger Hearing July 9, 1998

*The Charlotte Observer*, Charlotte, North Carolina, January 10, 1993 -- "NationsBank Says It'll Try to Clear Up Any Problems" referring to consumer lawsuits pending against Chrysler First for predatory lending practices. Community activists were concerned, protesting that the acquisition of Chrysler First by NationsBank would not necessarily stop the abusive loan practices. But regulators approved the acquisition agreeing with NationsBank's general counsel that the Federal Reserve needed to consider the lending practices of NationsBank, not Chrysler First. NationsBank stated it "will follow sound lending policies and practices in full compliance with all applicable laws and regulations...."

Five years later, the continued questionable lending practices of Chrysler First – now NationsCredit – and other NationsBank subsidiaries still haunt banking watch-dog groups and hurt some of our nation's most vulnerable neighborhoods.

I submit to you a letter from Carlene McNolty, Attorney for the North Carolina Justice and Community Development Center, who has reviewed a 1996 loan by NationsCredit to Audrey and Kenneth Snipes. She found several violations. NationsCredit failed to disclose loan terms, including that it was an adjustable rate mortgage. It packed the loan with fees, including over \$5,000 in settlement fees for a \$110,000 loan, and thus charged usury rates under North Carolina law. NationsCredit then flipped the loan by increasing the adjustable rate by two points within the first year and then offering the Snipes to refinance for a fixed rate. The Snipes were told that if they refinanced with another lender they would face several thousand dollars in prepayment penalties.

I introduce into the record the case of Beatrice M. Smith, who is currently in litigation with NationsBank over predatory lending practices by NationsCredit. Ms. Smith claims the loan terms were not fully disclosed, the loan was packed with high fees including life credit insurance, and that the loan was flipped six times in six years starting with Chrysler First and ending with NationsCredit. Ms. Smith is now fighting foreclosure by NationsCredit after rejecting an offer to stop a media story on the issue in exchange for having her loans forgiven.

I introduce into the record the concerns of a resident from Morrisville, North Carolina, who feels that she has been taken advantage of by NationsCredit and that she is now being harassed so her equity rich land might be taken.

In his protest of this merger, Matthew Lee of Inner City Press/Community on the Move makes a convincing analysis of HMDA data that Equicredit, a subprime lender recently obtained by NationsBank through the Barnett Bank merger, has a disproportionate share of loans to African Americans as compared to white borrowers. This market share to African Americans is in stark contrast to the lending practices of NationsBank and Nations Mortgage, which is predominately to whites. Mr. Lee raises the concern that Equicredit targets minorities for its higher interest rate, higher fee loans. NationsBank is now responsible for Equicredit and we wonder how these two markets will be served by these institutions.

These complaints look very much like the complaints filed against Chrysler First lending practices. The Durham Affordable Housing Coalition believes those community activists were right to be concerned regarding NationsBank's acquisition of Chrysler First. The Federal Reserve did little to address these concerns then. What will the federal regulators do to address these lending practices now? We request that the Federal Reserve investigate NationsCredit lending practices and place conditions on the merger to insure that these practices are ended and not expanded throughout the country.

### **NationsBank is a big player in the sub-prime lending market**

Chrysler First became NationsCredit, a new division of NationsBank. It has grown tremendously with the acquisition of Equicredit, a subsidiary of Barnett Bank, with assets of more than \$30 billion. In addition to being the owner of the largest sub-prime lenders in the country, NationsBank also plays an important role in financing other parallel banking institutions including check cashing companies and other finance corporations.

According to the Security Exchange Commission, NationsBank was a primary lender of Southland Associate, Commercial Credit Loans, Morequity Inc., and American General Finance among others.

NationsBank won the dubious honor of being in the Mother Jones Hall of Shame for participating in setting up a \$125 million line of credit for Cash America (July/August 1994 issue). Cash America is the nation's largest pawn chain. Cash America charges an annual interest rate that averages 200 percent and targets those without bank accounts.

The size of NationsBank before the merger makes it an important and dominant player in setting industry practices for subprime lending and parallel banking institutions. The responsibility of NationsBank to set a positive industry standard is large given its role in the market and the claims of social responsibility made by its leaders.

I am not yet impressed by Ken Lewis' pledge to run NationsCredit right or not at all. Surely it has not taken five years since acquiring Chrysler First to come to the conclusion that changes need to be made. A similar promise was made in addressing Chrysler First's lending practices.

What the bank proposes to do to become a progressive industry leader in this area is not addressed by its community reinvestment pledge released in May 1998. It is completely silent on the role that NationsCredit plays now and will play in the future. It is completely silent on its role as a financier of other finance companies to influence their practices.

The Durham Affordable Housing Coalition appreciates NationsBank's offer to include the Community Reinvestment Association of North Carolina in discussions on how it will address these subprime lenders' practices in coming up with win/win solutions. Results, as well as process, are important to address these concerns. We again ask the Federal Reserve to place a condition on the merger that provides an enforcement role in examining NationsCredit lending practices.

The Durham Affordable Housing Coalition applauds the many fine things that NationsBank has done in Durham and North Carolina. For example, the Coalition receives funding from NationsBank for our counseling and homeownership marketing campaign. The testimony of others and the record will show that NationsBank has done many good things. But as long as NationsBank continues to operate NationsCredit in an unethical and illegal manner, charity on one hand can not excuse these predatory lending practices on the other.

The Durham Affordable Housing Coalitions offers the following recommendations for improvements by NationsBank's management of NationsCredit.

- 1) Have NationsCredit offer A credit products as well as B and C products. Begin to see NationsCredit as a tool for community development that provides a range of appropriate -- not harmful -- loan products and financial services.
- 2) Change the pay and incentive plan of NationsCredit front line personnel so that fees and commissions are not the primary incentive in delivering products. Limit the fees paid to brokers for referrals.
- 3) Develop a standard pricing system for risk that provides a range of price over the continuum of risk. Recognize the value of the real estate collateral of the loan in pricing.
- 4) Develop a loan review process to ensure that the loans are soundly, fairly and legally underwritten.
- 5) Contract for self-testing for fair housing as well as consumer protection violations.
- 6) Require subprime companies that are financed by NationsBank to meet similar industry standards. Do not buy subprime loans that are predatory in nature as a secondary market.
- 7) Provide leadership in calling for legislative and regulatory reforms that will provide greater protection to consumers. This is needed to create a level playing field for NationsCredit in competing with other subprime lenders.
- 8) Have Hugh McCall demonstrate his commitment and leadership to cleaning up the practices and image of NationsCredit.
- 9) Provide HMDA data for NationsCredit as a separate lender for the public to better analyze its overall lending practices and address concerns of targeting minorities
- 10) Make a good faith effort to review loans and make whole those who have been harmed by illegal loan practices.

United States Hispanic Chamber of  
Commerce

Panel 3

Rafael Sanchez

7-9-98

Good afternoon,

My name is Rafael Sanchez and I am on the Board of Directors of the USHCC and a small business owner.

The United States Hispanic Chamber of Commerce (USHCC) is the leading Hispanic business association in the U.S., advocating the interest of over one million Hispanic owned businesses and over 250 Hispanic chambers of commerce.

We have very serious concerns with the proposed Bank of America/Nations Bank merger and the impact it may have with our respective businesses and communities. It is our belief that access to capital is the life-blood of businesses and that any changes to its availability must be closely scrutinized.

Past experience has demonstrated that mergers between large financial institutions have resulted in the following:

- Fewer loans to minorities.
- The elimination of employment positions.
- Vendor contract bundling.
- A decline in customer service.
- A reduction in financial support to community based organizations, including local Hispanic chambers of commerce.

It is distressing to learn from the Greenlining Institute, the following statistics in regards to BofA/Nations (it is estimated that in 1997):

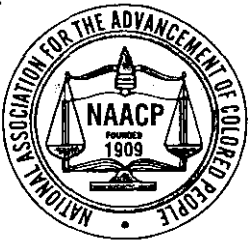
- 1% of all contracts were awarded to African Americans, Latinos, or Asians Americans.
- 1% or less, of total dollar volume of all business loans were made to African American, Latinos, or Asian Americans.
- Less than  $\frac{1}{4}$  of 1% of pre-tax earnings were contributed to African Americans, Latino, or Asian American non profits.
- Less than 3% of the total dollar volume of conventional home loans were made to African Americans.
- Less than 2% of the top 100 management (by salary) are African American, Latino, or Asian American.

While Nations Bank has announced a \$350 billion community reinvestment pledge, they have refused (according to the Greenlining Institute) to establish specific goals making the pledge unmeasurable and unenforceable. This is cause for grave concern given their mediocre record, as evidenced by the above mentioned statistics.

We would urge careful deliberation given the extraordinary size of the merged banks which would now operate in 22 states, provide banking services to 29 million households, and would control 8% of all deposits in the nation. We are concerned that this merger may be allowed to proceed while largely ignoring the rapidly growing number of minority and women owned businesses.

Thank you





Panel 3  
NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE  
4805 MT. HOPE DRIVE • BALTIMORE, MD 21215-3297 • (410) 358-8900

**KWEISI MFUME**  
*President & Chief Executive Officer*

**JULIAN BOND**  
*Chair, Board of Directors*

**TESTIMONY BY**  
**TAMMY D. HAWLEY**  
**NAACP REPRESENTATIVE**  
**BEFORE THE**  
**FEDERAL RESERVE BOARD**

**NATIONS/BANKAMERICA PUBLIC MEETING**

**SAN FRANCISCO, CALIFORNIA**

**JULY 9, 1998**

Presiding officer, members of the panel, my name is Tammy Hawley, and I am presenting on behalf of the National Association for the Advancement of Colored People (NAACP) and our national president and chief executive officer, the honorable Kweisi Mfume. The NAACP appreciates the opportunity to present here today for the public record regarding the proposed acquisition of BankAmerica Corporation by NationsBank Corporation. Our testimony is primarily as it relates to our existing relationship with NationsBank.

The NAACP, an organization which was founded in 1909, has a long-standing history of focusing on civil rights, economic and community development, and self-sufficiency for African Americans and other minority groups. With over 1700 units serving communities across this country and abroad, the present mission of the NAACP remains congruent with its founding principles; however the organization has in recent years assumed a more proactive, aggressive approach to achieving individual and community empowerment.

Many of the communities the NAACP serves face critical social and economic problems arising in part from the lack of economic growth, and lack of employment and other opportunities. The evidence has been clear for years that credit is just not available on an equal basis to all people in all communities in America. That means that the ability

to take part in the American dream, to participate in the economic mainstream, is not open to all Americans.

The NAACP has worked to level the economic playing field and to bring about economic parity for minority group citizens. It has launched efforts like the Fair Share Program, which reviews corporate opportunity and investment activity, and the Economic Reciprocity Initiative, which leverages collective economic clout. The NAACP has also established Community Development Resource Centers (CDRC), which target specific focal areas and concerns in local communities. The Community Development Resource Center operation seeks to expand on building economic capacity, leveraging resources, and pooling capital for affordable housing, consumer lending, economic development, public and private partnerships and business development outreach.

The NAACP Community Development Resource Centers were established in 1994, as a pilot project, through a partnership with NationsBank. The purpose of these centers is to help promote an effective delivery system of credit programs and services by increasing community awareness of available products and services and undertaking “grass roots” community needs assessment. Before entering into such a partnership with NationsBank, the NAACP considered factors including Community Reinvestment Act performance, corporate programs and policies, as well as lending and outreach efforts.

Since 1994, NationsBank has made a tremendous commitment and advanced in promoting economic revitalization and community development through investment in

the CDRC operation and its efforts. Through the NAACP partnership with NationsBank, more than \$90 million in loans have been closed in communities traditionally underserved by financial institutions. Services now being provided through the existing six operating centers primarily focus on consumer and business education and counseling, economic development advocacy and technical assistance in the areas of needs assessment, product development, marketing, lending practices, strategic planning and product and service delivery.

Regarding the proposed acquisition of BankAmerica Corporation by NationsBank Corporation, the NAACP is positioning itself as a resource to ensure that certain goals are met and matters not overlooked, if a merger of the two institutions goes forward. We are very concerned about consumer protection, competition and economic expansion.

Successful and effective mergers are to lower costs, improve product quality or otherwise achieve efficiencies. The proposed new bank's commitment to \$350 billion in community development lending and investment over the next ten years is indication of an expected enhanced delivery of services resulting from the merger. \$350 billion represents the largest community development commitment ever announced by a financial institution. This is an opportunity for organizations like the NAACP to challenge this bank to bank and an opportunity for the new bank to live up to a bank's chartered role as an economic leader in communities.

The restoration and maintenance of the economies of underserved communities will require coordinated development strategies, intensive supportive services, and increased access to equity investments and loans for development activities. The \$350 billion commitment, with appropriate follow-through, promises to address these matters. It is our understanding that the NAACP will continue to be a viable partner in the efforts to be undertaken by the new bank. This will help to assure representative benefit to the communities the NAACP serves. If a merger is successful, the NAACP will realize an opportunity for the CDRC operation to grow and expand into other markets as well. The expansion of the CDRC operation will allow for our one-stop approach to technical assistance, real estate and business development services and consumer counseling to reach additional communities across the country. Furthermore, the already existing delivery system of NAACP units throughout the country provide a ready-made infrastructure to ensure an ability for immediate reach into communities for the new bank to begin to perform on the community development lending and investment commitment it has made.

The community development commitment also designates \$180 billion of the \$350 billion for the purpose of small business lending. The NAACP support the notion that small business development is crucial to the success of state or local economic development programs. We are also looking for assurances that benefit will accrue to the minority business community. One concept the NAACP is promoting is the expansion of small business incubator concepts, which we have launched successfully in smaller markets. A small business incubator is a facility that offers small business tenants

affordable rent, shared office services, and access to responsive management consulting services. Incubators are based on a concept of economic development, which targets small business development as the primary method of creating new jobs and diversifying a community's employment base. The incubator approach helps to avoid the common pitfalls faced by emerging small businesses—namely poor marketing, poor management and lack of capital. The NAACP incubator projects will provide a more positive local entrepreneurial climate, neighborhood revitalization, technological innovation, and commercialization of new projects and would help the new bank meet its small business lending goals.

Also, the NAACP itself has been pursuing Community Development Financial Institution (CDFI) status for its CDRC operation. NationsBank has supported the NAACP in this pursuit. Once CDFI status is approved by the Department of Treasury, the NAACP will become a more direct resource in helping the new bank and other financial institutions reach economic development goals through the use of financial intermediaries.

Finally regarding the new bank's internal structure, the NAACP is keenly interested in diversity goals regarding senior management and the governing board of directors. If the mergers is approved and as the proposed new bank solidifies its diversity goals, objectives and policies, the NAACP will continue to be a resource and to monitor the financial institution's internal structure evolution.

The NAACP believes that the proposed acquisition and merging of resources can benefit access to credit and capital. Enhanced partnerships with organizations like the NAACP, ACORN Housing Corporation, the Enterprise Foundation, the National Urban League and the National Council of La Raza, more readily assure success where communities are concerned. If this merger does go forward, the NAACP will do its part to ensure that resources are channeled appropriately and to expand on our existing partnership to the benefit of communities nationwide.

Again, thank you for the opportunity to appear before you today.

July 9, 1998

Testimony of Johnny J. Mack, President and Chief Executive Officer of the National Institute for Community Empowerment, Inc.,  
to the Federal Reserve Bank of San Francisco  
in favor of the proposed merger of  
NationsBank Corporation, Charlotte, North Carolina and  
BankAmerica Corporation, San Francisco, California

As president of the National Institute for Community Empowerment, Inc., I am pleased to testify today in favor of the proposal by NationsBank Corporation, Charlotte, North Carolina, to merge with BankAmerica Corporation, San Francisco, California.

For over seven years, I have had the pleasure to work with NationsBank officials in connection with community development activities. My first occasion was as a senior official of the Martin Luther King, Jr. Center for Nonviolent Social Change, Inc. In 1990, The King Center established the Community Empowerment Initiative, a program to assist low wealth communities in building social capital, assets, jobs and overall community wealth. Over a six-year period this program assisted communities across the country using the philosophy and principles of nonviolent social change as espoused by Dr. Martin Luther King, Jr.

Funding for the program was provided in large measure from Federal special purpose grants and contracts administered by the U.S. Department of Housing and Urban Development. In addition, several corporations provided funding in



support of its programs; most significant among them is NationsBank. Along with its financial support, NationsBank was represented on a national advisory committee composed of leaders from the community, public and private sectors. Further demonstrating their commitment, the NationsBank representative was a senior level official in the person of Ms. Cathy Bessant, President of NationsBank Community Investment unit. Working with other national leaders, Ms. Bessant gave valuable counsel and direction to the program. From its very beginning, through the end of the program, NationsBank consistently provided these resources; particularly during times when the need was most critical.

My second occasion to work with NationsBank immediately followed the first. In July 1997, The King Center launched the Community Empowerment Initiative program as a separate independent nonprofit organization, the National Institute for Community Empowerment, Inc. (N.I.C.E.). During this time, I served as the Chief Administrative Officer of The King Center and had the pleasure of working with Ms. Vickie Tassan, a NationsBank senior vice president. Ms. Tassan gave considerable attention as an advisory committee member, and through financial support provided by NationsBank, in creating the new organization. Consistent with the standard set by Ms. Bessant, under the Community Empowerment Initiative program, NationsBank is giving senior level participation on the N.I.C.E. board of trustees as well as funding critical to its operations. And, once again, NationsBank is taking the lead among corporate sponsors. Ms. Tassan now

serves on the N.I.C.E. board of trustees. She not only gives valuable counsel, she has recruited other national leaders to serve as well.

The importance of the relationship N.I.C.E. and NationsBank have established is articulated in the following quote of Dr. Martin Luther King, Jr.: "It evokes happy memories to recall that our victories in the past decades were won with a broad coalition of organizations representing a wide variety of interests. But we deceive ourselves if we envision the same combination attacking structural changes in this society. It did not come together for such a program and will not reassemble for it."

This quote is taken from Dr. King's 1967 book, *Where do we go from here: Chaos or Community?* In contemplating a general plan for the future, Dr. King realized that a different coalition of organizations and new strategies to overcome the seemingly intractable barriers of urban centers would be necessary. He saw that new coalitions and strategies must augment the alliances of the civil rights movement.

Since his assassination, new forms of community-based and community-serving organizations have emerged. Until recently, however, these organizations have either dabbled at the fringes or are completely unaware of the power that the philosophy and principles of nonviolent social change bring to the field of

community empowerment. Yet, the gravity of its importance has not escaped the careful attention of NationsBank.

As the organization established by Mrs. Coretta Scott King, and launched by the Martin Luther King Center for Nonviolent Social Change, Inc., to carry on the work of community empowerment, the National Institute for Community Empowerment, Inc. is pleased to share in an alliance with NationsBank that uniquely positions us to represent the coalition presaged in Dr. King's quote.

Commenting on the launch of N.I.C.E., Dexter Scott King, Chairman and CEO of The King Center said, "Establishing N.I.C.E. is the natural progression for a program started more than six years ago under the leadership of my mother. The spirit of its mission is kindred with our struggle for decades to bring about nonviolent social change. I am confident that as a separate and independent nonprofit organization, N.I.C.E. will continue the good and important work begun by The King Center to help create self-empowerment and restore community across the country."

NationsBank has demonstrated, by example, their commitment to the work of community empowerment, through public/private partnerships, that Dr. King, Mrs. King, and, now, their son Dexter, have dedicated their lives to.

I believe this proposed merger could only strengthen continuing the work of community empowerment. NationsBank Corporation and BankAmerica Corporation have consistently demonstrated their commitment to community development by their community reinvestment activities. This is demonstrated by the recent announcement of their \$350 billion community investment commitment. While I have not, yet, worked closely with community development officials of the BankAmerica Corporation, I have followed closely their community investment activities, and have been impressed by their efforts to meet the needs of under-served markets.

I believe NationsBank Corporation and BankAmerica Corporation are the industry leaders in this field. Their complimentary geographic service areas provide a national scope and services in a manner that as a whole is greater than the sum of its parts. I conclude, therefore, that the two banks combined would bring an exceptional commitment to lending, investment and service and I urge you to support the proposal.

Thank you.

Johnny J. Mack

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**Texas  
Community  
Reinvestment  
Coalition**

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**THE EFFECT OF THE PROPOSED MERGER OF NATIONSBANK AND BANK  
OF AMERICA ON UNDERSERVED TEXAS COMMUNITIES**

by  
Angelyque P. Campbell  
Coordinator  
Texas Community Reinvestment Coalition  
Austin, Texas

Federal Reserve Bank of San Francisco  
Public Hearing on the NationsBank and Bank of America Merger Application  
San Francisco, California  
July 9, 1998

Testimony of  
ANGELYQUE P. CAMPBELL  
COORDINATOR  
TEXAS COMMUNITY REINVESTMENT COALITION

before the  
FEDERAL RESERVE BANK OF SAN FRANCISCO

July 9, 1998

Comments of Angelyque P. Campbell, Texas Community Reinvestment Coalition<sup>1</sup>, presented at the Federal Reserve Bank of San Francisco, Public Hearing on the NationsBank and Bank of America Merger Application, San Francisco, California, July 9, 1998.

## INTRODUCTION

Thank you for the opportunity to appear today. I am Angelyque P. Campbell. I am from Texas and I represent the Texas Community Reinvestment Coalition. I come today on behalf of TCRC to discuss our concerns about the merger's impact on low income consumers and persons of color in Texas.

We believe our position in this merger is unique since NationsBank and Bank of America are two of our state's largest financial institutions—NationsBank being the largest bank in Texas. If the merger is approved, the new bank will control an even larger share of the Texas market.

As the only statewide community reinvestment group in Texas, TCRC's interest is ensuring the credit needs of local communities in Texas are not ignored. Unfortunately, our most recent HMDA study, "*Access to the Dream: Home Mortgage Lending in Texas*," shows NationsBank and Bank of America have problems lending to low income consumers and persons of color in Texas. If the merged bank is to lead the financial industry in community lending and investment as it asserts it will, then the Board should delay this merger for two reasons:

- to address unresolved questions about the banks' current performance, and
- to require conditions prior to approval to assure that all communities' credit needs are met.

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<sup>1</sup> TCRC receives administrative support from the Southwest Regional Office of Consumers Union. Consumers Union, publisher of *Consumer Reports*, is a nonprofit organization established in 1936 to provide consumers with information and advice on goods, services, health, and personal finance. Consumers Union accepts no outside advertising nor is beholden to any commercial interest.

The new mega-bank needs to make firm, geographic- and income-specific commitments, and the regulators need to monitor and enforce those commitments in the following areas:

### **No Branch Closings in Low Income Communities and Communities of Color.**

When Texas suffered from 40 percent of the nation's bank failures in the 1980s, it was our low income neighborhoods who were affected most by bank closures. As banks moved out of the neighborhoods, higher-cost non-bank institutions moved in. It concerns our coalition that of the total number of NationsBank branch openings and closings that occurred in 1996, upper and middle income areas received 40 new branches, while low and moderate income areas only received 10.

### **Improved Lending Performance to Persons of Color**

In Texas, African-American and Latino borrowers are two to three times as likely to be denied for a home loan by NationsBank than a White borrower. HMDA data also shows NationsBank loaned 86% of their dollars for home loans to white borrowers. In some Texas cities, the disparity is worse:

In the Beaumont-Port Arthur MSA—two majority African-American cities—NationsBank made only four loans to black families, and only one of them in a black census tract. Yet, NationsBank holds 9 percent of the deposits in the Beaumont-Port Arthur MSA.

In San Antonio, NationsBank holds 14.5 percent of all deposits in the city, while Bank of America controls another 5.5 percent. Yet, NationsBank made only 1.7 percent of San Antonio's home loans.

In the Fort Worth-Arlington MSA—another majority African-American city—NationsBank made only two loans in a black census tract area, yet its depository share in the city is 15.1 percent.

### **Development of Desirable, Affordable Housing Products**

The most recent HMDA data shows Bank of America disproportionately targets Texas low income consumers and persons of color with manufactured housing loans. The interest rates on these home loans ranged from 11.25 - 13.25 percent, substantially higher than the average 7 percent rate for 30-year conventional loans. Since Bank of America's recent decision to sell its manufactured housing unit to Greenpoint this spring, Bank of America has not offered an alternative affordable housing plan which meets their community reinvestment obligation..

We watch these changes in the banking industry with deep anxiety for the effects the mergers will have on our communities. Loss of competition, higher fees, and the erosion of CRA come to mind. Regulators cannot remain passive observers as the financial services landscape changes. The single most important step that must be taken in the wake of bank mergers is to increase accountability of lenders to our communities' unmet banking and credit needs. We trust the Board will do what is necessary to ensure banks remain in compliance with our fair housing and lending laws and accountable to our credit needs.



# \$350,000,000,000.00

## Without Dedicated Partners, It's Just A Number.

In recognition of the role America's financial institutions must take in improving the quality of life for all Americans, Bank of America and NationsBank together have made a \$350-billion commitment to community development over the next decade. As befits the first truly national

We recognize these and our many local partners who are helping us do more for our communities than ever before.

ACORN Housing Corporation	NAACP
Enterprise Foundation	National Council of La Raza
Hispanic Association on Corporate Responsibility	National Urban League
Local Initiatives Support Corporation	Neighborhood Assistance Corporation of America
Low Income Housing Fund	SER - Jobs for Progress, Inc.

bank, this commitment not only builds on the previous efforts of our respective companies, but is more than the amount we could have provided had we continued to work separately.

While we are proud of our ability to provide more funding for affordable housing, minority business and economic development than any other financial institution, there is one more thing required to meet our goals of improving the economic strength and quality of life in our nation's communities - the joint participation of America's community organizations. NationsBank is proud of our association with the organizations listed, and we look forward to creating more partnerships well into the next century. Together, we can make each of our communities a better place to work and live.

# NationsBank



*Panel 4*

The National Economic Development & Law Center

2201 Broadway Suite 815 Oakland, California 94612-3024

**REMARKS FOR  
FEDERAL RESERVE HEARING  
ON APPLICATION OF NATIONSBANK  
AND BANK OF AMERICA TO MERGE**

**JULY 9, 1998  
SAN FRANCISCO, CALIFORNIA**

**JAMES W. HEAD  
PRESIDENT  
NATIONAL ECONOMIC DEVELOPMENT  
AND LAW CENTER**

Good Morning, my name is James W. Head, and I am President of the National Economic Development and Law Center, based in Oakland California. The Center is a national nonprofit, public interest community and economic development technical assistance provider. Our mission is to contribute to the abilities of low-income persons and communities to realize their full potentials. We do this by assisting them in acquiring the tools to build their economic self-sufficiency – by accessing jobs, work skills, and vital support services like child care and family support. I am also the Chairman of the Economic Development Sub-Committee of the California Reinvestment Committee, and a Board member of the California Economic Development Lending Initiative, as well as a former member and Chairman of the Consumer Advisory Council of the Federal Reserve.

This week I received a call from a reporter with the American Banker newspaper in Washington, DC. He wanted to know why I was going to testify before you at this hearing. I found his question a little odd and so informed him. He explained that in light of the fact that opportunities to present written comments was available, and many had done so, what was to be accomplished by appearing and testifying in person. I responded to him that it is important for those making decisions in matters like these to attach faces and descriptive facts and antidotes to the issues to be decided. This gives context, and hopefully some grounding, to the issues to be decided. It is important for you to understand the unique issues facing California and other states that will be impacted by this merger. Your understanding should be influenced and shaped by the

information you here from myself and others who are working in communities that can be directly impacted, positively and negatively, by your decision regarding the merger.

My remarks will not focus on whether this merger should or shouldn't be approved. My remarks will focus on some key issues you should consider in coming to a decision about the merger.

Because my time is limited, let me make three quick points.

#### **I. Loans to Minorities**

**There is a continuing perception that minorities, especially blacks, are not able to get loans at banks in the same way as their white counterparts.** While it has been very difficult to verify or dismiss this perception, anecdotal and survey information continue to support it. In a Wall Street Journal survey commissioned about four years ago, a public-opinion poll of several hundred black business owners found that being snubbed by banks is pretty much the norm. An overwhelming 92% of black business owners said they had been turned down by banks while trying to finance their firms. Lack of collateral, a paucity of black lenders and loan officers, and a public perception that blacks lack business acumen are among the major drags on capital flow to black-owned firms, according to the great majority of those surveyed. For all the complaints however, banks are where 73% of black-owned firms ultimately obtain capital, according

to the survey. When asked what would be their preferred source or sources of capital, 63% of the respondents indicated Banks.

Does this mean that NationsBank and Bank of America are not lending equitably to all? While I cannot speak for NationsBank's record of lending to minorities, my experience with Bank of America is that they have made great efforts, with success, to expand their lending to minorities. But if you here from others that this is an issue of concern, and you accept the fact that the general perception continues to exist, you should closely examine the records of these two institutions regarding minority lending, and should determine whether merger increases their capacity to be responsive to minorities.

## **II. Equity Capital For Start Up And Expansion Businesses**

**In a presentation at a Community Reinvestment and Access to Credit meeting in Los Angeles in January, 1998, Chairman Alan Greenspan suggested that additional debt through loans might not be the most effective solution to meeting the needs of communities like South Central. He suggested that equity investments might prove more effective and key to immediate and long-term economic revival.** For a number of years now, California advocates have been discussing and educating Bank of America staff on the need for loan products that provide equity or patient capital for new and expanding businesses. This need can serve the emerging nonprofit organizations that are developing successful for-profit businesses to bring jobs and goods to low income communities; the emerging entrepreneurs, like welfare recipients, youth, and skilled

unemployed or underemployed workers that are identifying small business niches that can help them become economically self-sufficient; and emerging and expanding small businesses that are trying to continue the creation of employment and economic stability in low-income communities. Our discussions with Bank of America have been around strategies and mechanisms for developing loan products that will address the credit needs of these constituents, and will allow the Bank to make money. We hope that you will question NationsBank and Bank of America on their willingness and commitment to continue to work towards addressing this critical need. At the very least, we believe that the merged Bank should commit to being a leader in the development of loan products that provide the kind of patient capital needed, and that they will work with us and others to experiment and test these products in California and other states. This is cutting edge work, and it should not be abandoned or delayed because of the application for merger.

### **III. Community Economic Development Initiative**

**During the first quarter of 1998, Community economic development leaders and Bank of America staff collaborated to develop an innovative community economic development philanthropic initiative, titled "Readiness for the 21<sup>st</sup> Century", to promote economic readiness for individuals, communities, and community based organizations. Targeting community-based organizations and groups in all of the states where the Bank has a retail presence, this initiative was designed to help organizations assist their constituents in qualifying for the loans covered by the Bank's 1997-98 \$140 billion community lending goals, and addressing ways to help those constituents become**

profitable customers for the Bank. This initiative was partly based on a realization that many individuals and communities are not yet in a position to access and benefit from the community lending goals set by Bank of America. Providing needed technical assistance, grant funding, and loan capital in the states and communities served by the Bank through a philanthropic initiative was seen as an effective way to move toward greater access. Doing so would also reinforce the Bank's position as a leader in the area of Community Development and enhance its image in the communities it serves. Recently, NationsBank and Bank of America announced a new \$350 billion, 10 year commitment to community development lending and investment in rural and urban markets. The question you should ask is should the new merged Bank honor the commitment of Bank of America to this initiative as a way to insure full access to this new commitment. If the answer is yes, you should strongly recommend, if not require, the merged Bank to commit to implementation of this previously agreed upon economic development initiative, as well as BofA's Rural 2000 initiative, and in a manner and amount of funding equal to the new strength of the Bank and its new \$350 billion community development commitment.

As I conclude, let me return to where I began regarding the question of the American Banker reporter. I am convinced that it is important to communicate in person to you these issues of importance as you review what is before you. Some feel it will not have an impact. Others feel it is risky because I may offend the Banks and that may be remembered later. In business, as in life, you gain more by direct dialogue and debate than by indirect prose and avoidance. Imagine if we only had Dr. King's "I have a

in Washington, or if President Kennedy's promise of a man on the moon had been only an editorial in the Washington Post, rather than the inspired delivery we all have seen. Lastly, even in the face of advancing technology like the internet, some of us are still more comfortable making our points in a face to face discussion with those responsible for making the final decision. That is why I am here today to speak to you, and why I hope you will create opportunities for us to have continued face to face discussions with NationsBank and Bank of America.

Thank you for this opportunity.



Panel 4

FEDERAL RESERVE BANK OF SAN FRANCISCO

PUBLIC HEARING ~~RELATIVE TO~~ THE BANK OF AMERICA/ NATIONS BANK  
MERGER -- THURSDAY, JULY 9, 1998

TESTIMONY OF: CLARENCE WILLIAMS, PRESIDENT  
CALIFORNIA CAPITAL SMALL BUSINESS DEVELOPMENT CORP.  
SACRAMENTO BLACK CHAMBER OF COMMERCE

GOOD MORNING, MY NAME IS CLARENCE WILLIAMS. I AM HERE ON BEHALF OF THE SACRAMENTO BLACK CHAMBER OF COMMERCE AND CALIFORNIA CAPITAL SMALL BUSINESS DEVELOPMENT CORPORATION, IN AS MUCH AS I SERVE IN THE CAPACITY OF PRESIDENT OF BOTH ORGANIZATIONS. IN ADDITION, FOR THE RECORD, I AM A FOUNDING AND CURRENT MEMBER OF THE BANK OF AMERICA COMMUNITY DEVELOPMENT BANK COMMUNITY ADVISORY BOARD.

THE SACRAMENTO BLACK CHAMBER OF COMMERCE IS A 501(C)(6) MEMBERSHIP ORGANIZATION ESTABLISHED MORE THAN TWELVE YEARS AGO FOR THE PURPOSE OF MITIGATING AND ELIMINATING ARBITRARY AND DISCRIMINATORY BARRIERS WHICH PRECLUDE AFRICAN AMERICAN OWNED BUSINESSES FROM FULLY PARTICIPATING IN THE MARKETPLACE.

CALIFORNIA CAPITAL IS A NORTHERN CALIFORNIA BASED 501(C)(3) CORPORATION, UNDER CONTRACTS WITH THE STATE OF CALIFORNIA, AND THE SACRAMENTO MUNICIPAL UTILITY DISTRICT TO PROVIDE GUARANTEES ON BANK LOANS TO SMALL BUSINESSES. IN ADDITION, WE ARE CONTRACTED WITH THE SOLANO COUNTY ORGANIZING COMMITTEE TO ADMINISTER A MICRO LOAN FUND, AND THE U.S. DEPARTMENT OF AGRICULTURE RURAL DEVELOPMENT TO ADMINISTER A RURAL INTERMEDIARY RELENDING PROGRAM IN SEVERAL SPARSELY POPULATED NORTHERN COUNTIES.

TESTIMONY OF CLARENCE WILLIAMS  
PAGE TWO

THE PURPOSE OF MY TESTIMONY IS TO SUPPORT THE CAUSE OF THE FEDERAL RESERVE BANK IN ITS CONTINUING OBLIGATIONS TO COMMUNITY DEVELOPMENT AND REVITALIZATION, AND TO EMPHASIZE; AS A CONDITION OF THE MERGER OF THESE TWO INSTITUTIONS, A SPECIFIC OVERALL WRITTEN COMMITMENT OF DOLLARS, PRODUCTS AND SERVICES MUST BE MADE FOR CALIFORNIA AND ITS RESPECTIVE REGIONS, WITH MY CONCERN FOCUSSED ON THE SACRAMENTO VALLEY.

TO DATE, THESE INSTITUTIONS HAVE BEEN UNWILLING TO MAKE A SPECIFIC, WRITTEN COMMITMENT TO CALIFORNIA. WITHOUT SUCH A COMMITMENT, INNER CITY AND RURAL COMMUNITIES MUST RELY ON A "TRUST US COMMITMENT."

CONSEQUENTLY, WE ARE BEING ASKED TO ACQUIESCE TO THIS MERGER ON THE BASIS OF BLIND FAITH, WHILE THESE INSTITUTIONS ARE PROFIT MOTIVATED AND THEIR PRIMARY CONCERN IS RETURN ON INVESTMENT FOR SHAREHOLDERS. CREATING JOBS AND COMMUNITY REINVESTMENT IS NOT NECESSARILY PERCEIVED AS BEING IN THEIR ECONOMIC INTEREST. HOWEVER, OUR COMMUNITIES CANNOT REMAIN SILENT AND INERT AS THE NUMBER OF FINANCIAL INSTITUTIONS CONTINUE TO CONTRACT FROM AS MANY AS TWENTY FIVE THOUSAND TO A PROJECTED EIGHT, SIX OR FOUR THOUSAND.

TESTIMONY OF CLARENCE WILLIAMS  
PAGE THREE

THIS CONTRACTION AND THE DEBATE, THEREOF, SHOULD NOT BE RESTRICTED TO AN ANALYSIS THAT ONLY PURSUES SUCH GOALS AS INCREASED EFFICIENCY AND GLOBAL COMPETITIVENESS IF THEY ARE AT THE EXPENSE OF INNER CITY AND RURAL COMMUNITIES. WE CANNOT ACCEPT COSTS SUCH AS INCREASED UNEMPLOYMENT AND DISINVESTMENT BEING SHIFTED FROM THE BALANCE SHEETS OF THE BANKS TO THE BACKS OF OUR COMMUNITIES. IF FINANCIAL INSTITUTIONS AND THEIR SHAREHOLDERS ARE THE BENEFICIARIES OF CONSOLIDATION, THEN, OUR COMMUNITIES SHOULD ALSO REALIZE SUBSTANTIVE BENEFITS AND NOT ONLY BE REQUIRED TO ABSORB THE COSTS OF THIS PROPOSED CONSOLIDATION.

FURTHERMORE, IT IS OBVIOUS THAT THESE FINANCIAL INSTITUTIONS VIEW "NEGOTIATED WRITTEN COMMITMENTS" AS MITIGATION TO TRANSFERRED NEGATIVE COST IMPACTS RESULTING FROM CONSOLIDATION. IF ACCEPTED AS MITIGATION BY THE COMMUNITY, WE MUST ASSURE THAT THESE SCARCE DOLLARS AND RESOURCES ARE FIRMLY COMMITTED IN WRITING AND REINVESTED FOR THE PURPOSE OF COMMUNITY GROWTH, AND ITS SUSTAINABILITY.

I AM CERTAIN THAT THE TESTIMONY AT THESE HEARINGS WILL IDENTIFY NUMEROUS AND SPECIFIC INSTANCES WHERE THE PRINCIPALS OF THIS MERGER HAVE BEEN UNWILLING TO SPECIFY, IN WRITING, THE COMMITMENTS NECESSARY FOR THE APPROVAL OF THIS APPLICATION. HOWEVER, I SHALL NOTE, FOR THE RECORD, THEIR FAILURE TO:

TESTIMONY OF CLARENCE WILLIAMS  
PAGE THREE

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TESTIMONY OF CLARENCE WILLIAMS

PAGE FOUR

- o INCREASE BANK OF AMERICA'S 1997 \$70 BILLION ALLOCATION TO CALIFORNIA;
- o SUPPORT NON PROFIT TECHNICAL ASSISTANCE PROVIDERS WHO ASSIST SMALL BUSINESS;
- o MAKE EQUITY INVESTMENT IN CDCs AND SBICs;
- o PROVIDE VENTURE CAPITAL TO MINORITY AND WOMEN OWNED BUSINESSES LOCATED IN DISTRESSED AREAS;
- o PURCHASE AT LEAST 25% OF ITS GOODS AND SERVICES FROM MINORITY AND DISABLED OWNED BUSINESSES; AND
- o MAKE A WRITTEN COMMITMENT MAINTAINING BANK OF AMERICA COMMUNITY DEVELOPMENT BANK AND ITS INSTITUTIONAL EXPERTISE WITH REGARD TO COMMUNITY REINVESTMENT.

IN CLOSING, I AM AWARE OF THE FEDERAL RESERVE'S SPECIFIED AUTHORITY TO ENFORCE NEGOTIATED COMMITMENTS, NOTHING PRECLUDES THIS PANEL FROM VERIFYING WHETHER "AGREEMENTS" MADE BY THE PARTICIPANTS OF THIS MERGER REPRESENT EITHER BILLIONS OF DOLLARS OF SMOKE AND MIRRORS OR A SUBSTANTIVE COVENANT OF COMMITMENTS INVOLVING LONG TERM PARTNERSHIPS AND RELATIONSHIPS TO REVITALIZE AND SUSTAIN INNER CITY AND RURAL COMMUNITIES.

THANK YOU FOR YOUR PATIENCE.

TESTIMONY OF  
CARLOS RICHARDSON  
NEIGHBORHOODS FIRST ALLIANCE (SAN ANTONIO, TX)

at

PUBLIC MEETING ON NATIONSBANK AND BANKAMERICA  
FEDERAL RESERVE BANK OF SAN FRANCISCO  
JULY 9, 1998

Contents:

- 1) Written testimony
- 2) Analysis of NationsBank HMDA for 1997
- 3) Map of redlined census tracts
- 4) Letter of support from Mario Marcel Salas, San Antonio City Council, District 2

Based on the 1997 HMDA data it is reflected that has redlined the eastern San Antonio community. There were three loans made in our neighborhood. One loan was made to Hispanic for \$14,000, another to an African American for \$21,000 and an undisclosed ethnic group for \$26,000.

NationsBank began negotiations with Neighborhoods First Alliance with the statement "we do not sign agreements with neighborhood groups." This is a clear demonstration of its lack of will in making a commitment.

NationsBank also refused to agree to any measurable goals or time tables to rectify the problems, thus refusing to be held accountable for its performance.

Due to such institutional policies as redlining, the eastern sector is economically deprived. The neighborhood is populated by the elderly and working poor and has not been a participant in the economical growth of the SMSA. The area is besieged by warehouse encroachment, tank farms, and hazardous waste.

The lack of mortgage lending is destroying the residential nature of the neighborhood and encourages the type of investment that destroys the living environment and ultimately the neighborhood itself.

After Neighborhoods First Alliance requested Nationsbank's HMDA data, an executive of the bank discovered one of the organizations was funded by the United Way. The executive called United way and the leader involved was immediately put on job probation. This attempt to cripple our neighborhood leadership demonstrates this corporation's arrogance and willingness to use its power to step on poor communities.

# NationsBank Home Mortgage Data for 1997

For the following Eastside Census Tracts 1301, 1302, 1303, 1304, 1305, 1306, 1307, 1308, 1309, 1310, and 1311

## 81 Total Loan Applications

1 Loan Made for Owner Occupied Purchase of a House (\$14,000)

0 Black

1 Hispanic (\$14,000)

0 White

2 Loans Made for Non-Owner Occupied Purchase of a House (a total of \$47,000)

1 Black (\$21,000)

0 Hispanic

0 White

1 Undisclosed Ethnic Group (\$26,000)

26 Loans to Owners for Repair of Homes

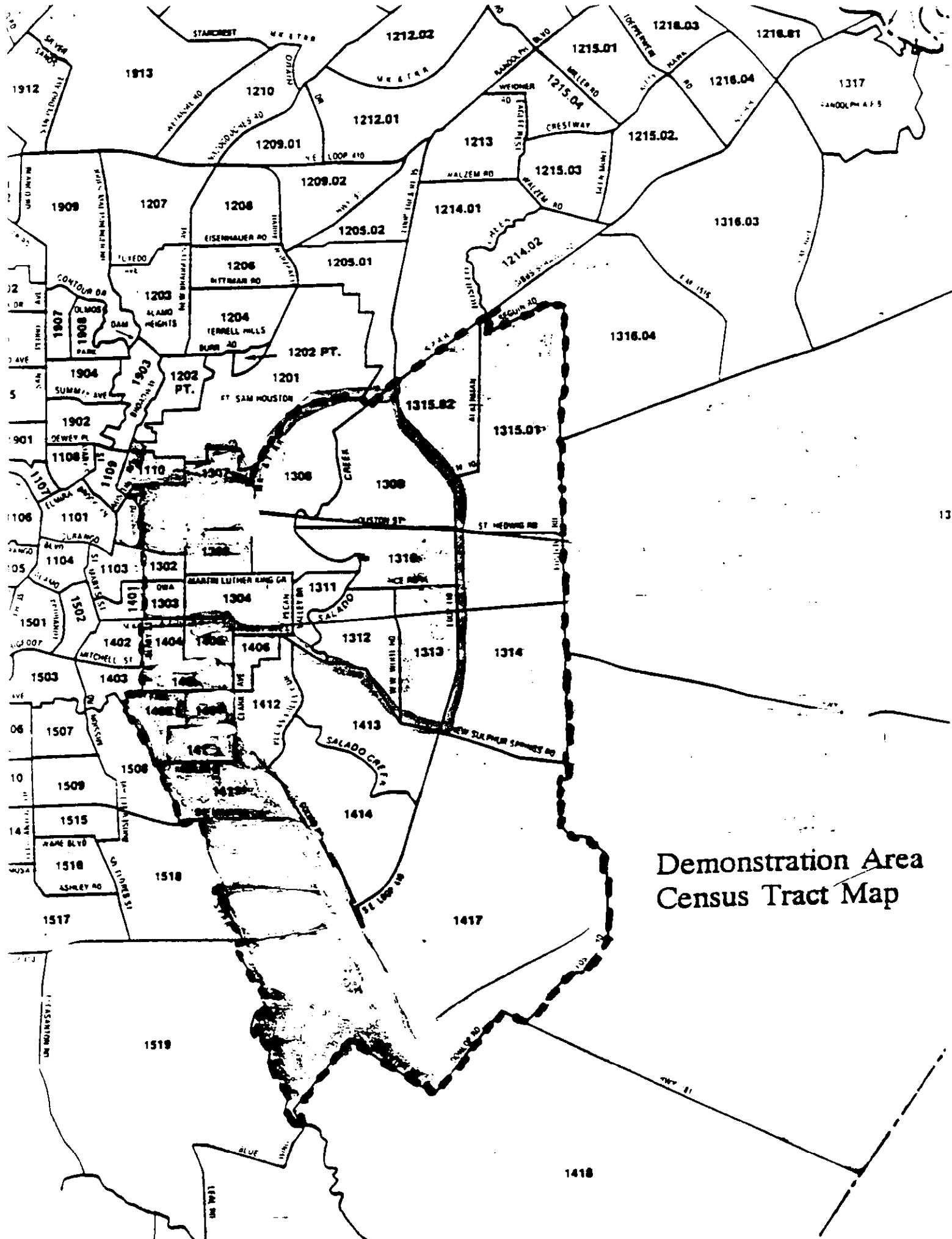
17 Black (a total of \$70,000)

5 Hispanic (a total of \$21,000)

2 White (a total of \$37,000)

1 Undisclosed Ethnic Group (\$3,000)





Demonstration Area  
Census Tract Map

# CITY OF SAN ANTONIO



MARIO SALAS  
COUNCILMAN  
DISTRICT 2

July 7, 1998

Ms. Jennifer Johnson  
Secretary, Board of Governors  
Federal Reserve System  
20<sup>th</sup> Street and Constitution Ave., N.W.

Dear Members of the Board of Governors:

As the Councilperson representing San Antonio's District 2, I submit this letter to protest the application filed by NationsBank Corporation of Charlotte, North Carolina to merge with the Bank of America of San Francisco, California. District 2 is located in East San Antonio and is home for much of San Antonio's African American community.

According to a community group in my District, the Neighborhoods First Alliance, the 1997 Home Mortgage Disclosure Act data for NationsBank's operations in San Antonio shows a very poor record of meeting the credit needs of San Antonio's minority and low-income communities. In all of Bexar County, NationsBank made a total of only three loans for the purchase of an owner-occupied home to African Americans. To put it bluntly, NationsBank's lending record in San Antonio's African American community is shameful.

NationsBank's claim that they are serving the communities in which they are chartered to do business is clearly false. Allowing the proposed merger with Bank of America will make an already bad situation worse by shifting decision making authority and financial resources farther away from the people affected.

This concerns me because access to credit is crucial to restoring the integrity of District 2's neighborhoods. Without credit, homeownership declines. And without homeowners with a stake in its well being, a community suffers encroachment by industries looking for areas lacking the political will to keep them out. For too long my district has been singled out as a toxic dumping ground, a Mecca for environmental outlaws such as Aztec Ceramics. This terrible legacy is but one of the consequences of NationsBank's redlining. East San Antonio cannot heal itself without support for the community-based strategies advocated by groups such as the Neighborhoods First Alliance.

Given their lack of responsiveness and their history of redlining and discrimination, I ask the Board of Governors to deny NationsBank and Bank of America's application to merge, or at least remove the application from expedited processing so the Board may more fully investigate NationsBank's compliance with the Community Reinvestment Act.

A handwritten signature in cursive script that reads "Mario Marcel Salas".

Mario Marcel Salas  
San Antonio City Council, District 2

MAILING:  
P.O. BOX 839966  
SAN ANTONIO, TEXAS 78283-3966

CITY OF SAN ANTONIO, TEXAS  
CITY HALL (210) 207-7040  
FAX (210) 207-7027

July 8, 1998

STATEMENT OF LEO AVILA  
(AMERICAN G.I. FORUM)

The American G.I. Forum is our nation's most prominent and largest Hispanic veteran's organization.

We oppose any merger that fails to ensure that the Latino community, a community that put America first in every war, fully and specifically benefits from this merger. We want home loans. We want business loans. And we want the banks to move their charitable dollars from the ballet to the barrio.

Until there are specific commitments, we say to Chairmen Coulter, McColl and Greenspan, "No Merger". Remember the Latino community is the future for California and any bank that operates here.

Michael Betz  
(Greenlining Institute)

Panel 4

Arguimides Caldera  
Grantling Institute

July 8, 1998

STATEMENT OF STEVE SOTO  
(PRESIDENT AND CEO, THE MEXICAN AMERICAN GROCERS  
ASSOCIATION)

Our association's success (over 7,000 members) is a harbinger of the future of this state. We can once again be a Golden State if banks tap all of California's minority resources, much as Wells Fargo is attempting to do.

The BofA/Nations pledge fails to tap this potential. The result is likely to be a lack of lending and economic development funds. We urge you and the banks to develop specific minority lending and contract goals. Until that is done, our support can not be secured and the new bank will not achieve its profit goals.

Our association also protests the lack of hearings in Southern California.

July 7, 1998

STATEMENT OF CEO AND PRESIDENT OF PHOENIX URBAN LEAGUE  
(GEORGE DEAN)

The Phoenix Urban League has had a very good relationship with the BofA. However, we must, no matter what the risk, set forth our concerns.

First, NationsBank may not be as sensitive to the unique minority cultures in Arizona;

Second, all the major banks in the West have recognized the multi-billion dollar potential of minority markets and set specific goals. Nations refuses to do so. We ask why?

Third, although community groups appreciate grants, it should be noted that as a percentage of profits, the record of the new banks is only half that of its competitors, such as Well Fargo.

Fourth, this merger should be modified to require specific minority lending and contract goals and a substantial charitable commitment to underserved communities.

Panel 2

Tunua Thrash, Greenlining Institute

July 8, 1998

STATEMENT OF MARK WHITLOCK  
(EXECUTIVE DIRECTOR OF ECONOMIC DEVELOPMENT, FIRST AME  
CHURCH)

As the Executive Director of a major inner city African-American church-operated economics development program with 16,000 family constituents, I have grave misgivings about absentee landlords. Our community has suffered from generations of absentee landlord neglect.

Second, when all of a bank's competitors make specific minority pledges, one has to wonder as to the motives of the one who refuses.

Third, many members of our church would like to testify but can not when hearings are held only in San Francisco. Please put on an L.A. hearing as we previously requested.

Fourth, the African American market nationwide is over \$600 billion dollars. Those who ignore us do so at their peril.

We come to the table not with a beg, but with a desire to create a civil and prosperous society.

Haydee Diaz GREENLIVING  
COALITION  
MEMBER

July 8, 1998

Panel 4

STATEMENT OF WILLIS WHITE  
(CALIFORNIA BLACK CHAMBER OF COMMERCE)

I join with the National Black Chamber, the Black Business Association and the National Black Business Council in criticizing a merger that abandons the African American community.

We have never shared in either bank's loan pool or contract program, nor in Golden Parachutes for senior, white males worth over \$200 million dollars. Nor have we equitably shared in their economic development projects. Consider this: BofA alone lent more to South Korea (\$3.1 billion dollars) than the total it has lent to African American-owned businesses over the last 50 years. And remember, BofA has lost \$3.1 billion in Korea and nothing in the inner city.

Until they "show us the money" and "walk the talk" we will criticize this merger.

Trina Villanueva  
The Greenlining Just.

Greenlining  
Coalition  
Member

# 2

July 7, 1998

STATEMENT OF MATEO CAMARILLO  
(VICE CHAIR, CHICANO FEDERATION OF SAN DIEGO)

No bank mega-mergers should occur without specific minority and geographical pledges. In San Diego, over 40 percent of our county are minorities and the majority of potential homeowners and small business entrepreneurs are persons of color.

We in San Diego urge CEO McColl to visit us and pledge that the new bank will set specific minority lending and business goals just like WAMU, Well Fargo and Union Bank of California.

Unless this is done, competition may decide the financial fate of this merger. Why should 80 million minorities with a GNP of over one trillion dollars do business with a bank that ignores us, when Wells and WAMU court us?



Vy Nguyen

Greenlining Coalition  
Member

Panel 4

July 7, 1998

STATEMENT OF MAI CONG, CEO  
(VIETNAMESE COMMUNITY OF ORANGE COUNTY, INC.)

The Vietnamese American community has been inadequately served by BofA's small business lending and fears that an absentee landlord with little knowledge of our culture will do even worse. Frankly, only targeted minority marketing and goals, as recently set by BofA's competitors such as Union Bank, can correct this lack of capital to an emerging U.S. market far greater than many overseas markets.

On behalf of Orange County's 160,000 Vietnamese-Americans, I wish to deliver a personal message to Chairman Greenspan with whom I recently met. Don't forsake us; compel NationsBank to set specific minority goals for small business lending and continuity and to promote people from our community into senior management.

July 7, 1998

Gene Calderon  
Greenlining Institute

Page 12

July 8, 1998

STATEMENT OF BERT CORONA  
(EXECUTIVE DIRECTOR, HERMANDAD MEXICANA NACIONAL)

I offer this testimony on behalf of the nation's largest immigrant service center and advocacy institution. We have offices in Washington, D.C., New York and Illinois, as well as in California. I have been an active advocate for minority empowerment and economic justice and development since FDR was first elected President.

This merger could be harmful to all communities. It is particularly so for low-income, immigrant and minority communities. Over the last six decades, we have witnessed the dangers of absentee landlords and those that view the poor from afar.

I refuse to testify so that my personal absence is evidence against Chairman Greenspan's decision to prevent low-income persons from voicing their concerns, unless they live in the San Francisco area or have a "rich uncle" bank to fund their trip.

- In summary, we oppose the merger unless the new bank sets specific community and minority lending goals and commits to a low-income philanthropic investment program that rivals that of Wells Fargo or Union Bank. It is not enough for top executives to draw eight figure salaries while doling out crumbs to the community.

I also question the safety and soundness of a bank which lacks the confidence of persons of color. We constitute two-thirds of Los Angeles County's population, a population greater than that of North Carolina.

July 8, 1998

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July 8, 1998

STATEMENT OF BERT CORONA  
(EXECUTIVE DIRECTOR, HERMANDAD MEXICANA NACIONAL)

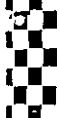
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*Panel 4  
 Toda Romero  
 7-8-98*

July 6, 1998

**Board of Directors**

*Rev. James H. Daniel, Jr.  
 Chairman & CEO*

*Deborah Allan  
 Community Relations*

*Cynthia Allen, Esq.  
 Legal Affairs*

*Samuel Lisle  
 Chairman  
 21st Century (UBA)*

*Dr. Harry Good, III  
 Educational Development*

*Wesley Gray, III  
 Community &  
 Government Affairs*

*Kenneth Mercer  
 21st Century  
 Investment Alliance*

**Community Development:**

*Verda Harris Olayinka  
 Research & Development*

*Rev. James Washington  
 21st Century  
 Investment Alliance*

*James L. Williams  
 21st Century Partnership*

*Devon M. Daniel  
 V.P. Operations*

*James H.D. Daniel  
 Sr. CEO*

*Donald E. Davis  
 Community Relations*

*Daniel Simonnette  
 V.P. for Govt & Corporate  
 Relations*

*Eva M. Barnes  
 Director of Publications*

**STATEMENT OF 21st CENTURY PARTNERSHIP**  
 (Rev. James H. Daniel, Jr., Chairman /CEO)

The 21st Century Partnership is a non-profit community development corporation concerned with many issues pertaining to community development here on the east Coast. Among them is the changing face of the financial services industry. We as ministers and servants to the community believe that mega-mergers must create concrete results for the traditionally underserved.

NationsBank's CRA record is of concern. Its lack of specific commitments to those who led the struggle for economic justice, as represented by Martin Luther King, Jr, is appalling.

We, as African American ministers, call on Hugh McColl to heed a higher call that is consistent with corporate growth: "Let them among you that would be great first be a servant to them all".

And, we, serving in the interest and voicing the concerns of millions of African Americans, decry the Federal Reserve's Board of Governors refusal to grant us a hearing in each state in which NationsBank and BOFA have failed to render adequate financial services to the un and underbanked among us.

Only lack of funds has prevented us from personally testifying.

Respectfully,

*[Signature]*  
 Rev. James H. Daniel, Jr.

East Fulton Street Revitalization & Development Corporation



July 6, 1998

Board of Directors  
 Rev. James H. Daniel, Jr.  
 Chairman & CEO

Deborah Allan  
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Cynthia Allen, Esq.  
 Legal Affairs

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 Chairman,  
 21st Century (CBA)

Dr. Harry Gook, III  
 Educational Development

Wesley Gray, III  
 Community &  
 Government Affairs

Kenneth Mercer  
 21st Century  
 Investment Alliance

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Verda Harris Olayinka  
 Research & Development

Rev. James Washington  
 21st Century  
 Ministerial Alliance

James L. Williams  
 21st Century Partnership

Devon M. Daniel  
 V.P. Operations

James H.D. Daniel  
 Jr. CEO

Dwight E. Davis  
 Community Relations

Darrel Simonette  
 V.P. for Govt & Corporate  
 Relations

Eva M. Barnes  
 Director of Publications

**STATEMENT OF 21st CENTURY PARTNERSHIP**  
 (Rev. James H. Daniel, Jr., Chairman /CEO)

The 21st Century Partnership is a non-profit community development corporation concerned with many issues pertaining to community development here on the east Coast. Among them is the changing face of the financial services industry. We as ministers and servants to the community believe that mega-mergers must create concrete results for the traditionally underserved.

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 Rev. James H. Daniel, Jr.

East Fulton Street Revitalization & Development Corporation



**Neighborhood Assistance Corporation of America**

*Panel 5*

**Bruce Marks**  
Chief Executive Officer

**Rev. Graylan Scott Hagler**  
Development Director

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**www.naca.com**



**FOR IMMEDIATE RELEASE**

Wednesday, July 9, 1998

**CONTACT: BRUCE MARKS/ EXECUTIVE DIRECTOR:  
JOHN DEMETER/ MEDIA DIRECTOR:  
Phone: 617-250-6222 Pager (617) 835-4477**

**NACA, NATIONAL NON PROFIT ACTIVIST GROUP, TESTIFIES IN SUPPORT OF  
THE NATIONSBANK MERGER WITH BANK OF AMERICA**

The Neighborhood Assistance Corporation of America ("NACA") a national housing services and advocacy organization that has lead high profile fights against discriminatory and unfair lending and mortgage scams will be testifying today before the Federal Reserve Bank of San Francisco in support of the merger of NationsBank and the Bank of America.

[Attached is the letter of support from NACA Executive Director Bruce Marks.] "The \$350 Billion community reinvestment program put forward by NationsBank/Bank of America", states Bruce Marks, "is unprecedented and will insure that individuals and communities that have been denied access to credit will now have access to funds on terms they can afford. NationsBank/ Bank of America will in fact become the nation's largest private sector affordable housing developer and primary lender to low and moderate income people and communities."

Accompanying Marks are homeowners who have benefited from the variety of housing services and programs provided by NACA, and funded by NationsBank. These homeowners are traveling to San Francisco to show the tremendous impact of NationsBank's community investment program.

- First-time homebuyers: Carolyn and Freddie Hawkins, Charlotte NC and Naomi Martin of Washington DC.
- Purchase-rehab homebuyer: Mayo Funderburg of Atlanta, Georgia.
- Refinance from predatory loan: Genie McNab of Decatur, Georgia.

NACA began in 1988 in Boston and has expanded nationwide providing the best mortgage program for working people: no downpayment, no closing costs, no fees and free comprehensive housing services. NACA was in the forefront of the campaign against Fleet Finance's predatory lending. After a 4 1/2 year war and extensive exposure in national media, Fleet committed over \$8.5 Billion to low and moderate income people and communities. NACA is currently leading a high-profile campaign against lending abuses by Ford Motor Company and its lending subsidiary, Associates Financial, the country's largest home equity lender. NACA's research and reports have been featured on all three major networks.

Headquarters (Boston): 3607 Washington St., Jamaica Plain MA 02130  
Phone: 617-250-NACA (6222) • Fax: 617-250-6262  
Unfair Lending : 1-800-96-SHARK • Housing Services : 1-888-302-NACA





**Neighborhood Assistance Corporation of America**

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Chief Executive Officer

**Rev. Graylan Scott Hagler**  
Development Director

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**Mr. A. Linwood Gill, III**  
Federal Reserve Bank of Richmond  
701 E. Byrd Street  
Richmond VA 23219

Tuesday, June 30, 1998

Dear Mr. Gill,

Please consider this letter in support of the merger of NationsBank and Bank of America particularly as it relates to the principles of the Community Reinvestment Act. As you know, the Community Reinvestment Act was designed to insure that all communities and individuals have access to credit.

With that in mind, one can only commend the commitment extended to low and moderate income communities by NationsBank and Bank of America. While both institutions have had strong track records in the area of community reinvestment their most recent proposal is extraordinary.

This \$350 Billion community reinvestment program is unprecedented. This institution will in fact become the nation's largest private sector developer of affordable housing and the primary lender to low and moderate income people and communities. While this proposal may sound too good to be true on paper, NationsBank's track record of follow-through and speedy completion of their previous substantial commitments demonstrates that such proposals are backed with action.

This current commitment encompasses the full range of financing that is necessary for neighborhood and community stabilization. Thus there are considerable funds for affordable housing development, support for mortgage financing, as well as monies for small business development. It is truly a program offering access to credit for people and communities that have historically been denied such opportunity. For as we know, the life-blood to any community's fiscal and economic health is access to credit.

In any initiative the devil is often in the details. Looking at some of the details, however, we see an initiative that will provide billions of dollars for people who have been victimized by predatory lenders. Homeowners will be able to refinance a high rate or predatory loan at an interest rate of less than 7% with no points, fees or other costs. As you know, the rate for non-conforming loans is between 12% and 16%, with four to eight points, and other fees packed in (there are many examples of much higher rates, points, and fees). It is only a matter of time before many of these victimized homeowners face loss of their homes.

In addition to refinancing homeowners, the NationsBank/Bank of America reinvestment program will provide unbelievable home ownership opportunities for low

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and moderate income people and communities nationwide. The ability to purchase a home with no down payment, no closing costs, no application fee, no perfect credit, at less than 7% interest is incredible. This initiative will revolutionize mortgage lending throughout the country.

It is virtually impossible to put this \$350 Billion dollar initiative in context unless it is compared to programs of similar scope. The most obvious are the programs either sponsored or funded by the Federal Government. HUD has scaled down its commitment in this area and as our organization and others have pointed out, HUD is allowing mortgage brokers even greater regulatory freedom to exploit homeowners by failing to put regulatory teeth in its enforcement acts. Fannie Mae's guidelines, on the other hand, are so restrictive that low and moderate-income homebuyers, and buyers with untraditional credit are often excluded. The other regulatory agencies, particularly the Federal Reserve, have continued to show very little initiative in strictly enforcing the Community Reinvestment Act.

The reality is that NationsBank/Bank of America have begun to fill this void. They are doing far more for low and moderate-income people and communities than the Federal Government or any other lenders.

They need to be applauded and supported. The regulators need to approve the application immediately and get back into the business of regulating the many discriminatory and predatory financial institutions that prey on working people.

The proof is often in the results. Ask the tens of thousands of low and moderate income people who are already benefiting from what NationsBank is doing. They meet every Saturday around the country to begin the process of purchasing or saving their home. They gather in homebuyer workshops in Atlanta, Charlotte, Columbia, Jacksonville, Washington, Memphis, Baltimore and other cities. You need to listen to these low and moderate income people who understand firsthand the incredible opportunities provided by NationsBank and the combined NationsBank/Bank of America.

Please contact me should you have any questions. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce Marks", written over a white background.

Bruce Marks  
Executive Director

# THE WALL STREET JOURNAL.

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★ ★ ★ EASTERN EDITION

FRIDAY, FEBRUARY 11, 1994

CHICOPEE, MASSACHUSETTS

## Banking on Publicity, Mr. Marks Got Fleet To Lend Billions

Self-Styled 'Urban Terrorist'  
Won Battle on Redlining  
But Needs a New T-Shirt

By SUZANNE ALEXANDER RYAN  
And JOHN R. WILKE

STAFF REPORTERS OF THE WALL STREET JOURNAL  
BOSTON—When Fleet Financial Group Inc.'s troubles over community-lending issues were beginning, the Federal Reserve Bank of Boston arranged a meeting between top Fleet officials and Bruce Marks, the bank's toughest critic.

Although the Fed may have wanted to calm the waters, Mr. Marks wasn't interested. This was his ultimatum at the June 1991 meeting: If Fleet would fund his organization, the Union Neighborhood Assistance Corp., with \$20 million, Mr. Marks would go away. Otherwise he would keep up his campaign of bashing Fleet in the national media, opposing the bank's plans with regulators, and staging demonstrations wherever its top executives appeared in public.

"Up until now you have dealt with community activists," Mr. Marks said, according to minutes of the meeting. "We are urban terrorists."

Fleet rejected the ultimatum. Maybe it should have paid up. Yesterday it agreed to fund Mr. Marks's group not with \$20 million, but with \$140 million as part of a \$1 billion loan pool aimed at inner-city, low-income and small-business borrowers.

Mr. Marks appeared with his adversary, Fleet Chairman Terrence Murray, and a dozen senators and representatives in the glare of television lights in the U.S. Capitol. In a typical theatrical gesture, Mr. Marks produced a giant paper-mache hatchet and dropped it into a coffin, signaling an end to his extraordinary four-year campaign against Fleet.

Mr. Marks is one of a new breed of community activists who are expertly using federal community-reinvestment and fair-lending laws to hold banks' feet to the fire on their obligations to the poor. But

Mr. Marks's bare-knuckle tactics have sometimes seemed to Fleet officials to be motivated more by self-promotion and the advance of his small organization than by altruism.

Yesterday, Mr. Marks shook hands with Mr. Murray, and lauded him for his "bold and innovative" inner-city lending program. The last time Mr. Marks was in the Capitol, he wore a T-shirt with the word "Wanted" above a picture of Mr. Murray, and below, "Loanshark." He had come to Washington with some 400 members of the Hotel Workers' Union to crash a Senate Banking Committee hearing, filling the hearing room and singing gospel songs before the meeting began.

### Surprise Visits

That was just one of a string of outrageous stunts Mr. Marks staged to embarrass Fleet. Always flanked by militant union members, he has turned up at analysts' meetings, picketed press conferences and disrupted speeches. Two years ago, trying to head him off from speaking at the bank's annual meeting, Fleet attorneys scheduled a deposition of Mr. Marks at the same time as the meeting. Asked about the tactic, a Fleet spokesman said that "we just figured anyone with an ego that big could easily show up in two places at once." Mr. Marks ignored the deposition and tried to go to the meeting anyway, but was barred by Fleet security.

Fleet's new lending initiative marks victory in a four-year crusade for the slight, 38-year-old Mr. Marks, who grew up in comfortable Scarsdale, N.Y., and Greenwich, Conn.

Armed with the idealism of the 1970s and a master's in business administration from New York University, he went to work at the New York Federal Reserve, where his job included evaluating bank applications for mergers and acquisitions. But he says he was criticized by superiors for recommending that some proposals be turned down on grounds that the banks hadn't complied with federal Community Reinvestment Act rules. "I wasn't seen as a team player," says Mr. Marks.

He left that job convinced that banks weren't living up to their obligations to lend in the inner city. Mr. Marks soon found himself in Boston's gritty South End, trying to convince Domenic Bozzotto, tough-talking president of the Hotel Workers' Union Local 26, that the union should help its mostly low-paid, immigrant membership buy their homes.

"I threw him out of my office," Mr. Bozzotto says. "He was a yuppy in a suit. He looked like the young M.B.A.s who sit on the wrong side of the contract-bargaining table — someone who wanted to get a little taste of urban community service to round out his resume."

Mr. Marks wouldn't go away.

He plunged into union work, pressing Mr. Bozzotto to stress housing in contract negotiations. In 1988, the union won a landmark contract with Boston's booming hotel industry that created the Union Neighborhood Assistance Corp., a non-profit affiliate that disbursed small, no-interest loans to members to help them make down payments on homes.

Mr. Marks next turned his attention to redlining by banks in Boston's Roxbury, Dorchester and South End neighborhoods. He found that while major banks had little presence in those areas, they quietly backed small second-mortgage companies that lent money at sky-high rates. While Fleet wasn't the worst offender, Mr. Marks attacked the Providence, R.I., bank because it was about to buy the failed Bank of New England, putting it in the headlines and under regulatory scrutiny.

Mr. Marks found victims of second-mortgage companies and steered them to newspaper and television reporters. They ran heart-rending stories about people who had lost their homes because the banks backed unscrupulous second-mortgage lenders with usurious rates.

Mr. Marks turned his attention to Georgia, where Fleet's consumer-finance subsidiary in Atlanta was deeply involved in second-mortgage lending. In the face of charges by the Georgia attorney general of unfair lending, the subsidiary recently agreed to about \$105 million of concessions, including interest-rate reductions and new loans. A Georgia class-action suit with 14,000 plaintiffs alleging predatory lending is scheduled for trial later this month. Last June, Fleet won a related case in Georgia's Supreme Court. But the court blasted Fleet anyway, saying its loan practices "are widely viewed as exorbitant, unethical and perhaps even immoral."

Fleet took the extraordinary step of attacking Mr. Marks in its 1992 annual report. "Activists in Boston, looking to advance their own narrow agenda, made accusations about our lending practices," the report said, adding that one activist had persuaded the CBS News show "60 Minutes" to run a critical story.

Fleet says that in the face of all the criticism, it reviewed all of its lending practices and "to avoid even the perception of wrongdoing" halted the purchase of such loans from third parties.

For Fleet's Mr. Murray, the last straw may have been when Mr. Marks's shock troops showed up, uninvited, at a Boston business-club breakfast last October where

Mr. Murray was speaking. Union members sat at every table and noisily stood up to pass out protest flyers.

Exasperated, Mr. Murray agreed to a meeting. Three days later, Messrs. Marks and Murray met for the first time for a three-hour talk. "I came away feeling he took our issues seriously," Mr. Marks says. By mid-December, Mr. Marks's group had drafted a written agreement. Fleet "could have gone for a media moment, a quick-fix for the television cameras. Instead, what they've put together is a shining example for the entire industry," Mr. Marks says.

The agreement announced yesterday includes \$7.2 billion to be lent to new low- and moderate-income borrowers under existing federal programs. It also includes \$800 million in new programs aimed at inner-city borrowers, including the \$140 million to be handled by Mr. Marks's organization, which will hire 12 new staffers and begin finding loan applicants for Fleet in Massachusetts, New York, New Jersey, Rhode Island and Washington, D.C.

One Fleet insider says some people in the bank thought it should have made peace with Mr. Marks earlier, but were repulsed by his tactics. "Fleet did nothing that wasn't common practice in the consumer-finance business," he says. "But we took the heat." By the time a deal was struck, the damage had been done to Fleet's reputation and the bank agreed to lend Mr. Marks's group seven times what he sought in 1991.

"There's no way this would have happened without Bruce Marks," says Mr. Bozzotto, the union chief. "You can't get someone's attention unless you're in their face. This was a David-and-Goliath situation, and David won this one."

—Angela Shah in Washington contributed to this article.



Bruce Marks



# The Atlanta Journal

6 Sunday, October 20, 1996

HOMEFINDER

The Atlanta Journal / The Atlanta Constitution

## Terms of new NACA loan program unbelievably good



JOHN ADAMS

**L**et's try to design the perfect home purchase.

First, it would involve a mortgage that requires no down payment. Not even a penny of your own money would have to go into the purchase. Then it would really be nice if there were no closing costs and no application fees. Furthermore, it would be just too good if we could get extended debt ratios for those of us who don't fit conventional guidelines. And to top it all off, could somebody offer this type of loan not just for the purchase of homes in good shape, but also for acquisition and rehabilitation projects?

This loan may sound impossibly good to you. It did to me, until I heard about the new program being offered by Neighborhood Assistance Corporation of America (NACA) in Atlanta.

This loan program is designed to help those who have reasonably good credit and are working but simply have not saved up the down payment. The theory is that if loan applicants will educate themselves on the budgeting process and submit to post-purchase counseling, they are less likely to default on their loan obligation. Therefore, while the lender is NationsBank, NACA administers the loan program from beginning to end.

To get the type of loan described above, you must pass a home buying

class and obtain one-on-one counseling about the responsibilities of homeownership. In addition, if you fall behind in your payments, NACA representatives will meet with you and try to get you back on track. Such post-purchase counseling has proven effective before in Atlanta, but most lenders aren't set up to react quickly to late payments from borrowers. As a result, it may be six months before a lender actually talks with a delinquent homeowner. By then, the financial hole may already be too deep.

As with most targeted lending programs, there are strings attached. These loans are intended primarily for first-time home buyers, although refinancings for debt consolidation and home improvement are allowed. You may not own other property, and you must live in the home you finance as long as you own it.

Also, you must make enough to qualify for the loan you seek, but household income is limited depending on the number of people living with you. Single-applicant income cannot exceed \$29,100, while a family of six can earn up to \$48,250. However, if your home falls within the "priority area," no household income limits apply. Some of the targeted areas are parts of Fulton County south of Ponce de Leon Avenue; most of DeKalb County south of College Avenue and inside I-285; Forest Park, East Point; and Hapeville. Maps of target and service areas are available from NACA.

*John Adams is a broker, investor and author on the subject of real estate. If you have a question you'd like to see answered, you can call 404-222-6670, or you can fax your question or comment to 404-373-0026. Adams can't respond to every question, but will answer as many as possible in this column.*

### Barriers to ownership

We know that there is a direct relationship between homeownership and wealth accumulation in this country. Yet one in three Americans continues to live in a home that the head of household does not own. The rest of us live in owned homes. We call that percentage the homeownership rate, and it has hovered around 66 percent for several years. The principal factor affecting the rate in the past has been interest rates. When rates drop, ownership rises, but only slightly.

Studies have shown that the No. 1 barrier to homeownership among Americans of low to moderate income is lack of funds for a down payment. Another major barrier is lack of information about the home buying process. This loan program addresses these barriers head-on and seeks to make it easier for anyone to own his own home. In addition, the loans are being offered at or below current market interest rates.

One interesting feature of this program is that NACA controls the entire home buying process. It provides buyer education and individual counseling, and even offers a buyer brokerage service to help purchasers find a home and negotiate a good deal. In addition, NACA offers rehab management services and post-ownership assistance if a borrower falls behind in mortgage payments.

Programs such as this one have been tried in the past, but never on such a scale. NationsBank has agreed to offer \$500 million in home loans nationwide. If you think you can take advantage of this initiative, call NACA in Atlanta at 404-377-4545.



Nearly 2,000 potential home buyers fill out applications at the NACA and NationsBank kickoff event at the Plymouth Congregational United Church of Christ in Northeast Washington on the Martin Luther King, Jr., Birthday Holiday. (Photo © 1996 JASON MICCOLO JOHNSON.)

## NATIONSBANK PITCHES IN TO HELP BLACKS REALIZE THE DREAM

NationsBank Corporation, headquartered in Charlotte, NC, recently announced it will provide \$500 million in affordable mortgages over five years that will benefit an estimated 10,000 low- and moderate-income home buyers. Qualified applicants will be able to purchase homes with no money down, no closing costs, and no application fees.

As part of the King Holiday celebration, close to 2,000 people

attended the kickoff event by NationsBank and Neighborhood Assistance Corporation of America (NACA)—the Boston-based non-profit group that negotiated with NationsBank to set up the program—to realize their dream of homeownership. The partnership represents the largest and most comprehensive reinvestment initiative in banking history.

"We all know that when Dr. King was cut down, he was ques-

tioning the economic alignment in this country," said Rev. **GRAYLAND ELLIS-HAGLER**, pastor of Plymouth Congregational United Church of Christ in Washington, DC, and NACA's development director.

"Homeownership is the stepping stone to economic empowerment," added **VICKIE B. TASSEN**, NationsBank senior vice president.

Potential borrowers from the District, Baltimore County, Prince George's County, Fairfax County, and Montgomery County are eligible to apply for homes in their area. "This program also is for people who are at risk of losing their homes," observed **BRUCE MARKS**, NACA executive director. "This program also can help people who have purchased dilapidated homes that are in need of renovation," he continued.

NACA's role in the NationsBank program is to educate and screen prospective borrowers. Education programs are designed to reduce the lender's risk of foreclosure and to foster homeownership by removing one of the biggest blocks to getting a mortgage—the high up-front costs. Its housing counselors, rehabilitation specialists, outreach coordinators, and buyer brokers offer home buyers comprehensive assistance

throughout the homebuying process.

NationsBank has been an industry leader in community investment and affordable mortgage initiatives, lending more than \$8.5 billion in the past three years in low- and moderate-income neighborhoods (\$2.9 billion in mortgages); developing innovative underwriting; providing credit education and counseling courses; and building relationships with community partners to increase homeownership.

NACA negotiated the program with NationsBank as part of a campaign against banks it accuses of discriminating against minorities in lending practices. Big banks say they are not racially biased in lending, but at least in part due to activist pressure, more banks have made commitments similar to NationsBank. NACA is currently in negotiations with Riggs National Bank to set up a \$30 million program that includes below-market interest rates and 2.5 percent downpayments.

For more information: NACA/202/328-6333.



Rev. **GRAYLAN ELLIS-HAGLER**, pastor of Plymouth Congregational United Church of Christ/NACA director of development, with NACA executive director **BRUCE MARKS** and NationsBank senior vice president **VICKIE B. TASSEN**. "Homeownership is the stepping stone to economic empowerment," Tassen told the crowd at Plymouth Congregational. (Photo © 1996 JASON MICCOLO JOHNSON.)

## NationsBank-NACA program helps poor home buyers get loans

By Rob Wells  
ASSOCIATED PRESS

NationsBank Corp. and a Boston-based housing group announced yesterday they will provide \$500 million in unusually flexible and inexpensive mortgages for home buyers in low-income urban areas, including Washington.

The agreement between the nation's fourth-largest bank and the National Assistance Corp. of America (NACA) is believed to be the largest commitment yet for such mortgages. The loans feature no down payments, no closing costs, no application fees and "liberal underwriting at a market rate."

"This is the best mortgage product in the country that meets the needs of working people," said Bruce Marks, executive director of the housing group.

NationsBank said that perhaps 10,000 families will get flexible loans to buy a home, refinance a mortgage or pay for home improvements. The program initially will be offered in Washington, Atlanta, Baltimore and Charlotte, N.C., where NationsBank is based, and will be expanded later.

Catherine P. Bessant, NationsBank's top community investment executive, said the program will help the bank lend more to inner-city residents.

"We're really excited and have a lot of optimism that we'll be able to expand the markets in which we do business," she said.

Other banks have made larger commitments for community lending, such as an \$18 billion initiative Chemical Banking Corp. and Chase Manhattan Corp. announced after they disclosed merger plans. But the NationsBank and NACA agreement is significant because its unusually flexible terms are designed for the working poor, said John Taylor, executive director of the National Community Reinvestment Coalition.

"It is one of the most major commitments ever in terms of who this money will be available for," Mr. Taylor said.

Separately, the Federal Reserve yesterday approved NationsBank's \$1.8 billion acquisition of Atlanta-based Bank South Corp. on a 6-0 vote. The acquisition, expected to close next month, will create the dominant bank in Georgia.

In 1994, Mr. Marks' group reached an agreement with Fleet Financial Group Inc. to market \$140 million of similar mortgages as part of a large community lending plan by the Providence, R.I.-based bank.

The agreement with Fleet came after an extended and bitter dispute over lending practices of

Fleet's finance company unit in lower-income neighborhoods. Mr. Marks, a self-described "banking terrorist," crashed Fleet's annual meetings and hounded its chairman at public speeches to push for more lending to low-income people.

He had no similar dispute in the NationsBank case.

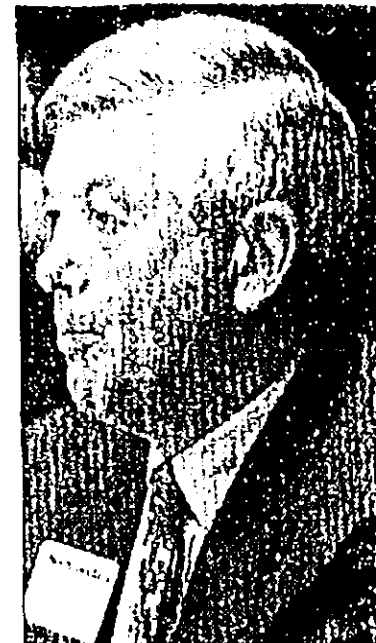
"We were not under any specific legal pressure to talk to Bruce," Miss Bessant said.

The deal announced yesterday was born Oct. 2 when Mr. Marks called NationsBank to request a meeting with Miss Bessant and Chairman Hugh McColl. Later that afternoon the two executives called back and agreed to negotiate a deal.

According to documents provided to the Associated Press, loan applicants won't be penalized if they've had numerous jobs as long as their income has remained steady throughout the period.

In an unusual twist, the loans are not covered by private mortgage insurance, which protects the lender if the borrower doesn't repay the loan. Housing activists have complained such insurance is too expensive.

Under the NACA loans, the borrower pays each month into a special loan fund called the Neighborhood Stabilization Fund, run by NACA in conjunction with neighborhood residents. The fund



Hugh McColl

makes emergency loans to help borrowers if they encounter emergencies such as temporary job loss.

NACA provides extensive counseling to ensure the applicants understand the obligations of buying a home. It also monitors home repairs to ensure the work is done correctly and within budget.

Mr. Marks said he's been running a similar loan program since 1988, and those loans "have not had one default and not one foreclosure."

Miss Bessant wouldn't discuss her analysis of the existing NACA loans, other than to say, "We satisfied ourselves that the performance is predictable and can be underwritten successfully."



Economic  
Development Center  
of the  
Carolinas, Inc.  
Suite U  
Waterford Center  
800 Clanton Road  
Charlotte, NC 28217

June 25, 1998

**TO:** Ms. Joy Hoffman-Molloy  
Community Affairs Officer  
Federal Reserve Bank of San Francisco  
Division of Banking Supervision and Regulation  
Mail Stop 620  
101 Market Street  
San Francisco, California 94105

**FROM:** Mr. Kermitt Waddell  
President/CEO  
Economic Development Center of the Carolinas  
800 Clanton Rd., Suite U  
Charlotte, North Carolina 28217

**RE:** Testifying in favor of the proposal by NationsBank Corporation,  
Charlotte, North Carolina, to acquire BankAmerica Corporation,  
San Francisco, California.

This letter is submitted in support of the merger between NationsBank and BankAmerica. My affiliation with NationsBank began in 1992 as a result of the partnership forged between the bank and the National Association for the Advancement of Colored People (NAACP). This was but one of the partnerships NationsBank entered into to help reach their goal of loaning one billion dollars over a ten year period to low to moderate income persons and small businesses. The goal was actually achieved within three years.

Under that partnership, I headed up the North Carolina NAACP Community Development Resource Center (CDRC) which opened in Charlotte in April 1992. In the following months other centers were opened in Richmond, Va., Columbia S. C., Atlanta, Ga., Fort Lauderdale, Fla., Austin, Tex. and Baltimore, Md. From 1992 thorough December 1996, the CDRC's facilitated over one hundred million (\$100,000,000.00) in loans through NationsBank. I am proud to say that the North Carolina center was responsible for over sixty-five million dollars (\$65,000,000.00) of that total. I left the NAACP CDRC in October 1997 to establish the Economic Development Center of the Carolinas (EDCC), a non-profit NationsBank partner. Since October 1997, the EDCC has over two and a half million dollars in loans closing to its credit with several million dollars in the pipeline.

Tel: (704) 529-5515

Fax: (704) 529-5415

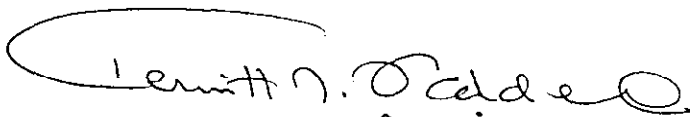
A NON-PROFIT NationsBank PARTNER

The purpose of the EDCC is to promote economic development through community development lending in partnership with NationsBank, community based organizations and other institutions. Our target population and the major beneficiaries of our efforts are those persons and communities which traditionally have been under served by the major lending institutions. We provide consultation, advocacy, and home ownership and small business education classes. Clients receive assistance in credit counseling, budgeting, asset management, business plan preparation and technical assistance. NationsBank provides the curriculum and classroom materials for the education classes.

It is from such first hand experience that I can confidently advocate for the merger of these banks. My staff and I have aggressively seized the opportunity offered by our affiliation with NationsBank, first with the NAACP and currently as the EDCC. Through our partnership, we have been able to assist clients who had never dreamed of owning a home to become homeowners. The bank has responded positively to many of our suggestions on how to better serve the community and several innovative changes have resulted that have proven of benefit to the community and to the bank.

The motto of the EDCC is taken from a Frederic Douglas quote, "The history of civilization shows that no people can or will rise to a degree of mental, or even moral excellence without wealth. A people uniformly poor and compelled to struggle for barely physical existence will be dependent and despised by their neighbors and will finally despise themselves." We appreciate the opportunity we have through NationsBank to affect so many lives in such a positive manner. There is no question in my mind that the merger between these two banks will only prove to be an even greater benefit to the greater community.

Very truly yours,

A handwritten signature in cursive script that reads "Kermitt N. Waddell". The signature is written in dark ink and is positioned below the typed name.

Kermitt N. Waddell  
President/CEO



# ***ECONOMIC DEVELOPMENT CENTER OF THE CAROLINAS***

## **PROFILE AND HISTORY**

*“The history of civilization shows that no people can or will rise to degree of mental or even moral excellence without wealth. A people uniformly poor and compelled to struggle for barely physical existence will be dependent and despised by their neighbors and will finally despise themselves.”.....Fredrick Douglas*

The Economic Development Center of the Carolinas (EDCC) was incorporated March 24, 1997 in the state of North Carolina and was granted recognition as an exempt entity under section 501 (a) of the Internal Revenue Code as an organization described in section 501 (c)(3). With the support of its primary partner NationsBank, the organization serves as a community outreach arm to assist the bank in accomplishing its goals under the Community Reinvestment Act (CRA).

The mission of the EDCC is to promote economic development among low to moderate income groups in an effort to improve the quality of life for all people. Particular focus is given to raising the consciousness level of our constituents to expect more of themselves and others around them. The EDCC offers Money Management, First Time Home Buyer and Business Success Education, Loan Facilitation, Technical Assistance, Individual Counseling and Advocacy. The major beneficiaries are those persons and communities which traditionally have been under served by the major lending institutions. However, because of the quality of service offered, our clientele includes persons from all social, economic and ethnic backgrounds.

The EDCC staff, Kermitt N. Waddell, Rose Marie Cotton, Norman T. Little and Carolyn G. Clyburn have had extensive experience working in the area of community and economic development. From April 1992 through October 1997, Waddell and Cotton operated the North Carolina NAACP Community Development Resource Center (CDRC) prior to starting the EDCC. The North Carolina CDRC is one of seven centers operated under a partnership between the NAACP and NationsBank. By the period ending December 31, 1996, the resource centers had facilitated over one hundred million dollars (\$100,000,000.00) in economic development loans through NationsBank. The North Carolina center alone was responsible for over sixty-five million dollars (\$65,000,000.00) of that total. Mr. Norman T. Little came to the EDCC from the Sickle Cell Disease Association. He is a former auditor for the State of North Carolina and has operated as a private accountant and business consultant. He serves on the boards of several neighborhood organizations involved in the revitalization of their communities. Ms. Clyburn is the former Administrative Secretary of the CDRC, with the EDCC, she will be working in the First Time Homebuyer Program.

The staff is proficient in providing training and counseling to its client base of businesses churches and consumers. Consumer counseling includes: credit, budgeting, mortgage application, home selection, home improvement, employment and income, civic and community involvement, and pride in self and family. We feel the in depth instruction and counseling has produced a more credit worthy and informed buyer. Undoubtedly, this directly accounts for the fact that our clients have experienced no defaults or foreclosures to date.

## ***KERMITT N. WADDELL***

Kermit N. Waddell is a native of Charlotte, North Carolina and a product of the Charlotte-Mecklenburg school system. He graduated from North Carolina A&T State University and North Carolina Central School of Law. His scholastic achievements included being selected a Herbert Lehman Foundation Scholar, President of the Senior Class (1970), North Carolina A&T State University and Whos Who in American Colleges and Universities. Sparked by his passion for community service and human rights, Mr. Waddell has distinguished himself in various career and volunteer positions.

Mr. Waddell established the Economic Development Center of the Carolinas, Inc. (EDCC), which was incorporated March 24, 1997 in the state of North Carolina and was granted recognition as an exempt entity under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). He currently serves as the President/CEO and with the support of its primary partner, NationsBank, EDCC serves as a community outreach arm to assist the bank in accomplishing its goals under the Community Reinvestment Act (CRA).

Previously, he served as the Director of Operations of the North Carolina NAACP Community Development Resource Center (CDRC). The office was one of seven established through a partnership with the NAACP and NationsBank. The CDRC acted as an effective delivery system for NationsBank's program and services to low to moderate income consumers and small businesses. Mr. Waddell views this as one of the most gratifying positions he has held, in that, results were tangible. Under his leadership, the North Carolina center has facilitated approximately \$60,000,000 in loans since 1992.

Mr. Waddell's past position as Special Assistant to the Regional Director, NE Region, US Bureau of Census during the 1990 census, led to his appointment to the National African American Advisory Committee for the Year 2000 Census. He currently serves as Chairman of the committee. Additionally, he currently serves on the N C Health Planning Commission Community Health District Advisory Committee, is Chairman, Board of Trustees, Laurinburg Institute, member, Charlotte Black Political Caucus, Omega Psi Phi Fraternity and International Omega Housing Committee. He was the first African American department head in Mecklenburg County government - leading the Office of Minority Affairs. His involvement with the NAACP has spanned fifteen years. In that time, he has served in such capacities as State Vice President and Chair of the State Legal Redress Committee. On a national level, he served as a member of the NAACP Economic Development Department's Fair Share Advisory Team.

Mr. Waddell is a member of St. Michael and All Angels Episcopal Church where he is a past Junior Warden. He also served on the Statewide Racism Task Force of the Episcopal Diocese of North Carolina. His numerous honors and awards include: the 1997 NationsBank President's Award and the NAACP's Torch of Freedom Award. His hobbies are public speaking, listening to music, reading, sports and sports cars.



Panel 5

Tel: (505) 246-2261  
Fax: (505) 246-2613

**STATE OF NEW MEXICO**  
**OFFICE OF CULTURAL AFFAIRS**  
***HISPANIC CULTURAL DIVISION***

P.O. Box 12317 • 87195  
1701 4th SW  
Albuquerque, NM 87102

July 9, 1998

Members of the Hearings Board  
Federal Reserve Bank of San Francisco  
Division of Banking Supervision and Regulation  
101 Market Street  
San Francisco, California 94105

Dear Board Members,

Thank you very much for allowing me to speak on behalf of the proposed acquisition of BankAmerica Corporation of San Francisco, California, by NationsBank Corporation of Charlotte, North Carolina.

My name is Edward Lujan. I am from Albuquerque and have been quite active in community affairs for both Albuquerque and the State for over 30 years. Presently I serve as the Chairman of the Economic Development Commission for the State of New Mexico and as Chairman of the New Mexico Hispanic Cultural Center Board.

Why do I support the acquisition of BankAmerica Corporation by NationsBank?

NationsBank has been in existence for 70 years, and as the bank grew it helped the city and the state grow, both with employee activities and its resources. I am

delighted to say that NationsBank has continued the tradition of what was originally Albuquerque National Bank.

**New Mexico Hispanic Cultural Center**

Time doesn't permit me to go over all of the employees of NationsBank who are active in the community but two come immediately to mind. David Baird, is President of NationsBank, New Mexico, and belongs to the Albuquerque Economic Forum, Albuquerque Economic Development Board and Leadership New Mexico. Alex Romero is Executive Vice President and Consumer Banking Executive. Alex belongs to the Hispanic Culture Foundation and also presently serves as Chairman of the Board of the Albuquerque Hispano Chamber of Commerce.

When it comes to economic development, NationsBank is right there helping with both their employees and their resources.

I previously mentioned that I was Chairman of the Board of the New Mexico Hispanic Cultural Center. A few of us started with the dream of building a national cultural center to share and preserve a unique culture for the nation. Our goal was to raise \$45 million for this endeavor. We started working by going to the State legislature and securing \$16 million in funding and creating a division within the Office of Cultural Affairs for the State of New Mexico. We went to the City of Albuquerque and to the Middle Rio Grande Conservancy District. The City gave us 16 acres in downtown Albuquerque, and the Conservancy District gave us 14 acres of *bosque* (or riverside land) bordering the land from the City. We went to see U.S. Senators Domenici and Bingaman and secured \$18.9 million in Federal funding for the performing arts theater.

Having secured the cooperation and funding from the City, the Conservancy District, the State, and the Federal government, we then went to the private sector for the additional \$10 million that is needed to complete the Center. Without our asking, NationsBank gave the Center the largest donation to get our private sector fund raising campaign underway.

I have also worked with the management of Bank of America and have found them to also be good corporate members of our community. Their history and their commitment to both the cultural aspects and economic vitality of our great state says to me that as one bank they will continue to be involved.

I wish to wholeheartedly endorse the acquisition of BankAmerica Corporation by Nations Bank Corporation.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward L. Lujan". The signature is fluid and cursive, with a large initial "E" and "L".

Edward L. Lujan, Chairman  
NM Hispanic Cultural Center Board

Panel  
6

Testimony before the Federal Reserve in San Francisco, July 9th, 1998

My name is Brenda LaBlanc. I am here representing Citizens for Community Improvement of Des Moines. CCI is an organization that helps citizens work on any community improvement issues. CCI has been in Des Moines since 1977. Their Reinvestment Task Force was also initiated in 1977 to work on the problem of getting home loans in areas that had been red-lined. It's been a long, hard road to travel but it has been worthwhile.

After twenty years we have developed working agreements for special CRA programs with ten financial institutions. We work with each bank to help them improve their lending record, and we also provide services such as a Home Buyers Club which helps prepare people, not yet ready to buy. We also produce Credit & Home Buying seminars that provide a day long session of information about the process of home buying and introduce the various bank programs. More than 300 people attended our last seminar.

But we have had some problems in the last several years with bank mergers.

Hawkeye Bank, a State-wide holding company was bought out by Mercantile. Hawkeye had a branch in a low-mod neighborhood but when Mercantile took over they attempted to close it. We fought this move and succeeded in keeping the branch open. But while we had had a good relationship with Hawkeye, we find we do not now have the same kind of relationship with Mercantile.

First Interstate Bank was another we had an agreement with since 1988. They were bought out after five years by Boatmen's Bank. A new president came to Des Moines from St. Louis and he told our Task Force that we didn't need an agreement with them because Boatmen's had a great record of CRA lending. They had done great things in St. Louis, he told us, therefore they knew all about what needed to be done. We pointed out that Des Moines is not St. Louis, and what works there may not necessarily work here. We pointed out that we had developed expertise in our situation and our needs, and therefore they needed to work with us for a CRA program in Des Moines to be successful. They eventually agreed, and after that we had a signed agreement with Boatmen's. Then Boatmen's was bought out by Nation's Bank a year ago. And we started through the whole familiar process again. Since last December we have been debating back and forth about an agreement with no success.

In dealing with the local banks after they are bought out, we are, for the most part, dealing with the same people locally we have dealt with all along. The problem is that they are now getting directives from above, from people far away that we cannot talk to, and people who seem not to care about whether CRA programs work or not.

When we learned at our national NPA conference that other cities were having the same kind of problems with bank mergers, we agreed that the time had come to develop a national agreement that would give official sanction to our locally developed programs.

NATION'S BANK OF DES MOINES DIFFERENCES WITH CCI (CITIZENS FOR COMMUNITY IMPROVEMENT ) OVER LOCAL PROGRAM. July 1998

Nation's Bank has been ignoring our specific program and continually pushes their "standard generic" program that they use nation wide for a CRA program.

Their national program is pretty much the same in most respects as our program except for one *very important* factor. This is that they target low/mod people (below 80% median income) and not low/mod census tracts. This is the same bank (then First Interstate) that, when they first signed an agreement with us in 1988, wanted to target by income rather than census tracts. We agreed to their suggestion, thinking that many of these loans if not all of them, would be made in the low/mod census tracts. But after a couple of years we found this was not so. They made many loans under their program but very few of them went in our neighborhoods.

Now, in the beginning, the problem was REDLINING!. We did not begin this project to help low-income people. The law does not speak to lower income people. The CRA speaks to "underserved neighborhoods". And this project was to help bring reinvestment back into our neighborhoods. So, after pointing this out, we asked First Interstate to target the low/mod neighborhoods rather than low/mod people and they agreed to do so, as do all the banks now that we have agreements with.

When the expanded HMDA came out, we discovered that there appears to be no problem lending to people below 80% of median income. In general, about 30% of all loans in the Des Moines MSA go to people below 80% of median income. But only 4 or 5 % go to low/mod neighborhoods. And yet, the low-mod census tracts contain 25% of the owner-occupied housing in the Des Moines MSA. The banks with CRA programs targetted put more than 5% in our neighborhoods, some of them 11 to 12%, but our aim is to get equal representation, a goal of 25%.

The local bank people understand this situation, and understand the purpose of our program. And this bank knows - because they tried it - that targetting by income does not do the job of getting home-ownership in our under-served neighborhoods. How do we get this across to the people at the top at Nations who have designed this "cookie-cutter" program. We have logic on our side, and the intent of the CRA on our side, but we cannot deal with decision makers who are miles away.



# Citizens for Community Improvement of Des Moines

2301 Forest Avenue  
Des Moines, Iowa 50311  
(515) 255-0800 • (515) 255-1314 Fax

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## History of Relationship Between CCI of Des Moines and NationsBank

- 1989 CCI and First Interstate Bank sign first community reinvestment agreement.
- 1989 - 1991 First Interstate Bank works with the CCI Reinvestment Task Force responsively, improving lending record.
- 1992 First Interstate Bank and Boatmen's Bank merge.
- 1992 After several months of initial distrust, Boatmen's signs agreement with CCI.
- 1992 - 1996 Boatmen's Bank and CCI Reinvestment Task Force develop good working relationship. Lending record continues to improve. Boatmen's Bank becomes one of the original participants in CCI's Homebuyers Club, offering education in home ownership and related issues to low income home buyers.
- 1996 Boatmen's Bank proposes merger with NationsBank.
- ▶ Boatmen's Bank officers assure CCI that local management will continue to make decisions about bank products.
  - ▶ Officers also assure CCI that with more resources, NationsBank will be able to serve community needs better.
  - ▶ NationsBank tells us its slogan is, "We treat every community we're in like it's the community we're from, because it is."
- 1996 Community groups file challenge against merger. CCI writes letter supporting Boatmen's Bank, outlining our positive relationship with the bank. Letter based on above assurances.
- 1996 Before the agreement with Boatmen's expired, NationsBank sent a packet announcing the new programs, which did not fit our agreement.
- 1997 NationsBank opens a new branch in the heart of the inner city. CCI views this as a good reinvestment choice, and helps publicize and market the opening, including participating in the press conference.
- 1997 New branch is robbed. NationsBank affirms commitment to staying. CCI organizes a press conference of community leaders to support the bank in its decision.
- 1998 Local staff expresses their willingness to sign an agreement, based on negotiations with Reinvestment Task Force. After they send the agreement to their superiors, they say they cannot sign one.
- 1998 The merger between NationsBank and Bank of America is announced.
- 1998 Member of CCI Reinvestment Task Force goes to St. Louis with other community leaders from around the country to meet with representatives from NationsBank and Bank of America about a national agreement. Community leaders are treated disrespectfully by Bank of America and NationsBank staff, and told they are wasting their time.
- 1998 NationsBank representatives in Des Moines seem eager to work with CCI, but their hands are tied by superiors. It becomes clear that any further merger will only distance the bank from its accountability to the community.
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**PCRG Testimony before the San Francisco Federal Reserve Board:  
NationsBank Corporation's Proposal to acquire BankAmerica  
Corporation**

Greetings to the distinguished members of the Federal Reserve Board and thank you for the opportunity to testify about the home mortgage lending patterns and practices of NationsBank and BankAmerica in the City of Pittsburgh, PA. I came to San Francisco to testify on behalf of the Pittsburgh Community Reinvestment Group (PCRG) as the second representative and thirteen community based organizations -all of which have filed protests against the proposed acquisition because of the abysmal records of lending to African Americans, African American neighborhoods, low income neighborhoods, and low income families in the City of Pittsburgh by both institutions.

PCRG is a non-profit consortium of twenty-nine community based organizations representing sixty-five low/moderate income neighborhoods in the City of Pittsburgh, Pennsylvania. PCRG works with financial institutions to insure equal lending patterns and practices for all Pittsburgh neighborhoods in accordance with Community Reinvestment Act (CRA). Since 1988, PCRG has formed partnerships with thirteen Pittsburgh lending institutions and developed reinvestment programs targeted to Pittsburgh's low and moderate income neighborhoods. Through CRA, PCRG members meet with financial institution executives, loan officers, and branch managers on a regular basis to discuss ways financial institutions can meet community needs. Within this framework, both PCRG members and Pittsburgh financial institutions are dedicated to a comprehensive approach to community revitalization and equal access to capital for all neighborhoods. PCRG has successfully negotiated lending agreements with Pittsburgh financial institutions for over \$2.7 billion in inner-city reinvestment.

PCRG analyzed the 1996 and 1997 Pittsburgh MSA Loan Application Registers for NationsBank and BankAmerica and discovered lending patterns indicating that neither bank is making many loans to the City of Pittsburgh's African American families, African American neighborhoods, low income families, and low/moderate income neighborhoods.

**NATIONSBANK**

NationsBank, through its mortgage company subsidiary Nationsbank Mortgage Corporation, has a very small presence in western Pennsylvania, and virtually no presence in the City of Pittsburgh. Through their office in downtown Pittsburgh,

- Nationsbanc Mortgage approved two loans out of four applications in the City of Pittsburgh in 1996. All four of the applications were from upper income neighborhoods.
- In 1997, Nationsbanc Mortgage took no applications from the City of Pittsburgh, but took twenty-eight from Pittsburgh's affluent and predominantly white suburbs.

## **BANKAMERICA**

Bank of America, through its mortgage company subsidiary BankAmerica Mortgage Company has a much larger presence in the City of Pittsburgh. BankAmerica Mortgage Company, originated forty-four loans from fifty-four applications in 1996 and originated forty-three loans from seventy-five applications in 1997.

### **Lending to African Americans and African American Neighborhoods**

- BancAmerica Mortgage made only one loan per year in Pittsburgh's African American neighborhoods in 1996 and 1997 and received only one application per year.
- Only one application from an African American borrower was received in 1996 and two were received in 1997, resulting in one loan approved in each year.

### **Lending to Low/Moderate Income Neighborhoods**

- In 1996, Bank Of America originated five loans in low/moderate income neighborhoods and Thirty-nine loans in upper income neighborhoods.
- In 1997, twelve loans were originated in low/moderate income neighborhoods. Thirty loans were originated upper income neighborhoods.
- In 1996, the origination rate for upper income neighborhoods was thirty-five percent greater than the origination rate for low/moderate income neighborhoods.
- In 1997, the origination rate for upper income neighborhoods was seventy percent greater than the origination rate for low/moderate income neighborhoods.

### **Lending by Income**

- Eighty percent of all upper income applications were originated compared to thirty-one percent of low income applications.

### **Conclusion**

In May, PCRG, along with representatives from ten other communities from around the country met with representatives from NationsBank and Bank of America to address both local and national concerns about their

lending records and come to an agreement on a plan of action that would address these concerns. Both institutions showed no willingness to listen to our communities' concerns and to work to address them. Their unwillingness to work with our community to address our credit needs and the indisputable evidence of redlining discovered in the analysis of the loan application registers of both institutions places them in direct noncompliance with the Community Reinvestment Act.

Since 1988, PCRG has formed partnerships with thirteen Pittsburgh financial institutions to for over \$2.7 billion in reinvestment in Pittsburgh Neighborhoods. This reinvestment is the product of a working partnership between financial institutions and communities. Communities identify their credit needs and work with lenders on an ongoing basis to develop products and policies to insure that they are met.

- PCRG members work with lenders and the public sector to develop innovative mortgage products to meet community needs. For example, the Housing Recovery Program provides public sector deferred second mortgages paired with bank loans to help homebuyers purchase and renovate blighted properties in city neighborhoods. PCRG members worked with member banks and Fannie Mae to develop a mortgage product to enable more community mortgages to be sold on the secondary market.

- PCRG and its financial institution partners formed the Community Lender Credit Program, a credit restoration and homebuyer education organization, to develop home buyers from Pittsburgh neighborhoods.
- All of PCRG's partner banks have shown improvement in lending to underserved communities as a result of our partnership. Lending to low/moderate income neighborhoods increased twenty percent per year and lending in African American neighborhoods increased twenty-two percent per year between 1991 and 1996.

Based on our ten years of experience in community reinvestment, we believe that the only way the new institution formed by BankAmerica and NationsBank will improve their deplorable record of lending in Pittsburgh and other cities is to form working partnerships with community organizations. The \$350 billion commitment that NationsBank and BankAmerica propose comes with no promises for Pittsburgh's neighborhoods and no effort to identify community needs which are not being met as indicated by our analysis of the loan application registers.

PCRG is willing to work with NationsBank and BankAmerica to bring them into compliance with the Community Reinvestment Act in Pittsburgh by forming a partnership to improve their lending to Pittsburgh's African American families, African American neighborhoods, low income families, and low/moderate income neighborhoods.

Panel 6

TESTIMONY OF  
GALE CINCOTTA, EXECUTIVE DIRECTOR  
NATIONAL TRAINING AND INFORMATION CENTER (CHICAGO, IL)

Panel 6  
at

PUBLIC MEETING ON NATIONSBANK AND BANKAMERICA  
FEDERAL RESERVE BANK OF SAN FRANCISCO  
JULY 9, 1998

Contents:

- 1) Written testimony and attachment from NTIC
- 2) Written testimony from National Peoples Action (NPA)
- 3) Study on past lending of NationsBank Corp.
- 4) Comparison of 1996 residential lending by NationsBank and BankAmerica projected over 10 years at \$116.8 billion and their \$115 billion low/mod residential lending commitment
  - summary
  - lending matrix
  - subsidiaries list
- 5) Bio on Gale Cincotta
- 6) Written testimony submitted by NPA affiliate Congregations United for Community Action (St. Petersburg, FL)
- 7) Written testimony submitted by NPA affiliate Sunflower Community Action (Wichita, KS)
- 8) Written testimony submitted by NPA affiliate Neighborhoods First Alliance (San Antonio, TX)
- 9) Written testimony submitted by NPA affiliate Citizens for Community Improvement (Des Moines, IA)
- 10) Written testimony submitted by NPA affiliate Pittsburgh Community Reinvestment Group (Pittsburgh, PA)

# SERVICE TO CHICAGO

1995 & 1996

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## Retail Banking

Bank of America is a new entrant to the retail banking market in Chicago. In 1995, following its 1994 acquisition of Continental Bank, BankAmerica Corporation, through its Federal Savings Bank subsidiary, entered a business relationship with Jewel-Osco stores to establish a retail branch network in the midwest. The move into grocery store branches is consistent with BofA's retail direction in California and many other western states, where in-store branches have proven to be extremely convenient to bank customers.

The first step in building the branch network, installing Versateller® Automated Teller Machines (ATMs) in all 172 midwest Jewel-Osco stores, was undertaken and completed in 1995. In early 1996, four pilot Financial Service Centers (FSCs), designed to provide a platform from which BofA could offer retail deposit accounts and loan products, were opened. Through the FSCs, BofA also began to handle other quasi-banking functions previously offered by Jewel-Osco, such as cashing personal checks and selling money orders, stamps, bus passes and tokens. The pilot program was successfully completed at mid-year, and the decision was made to proceed with installation of additional FSCs through year-end 1996. At year-end, 52 FSCs were open to the public.

Bringing these retail branches on-line, most of which are in Chicago and the surrounding communities, has positioned BofA to effectively compete with other local and regional retail banks. Such competition will ultimately benefit local residents by providing a broader range of choices regarding banking products, services, and prices, as well as banking locations and hours of availability. A list of all FSCs opened at year-end is included in Appendix A to this report.

Bank of America believes physical locations -- branches -- are just one part of an effective, responsive, and convenient retail delivery system. BofA has pioneered the use of alternative banking platforms, making its products and services readily available through 'round the clock' telephone access, computer-based home banking, and banking on the Internet. In addition, BofA aggressively utilizes print, radio, and in-store advertising, as well as direct mail and telephone solicitation campaigns to reach consumers and potential customers with information about or offers to apply for its retail products and services. Products that have recently been introduced in the Chicago area include:

- Home equity, home improvement, and home mortgage loans, including Neighborhood Advantage, a home loan program that combines homeowner counseling with flexible underwriting criteria to help low- and moderate-income applicants qualify for a home mortgage
- BASIC (Bank of America Special Income Credit), a consumer loan program designed to meet the needs of low-income applicants
- Secured and unsecured loans and lines of credit for personal, family, or household needs

# SERVICE TO CHICAGO

## 1995 & 1996

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### Retail Banking (cont.)

- Education loans
- MasterCard and VISA personal credit cards
- Advantage Business Credit (ABC) and ABC Express for small businesses needing loans and lines of credit under \$100,000
- Business and corporate credit cards

While BofA began in earnest to build its midwest retail delivery capabilities in 1996, its retail presence has already begun to benefit local residents in a variety of ways. Following are some of the highlights from 1996:

- Fourteen FSCs were opened in the City of Chicago. An additional 15 FSCs were opened in other parts of Cook County
- 27,000 deposit accounts opened
- More than 100 home equity loans totaling more than \$3 million made
- More than 200 personal loans totaling in excess of \$4.7 million made
- Nearly 600 jobs created, with more than half of those positions being filled by women and minorities

# **NTIC** National Training and Information Center

810 N. Milwaukee Ave. □ Chicago, Illinois 60622-4103 □ (312) 243-3035

July 9, 1998

Ms. Jennifer J. Johnson  
Secretary of the Board  
Federal Reserve System  
20th Street and Constitution Av., N.W.  
Washington, D.C. 20551

Dear Ms. Johnson:

The National Training and Information Center is submitting this letter to protest the application filed by NationsBank Corporation Charlotte, North Carolina, to acquire BankAmerica Corporation, San Francisco, California.

### Background on NTIC

The National Training and Information Center (NTIC) was established in 1972 as a resource center for grassroots community groups across the nation. For twenty-five years, NTIC has been serving the needs of low and moderate income (LMI) neighborhoods and their citizens. NTIC listens to their needs, advocates on a national level for policy and programmatic changes needed to get the tools that the people can use to effect positive change in their neighborhoods, and creates public and private partnerships to build these tools. NTIC then provides training and technical assistance to neighborhood groups on how to effectively use these tools to improve their communities.

NTIC has worked on community reinvestment strategies since its inception. NTIC started to work on the issue in the early 1970's when racially changing neighborhoods were redlined by banks and the only available loans for homes were contract sales and Federal Housing Administration (FHA) loans. NTIC has advocated for the tools to combat the conventional credit neglect and resulting abundance of FHA foreclosure. These tools have included the Home Mortgage Disclosure Act, the Community Reinvestment Act, disclosure of FHA foreclosures and relevant information on the responsible mortgage companies, partnerships with the private mortgage insurance companies, and the Federal Housing Enterprises Financial Safety and Soundness Act. These policy advances have resulted in community groups across the country winning billions in reinvestment dollars for their communities. NTIC has been there every step of the way to help neighborhood groups maintain and use these tools in order to create safe, sound, and stable communities.

### NTIC's Successful CRA Agreements

In Chicago, NTIC has forged successful CRA agreements with Harris Bank (1984, 1989, 1994), Northern Trust Co. (1984, 1989, 1995), First Chicago Corp. (1984, 1989, 1995, 1998), Continental Bank

Corp. (1986, 1991), and BankAmerica Corp. when it acquired Continental in 1994. These agreements have been key to bringing home and business loans into Chicago's low and moderate income neighborhoods. Every five years each of these institutions have met their lending goals outlined in the agreements and, subsequently, increased their goals.

On a national scale, NTIC has provided training and technical assistance on CRA and its application to over 100 neighborhood groups across the country. These trainings and technical assistance have led to groups securing over \$10 billion in home and small business lending agreements from banks in their communities.

NTIC believes that the key to revitalizing low and moderate income neighborhoods rests in the return of a healthy conventional market. The government-insured FHA program has proven to be a destabilizing substitute for access to affordable credit. Widespread abuse of FHA leads to foreclosure and abandonment. Under the Community Reinvestment Act banks are required to serve the "convenience and needs" of the communities the bank is chartered to serve. Furthermore, the most recent changes to CRA regulations focused CRA evaluation criteria toward direct lending and away from community development programs.

#### NationsBank and BankAmerica's LMI Lending Record

Despite NationsBank and Bank of America's past and pledged development projects, we find their direct lending practices are less than satisfactory, as reflected in the institution's HMDA data. In order for the convenience and needs of a community to be satisfied, a community must have access to lending and services. We urge the Federal Reserve Board to focus its attention on the direct lending records of NationsBank and BankAmerica as a predictor of future lending practices in low- and moderate-income (LMI) neighborhoods rather than vague commitments based on the banks' unaccountable intentions.

#### *NationsBank LMI Lending in Chicago*

We submit to the Board an analysis of Home Mortgage Disclosure Act (HMDA) data for NationsBank Corporation and its affiliate operations in the Chicago area for the calendar year 1997. This data clearly confirms the fact that NationsBank and its affiliates have a very poor record of meeting the credit needs and convenience of Chicago's minority and low-income communities.

NationsBank Corporation received 98.8% of its housing loans applications through subsidiaries not covered by the Community Reinvestment Act while NationsBank NA received only 1.2% of the corporation's housing loan applications. By channeling almost all of its lending through these subsidiaries--NationsBank Mortgage Corporation and NationsCredit Home Equity Services--NationsBank is effectively is open to redlining lower income neighborhoods without consequence.



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1997 HMDA data for NationsBank Mortgage Corp. lending in the Chicago metropolitan statistical area (MSA) indicates that this subsidiary targets loans with affordable interest rates to high-income applicants.

Specifically, 57.8% of NationsBank's housing loan applications were channelled through NationsBank Mortgage Corporation. Of these loans only 5.6% came from applicants in LMI census tracts. However, the Chicago MSA that this data applies to is made up of 37.3% LMI census tracts. Conversely, 58% of the Mortgage Corporation's loan applications came from upper-income tracts even though such tracts comprise only 23.3% of the MSA.

1997 HMDA data for NationsCredit, on the other hand, suggests that this subsidiary steers low- and moderate-income applicants toward its high-interest loans.

Forty-one percent of NationsBank's housing loan applications in 1997 were submitted to the institution's sub-prime lending subsidiary, NationsCredit Home Equity Services, which is notorious for pushing loans at very high interest rates. NationsCredit is targeting LMI neighborhoods with these sub-prime loans in place of affordable loans.

The 1997 Chicago HMDA data analyzed above was attained directly from the Chicago Federal Reserve Bank after attempts were unsuccessfully made to obtain this information from a local NationsCredit office. This satellite office referred us to the regional office in Burr Ridge, IL, which in-turn referred us to the corporate office in Irving, Texas. None of these offices responded to our request for 1997 HMDA data.

#### *Bank of America -- A Non-Bank Bank in Chicago*

When Continental Bank fell apart in the early 1980's due to bad oil investments, Bank of America took over the institution. We lost the full-service institution and Bank of America Illinois became a locally controlled "non-bank bank." The institution began making loans through community development corporations and other non-profits to get housing and business loans out into the neighborhoods.

In June, 1994, NTIC made a 5-year agreement to ensure that Bank of America would continue to get loans out this way. However, as soon as Intra/Interstate Banking passed, Bank of America California applied to the Comptroller of the Currency to bring BofA Chicago under the corporate umbrella as a subsidiary.

As a part of their application to move control of the institution out of Chicago, BofA promised to put branches in the Jewel food stores throughout the City. Enclosed are references to the Jewel Branches as part of the newly established network. Specifically, on page 4, the first paragraph states that they will retain local sensitivity, The subsequent letter B. states that they will

accomplish this by maintaining and enhancing mechanisms and processes. In the Service to Chicago section, they reference their Jewel-Osco stores as offering retail deposit and loan products. In addition, they reference fourteen Financial Service Centers that were opened.

Soon after the application was approved, the institution sold off these branches. As a result, Chicago lost local control of another bank, lost its banking services, and lost its walk-in loan services through a series of acquisitions.

Now NationsBank--which has a terrible record of affordable lending in Chicago's neighborhoods and those of other cities across the country--intends to acquire Bank of America. We cannot expect the institution's lending record in low and moderate income neighborhoods to improve.

NationsBank is not serving the convenience and needs of Chicago as required by the federal law, the Community Reinvestment Act. We urge the Board of Governors to deny NationsBank Corp.'s application to acquire BankAmerica Corp.

Sincerely,



Gale Cincotta  
Executive Director

cc: President William J. Clinton  
Robert Rubin, Secretary of the Treasury  
Julie Williams, Acting Comptroller of the Currency  
Ricki Helfer, Chairwoman, Federal Deposit Insurance Corporation  
Alan Greenspan, Chairman of the Board of Governors of the Federal Reserve  
Stephen Ong, Asst. Vice President, Federal Reserve System  
Ruth Clevenger, Community Affairs Manager, Federal Reserve System  
Joy Hoffman-Molloy, Federal Reserve Bank of San Francisco  
Alicia Williams, The Chicago Federal Reserve Bank  
Gaile Clark, Federal Reserve System, Richmond, VA  
Joy Hoffman-Molloy, Federal Reserve Bank of San Francisco  
Hugh McColl, Chairman, NationsBank Corp.  
David Coulter, BankAmerica Corp.  
Senator Carol Moseley-Braun, Illinois  
Senator Richard Durbin, Illinois  
Congressman Danny Davis, Illinois  
Congressman Luis Gutierrez, Illinois  
Congressman Jesse Jackson, Jr., Illinois  
Congressman Bobby Rush, Illinois

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In recognition of the concern that interstate banks retain local sensitivity which is reflected in the CRA examination provision of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, BofA NT&SA's CRA plans include the following:

- A. Applying the BAC Board resolution regarding the attainment of ratings of Outstanding performance ratings in regulatory examinations to state-level ratings, i.e., BofA NT&SA has as its goal to achieve a rating of Outstanding in each of the states and multi-state MSA's in which it has Assessment Areas, including Illinois.
- B. Maintaining and enhancing mechanisms and processes, designed to maintain and enhance local responsiveness and to support the goal of achieving an Outstanding rating for each state in which BofA NT&SA has an Assessment Area, including Illinois.
- C. Continue to set CRA lending goals at the state level, including Illinois with roll-up to the institution level.
- D. Continue to monitor CRA performance by Assessment Areas, including Cook County, and at the state levels.
- E. Continue to apply the resources of all relevant affiliates to support the goal of achieving a rating of Outstanding in each state in which BofA NT&SA has an Assessment Area, including Illinois.

Bank of America NT&SA Assessment Areas as of Merger Date. Listings and maps of BofA NT&SA Assessment Areas as of merger date are included in Exhibit CRA-3. These areas represent essentially no change from the existing delineated communities or assessment areas in place prior to the merger.

Pre-existing CRA Commitments. All CRA-related commitments made by BAI will be honored by BofA NT&SA.

## NEWS

July 9, 1998

**FOR IMMEDIATE RELEASE**

For more information, contact:  
Jason Kiely or Gordon Mayer,  
312-243-3038 or 415-626-8000

### **NATIONSBANK 1997 REINVESTMENT RECORD POOR, FUTURE COMMITMENT**

#### **A LOSS FOR COMMUNITIES**

Communities will lose out on home loans if the proposed NationsBank/BankAmerica merger goes through, according to an analysis of the recent NationsBank 10-year commitment the National Training and Information Center (NTIC) plans to release today.

As hundreds of consumer advocates go to Federal Reserve hearings over the next three days in San Francisco, NTIC Executive Director Gale Cincotta plans to push two key findings of recent research by the Chicago-based non-profit:

Extrapolating from 1996 figures, the proposed mega-bank's 10-year commitment to residential lending would result in \$1.8 billion less for communities than NationsBank currently invests, according to 1996 Home Mortgage Disclosure data;

A pattern of redlining—that is, carrying out the vast majority of business in upper-income and whiter communities at the expense of less affluent, predominantly minority areas—emerges from NTIC's examination of 1997 Home Mortgage Disclosure data for Atlanta, Chicago, Des Moines, San Antonio, St. Petersburg, and Wichita.

"We found what I call NationsBank's Big Lie and their Dirty Little Secret when we analyzed their past performance and estimated the strength of their proposed commitment to the future," Cincotta says. "The Big Lie is that they are going to do all these great things for the neighborhoods after they swallow up Bank of America. The Dirty Little Secret is that they have been redlining for years."

Cincotta and other neighborhood leaders from around the country have sought a national community reinvestment agreement with the proposed NationsBank/BankAmerica, which would hold more than 8 percent of all Americans' deposits. A national agreement would lock lending institutions into long-term commitments for investment into low- and moderate-income neighborhoods. They seek a percentage commitment to targeted lending over the next 20 years and a series of local meetings to establish agreements locally in addition to a national review board composed of top corporate decision makers and neighborhood groups.

"We have never asked for anything more nor less than to make the private market work in the neighborhoods," Cincotta says. "Bankers consistently underestimate the soundness, dollar value, and need for community lending, except where communities and local bankers have been able to forge specific partnerships with specific

**MORE**

goals." Where this has occurred, she adds, banks have committed enormous resources (1st Chicago/NBD--\$1 billion, 1994; National City/Integra Bank, Pittsburgh--\$1.4 billion, 1994). Where local control is lost, abandoned buildings that could become homeownership opportunities stand vacant, small businesses languish for lack of credit, and other problems continue.

NationsBank disproportionately targets wealthy neighborhoods at the neglect of poorer areas, Cincotta says. They avoid lending in these areas because they either do not believe poor folks pay their debts or, out of greed, they only want to make the big money off of loans to the rich.

Leaders of grassroots neighborhood groups will be joining Cincotta to testify in San Francisco from several of the cities for which data was analyzed. They include: Brenda LaBlanc from Des Moines Citizens for Community Improvement, Margaret Webb from Wichita's Sunflower Community Action, and Carlos Richardson from Neighborhoods First Alliance, San Antonio. Leslie Reicher from Pittsburgh Community Reinvestment Group will also join Cincotta to testify.

"NationsBank has been redlining, and if this merger goes through the way it stands they obviously plan to continue to redline," Cincotta says. "We're not trying to turn back the clock, but to move forward and find a way to increase the commitment."

**ATLANTA**

Low and moderate income (LMI) neighborhoods make up 33.4% of the Atlanta metropolitan statistical area (MSA), which includes the city and adjacent suburbs.

However, NationsBank Mortgage Corp. originated only 13.3% of its housing loans in these neighborhoods. NationsBank NA originated 29.5% of its residential loans in LMI neighborhoods.

Upper-income census tracts account for only 27.1% of the Atlanta MSA.

But NationsBank Mortgage Corp. made 45.7% of its loans in these wealthy neighborhoods. NationsBank NA originated 24.8% of its housing loans in upper-income areas.

**NATIONSBANK MORTGAGE ATLANTA—1997 LENDING**

CATEGORY	PERCENT OF MSA	# OF ORIGINATIONS	PERCENT OF ORIGINATIONS	DENIAL RATE
LOW- & MODERATE INCOME CENSUS TRACTS	33.4%	325	13.3%	24.4%
MIDDLE-INCOME CENSUS TRACTS	39.3%	1006	41.0%	17.4%
UPPER-INCOME CENSUS TRACTS	27.1%	1121	45.7%	12.3%
AFRICAN AMERICANS	25.1%	418	17.0%	27.1%
HISPANICS	1.9	30	1.2%	34.7%
WHITES	71.1%	1751	71.4%	12.1%

**NATIONSBANK NA ATLANTA—1997 LENDING**

CATEGORY	PERCENT OF MSA	# OF ORIGINATIONS	PERCENT OF ORIGINATIONS	DENIAL RATE
LOW- & MODERATE INCOME CENSUS TRACTS	33.4%	523	29.5%	43.2%
MIDDLE-INCOME CENSUS TRACTS	39.3%	809	45.7%	43.3%
UPPER-INCOME CENSUS TRACTS	27.1%	439	24.8%	35.6%
AFRICAN AMERICANS	25.1%	394	22.2%	53.4%
HISPANICS	1.9	29	1.6	60.0%
WHITES	71.1%	1236	69.8%	33.5%

**MORE**

**CHICAGO**

Low and moderate income (LMI) neighborhoods make up 37.3% of the Chicago metropolitan statistical area (MSA), which includes the city and adjacent suburbs.

However, NationsBank Mortgage Corp. originated only 5.1% of its housing loans in these neighborhoods. NationsCredit originated 38.3% of its residential loans in LMI neighborhoods. Note that NationsCredit is NationsBank Corp.'s sub-prime lender notorious for making high-interest loans based on the borrower's equity rather than income.

Upper-income census tracts account for only 23.3% of the Chicago MSA.

But NationsBank Mortgage Corp. made 58.1% of its loans in these wealthy neighborhoods. NationsCredit originated 15.7% of its housing loans in upper-income areas.

**NATIONSBANK MORTGAGE CHICAGO—1997 LENDING**

CATEGORY	PERCENT OF MSA	# OF ORIGINATIONS	PERCENT OF ORIGINATIONS	DENIAL RATE
LOW- & MODERATE INCOME CENSUS TRACTS	37.3%	35	5.1%	24%
MIDDLE-INCOME CENSUS TRACTS	42.6%	257	36.7%	16.5%
UPPER-INCOME CENSUS TRACTS	23.3%	399	58.1%	14.1%
AFRICAN AMERICANS	19%	25	3.6%	37.8%
HISPANICS	11.1%	20	2.9%	13%
WHITES	66.3%	998	72.6%	12.6%

**NATIONSCREDIT CHICAGO—1997 LENDING**

CATEGORY	PERCENT OF MSA	# OF ORIGINATIONS	PERCENT OF ORIGINATIONS	DENIAL RATE
LOW- & MODERATE INCOME CENSUS TRACTS	37.3%	95	38.3%	37.1%
MIDDLE-INCOME CENSUS TRACTS	42.6%	114	45.0%	38.6
UPPER-INCOME CENSUS TRACTS	23.3%	39	15.7%	37.1%
AFRICAN AMERICANS	19%	83	33.5%	39.2%
HISPANICS	11.1%	17	6.8%	39.0%
WHITES	66.3%	92	37.1%	31.8%



**DES MOINES**

Low and moderate income (LMI) neighborhoods make up 18.7% of the Des Moines metropolitan statistical area (MSA), which includes the city and adjacent suburbs.

However, NationsBank Mortgage Corp. originated only 5.5% of its housing loans in these neighborhoods. NationsBank NA originated 17.5% of its residential loans in LMI neighborhoods.

Upper-income census tracts account for only 19.8% of the Des Moines MSA.

But NationsBank Mortgage Corp. made 37.2% of its loans in these wealthy neighborhoods. NationsBank NA originated 27.8% of its housing loans in upper-income areas.

**NATIONSBANK MORTGAGE DES MOINES—1997 LENDING**

CATEGORY	PERCENT OF MSA	# OF ORIGINATIONS	PERCENT OF ORIGINATIONS	DENIAL RATE
LOW- & MODERATE INCOME CENSUS TRACTS	18.7%	16	5.5%	20.8%
MIDDLE-INCOME CENSUS TRACTS	61.5%	168	57.3	22.5%
UPPER-INCOME CENSUS TRACTS	19.8%	109	37.2%	15.1%
AFRICAN AMERICANS	3.7%	5	1.7%	40.0%
HISPANICS	1.8%	2	0.7%	33.3%
WHITES	92.8%	258	88.1%	18.6%

**NATIONSBANK NA DES MOINES—1997 LENDING**

CATEGORY	PERCENT OF MSA	# OF ORIGINATIONS	PERCENT OF ORIGINATIONS	DENIAL RATE
LOW- & MODERATE INCOME CENSUS TRACTS	18.7%	22	17.5%	22.9%
MIDDLE-INCOME CENSUS TRACTS	61.5%	69	54.8%	37.0%
UPPER-INCOME CENSUS TRACTS	19.8%	35	27.8%	16.4%
AFRICAN AMERICANS	3.7%	4	3.2%	58.3%
HISPANICS	1.8%	2	1.6%	33.3%
WHITES	92.8%	100	79.4%	24.3%

**SAN ANTONIO**

Low and moderate income (LMI) neighborhoods make up 38.3% of the San Antonio metropolitan statistical area (MSA), which includes the city and adjacent suburbs.

However, NationsBank Mortgage Corp. originated only 9.2% of its housing loans in these neighborhoods. NationsBank of Texas originated 24.6% of its residential loans in LMI neighborhoods.

Upper-income census tracts account for only 27.4% of the San Antonio MSA.

But NationsBank Mortgage Corp. made 87.3% of its loans in these wealthy neighborhoods. NationsBank of Texas originated 41.8% of its housing loans in upper-income areas.

**NATIONSBANK MORTGAGE SAN ANTONIO—1997 LENDING**

CATEGORY	PERCENT OF MSA	# OF ORIGINATIONS	PERCENT OF ORIGINATIONS	DENIAL RATE
LOW- & MODERATE INCOME CENSUS TRACTS	38.3%	21	9.2%	34.1%
MIDDLE-INCOME CENSUS TRACTS	34.3%	102	4.5%	28.4%
UPPER-INCOME CENSUS TRACTS	27.4%	200	87.3%	15.5%
AFRICAN AMERICANS	6.5%	5	2.2%	41.7%
HISPANICS	47.2%	44	19.2%	31.2
WHITES	44.8%	131	57.2%	16.2%

**NATIONSBANK TEXAS SAN ANTONIO—1997 LENDING**

CATEGORY	PERCENT OF MSA	# OF ORIGINATIONS	PERCENT OF ORIGINATIONS	DENIAL RATE
LOW- & MODERATE INCOME CENSUS TRACTS	38.3%	205	24.6%	43.8%
MIDDLE-INCOME CENSUS TRACTS	34.3%	279	33.5%	34.3%
UPPER-INCOME CENSUS TRACTS	27.4%	348	41.8%	18.4%
AFRICAN AMERICANS	6.5%	49	5.9%	29.4%
HISPANICS	47.2%	258	31.0%	41.9%
WHITES	44.8%	393	47.2%	22.1%

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Low and moderate income (LMI) neighborhoods make up 38.3% of the San Antonio metropolitan statistical area (MSA), which includes the city and adjacent suburbs.

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But NationsBank Mortgage Corp. made 87.3% of its loans in these wealthy neighborhoods. NationsBank of Texas originated 41.8% of its housing loans in upper-income areas.

**NATIONSBANK MORTGAGE SAN ANTONIO—1997 LENDING**

CATEGORY	PERCENT OF MSA	# OF ORIGINATIONS	PERCENT OF ORIGINATIONS	DENIAL RATE
LOW- & MODERATE INCOME CENSUS TRACTS	38.3%	21	9.2%	34.1%
MIDDLE-INCOME CENSUS TRACTS	34.3%	102	4.5%	28.4%
UPPER-INCOME CENSUS TRACTS	27.4%	200	87.3%	15.5%
AFRICAN AMERICANS	6.5%	5	2.2%	41.7%
HISPANICS	47.2%	44	19.2%	31.2
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CATEGORY	PERCENT OF MSA	# OF ORIGINATIONS	PERCENT OF ORIGINATIONS	DENIAL RATE
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UPPER-INCOME CENSUS TRACTS	27.4%	348	41.8%	18.4%
AFRICAN AMERICANS	6.5%	49	5.9%	29.4%
HISPANICS	47.2%	258	31.0%	41.9%
WHITES	44.8%	393	47.2%	22.1%

**ST. PETERSBURG**

Low and moderate income (LMI) neighborhoods make up 26.8% of the St. Petersburg metropolitan statistical area (MSA), which includes the city and adjacent suburbs.

However, NationsBank Mortgage Corp. originated only 15.6% of its housing loans in these neighborhoods. NationsBank NA originated 25.5% of its residential loans in LMI neighborhoods.

Upper-income census tracts account for only 25.3% of the St. Petersburg MSA.

But NationsBank Mortgage Corp. made 42.0% of its loans in these wealthy neighborhoods. NationsBank NA originated 27.1% of its housing loans in upper-income areas.

**NATIONSBANK MORTGAGE ST. PETE—1997 LENDING**

CATEGORY	PERCENT OF MSA	# OF ORIGINATIONS	PERCENT OF ORIGINATIONS	DENIAL RATE
LOW- & MODERATE INCOME CENSUS TRACTS	26.8%	278	15.6%	20.1%
MIDDLE-INCOME CENSUS TRACTS	47.7%	757	42.4%	17.2%
UPPER-INCOME CENSUS TRACTS	25.3%	749	42.0%	14.2%
AFRICAN AMERICANS	8.7%	111	6.2%	16.0%
HISPANICS	6.6%	98	5.5%	16.0%
WHITES	83.3%	1402	78.6%	16.1%

**NATIONSBANK NA ST. PETERSBURG—1997 LENDING**

CATEGORY	PERCENT OF MSA	# OF ORIGINATIONS	PERCENT OF ORIGINATIONS	DENIAL RATE
LOW- & MODERATE INCOME CENSUS TRACTS	26.8%	703	25.5%	40.1%
MIDDLE-INCOME CENSUS TRACTS	47.7%	1311	47.5%	35.7%
UPPER-INCOME CENSUS TRACTS	25.3%	746	27.1%	30.7%
AFRICAN AMERICANS	8.7%	129	4.7%	54.8%
HISPANICS	6.6%	177	6.4%	48.3%
WHITES	83.3%	2251	81.6%	32.7%

**WICHITA**

Low and moderate income (LMI) neighborhoods make up 29.7% of the Wichita metropolitan statistical area (MSA), which includes the city and adjacent suburbs.

However, NationsBank Mortgage Corp. originated only 7.4% of its housing loans in these neighborhoods. NationsBank NA originated 12.6% of its residential loans in LMI neighborhoods.

Upper-income census tracts account for only 16.1% of the Wichita MSA.

But NationsBank Mortgage Corp. made 42.5% of its loans in these wealthy neighborhoods. NationsBank NA originated 20.4% of its housing loans in upper-income areas.

**NATIONSBANK MORTGAGE WICHITA—1997 LENDING**

CATEGORY	PERCENT OF MSA	# OF ORIGINATIONS	PERCENT OF ORIGINATIONS	DENIAL RATE
LOW- & MODERATE INCOME CENSUS TRACTS	29.7%	28	7.4%	18.4%
MIDDLE-INCOME CENSUS TRACTS	54.2%	140	50.1%	12.4%
UPPER-INCOME CENSUS TRACTS	16.1%	161	42.5%	8.6%
AFRICAN AMERICANS	7.5%	6	1.6%	14.3%
HISPANICS	3.8%	5	1.3%	25.0%
WHITES	85.8%	338	89.2%	11.1%

**NATIONSBANK NA WICHITA—1997 LENDING**

CATEGORY	PERCENT OF MSA	# OF ORIGINATIONS	PERCENT OF ORIGINATIONS	DENIAL RATE
LOW- & MODERATE INCOME CENSUS TRACTS	29.7%	24	12.6%	53.2%
MIDDLE-INCOME CENSUS TRACTS	54.2%	128	67.0%	37.6%
UPPER-INCOME CENSUS TRACTS	16.1%	39	20.4%	18.5%
AFRICAN AMERICANS	7.5%	4	2.1%	66.7%
HISPANICS	3.8%	5	2.6%	50.0%
WHITES	85.8%	140	73.3%	26.4%

# 1996 Residential Lending

## NationsBank, Bank of America and their Subsidiaries

	\$ (000)	#
Loans originated in low and moderate income neighborhoods:	3,113,729	59,039
Loans originated to minorities who do not live in low and moderate income neighborhoods:	6,659,077	87,826
Loan originated to low and moderate income people who are not minorities and do not live in low and moderate income neighborhoods:	1,907,063	51,068
Total of loans that would make up lending goal:	11,679,869	197,933
1996 loans times ten years of lending:	116,798,690	
Published community lending commitment over ten years:	115,000,000	
<b>Community gain from new lending commitment:</b>	<b>-1,798,690</b>	

**NOTES:**

The numbers above do not include (dollar amounts in thousands):

- 1 -- 7,395 loans to non-minority applicants with minority co-applicants totalling \$814,151.
- 2 -- 7,627 loans purchased by institutions in low/moderate income neighborhoods or to minority or low/moderate income applicants outside of low/moderate income neighborhoods totalling \$582,482.
- 3 -- 142,914 loans missing race, income and/or census tract information, which could not be classified as minority or low/moderate income loans or as loans in low/moderate income neighborhoods, totalling \$7,807,720.

NATIONSBANK AND BANK OF AMERICA'S SUBSIDIARIES IN HMDA DATA, 1996

Agency	Lender ID	Lender's name	City	State	Parent institution		
1	0000018023	BANK OF AMERICA ALASKA	ANCHORAGE	AK			
3	0000032971	BANK OF AMERICA ARIZONA	PHOENIX	AZ			
2	0000279431	BANK OF AMERICA ILLINOIS	CHICAGO	IL			
2	0000523563	BANK OF AMERICA NEVADA	LAS VEGAS	NV			
1	0000022409	BANK OF AMERICA NEW MEXICO	ALBUQUERQUE	NM			
1	0000011280	BANK OF AMERICA NORTHWEST N.A.	SEATTLE	WA			
1	0000022429	BANK OF AMERICA TEXAS, N.A.	IRVING	TX	BANKAMERICA CORPORATION	SAN FRANCISCO	CA
4	0000012416	BANK OF AMERICA, FSB	SAN FRANCISCO	CA			
1	0000013044	BANK OF AMERICA, NT&SA	SAN FRANCISCO	CA			
1	0000009049	BARNETT BANK NA	JACKSONVILLE	FL	BARNETT BANKS, INC.	JACKSONVILLE	FL
2	0001362303	BARNETT BANK OF SW GEORGIA	JACKSONVILLE	FL			
1	59-1353638	BARNETT MORTGAGE COMPANY	JACKSONVILLE	FL	HOMESIDE, INC.	JACKSONVILLE	FL
1	0000022681	BOATMEN S BANK IOWA, N.A.	DES MOINES	IA	BOATMEN S BANCSHARES, INC	ST LOUIS	MO
3	0000008882	BOATMEN S BANK OF MID-MISSOURI	COLUMBIA	MO	BOATMEN S BANCSHARES, INC	ST LOUIS	MO
3	0000011738	BOATMEN S BANK OF SOUTH CENTRA	MT VERNON	IL	BOATMEN S BANCSHARES, INC	ST LOUIS	MO
3	0000017901	BOATMEN S BANK OF SOUTHERN MIS	SPRINGFIELD	MO	BOATMEN S BANCSHARES, INC	ST LOUIS	MO
2	0000943750	BOATMEN S BANK OF SOUTHWEST MO	CARTHAGE	MO			
3	0000009164	BOATMEN S BANK OF TENNESSEE	MEMPHIS	TN	BOATMEN S BANCSHARES, INC	ST LOUIS	MO
3	0000015265	BOATMEN S BANK OF TROY	TROY	MO	BOATMEN'S BANSHARES, INC.	ST LOUIS	MO
1	0000022885	BOATMEN S NATIONAL BANK OF KAN	KANSAS CITY	MO	BOATMEN S BANCSHARES, INC	ST LOUIS	MO
1	0000021296	BOATMEN S NATIONAL BANK OF OKL	OKLAHOMA CITY	OK	BOATMEN S BANCSHARES, INC	ST LOUIS	MO
1	0000013236	BOATMEN S NATIONAL BANK OF ST	ST LOUIS	MO	BOATMEN S BANCSHARES, INC	ST LOUIS	MO
1	62-0500692	BOATMEN S NAT'L MORTGAGE INC	MEMPHIS	TN	THE BOATMEN'S NATIONAL BANK OF	ST LOUIS	MO
3	0000009381	BOATMEN S RIVER VALLEY BANK	LEXINGTON	MO	BOATMEN S BANCSHARES, INC	ST LOUIS	MO
1	0000004214	BOATMEN'S FNB OF AMARILLO	AMARILLO	TX	BOATMEN'S TEXAS	AMARILLO	TX
1	0000021889	BOATMEN'S NATIONAL BANK OF AUS	AUSTIN	TX	BOATMEN'S BANCSHARES, INC.	ST LOUIS	MO
1	0000018778	BOATMEN'S NATIONAL BANK OF CON	CONWAY	AR	BOATMEN'S BANCSHARES, INC.	ST LOUIS	MO
1	0000016009	BOATMEN'S NATIONAL BANK OF LIT	LITTLE ROCK	AR	BOATMEN'S BANCSHARES, INC.	ST. LOUIS	MO
1	0000014056	BOATMEN'S NATIONAL BANK OF PIN	PINE BLUFF	AR	BOATMEN'S BANCSHARES, INC.	ST LOUIS	MO
1	0000018781	BOATMEN'S NATIONAL BANK OF NORT	FAYETTEVILLE	AR	BOATMEN'S BANCSHARES, INC.	ST. LOUIS	MO
2	0001165269	COMMUNITY BANK OF THE ISLANDS	JACKSONVILLE	FL			
2	2036450	EQUICREDIT CORP OF AMERICA	JACKSONVILLE	FL	EQUICREDIT CORP	JACKSONVILLE	FL
2	0002142959	HOME EQUITY SERVICE CORP	IRVING	TX			
1	75-1401985	NATIONSBANK MORTGAGE CORP	DALLAS	TX	NATIONSBANK CORPORATION	CHARLOTTE	NC
1	0000022566	NATIONSBANK OF KENTUCKY, N.A	DALLAS	TX	NATIONSBANK CORPORATION	CHARLOTTE	NC
1	0000022567	NATIONSBANK OF TENNESSEE, N.A.	DALLAS	TX	NATIONSBANK CORPORATION	CHARLOTTE	NC
1	0000021834	NATIONSBANK OF TEXAS, N.A.	DALLAS	TX	NATIONSBANK CORPORATION	CHARLOTTE	NC
1	0000014448	NATIONSBANK, N.A.	DALLAS	TX	NATIONSBANK CORPORATION	CHARLOTTE	NC
1	0000013068	NATIONSBANK, N.A. (SOUTH)	DALLAS	TX	NATIONSBANK CORPORATION	CHARLOTTE	NC
1	99-0008292	SUN WORLD NA	EL PASO	TX	NATIONSBANK CORPORATION	CHARLOTTE	NC
1	0000012485	SUNWEST BANK OF ALBUQUERQUE, N	ALBUQUERQUE	NM	BOATMENS BANCSHARES, INC	ST LOUIS	MO
3	0000019197	SUNWEST BANK OF EL PASO	EL PASO	TX	BOATMENS BANCSHARES, INC	ST LOUIS	MO
1	0000016596	SUNWEST BANK OF LAS CRUCES, N	LAS CRUCES	NM	BOATMENS BANCSHARES, INC	ST LOUIS	MO
3	0000020687	SUNWEST BANK OF SANTA FE	SANTA FE	NM	BOATMENS BANCSHARES, INC	ST LOUIS	MO

# Loans Originated -- 1996

Low/Mod Income Neighborhoods		Middle Income Neighborhoods		Upper Income Neighborhoods		Tract Income Not Available		All Neighborhoods	
\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#

## Minority Borrowers Income Level

Low/Mod:	328,620	9,660	427,989	10,588	97,617	2,216	--	--	854,226	22,464
Not Low/Mod:	714,947	12,285	2,222,230	27,996	2,763,167	20,264	--	--	5,700,344	60,545
N/A:	6,346	101	39,009	335	16,130	187	1,092,935	26,240	1,154,420	26,863
All Minority Borrowers:	1,049,913	22,046	2,689,228	38,919	2,876,914	22,667	1,092,935	26,240	7,708,990	109,872

## White Borrowers Income Level

Low/Mod:	371,264	11,323	1,399,377	38,974	441,964	10,262	--	--	2,212,605	60,559
Not Low/Mod:	1,413,373	22,774	9,993,357	129,715	18,353,201	119,622	--	--	29,759,931	272,111
N/A:	28,711	242	168,597	1,223	141,294	739	6,721,973	137,547	7,060,575	139,751
All White Borrowers:	1,813,348	34,339	11,561,331	169,912	18,936,459	130,623	6,721,973	137,547	39,033,111	472,421

## Race Unavailable (Mail/Telephone Application) Income Level

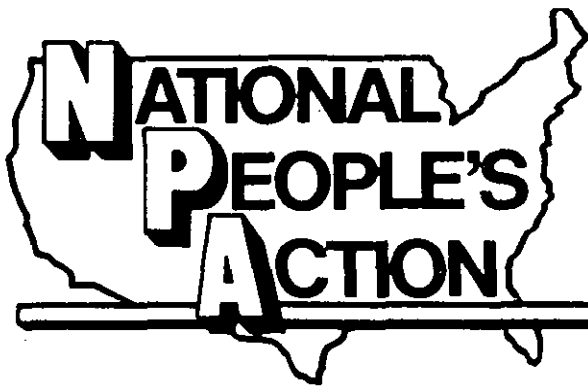
Low/Mod:	26,409	873	49,454	1,439	15,200	379	--	--	91,063	2,691
Not Low/Mod:	88,515	1,568	480,778	6,640	952,106	6,087	--	--	1,521,399	14,295
N/A:	24,162	58	27,127	172	45,690	124	178,246	2,517	275,225	2,871
All Mail/Telephone:	139,086	2,499	557,359	8,251	1,012,996	6,590	178,246	2,517	1,887,687	19,857

## Race Unavailable Income Level

Low/Mod:	523	13	690	11	378	3	--	--	1,591	27
Not Low/Mod:	7,926	42	10,475	89	38,027	99	--	--	56,428	230
N/A:	102,933	100	231,675	160	137,575	116	107,041	128	579,224	504
All Race Unavailable:	111,382	155	242,840	260	175,980	218	107,041	128	637,243	761
All Lending	3,113,729	59,039	15,050,758	217,342	23,002,349	160,098	8,100,195	166,432	49,267,031	602,911

NTIC Analysis: 08-Jul-98 .





NEIGHBORHOODS *First*

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July 9, 1998

Ms. Jennifer J. Johnson  
Secretary of the Board  
Federal Reserve System  
20th Street and Constitution Av., N.W.  
Washington, D.C. 20551

Dear Ms. Johnson:

National Peoples Action (NPA) is submitting this letter to protest the application filed by NationsBank Corporation, Charlotte, North Carolina, to acquire BankAmerica Corporation, San Francisco, California.

*NationsBank National LMI and Minority Lending*

As stated in our initial protest letter dated May 22, an analysis of 1996 HMDA data for the NationsBank Corporation and its subsidiaries reveals that together these subsidiaries denied non-white applicants nearly twice as often (40.3%) as white applicants (21.31%). These subsidiaries include NationsBank, NA [South]; NationsBank, NA; NationsBank of Texas; NationsBank of Kentucky, NA; NationsBank of Tennessee, NA; NationsBank Mortgage Corporations.

This trend of racial lending disparity mirrors NationsBank's record for lending to underserved census tracts. In low-income census tracts in 1996, Nations Bank denied 35.76% of all applications nationally. The disparity is all the more glaring when compared with the institution's record of lending in upper income census tracts. NationsBank found a mere 17.47% of high income tract applications worthy of denial.

These institution's lending record and overall lack of compliance belies the bank's statements that it is serving the communities in which they are chartered to do so. It is notable that the revised CRA regulations are specifically intended to evaluate actual lending performance, not on special, pigeon-hole programs that do not have a measurable impact on underserved populations and areas, as the data outlined above confirms.

Nevertheless, the application by NationsBank Corp. to acquire BankAmerica Corp. in effect asks the Board of Governors to grant the application while overlooking the bank's performance.

It is unreasonable to assume, with the two or three fold growth in size that will result from the merging of these institutions, that the situation will improve on its own. Our experience with mergers on much smaller scales proves that as decision making and resources move farther away from the communities affected, the lending and services deteriorate even further.

#### NationsBank Unwillingness to Work with Community Leaders

On Thursday, May 21, we met with representatives from NationsBank and BankAmerica to try and come to an agreement on a plan that would address both national and local concerns.

NationsBank's CRA official, Catherine Bessant, showed a complete lack of willingness to listen to our communities' concerns and to work to address them. Specifically, she stated that her bank would never make agreements with communities, even though such agreements have been our only assurance banks will invest in our LMI communities. Adding insult to injury, Ms. Bessant stated that she would never work with people like us.

When the 11 community groups in the meeting told bank officials that they would be submitting letters to the Federal Reserve protesting the acquisition, Ms. Bessant responded, "Bring it on, we welcome it." We believe this arrogance is unacceptable.

Clearly, the May 21 meeting was an attempt by the NationsBank to stall for almost a month any future action NPA would take that may delay the acquisition.

#### *NationsBank's Non-Compliance with HMDA and CRA*

Six of the community groups that are part of the NPA coalition found it difficult to get NationsBank Corp.'s lending data which the bank is required to make available under HMDA and CRA.

Leaders and staff from the Cooperative Resource Center in Atlanta, NTIC in Chicago, Working in Neighborhoods in Cincinnati, Union Miles Development Corp. and the East Cleveland Organizing Project in Cleveland, the Neighborhoods First Alliance in San Antonio, and Sunflower Community Action in Wichita were either unable to obtain this data directly from the bank and its subsidiaries or within the time-frame required by federal law.

In the cases of Chicago and Wichita, the groups were referred to subsidiaries out of state. The institutions in Atlanta, Cincinnati, Cleveland, and San Antonio also did not have the information immediately available and mailed the data at a later date. Mr. Guy Bodine, the president of NationsBank of Texas went so far as to attempt to intimidate the group in San Antonio. Mr. Bodine called the director of the United Way, which funds one of the groups represented. While no one knows exactly what was said in that

conversation, the call resulted in severe probation of the leader.

*NationsBank Takes away Local Control upon Acquisition -- Stories from Des Moines, St. Petersburg, and San Antonio*

The successful partnerships between community groups and the bank being acquired have proven that these partnerships can be profitable. Community groups like those in the NPA coalition have helped banks get housing and small business loans out in underserved neighborhoods.

However, communities across the country have experienced growing pains as bank have gone from hometown institutions to regional corporations. In the CRA experience of the groups involved in the NPA coalition, acquisitions and mergers threaten standing CRA agreements.

NationsBank, on the other hand, has not understood the need to honor local agreements. In Des Moines, NationsBank corporate officials have refused to allow the local bank that was Boatmen's to renew an agreement upon acquisition. Brenda LaBlanc from Citizens for Community Improvement of Des Moines will speak to that in more detail at the public meeting.

When NationsBank took over Barnett in St. Petersburg, the bank critically weakened the agreement a group had struck with Barnett Bank. NationsBank refused to dedicate the marketing needed to advertise the bank's loan products in the underserved neighborhoods. They also refused to provide staff support for the partner organization so they could do their part in marketing the bank to its members and other residents in the community. Abdul Aziz from Congregations United for Community Action could not testify in person at these hearings, but has sent his written comments for submission into the record (see attached).

Not intimidated by Mr. Guy Bodine's apparent attempts to extinguish criticism of lending practices in San Antonio, Neighborhoods First Alliance requested a public meeting with the state president. Despite data that clearly confirms that NationsBank of Texas is redlining poor and minority neighborhoods in San Antonio, Mr. Bodine and his representatives refused to make any agreements that would commit the bank to increasing their lending in the redlined area. Carlos Richardson will tell that story at today's public meeting.

Each of these stories confirms our fears that NationsBank is taking away local control from its markets. Without being allowed to enter into agreements with community groups, local bank presidents are not able to get the loans into the neighborhoods and meet their CRA obligations. Apparently, NationsBank decision-makers in Charlotte believe the bank is too big to have to meet its obligations on the local level, the only level that will give neighborhoods access to credit.

*NationsBank Lending -- Underserving Low and Moderate Income Neighborhoods and Avoiding Accountability to the Community*

Attached is a case study of the lending practices of NationsBank NA, NationsBank of Texas, NationsBank Mortgage Corp., and NationsCredit. This study reveals a disproportionately higher level of lending in middle and upper income neighborhoods than in low and moderate income (LMI) communities when compared to the relative income mix of the areas they are chartered to serve.

The study also demonstrates that NationsBank Corp. does most of its lending through subsidiaries not covered under CRA. However, as the law stands today, the institution is allowed to count these loans toward its CRA obligation at its own discretion. This focus on lending through non-CRA subsidiaries leaves the bank open to redlining without accountability from the community.

*NationsBank Makes Hollow Commitment of \$350 Billion -- \$115 in Housing Loans -- to "Improve" its Lending Record in LMI and Minority Communities*

The day before NPA's May 21 meeting, NationsBank announced a commitment of \$350 billion of investment in low and moderate income communities. Within this commitment is a \$115 billion commitment in housing loans. Research performed by NTIC has found that this is a hollow commitment.

An analysis of 1997 lending by all of NationsBank Corp.'s subsidiaries and acquisitions as well as those by BankAmerica Corp shows that the institutions made 197,933 housing loans for \$11,679,869. The factors considered in this HMDA analysis mirror those that the institution has committed to.

IF you project this same level of lending over 10 years, the bank would make \$116,798,690,000 in housing loans. Therefore, the \$115 billion commitment in housing loans is not an improvement on the institution's past lending record.

The banks' past lending performance has been unacceptable, yet NationsBank has made a huge fanfare about a "commitment" that would not improve the bank's level of lending to minority and low and moderate income neighborhoods and individuals. The Board of Governors must not allow NationsBank to hide behind this hollow commitment.

NationsBank is not serving the convenience and needs of the neighborhoods in the cities signed below as required by the federal law, the Community Reinvestment Act. We urge the Board of Governors to deny NationsBank Corp.'s application to acquire BankAmerica Corp.

Sincerely,

Gale Cincotta  
Gale Cincotta, National People's Action; Chicago, IL

Jim Buckley  
Jim Buckley, Northwest Bronx Community Clergy Coalition; Bronx, NY

Marilyn Evans  
Marilyn Evans, Working In Neighborhoods; Cincinnati, OH

Inez Killingsworth  
Inez Killingsworth, Union Miles Development Corporation; Cleveland, OH

Aggie Brose  
Aggie Brose, Pittsburgh Community Reinvestment Group; Pittsburgh, PA

Brenda LaBlanc  
Brenda LaBlanc, Des Moines Citizens for Community Improvement; Des Moines, IA

Craig Taylor  
Craig Taylor, Cooperative Resource Center; Atlanta, GA

Mike Auberger  
Mike Auberger, American Disabled for Attendant Programs Today; Denver, CO

Margaret Webb  
Margaret Webb, Sunflower Community Action; Wichita, KS

Abdul Aziz  
Abdul Aziz, Congregations United for Community Action; St. Petersburg, FL

Rev. Ron Lister  
Reverend Ron Lister, Neighborhoods First Alliance; San Antonio, TX

Leslie Reicher  
Leslie Reicher, Pittsburgh Community Reinvestment Group, Pittsburgh, PA

Carlos Richardson  
Carlos Richardson, Neighborhoods First Alliance, San Antonio, TX

cc: President William J. Clinton  
Robert Rubin, Secretary of the Treasury  
Julie Williams, Acting Comptroller of the Currency  
Ricki Helfer, Chairwoman, Federal Deposit Insurance Corporation  
Alan Greenspan, Chairman of the Board of Governors of the Federal Reserve

Stephen Ong, Asst. Vice President, Federal Reserve System  
Ruth Clevenger, Community Affairs Manager, Federal Reserve System  
Alicia Williams, The Chicago Federal Reserve Bank  
Gaile Clark, Federal Reserve System, Richmond, VA  
Joy Hoffman-Molloy, Federal Reserve Bank of San Francisco  
Althea Worthy, Pittsburgh Community Affairs Liaison, Federal  
Reserve System  
Hugh McColl, Chairman, NationsBank Corp.  
David Coulter, BankAmerica Corp.  
Senator Phil Gramm, Texas  
Senator Kay Bailey Hutchison, Texas  
Senator John Glenn, Ohio  
Senator Mike Dewine, Ohio  
Senator Rick Santorum, Pennsylvania  
Senator Arlen Specter, Pennsylvania  
Senator Paul Coverdell, Georgia  
Senator Max Cleland, Georgia  
Senator Carol Moseley-Braun, Illinois  
Senator Richard Durbin, Illinois  
Congressman Ciro Rodriguez, Texas  
Congressman Mario M. Salas, Texas  
Congressman Steve Chabot, Ohio  
Congressman Rob Portman, Ohio  
Congressman William Coyne, Pennsylvania  
Congressman Mike Doyle, Pennsylvania  
Congressman John Lewis, Georgia  
Congressman Danny Davis, Illinois  
Congressman Luis Gutierrez, Illinois  
Congressman Jesse Jackson, Jr., Illinois  
Congressman Bobby Rush, Illinois  
PCRG Members

enc.

July 2, 1998

Board of Governors  
Federal Reserve System  
20th and C Street, NW  
Washington, D. C. 20551

Dear Members of the Board of Governors:

It's like a bad dream to get banks to commit to follow the law that governs Community Reinvestment lending, and it's a nightmare to get them to lend the money they promise. That has been the unpleasent situation facing Congregation United for Community Action (CUCA). And that's only a small part of the reasoning why members of CUCA adamantly and emphatically oppose the merger of NationsBank and Bank of America.

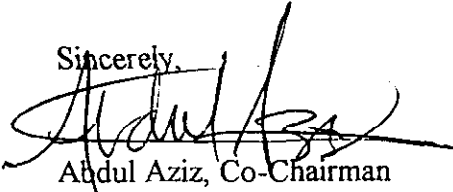
It was in 1994 that CUCA first called the public's attention to redlining by Barnett Bank, who has since been purchased by NationsBank. After a series of meetings and negotiations both CUCA and Barnett Bank overtly entered into an agreement to make \$25 Million of uninsured mortgage loans in the redlined census tracts over a period of three years. They have fallen short considerably of that goal. Barnett Bank also agreed to establish a full-service branch in the redlined census tracts, which never occurred. Now that the bank's corporate office is in N.C., these decision are made from there rather locally. This, however, makes matters even more difficult to redress.

Now we have a situation where a bank with a worse CRA record than Barnett Bank (Who now have ownership in the CUCA-BARNETT AGREEMENT via its purchase of Barnett), left to make CRA loans in the redlined neighborhoods. National representatives for CRA lending for both Nationsbank and Bank of America, on May 21, 1998, in St. Louis Missouri, told us they had no respect for CRA Agreements between Community groups and their respective banks.

With that kind of attitude and lack of concern for the CRA regulations, where do that leave the thousands of people that live in those census tracts, to whom the banks have a duty and responsibility to service, and not play games of omission and exclusion. We feel that our strongest evidence that this kind of exclusionary lending will continue, is the HMDA reports for these banks. That is first-hand evidence that this merger should not take placae without some serious investigation. The track records for both of these financial institutions alone will not warrant or justify this merger.

We pray, that in good conscience, you will heed the cry of people across this land and postpone the approval of this merger, until NationsBank and Bank of America is ready to sit down with the people who deposit monies in their banks, and make right what they have wronged.

Sincerely,

A handwritten signature in black ink, appearing to read 'Abdul Aziz', written over the word 'Sincerely,'.

Abdul Aziz, Co-Chairman  
Congregations United for Community Action



TESTIMONY OF  
CARLOS RICHARDSON  
NEIGHBORHOODS FIRST ALLIANCE (SAN ANTONIO, TX)

at

PUBLIC MEETING ON NATIONSBANK AND BANKAMERICA  
FEDERAL RESERVE BANK OF SAN FRANCISCO  
JULY 9, 1998

Contents:

- 1) Written testimony
- 2) Analysis of NationsBank HMDA for 1997
- 3) Map of redlined census tracts
- 4) Letter of support from Mario Marcel Salas, San Antonio City Council, District 2

Based on the 1997 HMDA data it is reflected that has redlined the eastern San Antonio community. There were three loans made in our neighborhood. One loan was made to Hispanic for \$14,000, another to an African American for \$21,000 and an undisclosed ethnic group for \$26,000.

NationsBank began negotiations with Neighborhoods First Alliance with the statement "we do not sign agreements with neighborhood groups." This is a clear demonstration of its lack of will in making a commitment.

NationsBank also refused to agree to any measurable goals or time tables to rectify the problems, thus refusing to be held accountable for its performance.

Due to such institutional policies as redlining, the eastern sector is economically deprived. The neighborhood is populated by the elderly and working poor and has not been a participant in the economical growth of the SMSA. The area is besieged by warehouse encroachment, tank farms, and hazardous waste.

The lack of mortgage lending is destroying the residential nature of the neighborhood and encourages the type of investment that destroys the living environment and ultimately the neighborhood itself.

After Neighborhoods First Alliance requested Nationsbank's HMDA data, an executive of the bank discovered one of the organizations was funded by the United Way. The executive called United way and the leader involved was immediately put on job probation. This attempt to cripple our neighborhood leadership demonstrates this corporation's arrogance and willingness to use its power to step on poor communities.

# NationsBank Home Mortgage Data for 1997

For the following Eastside Census Tracts 1301, 1302, 1303, 1304, 1305, 1306, 1307, 1308, 1309, 1310, and 1311

## 81 Total Loan Applications

1 Loan Made for Owner Occupied Purchase of a House (\$14,000)

0 Black

1 Hispanic (\$14,000)

0 White

2 Loans Made for Non-Owner Occupied Purchase of a House (a total of \$47,000)

1 Black (\$21,000)

0 Hispanic

0 White

1 Undisclosed Ethnic Group (\$26,000)

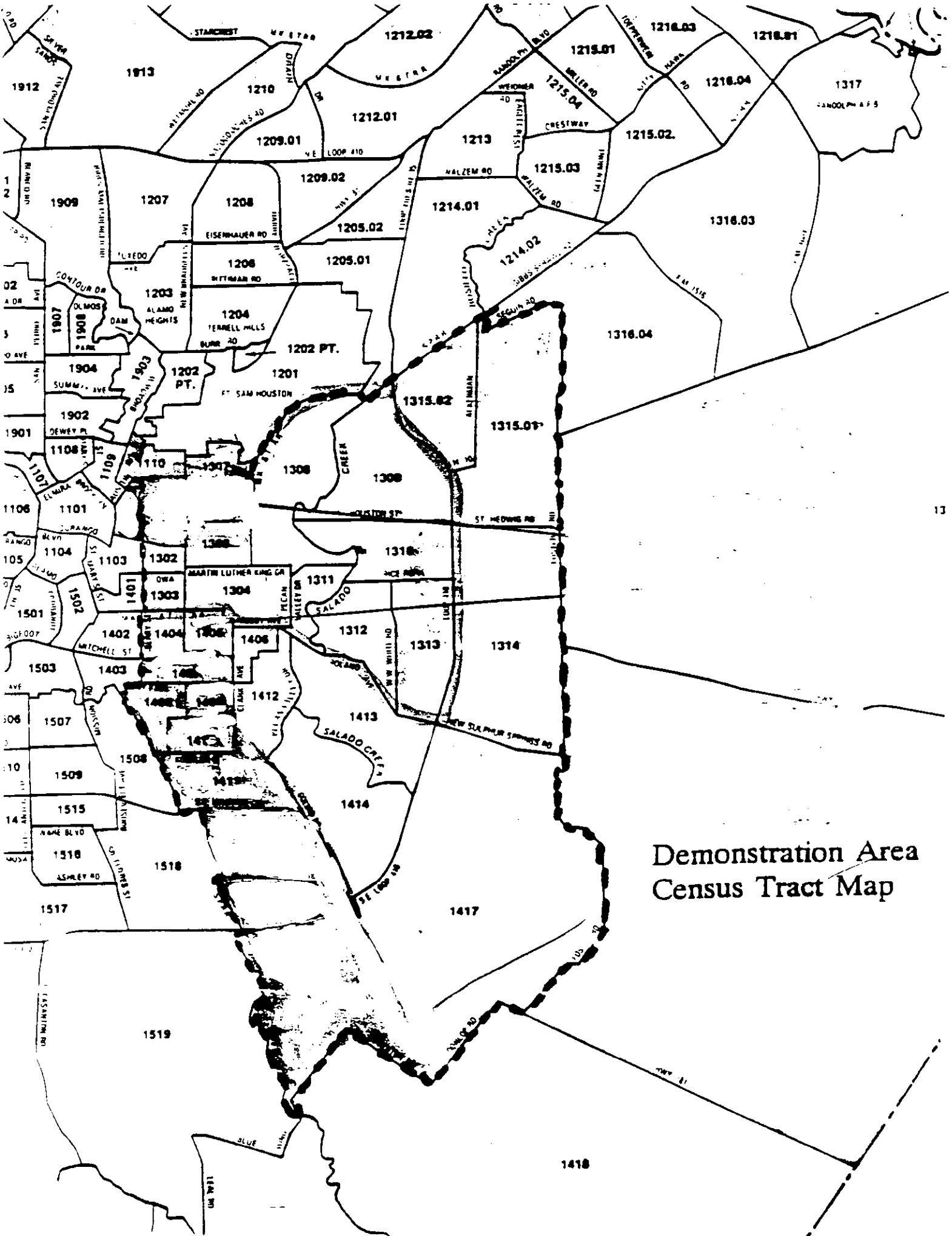
26 Loans to Owners for Repair of Homes

17 Black (a total of \$70,000)

5 Hispanic (a total of \$21,000)

2 White (a total of \$37,000)

1 Undisclosed Ethnic Group (\$3,000)



Demonstration Area  
Census Tract Map

# CITY OF SAN ANTONIO



MARIO SALAS  
COUNCILMAN  
DISTRICT 2

July 7, 1998

Ms. Jennifer Johnson  
Secretary, Board of Governors  
Federal Reserve System  
20<sup>th</sup> Street and Constitution Ave., N.W.

Dear Members of the Board of Governors:

As the Councilperson representing San Antonio's District 2, I submit this letter to protest the application filed by NationsBank Corporation of Charlotte, North Carolina to merge with the Bank of America of San Francisco, California. District 2 is located in East San Antonio and is home for much of San Antonio's African American community.

According to a community group in my District, the Neighborhoods First Alliance, the 1997 Home Mortgage Disclosure Act data for NationsBank's operations in San Antonio shows a very poor record of meeting the credit needs of San Antonio's minority and low-income communities. In all of Bexar County, NationsBank made a total of only three loans for the purchase of an owner-occupied home to African Americans. To put it bluntly, NationsBank's lending record in San Antonio's African American community is shameful.

NationsBank's claim that they are serving the communities in which they are chartered to do business is clearly false. Allowing the proposed merger with Bank of America will make an already bad situation worse by shifting decision making authority and financial resources farther away from the people affected.

This concerns me because access to credit is crucial to restoring the integrity of District 2's neighborhoods. Without credit, homeownership declines. And without homeowners with a stake in its well being, a community suffers encroachment by industries looking for areas lacking the political will to keep them out. For too long my district has been singled out as a toxic dumping ground, a Mecca for environmental outlaws such as Aztec Ceramics. This terrible legacy is but one of the consequences of NationsBank's redlining. East San Antonio cannot heal itself without support for the community-based strategies advocated by groups such as the Neighborhoods First Alliance.

Given their lack of responsiveness and their history of redlining and discrimination, I ask the Board of Governors to deny NationsBank and Bank of America's application to merge, or at least remove the application from expedited processing so the Board may more fully investigate NationsBank's compliance with the Community Reinvestment Act.

A handwritten signature in cursive script, reading "Mario Marcel Salas".

Mario Marcel Salas  
San Antonio City Council, District 2

MAILING:  
P.O. BOX 839966  
SAN ANTONIO, TEXAS 78283-3966

CITY OF SAN ANTONIO, TEXAS  
CITY HALL (210) 207-7040  
FAX (210) 207-7027

# **SUNFLOWER COMMUNITY ACTION**

**1124 N. Hydraulic, #204, Wichita, Ks. 67214**

**(316) 264-9972 (voice) (316) 263-7325 (fax)**

*June 23, 1998*

Board of Governors  
Federal Reserve System  
20th and C Street, NW  
Washington, D.C.

Dear Members of the Board of Governors,

Sunflower Community Action is submitting this letter to protest the application filed to Nations Bank Corporation of Charlotte, North Carolina to merge with Bank of America of San Francisco, California.

We submit to the Board an analysis of Home Mortgage Act Disclosure data for Nations Bank and it's affiliate operation in Wichita, Kansas for the calendar years 1996. This data clearly confirms our belief that Nations Bank and it's affiliates have a very poor record of meeting the credit needs and convenience of Wichita's minority and low-income communities. Specially, in Kansas Nations Bank has closed or sold 20 branches, stating that these areas were not in need of their services. Smaller communities in Kansas are in GREAT need of institutions that will assist in the strengthening of their towns. In a thriving small community, Winfield, KS, population 12,000, Nations Bank gave no small business loans to low-income/minority people. We are waiting to find out home loan activity in the African-American community of that town. Attached you will find a map plotting by census tract the home loan activity of Wichita.

Nationally, the lending picture is just as bleak. In 1996, Bank of America denied only 27.92% of all white applicants in contrast to their denial rate of non-white applicants 44.18% of the time. For Nations Bank the situation is even more disturbing, with non-white applicants denied nearly twice as often (40.3%) as white applicants (21.31%).

This trend of racial lending disparity mirrors both institutions' records for lending to undeserved census tracts in 1996. Nations Bank denied 35.76% of all applications, while Bank of America denied a full 50.98% of all application from low income census tracts. The disparity is all the more

glaring when compared with the institutions' record of lending in upper income census tracts. Bank of America denied only 29.31% of all such applications while Nations Bank found a mere 17.47% of high income tract applications worthy of denial.

Also, attached you will find documentation of our great difficulty in obtaining HMDA data from our "main" bank in Kansas. We found that employees and their bosses of the "main" Nations Bank for Kansas, responsible for CRA, ignorant and confused about what is required by law to have available to the public at the bank. In fact, the public file notebook they pulled out had general Sedgwick county figures for farm and small business data, not full information. The tabs indicating the section for home loan activity was completely EMPTY. Getting HMDA data was extremely difficult, with contradicting messages about what the bank is required to do.

These institutions' lending records and overall lack of compliance belies their statements that they are serving the communities in which they are chartered to do so. It is notable that the revised CRA regulations are specifically intended to evaluate actual lending performance, not on special, pigeon hole programs that do not have a measurable impact on undeserved populations and areas, as the data and stories outlined above confirms.

Nevertheless, the application by Nations Bank Corp. and Bank America in effect asks the Board of Governors to grant the application while overlooking their performance.

It is unreasonable to assume, with the two or three fold growth in size that will result from the merging of these institutions, that the situation will improve on it's own! Our experience with mergers on much smaller scales proves that as decision making and resources move farther away from the communities effected, the lending and service deteriorate even further.

In Kansas, first we were Bank IV, then we were Boatman's, NOW we're Nations. Where is the local ability to impact what a bank does to meet needs in OUR community? There is none. We were told at the largest and most luxurious downtown Nations Bank, that they were just a branch. How can we get what we need for our communities for a branch? Wichita Nations had to have OUR local HMDA data sent from Dallas, Texas. We sent a letter this week from a Mr. Lewis who claimed to be the President of Nations Bank. The letterhead gave NO indication what office or city he was from. It just said NATIONS BANK. Our Nations Bank President is Marilyn Pauly--who is Mr. Lewis?? Mergers have not been good for low-income customers and communities!!!!

On May 21, 1998, representatives from eleven communities from around the country, Wichita included, met with representatives from Nations Bank and Bank of America. Our coalition came to the table with good faith in our hearts, ready to negotiate real dollars and solutions in our communities. Ms. Bessants, Nations Bank executive, was EXTREMELY insulting to all of us. She stated emphatically that, "We [Nations Bank] won't EVER do business with people like you." We feel our complaints are legitimate and to have one of their executives act this way does not show a willingness to solve together the problems going on in our low-income communities. It is apparent by her statement that she finds "people like us" distasteful. This attitude will not be tolerated, and unfortunately for her she will have to continue to deal with "people like us." We refuse to be ignored.

Given the total lack of responsiveness and the institutions' history of indisputable evidence of redlining and discrimination, we ask the Board of Governors to deny Nations Bank Corp. and Bank of America's application to merge, or at the very least, to remove the application from expedited processing so that the Board may more fully investigate the issues raised herein.

Sincerely,

Margaret Webb (MARGARET Webb)  
member of Neighborhood  
Leadership Team  
Sunflower Community Action



**DOCUMENTATION  
ATTEMPTS TO ACQUIRE HMDA DATA  
NATIONS BANK, WICHITA, KANSAS  
SUNFLOWER COMMUNITY ACTION**

May 18, 1998

- 3:30 p.m. Group of 10 community leaders arrives at Nations Bank to acquire HMDA data.
- 3:35 p.m. President, Marilyn Pauly states that the bank has five working days to get HMDA information to the public. She tells us that this bank is a "branch", so they are not required to have the information in the bank. She makes a phone call. Ms. Pauly states that Steve Hastings is out of the bank, but we would be welcome to talk to Gaylynn McGregor who used to be the CRA compliance officer. We were escorted by Ms. Pauly to the CRA office.
- 3:55 p.m. Pres. Pauly goes to get Ms. McGregor. We wait for seven minutes in the reception area. Both Pres. Pauly and Ms. McGregor emerge with a three ring binder. They state that we are more than welcome to look through the entire notebook. We are ushered into a conference room to look through the book. They stated that what we wanted was included in the notebook and again reiterated that we could take as much time as we wanted to look through the data. After probing with questions, we discover that the data in the notebook was broken down by county, not census tracts, for farm, small business, and home loans. We were assured though that we would receive the census tract breakdown from Dallas.

We raised question about a statement in the front of the notebook:

Public Availability - The Community Reinvestment Act requires that the CRA Disclosure Statement be made available to the public as part of an institution's CRA public file. The entire disclosure statement must be available at the main office and if an interstate institution at one branch office in each state within three business days of its receipt from the Federal Reserve Board. In addition, a report must be made available at a branch office within five calendar days of a request being made at that branch.

This is how we understand the statement: Charlotte is the Main office. The downtown Nations Bank is the main branch bank for the state of Kansas. As it reads, the public should be able to see the ENTIRE disclosure



Ann Williamson/The Wichita Eagle

**Kathy Johnson, a member of Sunflower Community Action, was one of about 20 people who demonstrated Thursday morning outside NationsBank in downtown Wichita.**

# Protesters hold rally at NationsBank

■ Demonstrators criticized the bank's lending record in Wichita's poor neighborhoods.

**By Molly McMillin**

*The Wichita Eagle*

As their voices echoed throughout NationsBank's large atrium in downtown Wichita, about 20 people protested at the bank Thursday morning, opposing its planned merger with San Francisco-based BankAmerica.

The demonstrators, organized by Sunflower Community Action, a grass-roots neighborhood group, said they fear the merger will lead to fewer loans being made in Wichita's poorest neighborhoods.

As employees and tenants of the building watched from the mezzanine or from office windows overlooking the atrium, police moved the picketing outside the building at Douglas and Broadway.

Margaret Webb, a member of the group, said that because NationsBank is headquartered in Charlotte, N.C., Wichita executives must get permission at the national level before making loans in various neighborhoods — a charge flatly denied by local bank officers.

"I just would like to see more help in our community — I don't think that will happen with the merger," Webb said.

The organization has sent letters opposing the merger to federal regulators.

"We feel strongly about our service and our

commitment to the community," said Marilyn Pauly, president of NationsBank of Wichita.

Pauly spoke to the pickets and offered to meet with them.

The group also is contending that the bank engages in redlining, a charge Pauly vehemently denied. Redlining is the practice of systematically rejecting loan applications from poor neighborhoods.

The bank does a lot to reach out to the community, she said, including seeking out loans in low- to moderate-income areas. NationsBank is committed to helping low-income residents in all areas of the city, she added.

A check by The Wichita Eagle of data filed by the bank under the Home Mortgage Disclosure Act showed that in 1996, the latest date figures are available, the bank denied loans to the poorest of residents in the Wichita area 53 percent of the time.

That figure is higher than the denial rate at Intrust Bank, which denied loans to the same group 30 percent of the time.

But it was lower than that of all banks doing business in the area combined, which denied loans to the lowest-income residents 59 percent of the time.

NationsBank and Intrust are the largest and second-largest banks, respectively, in the Wichita area.

Thursday's protest was part of a nationwide effort in which community groups in cities across the country are demonstrating outside NationsBank and BankAmerica offices.

"Banks redlined for years until we stepped up to hold them accountable," said Gale Cincotta, national chairwoman of National People's Action, a Chicago-based coalition of neighborhood groups.

"The main result of megamergers will be 'mega redlining' if NationsBank and BankAmerica get permission to merge without oversight from the rest of us."

The demonstrators fear the larger financial conglomerate will roll back any reinvestment gains the individual banks have made.

That will not be the case, said Doug Woodruff, NationsBank senior vice president, community investments, in St. Louis.

"The fact that we're going to be the largest bank in this country is what gives us the ability to make the investment," Woodruff said.

Late last month, the bank announced that it would invest \$350 billion into low- to moderate-income communities across the franchise.

That means the Wichita branches will have the money they need to meet the needs of the community, Pauly said.

Sunflower Community Action of several groups that met with officers in St. Louis earlier this morning, asking for more community investment.

"Historically, we've looked to commitments broadly defined to include all interested people in communities," Woodruff said. "We have historically not wanted to out individual organizations in to sign agreements."

On a national level, NationsBank has been the target of protest by community groups that have opposed other mergers by the bank.

The Community Investment Act, enacted in 1977, requires each bank to assess and help meet the needs of the entire community in which the bank operates.

**Molly McMillin writes about bank real estate and economic development. She can be reached at 269-6700 or at [mmcmillin@wichitaeagle.com](mailto:mmcmillin@wichitaeagle.com)**

11-1-97

# NationsBank sells, closes 10 branches

■ Company says it wants to be market leader in the communities it serves.

By Molly McMillin

The Wichita Eagle

Within the past four months, NationsBank Corp. has either closed or sold 10 of its branches in smaller Kansas communities.

The branches are those that either are near another NationsBank location or are not cost-efficient enough to remain open, company officials said.

None of the towns will be left without a bank.

In five communities, NationsBank has sold its only branch in the town.

The overriding reason is that these were in communities where we were

not the No. 1 or even the No. 2 bank," said Roger Ramseyer, a company spokesman. "NationsBank has the strong desire to be the market leader in the communities in which it does business.

Sue Anderson, executive director of the Community Bankers Association in Topeka, has said that the sales and closings indicate that NationsBank does not have much interest in small towns.

Ramseyer says that characterization is wrong. The bank is committed to the areas in which it does business, he said.

For example, he said, NationsBank just made a \$10,000 donation to Hays Medical Center.

In addition, "we're here to get bigger, not to get smaller," Ramseyer

said.

In each case, the branches were sold to small, community banks. Western State Bank of Garden City has purchased the NationsBank branch in Goodland; Farmers State Bank of Oakley has purchased the branch in Colby; and First State Bank & Trust of Larned bought a branch each in Pratt and Iuka. In addition, a sale agreement is near on a branch in Ottawa, Ramseyer said.

NationsBank also has closed one branch each in Dodge City, Salina, Hays and Garden City. A full-service branch in Topeka has changed to a drive-through branch. NationsBank decided not to close one of its branches in Coffeyville.

"That completes our physical changes on our selling side," Ram-

seyer said.

At the same time, NationsBank is in the process of assessing opportunities in the markets in which to expand, he said.

NationsBank, based in Charlotte, N.C., bought Boatmen's Bancshares Inc. of St. Louis in January. It inherited the branch locations owned by Boatmen's, including the Bank TV branches Boatmen's had acquired in 1996 — 69 of them outside the Kansas City metropolitan area.

The purchase made NationsBank the fourth-largest financial institution in the United States.

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Molly McMillin writes about banking, real estate and economic development. She can be reached at 269-6708 or at [mmcmillin@wichita.com](mailto:mmcmillin@wichita.com)

Des Moines:

BoFA, FSB denials  
 \* low -- 35.4%  
 \* mod -- 20.5%  
 \* mid -- 26.2%  
 \* high -- 19.2%

New York:

BoFA, FSB denials  
 \* very low -- 13.2%  
 \* low -- 10.3%  
 \* mod -- 10.7%  
 \* mid -- 10.5%  
 \* high -- 7.2%

Pittsburgh:

BoFA, FSB denials  
 \* very low -- 45.7%  
 \* low -- 37.3%  
 \* mod -- 26.6%  
 \* mid -- 23.1%  
 \* high -- 13.5%

San Antonio:

NB of Texas denials  
 \* white -- 30% (24/60)  
 \* minority -- 47% (39/83)  
 NB Mortgage Corp denials  
 \* white -- 10.4% (14/134)  
 \* minority -- 26% (19/73)

Tampa / St. Petersburg:

BoFA, FSB denials  
 \* very low -- 50.7%  
 \* low -- 47.5%  
 \* mod -- 40.9%  
 \* mid -- 33.3%  
 \* high -- 23.5%

Wichita:

BoFA, FSB denials  
 \* very low -- 40.0%  
 \* low -- 21.2%  
 \* mod -- 20.2%  
 \* mid -- 19.6%  
 \* high -- 15.6%

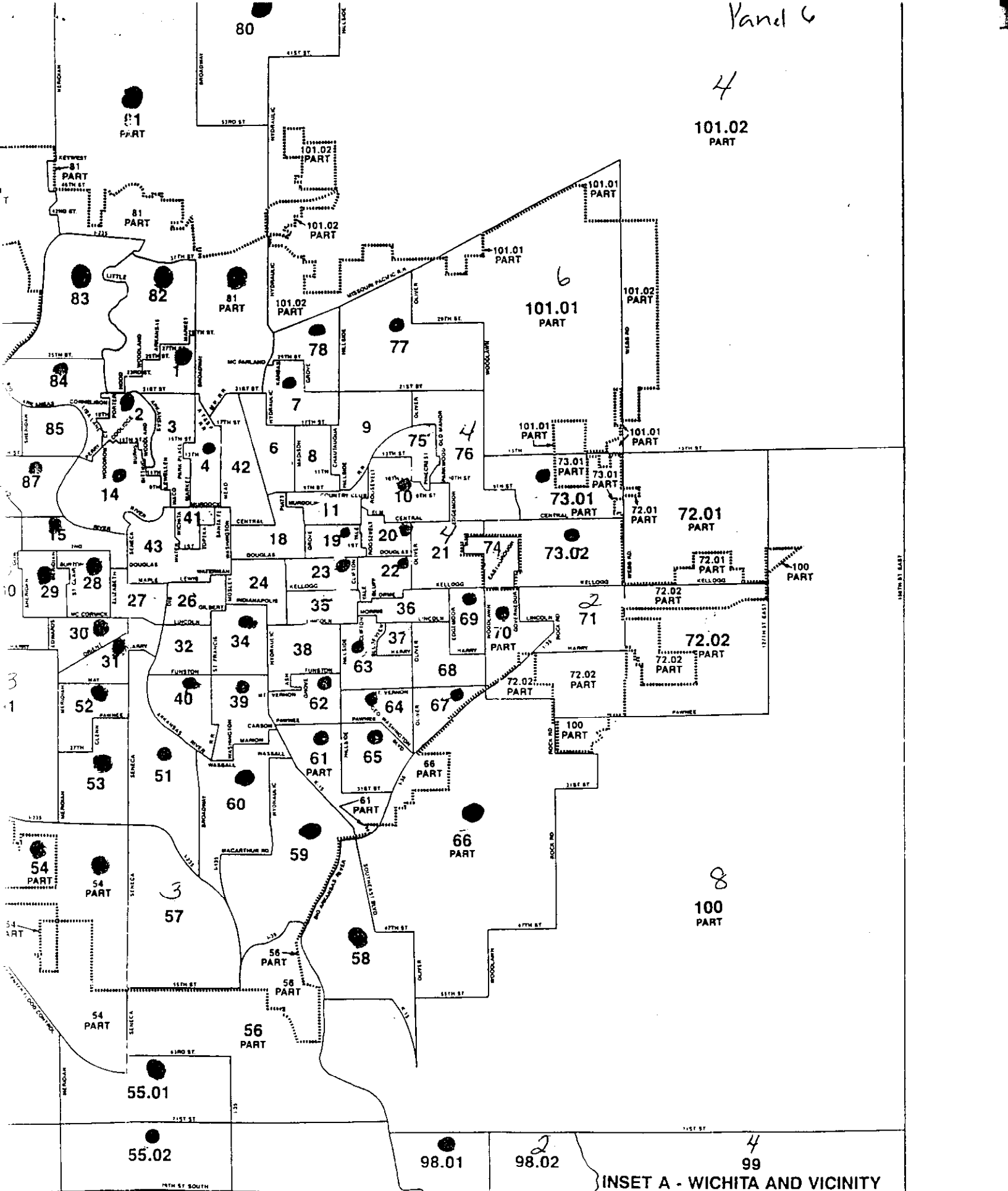




Parcel 6

4

101.02 PART



INSET A - WICHITA AND VICINITY





Panel #6

ERNEST E. (Gene) ORTEGA  
HOME EDUCATION  
LIVELIHOOD PROGRAM  
7-9-98

### Written submission

My name is Ernest E. (Gene) Ortega. I live in Albuquerque, New Mexico. I have been involved in low-income housing and community development work in all parts of New Mexico for more than 30 years. I am submitting testimony because I am apprehensive about this proposed merger and what it might entail for my State. After many discussions with bank officials, I remain apprehensive because they have refused to make specific, written, and enforceable commitments to us that we will be better served after this merger.

I am alarmed by the overall trend toward national institutions. As I will describe to you, a national approach will not work in New Mexico.

To the Federal Reserve and all other federal bank regulators, I want to point out to you that you must find a way to address this challenge of making sure national banks serve New Mexicans. In 1997, Bank of America received an "outstanding" CRA rating, largely on its efforts in California, Washington, and Portland, Oregon. But let me quote to you from that report by the OCC. On page nine, it reads: "Bank of America's historical commitment has not been fully exported to the bank's other areas." And New Mexico was identified as one of these areas in that report.

The CRA does not mean that New Mexicans can be neglected because Californians are better served. We need a CRA commitment for New Mexico based on New Mexico's needs, not its "market share" as the banks have proposed. Rural communities suffer with this approach and tend to be neglected.

I will explain to you why a specific, written and enforceable lending agreement for New Mexico and other underserved areas should be a condition for approval of this merger; why a national commitment such as the one the banks already

made will not serve us; and why CRA regulators are going to have to change the way they operate in order to continue enforcing the law.

A lot of what I do involves developing housing for people who don't have access to regular bank financing either because they have problems making a down-payment, or they live in areas that banks don't serve. I am also a developer of rental housing for very low-income people who can't afford to buy their own homes.

I am also Hispano. I have worked for lot of my life with civil rights organizations that are dedicated to fighting discrimination and making sure that our country's private and public institutions promote racial justice.

I am also a New Mexican. That means that I come from a State that is proud of its complex history of relationships between people of different backgrounds. In New Mexico, our landscape still largely reflects this history; many New Mexicans live in pueblos and on Indian trust lands. Many New Mexicans of Hispano descent still live in rural villages where the language spoken at home was inherited directly from Spanish and Mexican colonists in the sixteenth century. Like me, roughly half of the residents of our State live in cities like Albuquerque, Santa Fe, and Las Cruces.

Serving our State's complex landscape requires a special effort from institutions. I know this personally because I am involved in housing and community development activities in Albuquerque, Las Cruces, Santa Fe, Farmington, and the State's rural areas. I have learned a lot from the challenges of working in my State's different communities.

I think this long introduction is important because I want the Federal Reserve Board and others listening today that New Mexico's complex landscape presents

a real challenge to institutions operating there. In our State, there is no single product, no single practice, not even a single language that will serve everyone in our State's diverse geography. Successful practices in different parts of New Mexico require special attention to the social differences of our State.

This is why the trend toward national banks makes me very nervous about the future of my State and whether I can support the application between NationsBank and Bank of America as currently being proposed.

Sunwest Bank, the predecessor to NationsBank had made a commitment to serving difficult-to-reach communities, and data from the Home Mortgage Disclosure Act showed this. Our state was comparatively well served by the local institution, Sunwest Bank, but as that bank was acquired by Boatmen's Bank from St. Louis and then NationsBank in Charlotte, its share of home loans has steadily fallen. Sunwest's home purchase mortgages in Albuquerque fell by 66% from 1994 to 1996. The Bank's market share of home improvement loans also fell by a third over that period. I worry that these trends signal a declining commitment from this bank.

Bank of America needs improvement in its efforts to serve equitably all Albuquerque residents: between 1994 and 1995, the Bank had a 17% market share for home improvement loan originations for people identified as Anglos in Albuquerque, but only a 6% share of originations for people of Hispano or African-American descent. The Bank had a 3% market share for Native Americans in Albuquerque. Over three years, Bank of America received 10% of all home improvement loan applications from Hispanos, but was responsible for 16% of all denials. For all institutions, even upper-income Hispanos were denied 75% more often than Anglos for home-improvement loans in Albuquerque. One result from this is that Hispanos in Albuquerque tend to get

their home purchase financing from Green Tree Financial and other "sub-prime lenders" at nearly three times the rates of Anglos.

One of the most striking practices by Bank of America is its apparent segregation of lending activities by income level between Bank of America New Mexico and Bank of America, FSB. Bank of America New Mexico and Bank of America FSB apparently specialized in serving different mortgage markets: Bank of America FSB showed high numbers of mortgage originations for low-income borrowers while Bank of America New Mexico appeared to emphasize higher-income borrowers.

Bank of America New Mexico originated 140 home improvement loans to upper-income applicants and only 30 home improvement loans to low-income applicants in the Albuquerque MSA in 1994. Bank of America's market share among all lenders in the Albuquerque MSA for this year was 10.4% for upper-income applicants and only 3.2% of all home improvement loans for low-income applicants. This pattern of a greater market share amongst higher-income applicants was repeated over the three-year period between 1994 and 1996 for both home improvement loans and home purchase loans.

In every year, Bank of America's market share in loans to upper-income borrowers was nearly double or triple its market share to lower-income borrowers. In the absolute number of originations, the ratio of originations to high-income versus low-income borrowers was as high as ten to one. For example, in 1995, the Bank originated 306 home improvement loans to upper-income borrowers in Albuquerque - a 19.2% market share- and thirty-nine home improvement loans to low-income borrowers a 5% share. In the same year, the Bank originated thirty-two home purchase loans to low income borrowers - a 1.5% market share - and 213 loans - a 3% market share-to upper income borrowers.

Bank of America NM's skewed pattern of lending was almost exactly mirrored by its affiliate, the Bank of America FSB based in Portland. But while Bank of America NM's facility was focused on upper-income borrowers, its savings association was focused on originations to low-income borrowers. The savings association had a market share for low-income borrowers—3.3% of all originations—that was more than triple the market share for upper-income borrowers—0.4% market share in 1994. For each of the three years studied, the savings bank's market share for low-income borrowers was at least three times its share for upper-income borrowers.

The apparent institutional segregation of originations by income level may signal a disparity in both product and services to low-income home mortgage borrowers.

Bank of America NM's overall housing lending was substandard—in other words, it did not perform as well as its peers in serving hard-to-reach submarkets. As stated above, the Portland-based affiliate had a high market share in home purchase loans to low-income residents in the State's three metropolitan areas. Neither institution was a significant player in housing lending outside the metropolitan areas.

Bank of America New Mexico was active in small business and small farm lending throughout the State. B of A's performance was below market standards in lending to very low-income census tracts in Albuquerque and the State's northwest and southeast regions. B of A's share to low-income tracts (between 50% and 80% of area median) was higher than average in the state's three metropolitan areas and in the southeast, but below average in the State's northwest and southwest.

We don't know if Bank of America's 8 month-old "Rural 2000 Community Development Initiative" has produced much in New Mexico, but we should honor its goals. Also, I am proud to serve on Bank of America's CRA advisory committee, which, I think, provides a better relationship between advocates and the Bank than does NationsBank's annual CRA forums.

Both NationsBank and Bank of America need to create specific sub-goals for serving Native Americans in New Mexico.

If we get a specific, enforceable commitment for New Mexico, then I can support this merger.

Sunwest, NationsBank's predecessor in New Mexico was a market leader in small business and community development lending, but its level of service to our communities appears to have declined recently. We need to make sure that NationsBank, at a minimum, maintains Sunwest's level of lending and investment.

In New Mexico, some divestiture of assets would be necessary to reduce the monopoly power if the merger were approved. Let's set criteria for the divestiture of those assets. I propose that any institution assuming those assets must have a New Mexico CRA rating higher than that of either Sunwest Bank or Bank of America in New Mexico

My support for the merger would be contingent on the Banks:

1. Presenting specific implementation plans for the 350 billion as it relates to New Mexico.
2. Presenting a specific plan for monitoring the 350 billion commitment as it would impact New Mexico.
3. Continuation and expansion of Bank of America's Rural 2000 Initiative.

4. Continuation of B of A's CRA Advisory Committees.
5. Assurances that divestiture does not dilute CRA activities in New Mexico's Rural Communities.
6. Development of specific CRA initiative for New Mexico's Native American pueblos and reservations.
7. Presentation of a plan which addresses closing of branches due to the over-lapping of the two banks. What happens to the minorities in branches which are closed? How will consumers continue to be served?
8. Assurance that bank charges will not escalate for low, moderate, and rural consumers.

If the past is any guide, the proposed \$350 billion CRA commitment won't mean much to New Mexico. I urge the Federal Reserve and other regulators reviewing this application to help us create a financial system that truly addresses New Mexico's credit and community development needs.

I am worried about a decline in commitment from these institutions as they merge and become national in scope. Second, the unevenness of their lending across my State's complex social landscape suggests a two-tiered, unequal, and therefore unfair banking system. Third, I am concerned that the Banks have so far refused to put into writing a commitment to our proposed remedies for this situation. And lastly, I am worried that the Federal Reserve won't assist us in ensuring that our banking system does not reinforce social inequalities that we are fighting so hard to remove. I welcome the Banks' and the Federal Reserve's efforts toward these goals.

Thank you.

Panel 6

ERNEST E. (Gene)  
ORTEGA

Home Education  
Livelihood  
Program

**SPOKEN TESTIMONY**

MY NAME IS GENE ORTEGA. I LIVE IN ALBUQUERQUE, NEW MEXICO. I 7-9-98  
HAVE BEEN INVOLVED IN LOW-INCOME HOUSING AND COMMUNITY  
DEVELOPMENT WORK IN RURAL AND URBAN NEW MEXICO FOR MORE  
THAN 30 YEARS. ~~THE~~

I WOULD SUPPORT THIS MERGER IF THE BANKS MADE SPECIFIC,  
WRITTEN, AND ENFORCEABLE COMMITMENTS THAT NEW MEXICANS  
WILL BE BETTER SERVED BY THIS MERGER. AS BANK OF AMERICA'S  
LAST CRA EVALUATION SHOWS, NATIONAL COMMITMENTS DON'T  
ALWAYS TRANSLATE INTO BETTER LENDING FOR NEW MEXICO.

I AM ALARMED BY THE OVERALL TREND TOWARD NATIONAL  
INSTITUTIONS. A NATIONAL APPROACH WILL NOT WORK IN NEW  
MEXICO. NEW MEXICO HAS WHAT IS KNOWN AS THE LOU WALLACE  
AFFECT - IF IT WORKS SOMEWHERE ELSE, IT DOESN'T WORK IN NEW  
MEXICO

THE FEDERAL RESERVE HAS A RESPONSIBILITY TO ENSURE THAT A  
MERGER OF THIS MAGNITUDE DOES NOT ADVERSELY AFFECT THE  
CONSUMERS IN NEW MEXICO.

MY SUPPORT FOR THE MERGER WOULD BE CONTINGENT ON THE  
BANKS:

1. PRESENTING SPECIFIC IMPLEMENTATION PLANS FOR THE 350  
BILLION AS IT RELATES TO NEW MEXICO.
2. PRESENTING A SPECIFIC PLAN FOR MONITORING THE 350  
BILLION COMMITMENT AS IT WOULD IMPACT NEW MEXICO.
3. CONTINUATION AND EXPANSION OF BANK OF AMERICA'S  
RURAL 2000 INITIATIVE.



4. CONTINUATION OF B OF A'S CRA ADVISORY COMMITTEES.
5. ASSURANCES THAT DIVESTITURE DOES NOT DILUTE CRA ACTIVITIES IN NEW MEXICO'S RURAL COMMUNITIES.
6. DEVELOPMENT OF SPECIFIC CRA INITIATIVE FOR NEW MEXICO'S NATIVE AMERICAN PUEBLOS AND RESERVATIONS.
7. PRESENTATION OF A PLAN WHICH ADDRESSES CLOSING OF BRANCHES DUE TO THE OVER-LAPPING OF THE TWO BANKS. WHAT HAPPENS TO THE MINORITIES IN BRANCHES WHICH ARE CLOSED? HOW WILL CONSUMERS STILL BE SERVED?
8. ASSURANCE THAT BANK CHARGES WILL NOT ESCALATE FOR LOW, MODERATE, AND RURAL CONSUMERS.

THE CRA DOES NOT MEAN THAT NEW MEXICANS CAN BE NEGLECTED BECAUSE CALIFORNIANS ARE BETTER SERVED. WE NEED A CRA COMMITMENT FOR NEW MEXICO BASED ON NEW MEXICO'S NEEDS, NOT ITS "MARKET SHARE" AS THE BANKS HAVE PROPOSED.

THE FEDERAL RESERVE AND ALL OTHER BANK REGULATORS MUST FIND A WAY TO MAKE SURE THAT NATIONAL BANKS SERVE SMALL MARKETS LIKE NEW MEXICO. IN 1997, BANK OF AMERICA RECEIVED AN "OUTSTANDING" CRA RATING, LARGELY BASED ON ITS EFFORTS IN CALIFORNIA, WASHINGTON, AND PORTLAND. BUT AS THE OCC SAYS: "BANK OF AMERICA'S HISTORICAL COMMITMENT TO THE CRA HAS NOT BEEN FULLY EXPORTED TO THE BANK'S OTHER AREAS." THE OCC GAVE BANK OF AMERICA'S LENDING AND INVESTMENTS IN NEW MEXICO A GRADE OF "LOW SATISFACTORY." WILL THIS ALWAYS BE TRUE IN AN ERA OF NATIONAL BANKS?

THE QUESTION FOR ALL OF US IS HOW CAN WE ENSURE THAT WE GET THE BEST OF BOTH BANKS FROM THIS MERGER?

WE DON'T KNOW IF BANK OF AMERICA'S 8 MONTH-OLD "RURAL 2000 COMMUNITY DEVELOPMENT INITIATIVE" HAS PRODUCED MUCH IN NEW MEXICO, BUT WE SHOULD HONOR ITS GOALS. ALSO, I AM PROUD TO SERVE ON BANK OF AMERICA'S CRA ADVISORY COMMITTEE, WHICH I THINK PROVIDES A BETTER RELATIONSHIP BETWEEN ADVOCATES, CONSUMERS, AND THE BANK THAN DOES NATION'S BANK'S ANNUAL CRA FORUMS.

BOTH NATIONSBANK AND BANK OF AMERICA NEED TO CREATE SPECIFIC SUB-GOALS FOR SERVING NATIVE AMERICANS IN NEW MEXICO.

IF WE GET A SPECIFIC, ENFORCEABLE COMMITMENT FOR NEW MEXICO, AS I PREVIOUSLY STATED, THEN I CAN SUPPORT THIS MERGER.

SUNWEST, NATIONSBANK'S PREDECESSOR IN NEW MEXICO, WAS A MARKET LEADER IN SMALL BUSINESS AND COMMUNITY DEVELOPMENT LENDING, BUT ITS LEVEL OF SERVICE TO OUR COMMUNITIES APPEARS TO HAVE DECLINED RECENTLY. WE NEED TO MAKE SURE THAT NATIONSBANK, AT A MINIMUM, MAINTAINS SUNWEST'S LEVEL OF LENDING AND INVESTMENT.

IN NEW MEXICO, SOME DIVESTITURE OF ASSETS WOULD BE NECESSARY TO REDUCE THE MONOPOLY POWER IF THE MERGER WERE APPROVED. LET'S SET CRITERIA FOR THE DIVESTITURE OF THOSE ASSETS. I PROPOSE THAT ANY INSTITUTION ASSUMING THOSE ASSETS MUST HAVE A NEW MEXICO CRA RATING HIGHER THAN THAT OF EITHER SUNWEST BANK OR BANK OF AMERICA IN NEW MEXICO.

IF THE PAST IS ANY GUIDE, THE PROPOSED \$350 BILLION CRA COMMITMENT WON'T MEAN MUCH TO NEW MEXICO. I URGE THE FEDERAL RESERVE AND OTHER REGULATORS REVIEWING THIS APPLICATION TO HELP US CREATE A FINANCIAL SYSTEM THAT TRULY ADDRESSES NEW MEXICO'S CREDIT AND COMMUNITY DEVELOPMENT NEEDS.

I HAVE MADE SOME RECOMMENDATIONS IN MY SPOKEN REMARKS, AND I REQUEST THAT MY WRITTEN TESTIMONY BE INCLUDED IN THE RECORD OF THIS HEARING.

THANK YOU VERY MUCH.

Panel 6  
7-9-98



**THE COMMUNITY REINVESTMENT AND DEVELOPMENT TASKFORCE**  
Post Office Box 25242 / Albuquerque, New Mexico 87125 / Phone 505-764-8867 / Fax 505-764-9121

My name is Rockling Todea. I was born and raised on the Navajo Reservation in northwest New Mexico. Today, I live in Albuquerque, New Mexico. I have been working in the field of community-based economic development since the early 1970s. I am representing the Community Reinvestment and Development Taskforce, a consortium of community-based organizations concerned about low-income housing, community development, and fair access to capital. Members of our coalition have been working on CRA-related issues in New Mexico for decades.

**The question before us is this: How can we ensure that New Mexicans obtain the best outcome from this merger?**

First, the Federal Reserve and other CRA regulators must devise a way to ensure that nationwide banks better serve small markets like New Mexico. Consider the following:

- The Office of the Comptroller of the Currency's (OCC) recent CRA evaluation of Bank of America's New Mexico lending and investment gave the Bank a "Low Satisfactory" rating. But the Bank received an overall "Outstanding" rating based just on its lending in California, Washington, and Portland, Oregon.
- According to the OCC examination, Bank of America made few community development investments during the period of study in New Mexico.
- Bank of America's overall housing lending to low-income and other traditionally underserved groups in New Mexico was substandard when compared to that of other lenders.
- Between 1994 and 1996, Hispanics, American Indians, and African Americans all experienced mortgage application denial rates significantly higher than did Anglo borrowers (by all banks), even when controlling for income levels. Applications by upper-income Hispanics were denied 75% more often than applications from upper-income Anglos. Over the same period, Bank of America received 10% of all home improvement loan applications from Hispanics in the Albuquerque MSA, but was responsible for 16% of all denials.

Second, we strongly support a written, enforceable commitment that the Banks are committed to changing this status quo in New Mexico. We believe that approval of this merger—and support from the public—should be based on the following conditions:

- A written commitment to traditionally underserved New Mexicans who live in rural areas, inner-cities, and who are members of groups neglected by lenders.
- The establishment of a sub-goal for Indian Country that will spell-out how the merged entity would better serve Indian Country.
- A divestiture plan that will ensure that the assets are sold to lenders with a superior record in meeting the needs of traditionally underserved New Mexicans.

Small business lending decisions are usually based on relationships between a lender and a small business or small farm owner. Nationwide banks using national strategies can't be depended upon to focus on New Mexico's special business circumstances.

Recently, a group of Navajo ranchers formed a cooperative on what is referred to as the "checkerboard" area of the Navajo Reservation. Their research was exceptional, the business plan brilliantly conceived, financial forecasts expertly supported by market research, and management

capacity was beyond question. The Bureau of Indian Affairs determined that this venture was not on trust land, and therefore the ranchers did not qualify for a loan guarantee. The Banks on the other hand refused to make the loan because the project was in Indian Country. It did not matter to these institutions that these family ranchers have been ranching since the turn of the century and that market conditions spelled opportunity in bold capital letters.

Banks wouldn't come near this project as a matter of long-standing policy, not because it was a bad deal. The government agency that is mandated to assist Indians refused assistance because of outdated policy and practice. The status quo prevailed.

The "one size fits all" approach by nationwide banks to small business lending and community development is not the answer. The banks in question have demonstrated little if any capacity to serve New Mexico's Native American communities. They have refused to commit to maintaining their level of lending to our State.

To add to our problems, the proposed merger will remove lending decisions from the local communities and place it outside the State. How is a loan officer located somewhere on the east or west coast supposed to evaluate a proposal coming from New Mexico? Would that loan officer understand that the values and needs of Native Americans are different than their surrounding neighbors? We fear not. What will happen if the Banks are allowed to close their branches in rural New Mexico?

- Sunwest Bank historically has been a major player in small business and small farm lending throughout New Mexico, but according to federal data, its performance was sub-par in lending to small businesses and small farms in very-low income areas in Albuquerque and in the State's northwest quadrant.<sup>1</sup>
- Sunwest Bank's level of mortgage lending has declined since its acquisition by Boatmen's Bank in St. Louis—subsequently acquired by NationsBank in 1997—based on data reported by federal regulators from 1984 through 1996. NationsBank has so far refused to agree to maintain Sunwest's level of commitment to New Mexico's small business and small farm communities.<sup>2</sup>

We worry about declining services for traditionally underserved areas and population groups, and we are alarmed by the trend toward higher fees that is being led by big banks. We are especially alarmed by big banks' apparent anti-competitive practices.

- The Public Interest Research Group's 1997 survey showed that "there is a trend of more, and higher fees" at big banks. According to the report, over 12 million families nationally can't afford bank accounts. The study shows that the difference in costs for retail financial services between big banks and small banks—and between multi-state banks and locally-owned banks—is widening.
- NationsBank charges consumers fees as high as \$2 who call not only human tellers but also computer call centers. Also, according to the report, the Bank's system identifies the consumer and queues the caller either at the front or the rear of the queue according to its analysis of the caller's profitability.<sup>3</sup> For New Mexico, the PIRG study identified Bank of America as one of the most aggressive in charging fees for retail financial services.
- Mergers mean branch closures. There are forty NationsBank and Bank of America branches in New Mexico within one third of a mile of each other—twenty-eight in Albuquerque alone. Branch closures and sales must not hurt underserved communities.

<sup>1</sup> These statements are based on the latest Community Reinvestment Act Aggregate and Disclosure Statements, published by the Federal Financial Institutions Examination Council in December 1997.

<sup>2</sup> Home Mortgage Disclosure Act statements, 1994-1996, published by the Federal Financial Institutions Examination Council.

<sup>3</sup> Bob Trigaux, "Bank Will Rank Callers' Worth," St. Petersburg Times, April 25, 1997.

Panel 6

**Robert G. Wells**  
P.O. Box 55  
Chama, NM 87520  
505-756-2456 - Fax 505-756-2345

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**Presentation to the To The Federal Reserve Board  
July 9, 1998**

My name is Robert Wells, live in Chama, NM.

I am an accountant and self-employed consultant to small business in that part of the state.

I want to express to this body my concern regarding the impact of this merger towards "Rural America", of which I believe the area that I am from is very typical of.

I will admit that I am not well versed on many of the issues of other communities on a national scale, but I will say that I find some very alarming trends in banking practices that are definitely affecting the way we have done business in the past.

In Northern New Mexico, especially the Chama Valley area, the lending policies, community involvement and benefits are not being addressed fairly...this is a great concern!

This geographic area of the state consists <sup>of</sup> a community bank and a Nationsbank branch, which is rumored to be up for sale or subject to be closure. The next competitive bank is located 90 miles away...this is Rural America! Northern New Mexico is also home to Jicarilla Apache Tribe, one

of the wealthiest Indian tribes in the <sup>Country</sup> county. Several members of that tribe, not to mention many local businesses are not being served by our "local banks". To correct my prior statement that we have only 2 banks, I will add a comment to say that Norwest Bank does have a branch on that Reservation, but to my knowledge, this branch was recently opened to accommodate casino operations revenues, in addition to some tribal transactions.

Four years ago, the main bank in town was known to us <sup>as</sup> a Sunwest Bank, approximately two years ago it was purchased by Boatman's and is today a NationsBank branch.

Regarding some lending practices:

- I know of a current transaction where a loan of \$ 180,000, that was originally a Sunwest Bank note, carried a 15 year amortization with a three year call that is collateralized by at least \$ 500,000 in real estate. It was normal in the past to automatically renew notes of this type if the payments remained current and never been in default. It is not the case today.
- 90 day to 180 day \$ 5-10K "winter bridge" loans require excessive real-estate collateral.
- And there are many other examples.

It is my understanding that there has been no plan to address the above issues...and I don't know if one is planned.

NationsBank, according to a recent advertisement in the Albuquerque Journal said that it has committed \$ 350 Billion to community "Re-investment". To citizens of my area we have not seen a mere Investment, much less "re-investment!"

I, therefore ask the Federal Reserve Board to require a lending policy with conditions and commitments that address the banking needs of Rural America as condition to your approval of this merger.

**Thank you very much.**



 NATIONAL URBAN LEAGUE

Hugh Price,

NATIONAL URBAN LEAGUE'S PRESIDENT HUGH B. PRICE  
TESTIMONY  
IN SUPPORT OF NATIONS BANK/BANK OF AMERICA APPLICATION  
FOR MERGER

FEDERAL RESERVE BOARD OF SAN FRANCISCO

JULY 9, 1998

Good day, my name is Hugh B. Price, I am the President of the National Urban League (NUL) headquartered in New York City. Founded in 1910, the NUL was formed to assist African Americans making the transition from the rural south to the northern industrial cities. During this period in American history, African Americans were fighting Jim Crow laws and other post reconstruction policies. In order to overcome the poverty that was a result of these exclusionary policies, the NUL developed programs to enhance employment, education and housing opportunities.

Today, the mission of the Urban League movement is to help African Americans and other people of color become economically self-reliant and equal citizens under law. Building on the substantial work and influence of our 115 affiliates, our three-pronged agenda is to:

- Ensure the academic and social development of children so that they are equipped for self-reliance and citizenship in the 21<sup>st</sup> century;
- Promote racial inclusion and harmony so the opportunity structure is open to those we serve; and
- Foster economic self-sufficiency for our constituents through gainful employment, business development and homeownership.

Through our economic self-sufficiency agenda the NUL has developed partnerships with various financial lending institutions like NationsBank. As a result of these relationships, the NUL is in a keen position to discuss an institution's record of performance and commitment to serving communities of color.

The NUL supports the NationsBank and Bank of America application to merge. We have a long history of partnership with NationsBank. Throughout this partnership, we have seen NationsBank demonstrate its commitment to ensuring that African Americans and others of color have access to credit and reside in communities that are economically viable. I would like to highlight five examples that evidence NationsBank's record of performance.

First, NationsBank's President for Community Initiatives, Cathy Bessant, testified before the Senate Banking committee chaired by Senator Alphonse D'AMato's with advocacy and community groups in support of both strengthening and maintaining the Community Reinvestment Act (CRA). It was unique to find a leading financial lending institution willing to sit on the same panel with advocacy groups and offer complimentary testimony on behalf of enhancing the CRA. This act by NationsBank alone demonstrates the bank's courage and commitment to extending credit to those who have been traditionally neglected.

Second, NationsBank's commitment to the prevention and eradication of differential treatment at the branch level. Through its mystery-shopping initiative, NationsBank conducts self-testing at the branch level to detect patterns of differential treatment by its employees. We think that NationsBank's interest in policing itself demonstrates foresight, and that is another reason why the NUL supports NationsBank's application to merge.

Third, NationsBank made a commitment to lend \$10 billion over the next 10 years to underserved communities. Within a four-year period, NationsBank had not only met its commitment, but exceeded it by providing \$13 billion to

traditionally neglected communities. We are sure that the new bank will exceed its \$350 billion commitment to underserved communities.

Fourth, NationsBank pledged to provide \$25 million to Community Development Financial Institutions (CDFIs) through its own CDFI fund. Again, NationsBank showed courage and commitment when it announced the establishment of its CDFI fund on the same day that President Clinton signed the federal CDFI fund into law. It was NationsBank's view that their fund would complement the federal government's effort to finance CDFIs. We viewed that NationsBank's announcement of the \$25 million CDFI fund as another sign of its commitment to increasing access to credit for traditionally underserved communities.

Fifth, NationsBank held BluePrint 2000. Blueprint 2000 was a convening of nearly 500 community leaders from 111 urban and rural communities across the country. The event served as a retreat and think tank for community groups to seriously ponder their neighborhood's development opportunities.

Finally, let me add that NationsBank has been very aggressive in advancing African American executives up the ladder to positions of profit-

and-loss responsibility for major business units. Its impressive track record could be and should be emulated by other financial institutions.

We look forward to seeing the enlightened philosophy of NationsBank extend throughout the entire footprint of the new bank.

We believe that the new bank offers the opportunity for unprecedented economic growth in the communities that Urban Leagues serve. As a result, the new bank will create new venues for venture capital, enhance the level of mortgage credit to low income areas, and revitalize economically distressed neighborhoods, making the regions served by this entity more viable and prosperous. To this end, the League will share with executives of the bank its ideas on how the newly-constituted bank can enhance credit and economic opportunities for African Americans as well as those with low incomes. We look forward to working with the new bank to address the economic issues facing our constituency and enthusiastically support their application for merger.

# African Methodist Episcopal Zion Church

Eastern North Carolina Episcopal District

Panel 7  
July 9th

The Right Reverend George E. Battle, Jr.  
*Presiding Bishop*

Mrs. Iris Miller Battle  
*Missionary Supervisor*

I stand before you today a Bishop in the African Methodist Episcopal Zion Church, a denomination with a membership totaling more than 3.5 million people worldwide headed by the Board of Bishops, of which I am a member, including: Bishop Cecil Bishop, Bishop George W. Walker, Sr., Bishop Milton A. Williams, Bishop S. Chuka Ekemam, Sr., Bishop Joseph Johnson, Bishop Richard K. Thompson, Bishop Enoch B. Rochester, Bishop Marshall H. Strickland, Bishop Clarence Carr, Bishop Nathaniel Jarrett, and Bishop Warren M. Brown. It is with great pride that I relish the opportunity to extol the virtues of NationsBank, an organization with which I can relate back almost a quarter of a century. Under the leadership of Hugh McColl, NationsBank has not only done well for itself but it has done well for all the areas in which it has flourished. I'm not here to testify as to what NationsBank has done around this great country, but in the region nearest and dearest to my heart, the Charlotte-

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**Mecklenburg Metropolitan Area.**

As you probably already know, the Charlotte Metropolitan Area with its population approaching 2 million, is one of the fastest growing areas of the United States. I have lived in Charlotte since 1974 and have watched it and NationsBank grow exponentially. My first interaction with NationsBank came in 1975, when I was the pastor of Gethsemane A.M.E. Zion Church and founded the Gethsemane Enrichment Program. The Gethsemane Enrichment Program was established as and still remains a program for underprivileged children in the Charlotte area, which provides after school and summer supplementary academic support, enrichment activities, and personal growth opportunities. Currently, 500 children participate in this program which has been nationally recognized by President Bush and the U.S. Department of Housing and Urban Development and locally recognized by two governors of North Carolina and numerous



  
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**other state and local organizations.**

However, before the recognition and the success of the program, NationsBank, then North Carolina National Bank, was a strong corporate partner in the effort to get it off the ground. Hugh McColl, then president of what is now NationsBank, donated a desperately needed bus to the program on behalf of the bank. This bus enabled us to get the Enrichment Program off the ground, by providing a means of transportation for children whose families often did not have cars to get their children to the program. Since then, NationsBank has contributed hundreds of thousands of dollars to the program, three brand-new large capacity vans, and the help of hundreds of other local businesses who saw NationsBank's example and followed its lead.

This type of community involvement is indicative of the kind of corporation NationsBank is. When many corporations were asked to help, they answered with a standard, "What's in it for

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us?” NationsBank answered, “How can we help make the program a success?” There was nothing in it for NationsBank. None of the people involved with starting up the program, including myself, could have offered the bank anything of value. Most of the children’s parents we served had either negligible or no business with the bank. NationsBank invested because it felt that this program would be good for the community, period. It is this kind of farsighted leadership that has enabled NationsBank to be where it is today as a corporation, and Charlotte to be where it is today as a community.

Additionally, I have personally seen NationsBank at work in three other situations. A few years ago at Livingstone College, a small, historically black institution in Salisbury, N.C. a town about 30 miles north of Charlotte administered by the A.M.E. Zion Church, NationsBank gave a \$7 million dollar loan with an interest rate far lower than even the best market rates. Before

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receiving this loan Livingstone was facing dis-accreditation by the regional accreditation committee for institutions of higher learning. NationsBank's loan not only enabled Livingstone to correct the things it needed to correct for re-accreditation, but also gave it the money it needed to make much needed improvements to the school's physical facilities and academic programs.

In a similar vein, NationsBank granted a \$500,000 low-interest loan to Clinton Junior College, another A.M.E. Zion Church-administered school to help it with re-accreditation. Clinton is located in Rock Hill, South Carolina a town 20 miles to the south of Charlotte. Clinton was really struggling until the loan from NationsBank gave it new life.

Here in California a short while ago, an A.M.E. Zion church was burned down. Today, that church is rebuilt largely due to the surreptitious efforts of NationsBank in giving and obtaining

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**financing on low-interest loans.**

**Many of my colleagues on the Board of Bishops could give numerous examples of the instances in which NationsBank has granted loans to churches in their areas. Churches which could not get loans previously, just based on the fact they were in “undesirable” areas, were extended loans by NationsBank, thus enabling thousands of people the privilege of worshipping in their own communities. Without NationsBank, these parishioners would never have been able to enjoy the privilege of worshipping in their communities like millions of other human beings.**

**These are but a few examples of NationsBank’s corporate community activism. The revitalization of downtown Charlotte, contributions to the arts, funding for low-income housing, funding for churches in so-called “undesirable areas” and support for the public schools are other examples of the pots in which NationsBank has its super-philanthropic fingers. Many of its**

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endeavors go unpublicized, but as I mentioned earlier, NationsBank is not a “what’s in it for me corporation.” Under the wise leadership of Hugh McColl and the ever-accessible NationsBank management team, the bank has seemed to come to the realization that like a domesticated fish, a company can grow no bigger than the bowl it is in. If that bowl is kept in good condition, good things are put in and the bowl is kept clean the fish will grow and flourish. In a community, if it is kept in good condition, investments made in its people and infrastructure, and the blights of poverty and ignorance are combated, the company will grow and flourish.

I highly recommend the merger between NationsBank and BankAmerica and can say with confidence that the vast majority of my colleagues on the Board of Bishops endorse it as well. It is understandable why some will be leery of it. I mean the prospect of a coast-to-coast banking is unprecedented, but the

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opportunities that will be created in communities all over this country will far outweigh any apprehensions created by the creation of this benevolent giant. I have nothing personally to gain from testifying on behalf of NationsBank today, in fact I am on the state board of directors for First Union, one of its chief competitors. However, I and my colleagues believe there is something to be gained for the lives of the communities and individuals affected by this merger if they are even blessed with a percentage of the activist spirit exhibited by Hugh McColl and NationsBank.

In closing, NationsBank is a model corporate citizen and from what I've read and heard about BankAmerica, it seems like the old adage stating "birds of a feather flock together" is true. As a representative of the Board of Bishops of the A.M.E. Zion Church, a citizen of the Charlotte area, and a private individual, I give, for whatever it is worth, the highest endorsement to this

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**marriage of two giants of finance and corporate conscience.**

*Matthew 6:33 But seek ye first the kingdom of God, and his righteousness; and all these things will be added unto you.*

Panel  
6

Testimony before the Federal Reserve in San Francisco, July 9th, 1998

My name is Brenda LaBlanc. I am here representing Citizens for Community Improvement of Des Moines. CCI is an organization that helps citizens work on any community improvement issues. CCI has been in Des Moines since 1977. Their Reinvestment Task Force was also initiated in 1977 to work on the problem of getting home loans in areas that had been red-lined. It's been a long, hard road to travel but it has been worthwhile.

After twenty years we have developed working agreements for special CRA programs with ten financial institutions. We work with each bank to help them improve their lending record, and we also provide services such as a Home Buyers Club which helps prepare people, not yet ready to buy. We also produce Credit & Home Buying seminars that provide a day long session of information about the process of home buying and introduce the various bank programs. More than 300 people attended our last seminar.

But we have had some problems in the last several years with bank mergers.

Hawkeye Bank, a State-wide holding company was bought out by Mercantile. Hawkeye had a branch in a low-mod neighborhood but when Mercantile took over they attempted to close it. We fought this move and succeeded in keeping the branch open. But while we had had a good relationship with Hawkeye, we find we do not now have the same kind of relationship with Mercantile.

First Interstate Bank was another we had an agreement with since 1988. They were bought out after five years by Boatmen's Bank. A new president came to Des Moines from St. Louis and he told our Task Force that we didn't need an agreement with them because Boatmen's had a great record of CRA lending. They had done great things in St. Louis, he told us, therefore they knew all about what needed to be done. We pointed out that Des Moines is not St. Louis, and what works there may not necessarily work here. We pointed out that we had developed expertise in our situation and our needs, and therefore they needed to work with us for a CRA program in Des Moines to be successful. They eventually agreed, and after that we had a signed agreement with Boatmen's. Then Boatmen's was bought out by Nation's Bank a year ago. And we started through the whole familiar process again. Since last December we have been debating back and forth about an agreement with no success.

In dealing with the local banks after they are bought out, we are, for the most part, dealing with the same people locally we have dealt with all along. The problem is that they are now getting directives from above, from people far away that we cannot talk to, and people who seem not to care about whether CRA programs work or not.

When we learned at our national NPA conference that other cities were having the same kind of problems with bank mergers, we agreed that the time had come to develop a national agreement that would give official sanction to our locally developed programs.



NATION'S BANK OF DES MOINES DIFFERENCES WITH CCI (CITIZENS FOR COMMUNITY IMPROVEMENT ) OVER LOCAL PROGRAM. July 1998

Nation's Bank has been ignoring our specific program and continually pushes their "standard generic" program that they use nation wide for a CRA program.

Their national program is pretty much the same in most respects as our program except for one *very important* factor. This is that they target low/mod people (below 80% median income) and not low/mod census tracts. This is the same bank (then First Interstate) that, when they first signed an agreement with us in 1988, wanted to target by income rather than census tracts. We agreed to their suggestion, thinking that many of these loans if not all of them, would be made in the low/mod census tracts. But after a couple of years we found this was not so. They made many loans under their program but very few of them went in our neighborhoods.

Now, in the beginning, the problem was REDLINING!. We did not begin this project to help low-income people. The law does not speak to lower income people. The CRA speaks to "underserved neighborhoods". And this project was to help bring reinvestment back into our neighborhoods. So, after pointing this out, we asked First Interstate to target the low/mod neighborhoods rather than low/mod people and they agreed to do so, as do all the banks now that we have agreements with.

When the expanded HMDA came out, we discovered that there appears to be no problem lending to people below 80% of median income. In general, about 30% of all loans in the Des Moines MSA go to people below 80% of median income. But only 4 or 5 % go to low/mod neighborhoods. And yet, the low-mod census tracts contain 25% of the owner-occupied housing in the Des Moines MSA. The banks with CRA programs targetted put more than 5% in our neighborhoods, some of them 11 to 12%, but our aim is to get equal representation, a goal of 25%.

The local bank people understand this situation, and understand the purpose of our program. And this bank knows - because they tried it - that targetting by income does not do the job of getting home-ownership in our under-served neighborhoods. How do we get this across to the people at the top at Nations who have designed this "cookie-cutter" program. We have logic on our side, and the intent of the CRA on our side, but we cannot deal with decision makers who are miles away.



# Citizens for Community Improvement of Des Moines

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## History of Relationship Between CCI of Des Moines and NationsBank

- 1989 CCI and First Interstate Bank sign first community reinvestment agreement.
- 1989 - 1991 First Interstate Bank works with the CCI Reinvestment Task Force responsively, improving lending record.
- 1992 First Interstate Bank and Boatmen's Bank merge.
- 1992 After several months of initial distrust, Boatmen's signs agreement with CCI.
- 1992 - 1996 Boatmen's Bank and CCI Reinvestment Task Force develop good working relationship. Lending record continues to improve. Boatmen's Bank becomes one of the original participants in CCI's Homebuyers Club, offering education in home ownership and related issues to low income home buyers.
- 1996 Boatmen's Bank proposes merger with NationsBank.
- ▶ Boatmen's Bank officers assure CCI that local management will continue to make decisions about bank products.
  - ▶ Officers also assure CCI that with more resources, NationsBank will be able to serve community needs better.
  - ▶ NationsBank tells us its slogan is, "We treat every community we're in like it's the community we're from, because it is."
- 1996 Community groups file challenge against merger. CCI writes letter supporting Boatmen's Bank, outlining our positive relationship with the bank. Letter based on above assurances.
- 1996 Before the agreement with Boatmen's expired, NationsBank sent a packet announcing the new programs, which did not fit our agreement.
- 1997 NationsBank opens a new branch in the heart of the inner city. CCI views this as a good reinvestment choice, and helps publicize and market the opening, including participating in the press conference.
- 1997 New branch is robbed. NationsBank affirms commitment to staying. CCI organizes a press conference of community leaders to support the bank in its decision.
- 1998 Local staff expresses their willingness to sign an agreement, based on negotiations with Reinvestment Task Force. After they send the agreement to their superiors, they say they cannot sign one.
- 1998 The merger between NationsBank and Bank of America is announced.
- 1998 Member of CCI Reinvestment Task Force goes to St. Louis with other community leaders from around the country to meet with representatives from NationsBank and Bank of America about a national agreement. Community leaders are treated disrespectfully by Bank of America and NationsBank staff, and told they are wasting their time.
- 1998 NationsBank representatives in Des Moines seem eager to work with CCI, but their hands are tied by superiors. It becomes clear that any further merger will only distance the bank from its accountability to the community.
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**PCRG Testimony before the San Francisco Federal Reserve Board:  
NationsBank Corporation's Proposal to acquire BankAmerica  
Corporation**

Greetings to the distinguished members of the Federal Reserve Board and thank you for the opportunity to testify about the home mortgage lending patterns and practices of NationsBank and BankAmerica in the City of Pittsburgh, PA. I came to San Francisco to testify on behalf of the Pittsburgh Community Reinvestment Group (PCRG) as the second representative and thirteen community based organizations -all of which have filed protests against the proposed acquisition because of the abysmal records of lending to African Americans, African American neighborhoods, low income neighborhoods, and low income families in the City of Pittsburgh by both institutions.

PCRG is a non-profit consortium of twenty-nine community based organizations representing sixty-five low/moderate income neighborhoods in the City of Pittsburgh, Pennsylvania. PCRG works with financial institutions to insure equal lending patterns and practices for all Pittsburgh neighborhoods in accordance with Community Reinvestment Act (CRA). Since 1988, PCRG has formed partnerships with thirteen Pittsburgh lending institutions and developed reinvestment programs targeted to Pittsburgh's low and moderate income neighborhoods. Through CRA, PCRG members meet with financial institution executives, loan officers, and branch managers on a regular basis to discuss ways financial institutions can meet community needs. Within this framework, both PCRG members and Pittsburgh financial institutions are dedicated to a comprehensive approach to community revitalization and equal access to capital for all neighborhoods. PCRG has successfully negotiated lending agreements with Pittsburgh financial institutions for over \$2.7 billion in inner-city reinvestment.

PCRG analyzed the 1996 and 1997 Pittsburgh MSA Loan Application Registers for NationsBank and BankAmerica and discovered lending patterns indicating that neither bank is making many loans to the City of Pittsburgh's African American families, African American neighborhoods, low income families, and low/moderate income neighborhoods.

**NATIONSBANK**

NationsBank, through its mortgage company subsidiary Nationsbank Mortgage Corporation, has a very small presence in western Pennsylvania, and virtually no presence in the City of Pittsburgh. Through their office in downtown Pittsburgh,

- Nationsbanc Mortgage approved two loans out of four applications in the City of Pittsburgh in 1996. All four of the applications were from upper income neighborhoods.
- In 1997, Nationsbanc Mortgage took no applications from the City of Pittsburgh, but took twenty-eight from Pittsburgh's affluent and predominantly white suburbs.

## **BANKAMERICA**

Bank of America, through its mortgage company subsidiary BankAmerica Mortgage Company has a much larger presence in the City of Pittsburgh. BankAmerica Mortgage Company, originated forty-four loans from fifty-four applications in 1996 and originated forty-three loans from seventy-five applications in 1997.

### **Lending to African Americans and African American Neighborhoods**

- BancAmerica Mortgage made only one loan per year in Pittsburgh's African American neighborhoods in 1996 and 1997 and received only one application per year.
- Only one application from an African American borrower was received in 1996 and two were received in 1997, resulting in one loan approved in each year.

### **Lending to Low/Moderate Income Neighborhoods**

- In 1996, Bank Of America originated five loans in low/moderate income neighborhoods and Thirty-nine loans in upper income neighborhoods.
- In 1997, twelve loans were originated in low/moderate income neighborhoods. Thirty loans were originated upper income neighborhoods.
- In 1996, the origination rate for upper income neighborhoods was thirty-five percent greater than the origination rate for low/moderate income neighborhoods.
- In 1997, the origination rate for upper income neighborhoods was seventy percent greater than the origination rate for low/moderate income neighborhoods.

### **Lending by Income**

- Eighty percent of all upper income applications were originated compared to thirty-one percent of low income applications.

### **Conclusion**

In May, PCRG, along with representatives from ten other communities from around the country met with representatives from NationsBank and Bank of America to address both local and national concerns about their

lending records and come to an agreement on a plan of action that would address these concerns. Both institutions showed no willingness to listen to our communities' concerns and to work to address them. Their unwillingness to work with our community to address our credit needs and the indisputable evidence of redlining discovered in the analysis of the loan application registers of both institutions places them in direct noncompliance with the Community Reinvestment Act.

Since 1988, PCRG has formed partnerships with thirteen Pittsburgh financial institutions to for over \$2.7 billion in reinvestment in Pittsburgh Neighborhoods. This reinvestment is the product of a working partnership between financial institutions and communities. Communities identify their credit needs and work with lenders on an ongoing basis to develop products and policies to insure that they are met.

- PCRG members work with lenders and the public sector to develop innovative mortgage products to meet community needs. For example, the Housing Recovery Program provides public sector deferred second mortgages paired with bank loans to help homebuyers purchase and renovate blighted properties in city neighborhoods. PCRG members worked with member banks and Fannie Mae to develop a mortgage product to enable more community mortgages to be sold on the secondary market.

- PCRG and its financial institution partners formed the Community Lender Credit Program, a credit restoration and homebuyer education organization, to develop home buyers from Pittsburgh neighborhoods.
- All of PCRG's partner banks have shown improvement in lending to underserved communities as a result of our partnership. Lending to low/moderate income neighborhoods increased twenty percent per year and lending in African American neighborhoods increased twenty-two percent per year between 1991 and 1996.

Based on our ten years of experience in community reinvestment, we believe that the only way the new institution formed by BankAmerica and NationsBank will improve their deplorable record of lending in Pittsburgh and other cities is to form working partnerships with community organizations. The \$350 billion commitment that NationsBank and BankAmerica propose comes with no promises for Pittsburgh's neighborhoods and no effort to identify community needs which are not being met as indicated by our analysis of the loan application registers.

PCRG is willing to work with NationsBank and BankAmerica to bring them into compliance with the Community Reinvestment Act in Pittsburgh by forming a partnership to improve their lending to Pittsburgh's African American families, African American neighborhoods, low income families, and low/moderate income neighborhoods.

Panel 8

Nations/BankAmerica Public Meeting

Testimony of Rural Development and Finance Corporation  
San Antonio, TX  
Presented by Gordon F. Goodwin

Rural Development and Finance Corporation is a development finance intermediary headquartered in San Antonio, TX. We provide technical assistance and loans to entrepreneurs and community development corporations that are building enterprises, affordable housing and community facilities in our country's most severely poverty impacted rural areas. To date, we have invested over \$12 million in 21 states, created or retained 2,500 jobs and financed the construction of over 500 units of affordable housing.

Like other financial intermediaries, we rely on partnerships with financial institutions such as banks, corporations, religious orders and foundations to make below-market rate investments in our loan fund so that we can obtain flexible, affordable capital to lend. Because a large part of our work is providing problem solving assistance to rural entrepreneurs and housers, we turn to these same sources to underwrite some portion of our cost to provide this help.

Bank of America has been an important partner in our work - and the work of the development field at large - as a grantor and investor. It is the only large scale bank that has institutionalized its community development lending mission by capitalizing a separate division to do so - The B of A Community Development Bank. Over the last 5 years, it has financed some \$2 billion of multifamily housing and small business development in low income communities. It has also made well over \$500 million in equity investments. In 1997, Bank of America committed to invest \$500 million over the next two and a half years to rural communities. This investment commitment is backed with a pledge to make \$5 million in grants to support innovative and meaningful partnerships. This is the most specific commitment ever made to the credit needs of rural areas by a banking institution.

This level of commitment is critical to our work, and we urge both Bank of America and NationsBank to uphold and even to expand this level of commitment to match the breadth and scope of the new market area the merger will create.

# CATAWBA REGIONAL DEVELOPMENT CORPORATION

Catawba Regional Center  
P.O. Box 450  
Rock Hill, South Carolina 29731

215 Hampton Street  
Tele. (803) 327-9044  
FAX (803) 327-1912

Panel 9

TESTIMONY

OF

HAROLD SHAPIRO

CATAWBA REGIONAL PLANNING COUNCIL/

CATAWBA REGIONAL DEVELOPMENT CORPORATION

ROCK HILL, SOUTH CAROLINA

REGARDING

NATIONSBANK CORPORATION

BEFORE THE

FEDERAL RESERVE BOARD OF SAN FRANCISCO HEARING

SAN FRANCISCO, CALIFORNIA

JULY 9, 1998

Thank you for this opportunity to testify on NationsBank's behalf.

I am Harold Shapiro, Executive Director of the Catawba Regional Planning Council and its affiliated Development Corporation. Our regional planning council is the council of governments for four counties and twenty-one towns and cities in the north central part of South Carolina. One of our four counties is within the Charlotte metropolitan area. The remaining three are relatively rural and poor. To put our region's size in perspective, the approximate population of our largest county is 145,000 and our largest city 50,000.

As a council of governments we provide a wide range of services . Key among these is community and economic development in the form of research, planning, grantsmanship, project management and lending . Lending is conducted primarily through our public, non-profit Development Corporation which uses resources such as the SBA 504 program, the EDA Revolving Loan Fund, and the Rural Development Intermediary Relending Program. Since 1985, our Development Corporation has made over 90 loans, totaling \$16 million. Our borrowers have created over 1,000 jobs.

My purpose today is to tell you about NationsBank's support of our community and business lending activities. NationsBank's involvement is varied. NationsBank is represented on our Development Corporation's Board of Directors by Mr. Randall Imler. His credit analysis experience and his creative approach to community lending have been invaluable.



In related activities, NationsBank has helped promote our lending services by providing funding for promotional materials. It has helped sponsor the first of a planned series of business seminars such as the one recently held to promote child care facilities in low-income areas. NationsBank also has enabled us to start a successful community lending program. This program offers micro loans to low-income residents throughout the region for small business development and for homeowner repairs.

Our community lending program began two years ago with a \$400,000 three-percent interest loan from NationsBank. In a truly collaborative effort, its bankers and our staff developed a region wide lending strategy to serve the needs of low-income residents. These loan funds are available for use throughout our region's communities regardless of whether NationsBank has a presence or not.

While other banks may eventually participate in this community lending program, NationsBank was the first to commit. Of the other banks expressing interest, not one has come close to matching NationsBank's funding.

Our community lending program is successful. Loans range from \$1,000 to \$50,000. To date, over one-third has been lent to help low-income residents establish businesses or make essential home repairs. Although these loans are open to all applicants meeting the low-income guidelines, all of our business loans to date have gone to minority or women owners.

Is NationsBank's involvement in community and economic development unique to our own organization or area? We believe community participation is part of the bank's overall corporate culture. In 1994 NationsBank bought out a prominent local bank. At the time, there was concern as to the extent of NationsBank's commitment to local civic activities. Time has shown that its bankers have become prominently involved in numerous community and cultural causes. Also, in checking with some of our own counterparts within South Carolina, we have found that NationsBank is active in community and economic development lending in other areas within the state.

Our experience in working with NationsBank may have some wider implications. Although our agency is an independent entity with its own policy board and staff, we also are part of a nationwide voluntary network of similar organizations. Many of these have experience in operating revolving loan funds. These organizations generally have an in-depth, practical understanding of local economic and community development needs. Rural areas of our country, in particular, rely heavily on such agencies to provide needed economic development assistance, including community and business public sector lending. I believe this network, represented through organizations such as the National Association of Development Organizations, would welcome the opportunity to assist national banking institutions in partnering with their community lending programs.

In closing, I want to emphasize that our strong testament of support for NationsBank comes from the history of our working relationship. We hope our example provides insight into NationsBank's community lending activities.

Thank you for the opportunity to make these comments.

Panel 9

TESTIMONY OF  
CARLTON J. JENKINS  
AT THE HEARING OF THE FEDERAL RESERVE BANK OF SAN  
FRANCISCO ON  
PLANNED MERGER OF NATIONSBANK AND BANK OF  
AMERICA  
JULY <sup>9</sup>~~10~~, 1998  
SAN FRANCISCO

Carlton J. Jenkins  
President & CEO  
Founders National Bank of Los Angeles  
And Member, American Bankers Association, Independent Bankers  
Association of America, California Bankers Association,  
Western Independent Bankers

Thank you for allowing for the opportunity of my participation here today to address the Federal Reserve Bank of San Francisco on this very important topic.

My name is Carlton J. Jenkins and I am here today in my capacity as President and CEO of Founders National Bank of Los Angeles.

Our institution is one of only 3 African American owned financial institutions located in Los Angeles, California.

Since our opening in 1991, our institution which serves primarily consumers and small businesses in the inner city areas of Los Angeles and surrounding communities, has grown into an institution serving over 17,000 accountholders through a 5 branch system encompassing \$100 million in assets.

I am here at the invitation of newest institutional ally NationsBank primarily and in support of our historical ally and strategic partner Bank of America.

It is important to note for the purpose of this hearing that our institution is also member of the Western Independent Bankers Association, California Bankers Association, Independent Bankers Association of America, and the American Bankers Association as well as a past member of the National Bankers Association.

I site these alliances because I want it understood that as a community banker, my testimony today is not meant to make appear deminus our institutional concerns about the disadvantageous impact this merger will have on institutions like ours relative to competition for loans and deposits, market place pricing of products, credit card monopolies, insurance and mutual fund product sales ectc.

I am here today recognizing that the positive nature of my testimony will undoubtedly fly in the face of the opposition to the merger raised by community groups, bank trade groups, community banks, etc., but I thought it important that the record reflects some of the positive experiences this institution has had in its historical dealings with BankAmerica as well as its most recent dealings with Nations Bank pre merger announcement.

I feel this historical perspective is important because I believe it to be demonstrative of the kind of positive impact that a major bank's CRA commitment when focused can have on minority banks and their ability to serve inner city communities.

Additionally, I believe the commentary herein on our prospective relationship relative to Nations Bank evidences that kind of relationship that can and will undoubtedly occur as a result of the newest CRA commitment made by the BankAmerica/Nations Bank organization.

BankAmerica has been an extremely significant participant in the growth and maturation of Founders National Bank since its opening in 1991. This, in spite of the fact that in several of our branch locations, we are clearly a competitive institution to them for both deposits and loans.

BankAmerica has, through our long term relationship with their EVP Don Mullane and as a direct consequent of its CRA commitment here in Los Angeles assisted Founders National Bank of Los Angeles since 1991 by providing:

1. \$1.8 million loan to the bank's shareholders to refinance initial debt incurred in starting the institution.
2. \$330,000 in new Tier 1 equity capital through its purchase of Preferred stock in Founders
3. \$700,000 in new Tier 2 equity capital through its issuance of subordinated debt.
4. Assistance in the acquisition of 2 branch banking offices that it planned to close as a result of its merger with Security Pacific Bank.
5. Assistance in analysis of asset/liability policies and investment strategies to maximize the bank's overall profitability.

Nations Bank, through the efforts of SVP Beryl Basham (and before the merger was announced) has over the last several months been seriously evaluating its ability to provide Founders National Bank of Los Angeles the following:

1. Access to the purchase of approximately \$10 Million in Nations Bank consumer loans.
2. Infrastructural support in areas such as training, marketing and computer automation systems and process analysis.
3. Loan Participation Relationships
4. Private Banking Services
5. Cash Management Services
6. Credit card Services
7. ATM related services

The relationship with BankAmerica/Nations Bank and their respective representatives, EVP Don Mullane and SVP Beryl Basham has been and is expected to continue to be extremely beneficial to this growing minority owned financial institution and is a example of the kind of proactive involvement that is

possible from major banks relative to small community based minority owned financial institutions.

Mr. Mullane and most recently Ms. Basham on behalf of their respective institutions, have evidenced a genuine interest in providing the mentorship, access and institutional support critical to minority banking institutions on a going forward basis.

Each of the components of these relationships provide minority banks with additional capital strength, earnings capacity and new products and delivery systems capabilities, thereby ensuring that inner city communities continue to have viable competitive and indigenous financial institutions as banking services provider options.

Accordingly, I believe that the proposed merger offers unique new opportunities for minority banks around the country to create a new and powerful alliance and strategic partnership as a result of the bank's newest CRA commitment to economic development and minority banking organizations.

**Testimony to the Federal Reserve of San Francisco**  
**On the**  
**Application of NationsBank Corporation and BankAmerica Corporation to Merge**  
**Presented by**  
**Barbara J. Johnson, Executive Director**  
**Women's Initiative for Self Employment**  
**450 Mission Street, Suite 402, San Francisco, CA 94105**  
**Ph: 415-247-9473 Fax: 415-247-9471**  
**July 9 1998**

Good Afternoon.

I am Barbara Johnson. I am co-founder and Executive Director of the Women's Initiative for Self Employment. Women's Initiative (WI) is a non-profit agency founded in 1988. We provide microenterprise training and financing to low-income English and Spanish speaking women to start and expand their own businesses. Women come to WI because our training and financing is sensitive to who they are, their needs, their lives and provide them with the training and support to start and grow a successful business. We serve an exclusively low-income female clientele. 70% of our clients are women of color; 25% of our clients receive their training, supports and services in Spanish.

We have provided self-employment technical assistance, training and financing to more than 3,500 women. More than 800 small business start-ups and expansions have begun with our assistance. We have made more than 150 loans totaling more than \$500,000, and leveraged in excess \$850,000 of commercial lending to these businesses. We maintain a historical default rate of 5% in our loan fund.

We have been able to achieve this level of competency and development in part because of long-term support from the BankAmerica Foundation. We have received generous and consistent in-kind, general operating and special event support from BankAmerica Foundation since the planning stage of Women's Initiative. The total of this support is in excess of \$620,000. BankAmerica Foundation's early and continued support has attracted other corporate and philanthropic support, which together has allowed WI to help women change their lives and the lives of their families and communities. I am concerned that this support will be lost. The need is there....indeed, the need is increasing.

My comments today are not directed against this merger of BankAmerica and NationsBank. I am here to ask this panel to seriously consider imposing certain conditions before this merger is approved. WI feels strongly that this new merged bank must promise an equal or larger commitment of philanthropic support over the next ten years to California non-profits organizations which provide critical community, economic, and social development assistance to low-income and disenfranchised communities. WI also requests that the merged bank's foundation maintain staffing and



grant making discretion in California, specifically San Francisco. Without this kind of assurance, BofA's historic informed, aware, and sensitive community investment and corporate citizenship policies and actions are in danger of being eroded. I maintain that it is impossible to have your finger on the pulse of a state, let alone a specific urban or rural community, from the far reaches of the East Coast. California, its communities, its economies, and its challenges are like no where else on earth. They cannot be know from afar.

Without an assurance of a continuing presence and a charitable funding commitment by the merged Bank over the next ten plus years which is equal or greater to what BankAmerica Foundation has been providing, social service, community and economic development agencies across the state will lose extremely important support.

Finally, the people and corporate citizens of California will lose an important corporate philanthropic role.model and leader within the California and national banking industry. We cannot afford to have a leader of the pack made lame by this merger.

Thank you for this opportunity.

Panel 10

July 9, 1998

Ms. Joy Hoffman-Molloy  
Community Affairs Officer  
Federal Reserve Bank of San Francisco  
Division of Banking Supervision and Regulation  
Mail Stop 620  
101 Market Street  
San Francisco, California 94105

**RE: Written testimony in favor of the proposal by NationsBank Corporation, Charlotte, North Carolina, to acquire BankAmerica Corporation, San Francis, California.**

My name is Deborah Hughes Jones. I am here representing LEDIC Management Group of Atlanta, Georgia. LEDIC provides many facets of property management services in the Southeast. NationsBank is one of our valued clients.

NationsBank operates one of the first bank-owned Community Development Corporations in the Southeastern United States. Since opening its Atlanta office in 1993, NationsBank has invested more than \$75 million dollars in the acquisition and redevelopment of affordable housing in Atlanta's urban communities. In 1993 NationsBank engaged LEDIC to manage more than 4,200 apartment units in Georgia.

NationsBank takes an active role in community revitalization. In addition to providing safe, affordable housing, NationsBank is also very concerned about family needs. The Make A Difference concept was created in 1993 in hopes of providing meaningful services to residents of large, multifamily rental properties developed by NationsBank Community Development Corporation.

NationsBank provides the start-up and operating funds for the Centers as a way to provide a safe place for children to go after school and enhance the living environment for all residents.

The first Make A Difference opened in Atlanta in 1995. Our eighth center in Atlanta ,opened July 6, 1998. NationsBank has 16 such centers in states such as, North Carolina, Texas, Tennessee, the District of Columbia and Maryland. With the acquisition of Bank America we can envision centers from coast to coast and many more families impacted with the merger. Children will benefit the most.

In just three years we have grown from 1 center to 16. NationsBank has made a commitment to open a total of 25 centers by the year 2000. NationsBank had the unprecedented foresight to create the Make A Difference, imagine the obligation now to share this successful quality product. NationsBank has demonstrated its responsiveness to the needs of our resident families. It's corporate philosophy has set NationsBank apart from it's competitors.

### **The Make A Difference Center Goals**

- To strengthen the parent-child relationship through interactive educational activities
- To provide a diverse range of learning opportunities for all residents
- To empower youth through academic assistance, educational programs and other resources
- To provide a nurturing and safe environment where children can learn and grow
- To further self-esteem, self identity, respect and responsibility in youth

### **Programs Offered**

- Structured after-school program from 3-6 p.m. daily
- Homework assistance and tutoring for youth
- Computer skill training for youth and adults
- Money management skills for youth and adults
- Neighborhood watch meeting
- Health fairs
- Fire Safety classes/Bike safety programs
- Senior Adult meeting
- Community festivals and celebrations
- Stress management for youth and adults
- Urban gardening
- On site summer camp

### **Make A Difference Centers**

Each Make A Difference is equipped with a computer lab connected to the Internet, a library with age appropriate books, reference materials, literature and games, a tutorial room, multi-purpose room, and a well equipped kitchen.

Many communities have already been revitalized with investments from NationsBank. Thousands of families have been positively impacted. We can touch the lives of many more through the various programs delivered by the Make A Difference Centers. We strongly support the acquisition of Bank-America by NationsBank . NationsBank has very high standards. We have seen a significant measure of success as a result of NationsBank caring commitment and diverse investments.

I am grateful for the opportunity to be associated with NationsBank and having a role in Making A Difference.

**IMS**  
**Independent**  
**Mobility**  
**Systems, Inc.**

Greg Anesi

Stand by  
10C

July 9, 1998

Federal Reserve Bank of San Francisco  
Division of Banking Supervision and Regulation  
Mail Stop 620  
101 Market Street  
San Francisco, California 94105

Re: NationsBank

Dear Members:

I am writing to express my support for the proposed merger between NationsBank and Bank of America.

I am the president of Independent Mobility Systems, Inc. We manufacture lowered floor mini vans to help over 3 million Americans, nation-wide, with mobility disabilities, meet their transportation needs. Unfortunately, due to accidents, disease or aging, we all know someone who has a mobility disability. The high incidence of these disabilities made them a major component of the Americans with Disabilities Act. Mobility is more than just getting from one point to another. Mobility is Independence, Freedom and Quality of Life!

One might ask what Mobility or lowered floor mini vans have to do with a proposed bank merger? These vans, new, including the chassis, cost approximately \$42,000 each. That's a lot of money! It is very much like purchasing your home. A program for installment purchase was needed. **In 1997, NationsBank implemented the first ever national program to provide financing for vehicles adapted for use by persons with Disabilities!**

Since we began to market these vehicles in 1987, the most common question has been: "How much are the payments?" Until NationsBank acquired Boatman's Sunwest in Farmington NM, the answer was always: "I'm sorry, but you'll have to find financing however you can." This was no small problem! Unfortunately, many banks and loan officers are frightened by disabled people! How can they drive? How do they work? What kind of jobs could they have? Most importantly, how in the world can they pay us back?

Disabled people, of course, have driver's licenses, can drive, have families, have children, work, pay their bills, vote, pay taxes and lead normal lives!

Maybe... if the loan officer personally knew the disabled person, or if the personal financial statements were extremely strong, the bank might make the loan. But of course, there was still the problem of the added conversion value when considering the loan analysis for collateral and residual value.

Banks as a rule assign zero value to the conversion part of the adapted van. This policy requires the borrower to place more money down in order to qualify for a loan. In the case of a lowered floor mini van, the chassis costs approximately \$28,000 and the conversion costs

approximately \$14,000 for a total cost of \$42,000. If a bank requires 10% down payment , the customer would be required to pay \$2,800 down for the chassis and \$14,000 for the conversion, for a total downpayment of \$16,800 or 40% down! Most people, disabled or not, would not own cars, homes or even appliances if they were required to put 40% down. The banking industry's conservative policies effectively stopped financing for disabled people. As a result, many disabled people's lives have been needlessly limited because of lack of affordable transportation. No transportation too often means: No job, No Independence, No life!

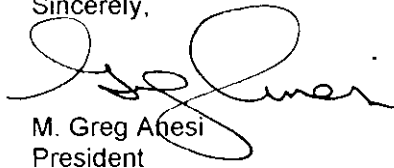
When NationsBank acquired Boatman's Bank in January 1997, as a small manufacturer in rural North West New Mexico, I assumed that the local responsiveness of the branch I dealt with would be lessened. Independent Mobility Systems was not a customer of NationsBank. Furthermore, I had been searching over five years to find a bank that would be willing to help disabled people with their financing needs. Boatman's Bank had been too busy. Local New Mexico banks could not make loans outside their market area. Other regional banks weren't even interested in understanding the market potential. When I presented the financing problem for disabled people to Steve Garrett, the Farmington NationsBank president, he went to work. Within one month of the merger of NationsBank and Boatman's, a regional CRA team from Dallas came to our plant in Farmington to hear our request for financing for disabled people. The team, headed by Tyrus Sanders, saw the need and wanted to help! Within two more months, NationsBank Dealer Financial Services group, headed by David Hollodick, came to Farmington again to present a program to meet the needs of our customers. Three months later NationsBank and IMS proudly offered the program to our customers! I think that is pretty dam responsive!!!

NationsBank has changed the Banking Industry! Through innovative, competitive financing up to ten years, NationsBank has made Mobility and Freedom available for more than 280 disabled people in the nine short months since the program started! NationsBank will lend up to 90% of total cost, including the conversion, for up to ten years. These flexible terms have made payments affordable and competitive for our disabled customers. NationsBank has had a 65% loan approval rate, which far exceeds the normal car loan approval rate of about 35 %. NationsBank has also made available a special Advocacy team to seek extra help for those customers with special credit needs. By offering a national program, NationsBank has made all banks nation-wide more flexible and receptive to loans to disabled customers! This innovative loan program is a Win---Win---Win arrangement!!!

**NationsBank took the time to listen! NationsBank investigated the Market, assessed the Need and took the Risk! NationsBank has made a positive difference in the lives of disabled Americans !!!**

NationsBank has proven responsive to the needs of Our Community! I respectfully request the Federal Reserve Bank grant Approval to the Merger of NationsBank and Bank of America.

Sincerely,



M. Greg Anesi  
President

PS: I am enclosing letters from our customers telling how helpful the program has been. Also enclosed is an overview of our company, a press packet , a copy of NHTSA report estimating the number of Vehicles Adapted for Use by Persons with Disabilities, brochures of our product and NationsBank product, and the results of the loan program at the end of nine months.

Panel 11

SAN ANTONIO BUSINESS DEVELOPMENT FUND  
(SABDF)

NationsBank and Bank of America have been strategic partners in ensuring the continued success of the SABDF. Both institutions were involved with the initial capitalization of the SABDF. Presently the SABDF has \$2.75 million of capital under management provided by our bank consortium. Of that NationsBank has provided \$725,000 in permanent and borrowed capital. Since 1994, our capital base has nearly tripled thanks to our community bank partners. Its through these innovative public and private partnerships that we are able to bridge the credit and capital needs of small, minority and women-owned business in San Antonio.

Are we effectively impacting our community? You be the judge. In 42 months of lending, the SABDF has made 45 loans for \$2 million to small, minority and women-owned businesses leveraged with \$6.8 million in bank financing. Created and preserved over 600 jobs and more importantly provided an access to credit.

There are many other services that are bank partners continue to provide that are too numerous to mention. In 1997 and 1998 James Field from NationsBank's Community Development Department in Dallas facilitated board retreat. His staff in Sarasota, Florida continues to provide on-going technical support to emerging CDC's and CDFI's like the SABDF. On July 24<sup>th</sup> in San Antonio NationsBank and the SABDF will host a statewide CDC/CDFI conference introducing the CDC/CDFI study commissioned by NationsBank and conducted by Shorebank Advisory Services.

If I can be of any further assistance to your office do not hesitate to call me at 210-738-0312.

TESTIMONY OF LLOYD D. SMITH  
PRESIDENT/C.E.O. OF THE MARSHALL HEIGHTS COMMUNITY  
DEVELOPMENT ORGANIZATION INC.

BEFORE THE  
FEDERAL RESERVE BANK OF SAN FRANCISCO

GOOD AFTERNOON, MR. CHAIRMAN AND MEMBERS, MY NAME IS LLOYD D. SMITH, PRESIDENT & C.E.O. OF THE MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION INC. LOCATED AND SERVED IN WARD SEVEN, WASHINGTON D.C.

MHCDO IS A 19-YEAR-OLD, COMMUNITY DEVELOPMENT CORPORATION, SERVING A POPULATION OF OVER 58 THOUSAND.

MHCDO is a full service CDC, providing business development, MICRO lending, light industrial development, with incubators, housing development, from new and rehabbed single family for sale to multi family units. We have produced nearly 100 single-family homes and nearly 500 multi family rehabilitated units. We provide social services, a child welfare program and a 59-unit single room occupancy facility. We have redeveloped a nice acre, 165,000 S.F. commercial shopping with 2 banks and various other retail/commercial products, among other programs, such as a new community school.

- I AM ALSO CHAIRMAN OF A NEW AND THE FIRST COMMUNITY DEVELOPMENT BANK TO BE ORGANIZED IN THE DIST. OF COLUMBIA, WASHINGTON D.C. WHICH IS CITY FIRST BANK OF D.C. N. A. WHICH IS SCHEDULED TO OPEN NEXT MONTH.

On behalf of the Board of Directors of the Marshall Heights Community Development Organization, Inc., I am pleased to lend our strong support of the Nations Bank acquisition of the Bank America corporation.

MHCDO has enjoyed a strong and rewarding partnership with Nations Bank and its predecessor, American Security and Trust Company for more than eleven years. We started with a \$250,000 line of credit for our housing program for in fill development that has grown to \$750,000 line of credit, based on our demonstration of increased production and credit capacity.

We jointly developed a creative partnership in our Kenilworth Light Industrial Park ownership, as a result of a 1994 CDC Tax Credit award from HUD, as a component of the Enterprise, Empowerment program, which featured a \$1 million dollar loan for 10 years at 1% interest. This was one of the first and largest deals in the country, since only 20 CDCs, nationwide were given the \$2 million CDD tax credit award. In addition, Nations Bank CDC has invested an additional \$1 million in equity, in this project at 1075, 1235 and 1239 Kenilworth Avenue, NE.

We are about to commence a multi-year, for sale, new housing development together in the Deanwood/Burrville area. Nations Bank will provide too much needed equity and MHCDO will provide construction management, marketing, sales and comprehensive housing counseling services. This partnership will enable MHCDO to increase the scale of our for sale activities and an improved ability to target our efforts.

Nations has provided several years of grant support, in particular a three -year commitment of \$15,000 per year for the transitional housing program that enabled the leveraging funds from HUD.

They (Nations) have been innovative, creative and have tried to find ways to say, "this can be done". Nations Bank has provided much needed equity, debt and contributions.

We have maintained and expanded an important and genuine partnership over the past eleven years.



City First Bank of D.C./NA  
Chairman

- ◆ N.C.I.F. -INVESTMENT 1 MILLION
- ◆ ATM-SHARING AGREEMENT
- ◆ FURNITURE & ASSISTANCE
- ◆ HOLDING DEPOSITS

Panel 12

**Board of Governors of the Federal Reserve System**

**Statement by Richard Devine  
on behalf of the Center for Community Change  
on the  
Application of the NationsBank Corporation of Charlotte, North Carolina  
for Approval Under the Bank Holding Company Act  
to merge with  
BankAmerica Corporation of San Francisco, California**

**July 9, 1998**

The Center for Community Change (CCC) hereby submits this statement to the Board of Governors of the Federal Reserve Board in connection with the Application of the NationsBank Corporation of Charlotte, North Carolina to merge with BankAmerica Corporation of San Francisco, California.

CCC is a national, not-for-profit organization headquartered in Washington, DC that provides technical assistance and research on behalf of local community-based organizations serving low-income and predominantly minority constituencies. For almost thirty years, CCC has been especially active in advising community groups on their efforts to develop and implement community reinvestment strategies designed to stimulate the flow of private lending and investment to underserved urban and rural communities.

The merger of NationsBank and Bank of America, two of the nation's largest banks, promises to have important and profound implications for the residents and businesses located in the many markets currently served by these institutions. CCC is mindful of the fact that community groups from different markets served by one or both of these banks have complained about various inadequacies in their Community Reinvestment Act performance records. Further, some of these local citizens' groups have also raised questions about whether the proposed consolidation will result in reductions in lending or deterioration in the quality of essential banking services for their areas.

In an effort to address some of the concerns that have been expressed, the two banks announced on May 20<sup>th</sup> that they would make a ten-year, \$350 billion community development commitment. While substantial on its face, the commitment lacks important details about how this ambitious effort will be undertaken, not just for the twenty-two states now served by the two institutions, but for new market areas as well. A detailed implementation plan should be required by the Federal Reserve Board should the purposed merger be approved.

Additionally, we believe the merged institution should be required as a condition for approval to establish and capitalize a non-profit corporation that would have two principal purposes: first, to improve access to and terms of credit for low and very low income households in all market areas affected by this proposed merger, and second, to preserve the affordable housing inventory that is either rapidly being converted to market rate properties in places like the greater San Francisco Bay Area, or being left to deteriorate at an accelerated pace in communities where the conditions for conversion to market rate housing have yet to evolve.

We advance this proposal because past experience with mergers of lesser scope and magnitude has demonstrated conclusively that multi-million or billion dollar loan commitments, however well-intentioned or implemented, do not address fundamental issues of income and asset inequality that permeate our society. Also, we believe very strongly that communities and populations now "credit-scored" below the minimum established for participation in regulated credit and banking markets should be accorded the same benefits as the senior executives of NationsBank and BankAmerica who will realize great personal gain from a favorable regulatory ruling. With funds equal to those earmarked for the care and comfortable retirement of senior executives, it will be possible to acquire, rehabilitate and preserve for at least an additional thirty-five years approximately 75,000 affordable housing units.

It is our understanding that as part of the proposed acquisition/merger, senior executives of NationsBank and BankAmerica shall receive, at no cost to them, options to purchase stock of a new Delaware holding company at prices not available to the general public. In addition to this benefit, senior executives of each institution shall receive lump sum cash payments and other compensation typically referred to as "golden parachutes."

According to a recent NationsBank Corp. 8-K/A-2 filing, "...the combined company expects to incur pre-tax merger and restructuring items of approximately \$1.3 billion." Exactly what fraction of this total amount will be devoted to "exit costs related to contract terminations and other Reorganization costs" has yet to be disclosed. An article published in the San Francisco Chronicle on April 15, 1998, states that "the five highest paid BankAmerica Corp. officers would collect a total of more than \$65 million in severance pay and windfall stock profits if they lose their jobs in the proposed merger with NationsBank Corp." And that "a thousand other senior managers also are covered by the San Francisco banking giant's generous golden-parachute program. If they all get dumped, they collectively would be entitled to severance benefits estimated at well into the hundreds of millions of dollars."

Our proposed new, non-profit corporation will be capitalized from two sources: a cash contribution from NationsBank and BankAmerica (and other institutions in similar circumstances such as Wells Fargo, NorWest, Citicorp and Travelers) equal to the sum of all exit costs related to the termination of employment of senior executives and stock options equal in number and all other respects to those granted to senior executives of the affected institutions as part of the action(s) requiring regulatory approval.

The initial cash contribution, which will match on a dollar-for-dollar basis the sum of all golden parachute payments, will allow the new corporation to commence immediately and stock options, assuming the prosperity of the new holding company, will provide funding for future years. If these measures are implemented, there should be no need for additional funding.

The new, non-profit entity will be governed by a Board of Directors having equal representation from the financial community and persons or organizations representing low and very low-income residents of the affected market areas. The corporation would have a paid staff and be subject to all statutes, rules and regulations governing this type of organization/activity. The stock options would be held by an appointed trustee.

We ask that in your consideration of this application you recall that thirty-one years ago a presidential committee that included two of the Bay Area's most revered business leaders, Edgar F. Kaiser (Chairman) and S.D. Bechtel, Jr. and had as a technical advisor one of the University of California's most esteemed economists, Wallace Smith, was charged "to find a way to harness the productive power of America ... to (address) the most pressing unfulfilled need of our society. The need is to provide the basic necessities of a decent home for every American family." Progress has been made in three decades, but the basic need remains unfulfilled.

In its promotional literature the Bank of America often quotes a statement of its founder, A.P. Giannini: "In everything we do we are actuated by one motive - to build our neighborhood, our community and our state. In that way we are building a better America." We believe that establishment of the non-profit corporation we have proposed would build better neighborhoods and communities in California and all other areas in the nation affected by this merger.

Good evening, my name is Rose Jacobs Gibson and I am a City Council Woman in East Palo Alto. I appreciate the opportunity to express the community's concerns regarding the merger of Bank of America and Nations Bank.

Over the past years, Bank of America has endorsed the notion of addressing the banking needs of low and moderate income customers. This can be seen in their Community Reinvestment Projects, such as the Jammin' Hoops Basketball program and the East Oakland Youth Development Center. However, East Palo Alto is one community Bank of America has neglected.

East Palo Alto is a city with a population of 25,000 people, which is predominantly African American and Latino. Throughout its history, East Palo Alto has been greatly underserved by banking institutions. Fifteen years ago, many of the bank branches that once existed in East Palo Alto closed. BofA was the first bank to leave. As a result, residents must travel long distances to deposit pay checks, withdraw cash, and get change for their businesses.

Local merchants report that they are unable to develop the kinds of relationships with lenders that could result in access to credit. In addition, the City reports having difficulty securing loans as well as other discriminatory lending practices despite federal fair lending laws. The Home Mortgage Disclosure Act data for 1996 suggests that only 68.42% of home loan applications from East Palo Alto were ultimately approved. In addition local business reports having difficulty securing loans and receiving good rates of interests on loans. Seventy-two percent of the small businesses responding to the EPA CAN DO survey reported that financial institutions support small businesses in the community either "very poorly" (48%) or "poorly" (24%). Only 8% of the small businesses responding to the EPA survey reported that financial institutions met their credit needs. Because of this, EPA developed a program called the Financial Services Incentive Program. This program was developed to make it easier for banks to locate in East Palo Alto. As a result, Bank of America began to provide grants to East Palo Alto. However, this is not enough. Whenever we talked to bank executives about opening a branch in EPA, their reasons for not doing so always boiled down to money and profits.

The absence of a bank in East Palo Alto is a constant reminder to residents that they are being deprived of something that every community deserves. Bank of America's merger application states that "low and moderate income markets have proven to be profitable and valued business segments for both banks", however, this has not been our experience. BofA has refused to open a branch despite knowledge of economic development progress. On June 27<sup>th</sup>, we had our first Groundbreaking ceremony on Phase I of a major retail center with Home Depot, Office Depot, Comp USA and Good Guys as major anchors. It took nearly 10 years to get a BofA ATM. Will it take us another 10 years to get a branch bank? Whenever the city of East Palo Alto tried to negotiate with BofA to get a branch in our city, BofA always gave us the excuse that they are downsizing and are no longer opening new branches. However, in April of 1997, BofA built a new branch located in Stanford Shopping Center. This is a branch located in a high income community. And East Palo Alto was ignored.

This merger will facilitate more branch closures, which will result in job loss, as for many and death to the banking needs of low-income communities. East Palo Alto is a living example of this.

Last May, NationsBank and Bank of America unveiled a \$350 billion, 10 year commitment to community development lending and investment, but how much of this money will be given to East Palo Alto? B of A's \$350 billion announcement lacks specificity. Throughout history, East Palo Alto has been forgotten by many financial institutions. Our cries for help has been left unanswered. Many financial institutions has turned a deaf ear. This testimony is not meant to be an accusation but a mere statement of fact. The only financial institution that came to our aid was a bank in Sacramento. They provided us with the redevelopment funds (in the form of loans) our city needed.

The Community Reinvestment Act was enacted to encourage banks to meet the credit and banking service needs of their entire community, including low-and moderate income neighborhoods. However, East Palo Alto is still undeserved. Although Bank of America and NationsBank have a great plan for Community Reinvestment, East Palo Alto does not seem to be included in that plan. For example, in 1992 Bank of America promised to continue and increase their lending program to meet the needs of low income residents. However, East Palo Alto did not benefit from this (please see attachment # 1).

We ask you, the Federal Reserve Board to take into consideration the banking needs of East Palo Alto. We are a small city that deserve the same services that every community in California already has. The Federal Reserve Bank Board have the power to enforce the Community Reinvestment Act on our behalf.

Sincerely,

Rose Jacobs Gibson  
City Council Woman



Bank of America

Richard M. Rosenberg  
Chairman and  
Chief Executive Officer

Post#  
Fax Note R7673  
To Clarence  
Fax# 916-442-7852  
From  
Phone#

Post#  
Fax Note R7673  
To Myra  
Fax# 650-853-1608  
From  
Phone#

July 13, 1992

Dear Members of the California Reinvestment Committee:

Bank of America NT&SA ("Bank of America" or "Bank") and the California Reinvestment Committee (CRC) have a long term working relationship. The bank has met with the CRC quarterly and will continue to do so, to discuss performance, community perceptions and credit needs, and upcoming market opportunities. We have engaged in extensive discussion with the California Reinvestment Committee since the announcement of our proposed merger with Security Pacific Corporation. Some items described below involve goals and activities of BankAmerica Corporation ("BAC") and its subsidiary banks in states other than California, and its community development lending subsidiary, Bank of America State Bank ("BASB"). The outcome of these discussions is that Bank of America and CRC are in agreement on the following enhancements to Bank of America's and BAC's Community Reinvestment Act (CRA) programs:

I. INCREASING EXISTING BAC CRA GOALS  
COMMENSURATE WITH INCREASED SIZE.

BAC and its subsidiary banks are committed to increasing CRA lending to meet the needs of low income residents of the western states they serve throughout the decade. BAC has set goals for its subsidiary banks as follows:

- Low Income Housing. \$150 million on average annually for development and long-term financing of low-income housing.
- Conventional Small Business. \$200 million on average annually for conventional small business loans under \$50,000.
- Special Small Business Programs. \$100 million on average annually for government-guaranteed and other special programs for small and micro-business enterprises and for commercial improvement or development, including both direct and indirect program.

Attachment #1

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- Consumer loans for lower income households. \$12 million on average annually under the BASIC program, which includes personal, auto, home equity, and home improvement loans that carry modified underwriting terms.

The Corporation's lending goals are baseline numbers, and do not constitute a ceiling on any subsidiary bank's lending programs. The Bank of America will meet annually with the CRC to discuss adjustments in these goals to reflect market demand and inflation.

## II. MULTI-FAMILY AFFORDABLE HOUSING LENDING

A. Increased Dollar Goal. Bank of America's annual goal for California is \$100 million.

B. Targeting Very Low-Income. On the issue of targeting solely those projects, or portions thereof, that serve very low-income households, we will continue to report both low- and very low-income results, and we will make our best efforts to maximize dollars to very low-income households. We will strive to allocate two out of every three dollars to units that serve very low income households. This target will be a stretch to reach and we both acknowledge that legitimate reasons outside of our control may exist for meeting, exceeding or falling short of this goal. The realization of this goal, however, will not compromise or terminate efforts BASB is making and will make to extend credit for transactions in under-served markets (i.e., types/size of loans and geographic areas) that address the needs of very low- and low-income households. In instances where Bank of America has a choice of projects, we will give priority to projects that have greater depth of affordability and longer length of affordability.

C. Processing of Affordable Housing Loans. Recognizing CRC's desire for a shorter processing time for individual transactions, to say nothing of our own need, BASB will establish internal timeframes which will be approved and monitored by BASB's Board of Directors and shared with its Advisory Board. These timeframes will be shared with the CRC in the quarterly meetings. This effort to establish an internal timeframe will not come at the expense of our basic operating philosophy of working with non-profit organizations in the early stages of development to offer technical suggestions on deal structuring, or possible sources/uses of funding or identification of hurdles that similar projects have encountered.



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D. Appraisals. Bank of America is willing to release copies of appraisals to a nonprofit affordable housing developer.

The Bank is willing to release a copy of the appraisal to other lenders participating in the project financing so that the project does not incur additional expenses.

E. Mobile Homes. Bank of America will expand its lending on coaches located in designated low-income co-ops as initiated in the Santa Elena Park in Soledad, California. Bank of America will implement a \$10 million, 3-year pilot program utilizing the BASiC product. A limitation of financing 25 percent of the coaches in any single park will apply. However, the Bank will review applications for exceptions to the 25% limitation on a case-by-case basis, and it may waive the requirement if extenuating circumstances exist.

F. Federal Home Loan Bank. BAC intends to seek for BASB or an other BAC subsidiary bank, membership in the Federal Home Loan Bank ("FHLB") strictly as a means of accessing grant funds under the Affordable Housing Program. It should be recognized that FHLB membership is designed for membership by thrifts, not commercial banks. Membership will be applied for, provided the costs associated with such membership do not significantly outweigh the expected benefits of participation in the AHP Program.

### III. SINGLE FAMILY LENDING

As stated in the Bank's October 22, 1991 letter to the CRC, the Bank has expanded the Neighborhood Advantage program beyond lower income census tracts/zip codes to all areas of the State. Further discussions were held with CRC representatives in January 1992. General agreement on program features was reached at that time. Since March 16, Neighborhood Advantage is available on an "either/or" basis: households purchasing properties within lower income census tracts/zip codes remain eligible for Neighborhood Advantage underwriting guidelines without an income cap; households purchasing homes outside designated census tracts/zips are eligible when their income is within 120% of the area median income. It was agreed that, since there is no limit on the funds available for this program, it is appropriate to allow up to 120% of the area median income as an income cap with the understanding that CRA is interested primarily in lending to households under 100%. The Bank will separately report loans to applicants below 100% of median.

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#### IV. FOCUS FUNDING

Bank of America will not continue Security Pacific's Focus Funding interest rate program. It has agreed with the CRC, however, to honor the 1992 commitment made by Security Pacific to the CRC by establishing a \$3 million revolving predevelopment loan fund to be used by nonprofit intermediary lenders. The Bank will review demand and market factors with CRC annually and determine the amount of additional investment, if any, in these funds. Generally two thirds of this fund will be allocated to California. The Bank has agreed to explore setting aside a portion of the fees earned on preservation project loans to fund a pool for higher risk predevelopment loans. A proposal is being finalized by the Bank and will be presented to CRC by June 30. It has also agreed to explore the use of benevolent deposits to buy down interest rates on predevelopment loans.

In addition, Bank of America has agreed to purchase \$50 million in 1991 low income housing tax credits, of which \$40 million will be invested in California. This amount includes the entire \$12 million unpurchased for the state program. Bank of America has also agreed to purchase an additional \$5 million in tax credits for each of the years 1992-1995. These funds will not be drawn from its existing corporate contribution budget and are in addition to the multifamily housing lending subgoal discussed above. This program will be monitored by BASB's Board of Directors.

#### V. RACIAL DISPARITIES IN REAL ESTATE LENDING

A. Fair Housing. The Bank will appoint a person as a liaison to the community on fair housing issues. This person's responsibilities will include monitoring the Bank's progress in fair lending, identifying bank lending practices that may work against achievement of fair housing objectives and working with other bank units to develop methods to overcome any existing impediments.

B. Improving Performance. Bank of America will attempt to significantly improve its performance in lending to racial minorities as demonstrated in its 1990 HMDA Statement. Bank of America has hired Price Waterhouse to review declined loan files in an effort to identify the specific reasons for denials of minority applicants who were denied based on credit history. The Bank plans to discuss the results of this review and possible steps to be taken based upon those results with CRC.

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## VI. BANK SERVICES

A. Identification. Recognizing Security Pacific's current policy, Bank of America is actively working towards requiring only one piece of identification to open an account or to cash a check. Specifically, we expect that a driver's license (U.S. or foreign), California Identification card, or a current passport (US or foreign) will be acceptable forms of identification in California within a reasonable time period following effective date of the merger.

B. Limited Checking. Bank of America's Limited Checking Account is \$3.50 a month, with no minimum balance and an opening deposit of only \$25.00. Limited Checking Account customers have full access to Bank of America services. This product includes a Versatel card, the ability to cash checks, withdraw funds, and make deposits at any branch. This product will be enhanced by increasing the number of checks allowed, at no additional charge, to 10. BAC intends to make this product or its equivalent available in the other states where it has a retail banking presence. BAC's banking subsidiaries in Washington, Oregon, Nevada and Arizona are already discussing equivalent programs planned for those states with local community groups and coalitions.

C. Check Cashing. Checks drawn on the new Bank of America, and federal, state, and local government checks will be cashed at no charge at any Bank of America branch in the state in which the customer's account is located, provided proper identification is provided. A fixed fee of \$5.00 will be charged for cashing nongovernment checks for noncustomers.

D. Branch Closures. We recognize the importance of a branch network in meeting our communities' financial services needs. To that end, we will use the following parameters as we identify branches for consolidation/closure:

- maintain or enhance the existing level of service. No new underserved areas in lower-income markets will be created by the consolidation/closure of a Bank of America or Security Pacific branch.
- not consolidate/close any branch located in a low income area except in the case of a "redundancy".
- when branches are consolidated and closed, Bank of America will retain and transfer all customer records and account histories to the new branch.
- provide a minimum 120-day notice of branch closures in lower-income neighborhoods.

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- consider transferring surplus sites (including by donation) to community-based, nonprofit economic development organizations on a case-by-case basis, depending on such factors as ownership status, lease requirements, and market conditions.
- ensure that women and minority employees are not disproportionately affected. Efforts to increase the employment of women and minorities throughout BAC will continue.

#### VII. SOCIAL POLICY ADVISORY COMMITTEE

Bank of America has agreed to create a Social Policy Advisory Committee ("Committee") as a way to increase community input. This Committee will provide advice and counsel to the Bank's Social Policy Committee on matters that pertain to the Bank's Community Reinvestment Act activities and performance. Such topics as Fair Housing and outreach to specific communities will be discussed and monitored. This will be a working committee, whose comments and perspectives will be considered by the Bank in its program planning and monitoring.

The Committee will meet with the Social Policy Committee at least twice a year. The agendas for these meetings will be set in advance, based on requests made by Committee members and on issues identified by the Bank. Staff support will be provided by the Bank's Corporate Community Development Department. Issue specific joint work groups comprised of member(s) of the Committee and the Social Policy Committee will be established by the Chairman of the Social Policy Committee, who will be charged with developing suggested responses to issues of concern and will make action recommendations to the Social Policy Committee.

The Committee will be composed of six to eight individuals chosen by the Chairman and CEO of the Bank and the Chairman of the Social Policy Committee from nominations and comments received from California community groups such as the California Reinvestment Committee. Members will be chosen as individuals, not as representatives of specific organizations. Efforts will be made to select members that reflect the ethnic and geographic diversity of California. Criteria for selection include personal and professional reputation, knowledge, willingness and ability to work with the Bank, and respect for the confidentiality and sensitivity of the issues to be discussed. Because of the importance of the Committee, members will be expected to attend all meetings.

Members will be compensated for their time, and may elect to have the funds donated to an organization of their choice. Members will serve for staggered three-year terms.

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## VIII. CHARITABLE SUPPORT FOR COMMUNITY DEVELOPMENT

Bank of America will recommend to the BankAmerica Foundation's Board of Trustees that they allocate 10 percent of the Foundation's budget annually (with a minimum level of \$1 million) for community development grants. The CRC will provide input to Bank of America in designing a program that will include economic development initiatives in addition to affordable housing.

## IX. ECONOMIC DEVELOPMENT

BankAmerica will implement new programs, small micro-business enterprise loans and minority business loans in California and strive to develop these same type of programs in Washington, Arizona, Nevada and Oregon.

B. Small Business Loans and Enterprise Zones. BASB will continue to work with CRC to report and prioritize small business guaranteed loans. For those small business loans made to businesses located in state designated enterprise zones, BASB will quantify the tax credit savings accrued to the Bank during the first 12 months after the merger and discuss with CRC possible affirmative uses for those funds.

C. Recycling Enterprises. A representative of the Bank's environmental policy unit will meet by June 30, 1992 to discuss with CRC the possibility of financing for recycling enterprises sponsored or conducted by nonprofit organizations.

D. Product Development. Product development staff for conventional small business credit will meet with CRC representatives by June 30, 1992. The goal is to allow CRC to provide input in product design and delivery planning.

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E. Predevelopment Loans. Our understanding of the predevelopment loans under discussion is that they would not be considered prudent extensions of credit. We will explore participation in the Los Angeles Collaborative or other forms of support for its participants. However, if philanthropic funds are used, these will be part of the 10% community development allocation cited in section VIII.

F. Development Training Institute. We will welcome the identification by CRC of potential candidates for sponsorship of DTI training.

G. Local Programs. BASB will continue to develop special programs to meet specific credit needs in local areas.

#### X. CRA PROGRAM FOR OTHER STATES

To ensure each BAC subsidiary bank strives to attain its CRA-related goals, the Bank's California CRA officer will continue to visit each new subsidiary bank within 90 days of acquisition to perform an evaluation of the existing internal structure for CRA and to recommend to the subsidiary's management and board a CRA Action plan designed to initiate programs and activities. The California CRA officer will also continue to provide ongoing support and technical assistance for each BAC subsidiary bank. Each subsidiary bank will adopt a management level CRA oversight committee, or equivalent process, and also report to the Social Policy Committee.

Specific CRA programs such as Neighborhood Advantage and BASIC are replicable and will continue to be adapted in other states by BAC subsidiary banks to meet local credit needs. BASIC has already been introduced in Oregon, Nevada, Arizona, and New Mexico. Neighborhood Advantage has already been introduced in Washington, Oregon, Arizona, New Mexico and Nevada. In all states, existing CRA commitments of Security Pacific will be honored.

In addition, dollar goals will be set state-by-state as part of BAC's \$12 billion, 10-year corporate goal announced October 17, 1991.

Bank of America understands that the CRC does not purport to represent communities in other states, and that the inclusion of these general principles in this letter is not intended to substitute for negotiations and agreement between the Bank and community groups in other states.

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## XI. QUARTERLY MEETINGS

Bank of America will continue the quarterly meetings with the California Reinvestment Committee, with reports submitted at least two weeks in advance of each meeting showing each booked multifamily affordable housing loan, including:

- total loan amount and amounts allocated for low- and very low-income housing;
- loan type: construction, acquisition and construction, permanent (and term);
- city or county;
- unit mix and number of units: very low, low, moderate market;
- type of project: rental, for sale, self-help, etc.;
- type of borrower: nonprofit, for profit, joint venture;
- whether concessionary terms were part of the loan;
- application date (pending definition)
- commitment date; and
- closing date.

The Bank will provide similar information for loans in the pipeline, along with the estimated quarter for closing and an estimate of the probability of closing. The report will also provide the number of applications discouraged and declined, and the reasons for discouraging or declining those applications.

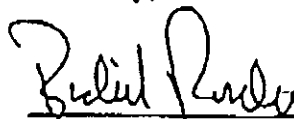
The Bank recognizes that CRC continues to be concerned about issues which have been raised by other groups. The Bank and other BAC subsidiary banks have discussed these issues with such other groups, including but not limited to Communities for Accountable Reinvestment, the Washington Reinvestment Alliance, Southern Nevada Affordable Housing Reinvestment Coalition, the Northern Nevada Reinvestment Alliance and ACORN-Phoenix. These issues include small business loans, branch site donations, racial patterns in real estate lending, job losses and economic dislocation, and other matters as well.

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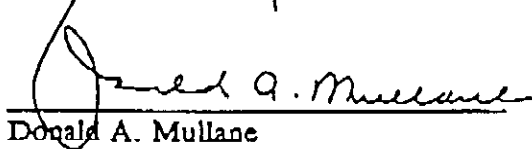
XII. CONCLUSION

Bank of America appreciates the concerns and cooperative spirit of CRC in assisting the Bank to more fully understand issues of importance and in developing effective ways to address the needs of low- and very low income individuals and communities. We look forward to continuing a positive working relationship with CRC.

Sincerely,



Richard Rosenberg  
Chairman and Chief Executive Officer



Donald A. Mullane  
Executive Vice President





A Community Development Corporation

Panel 12

July 9, 1998

Ms. Joy Hoffman-Molloy  
Community Affairs Officer  
Federal Reserve Bank of San Francisco  
Division of Banking Supervision and Regulation  
Mail Stop 620  
101 Market Street  
San Francisco, CA 94105

Dear Ms. Hoffman-Molloy:

Madam Chairman and Members of the Committee, the East Palo Alto Community Alliance and Neighborhood Development Organization ("EPA CAN DO") wishes to thank you for the opportunity to present testimony regarding the proposed merger of Nations Bank and Bank of America to the City of East Palo Alto. My name is Leonard Randolph, and I am the Executive Director of EPA CAN DO, a non profit community development organization who's mission is *to enhance the quality of life for all residents of East Palo Alto by empowering our members to engage in housing, economic and community development.* EPA CAN DO was founded in 1989, as a direct result of community residents organizing to attract a financial institution to East Palo Alto. We serve a very low income population within San Mateo County, one of the wealthiest counties in the country. The median income for our city (\$34,000 for a household of 4) is approximately half of the county's (\$68,600), and 18.6% of our population lives below the U.S. poverty level according to the 1990 census. The private sector and the surrounding jurisdictions contributed to these conditions through pillaging of our resources and disinvestment.

I would like to raise three (3) concerns with respect to the merger of NationsBank with Bank of America and the moving of the corporate headquarters to Charlotte, NC. 1) As a community development corporation (CDC) that is engaged in affordable housing development, we are extremely concerned about the potential impact this merger will have on lending for multi-family housing developments. I applaud the 10 year \$350 million commitment in community development lending and investment that, as Mr. Hugh McColl described is "a floor and not a ceiling." I also commend you on your commitment to "acquire, build or rehabilitate 50,000 affordable housing units" over this same time period. But, if my math serves me correctly, the \$115 million NationsBank and BankAmerica have allocated for affordable housing equates to only \$2300 per unit. While this may be adequate in the southern states, though I very much

doubt it, in California, and especially the San Francisco Bay Area, this is woefully insufficient to meet our building costs.

To date there has been no commitment from Nations Bank to prioritize loans or lines of credit for affordable housing developments serving very low income (50% of AMI) households. As the median income of East Palo Alto is 50% of the AMI, our ability to provide housing opportunities for our residents would be severely hampered should Nations not continue supporting these developments. We are equally concerned that with this merger, a new CDC will enter the California market to develop housing. I am well aware that Nations Bank's CDC has been extremely successful in developing over 14,000 units, but having them enter this heavily saturated market makes me uncomfortable. Community-based and grass-root development organizations are uniquely qualified to represent, develop products and provide services that truly benefit their communities. Removing this local connection, will mean that the concerns of the community will give way to the bottom line of the disconnected outside agency. In my opinion this will lead to the demise of community-based groups, the displacement of low-income households and ultimately to the destruction of the community.

2) Mr. McColl indicates that it is their intention to "employ more people, lend more money, do more business with minority vendors, be more active in the community and generally make a bigger difference than our predecessor institutions." These are noble intentions indeed, and I admire his commitment to community development. But I do have a concern about past performance and future accountability. To make the best difference in our community we need the presence of neighborhood based financial institutions with local employees and advisory board. The city of East Palo Alto has been without a financial institution since 1984. The former Bank of America site, closed in the 1970's, and is now a McDonalds. A Wells Fargo site, also closed in the 1970's, and is now home to a number of non-profit organizations. Glendale Federal was the last to leave the city in 1984, and their building now houses the city's Community Development Department. While East Palo Alto does not have a single bank branch, we have over 12 locations, including convenience and liquor stores, where our residents cash checks and get money orders at exorbitant prices. Disinvestment by banks over the past 14 years has dealt a severe blow to our community, eroding the city's economic base, forcing money out of the community and creating hardship for our residents. In June of this year, Bank of America opened the first ATM connected to a major financial in our community. And while I applaud this small step, I am a little chaffed that it took two and a half years from whence the discussions first occurred with Bank of America.

Regardless of how much banking patterns and surveys will tell you that in-store banking and electronic banking are what people find convenient - this does not tell you why check cashing outlets and pawn shops flourish in low income communities. In the last 10 years, as banks have abandoned low income communities, the number of pawn shops has doubled. There is plenty of financial activity going on in our communities but at exorbitant prices and in an unregulated environment. People use these facilities because for one, they're there. In another survey we conducted outside check cashing outlets, we found 48% of respondents had bank accounts, 30% of them with Bank of America. Secondly, these outlets are attractive because they are staffed by human beings, who provide services in various languages, and with whom customers

can build the relationships that we all know are necessary for borrowing. The lack of branch access especially affects our local merchants. Small business owners have told us they go outside East Palo Alto to deposit their checks to their bank branch in person, three times a week sometimes, in order to develop the relationship they will later need for borrowing. This has become the cost of doing business in low income communities. In a survey we conducted last year 70% of East Palo Alto businesses stated their financing sources were not banks, and over 73% felt that financial institutions rated poorly or very poorly in meeting their needs. It is very important that banks, in their desire to cut costs and consolidate operations do not forget the needs that small businesses have for cash. Mini branches will need to be staffed appropriately for merchant services.

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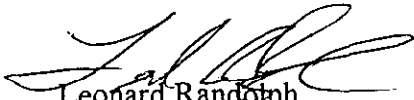
People in low income communities have a much larger need to develop personal relationships with lenders and for tellers who will help them open checking and savings accounts, understand their bank statement or apply for a loan. It is unrealistic to expect that the electronic hurdle will be overcome easily in low income communities. More importantly, moving to electronic banking clearly benefits higher income clients and furthers disparity.

If NationsBank and BankAmerica are going to reach their lending goals in low income communities, it needs to be a full participant in creating the conditions that make lending possible. This includes not just indirect job creation through consumer and business lending, it also means direct job creation. The disproportionate closing of branches in low income communities and the refusal to open new ones impacts the joblessness and spending rates in these communities and results in stagnant local economies. We all know banks need robust economies in order to reinvest. They must then participate in the process fully..

3) BankAmerica Foundation has long been a contributor to our organization, and in particular their contributions have supported our economic development program which works with small businesses, child care providers and local contractors. Through their generosity we have provided technical assistance, loan packaging and monitoring, financial management workshops and one-on-one counseling to local merchants. We work with the business population that has traditionally been under-served by major financial institutions, the small mom and pop stores. BankAmerica has also launched its Community Access Initiative in six locations including East Palo Alto. I am encouraged to here that the combined giving of BankAmerica and NationsBank will exceed \$100 million, yet I am unclear as to what the commitment to California will be. I truly expect that the Community Access Initiative will remain in place and that support given to community-based organizations will continue to increase in the future.

We do not support the proposed merger of NationsBank with Bank of America unless the Federal Reserve requires them to clearly define their strategy for reaching low income communities whose deposits they hold. We believe this is the only way the unscrupulous, unregulated financial system that is currently the reality in low income communities will disappear. Additionally, we want NationsBank and Bank of America to commit specifically to open fully staffed branches in East Palo Alto and other low income communities.

Yours truly,



Leonard Randolph  
Executive Director

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# CITY-COUNTY REINVESTMENT TASK FORCE



Jim Bliesner • Reinvestment Director

Panel 16

**PUBLIC STATEMENT TO THE FEDERAL RESERVE BANK of San Francisco  
NATIONS/BANK AMERICA MERGER**

**JULY 9, 1998**

**JIM BLIESNER**

**REINVESTMENT DIRECTOR  
SAN DIEGO CITY/COUNTY REINVESTMENT TASK FORCE**

On behalf of the City and County of San Diego I would like to express my appreciation to the Federal Reserve Bank of San Francisco for allowing the public to provide comment on this merger and the potential impacts it may have in our communities.

The Reinvestment Task Force is a quasi-public agency established by joint resolution of the San Diego City Council and the County Board of Supervisors in 1977. It has served continuously since then to monitor lending practices and to develop strategies for reinvestment. Its purpose is to develop partnerships between lenders, community organizations and local government to facilitate reinvestment in minority and low-moderate income neighborhoods throughout the County.

Membership on the RTF includes lenders, government agencies and community based non-profit organizations. In addition it works through a sub-committee of 16 non-profits who have been charged by City and County policy to develop San Diego specific CRA business plans (see attached policies: 1)

The Task Force has had a productive partnership with the Bank of America, defined by a San Diego Specific Reinvestment Plan developed in 1992 (see attachment 2). The reinvestment activities of the Bank have been recorded annually and reported to the City and County government. The performance of the Bank of America under that agreement has been stellar and in many ways has set the standard for reinvestment in the San Diego region (see attachment 3). The activities of the Community Development Bank in doing affordable housing throughout the region has been aggressive and innovative in many ways.

The focus of our remarks today are to formally file a letter of protest against this merger. There are a number of reasons for this objection;

- 1) In as much as this merger represents a threat to the use of the Community development Bank as method for doing CRA, we are opposed.
- 2) In as much as this merger represents a movement by the merged bank away from recognizing and validating the crucial benefits of forming specific local partnerships to eradicate disinvestment, we are opposed.
- 3) In as much as this merger represents the potential for higher fees for home loans, for checking accounts, for check cashing services, for small business loans, and for other basic banking services, we are opposed.
- 4) In as much as this merger represents increased costs, limitations in services, increased interest and fee rates for micro and small business borrowers, we are opposed.

In addition to these concerns and objection I would like to highlight some specific issues with the performance of the Bank of America in the San Diego region and seek redress in this merger process. As we stated the Community Development Bank has exhibited stellar performance in its stated goal. What has been missing with the Bank has been the recognition in the mainstream bank that it too has responsibility for implementing CRA investment. For example;

Of the top ten home mortgage lenders in the San Diego market there is an annual rejection rate over a period of five years, for African American borrowers of about 22%. Overall this rate is higher than rejection rates for other ethnic groups and for Caucasians. This ratio of rejection is basically duplicated in older, lower income communities. But this high rate is exceeded by the Bank of America consistently. On average over five years the bank of America shows a 40% rejection rate for this population This is almost twice the rate of other lenders. It is a striking statistic. What lending policies of Nations Bank will mitigate this problem?

The Bank of America has shown a consistent decline in its level of home mortgage lending in minority communities under 120% of median income between the years of 1992 and 1996. Though the Bank of America is always one of the top ten lenders in this market if they are compared with their peers (e.g.) Home Savings, GreatWestern, American, their market share has shown regular decline or sporadic behavior at best. (attachment 4).

On small business lending, of course, we do not have a full statistical accounting as yet. The experience of the RTF is defined by a number of small business credit needs assessments in lower income communities throughout the county. In some cases the Bank of America is the primary lender in terms of branch locations, a fact we would applaud them for and encourage to continue. However, in these neighborhoods, with thousands of small businesses, we find a consistent and overwhelming experience of dramatically higher levels of rejection on small business loan applications than in other communities

or in comparison with national and state averages (see attachment 5). We encourage a serious look by the regulators at the small business lending statistics of both Nations and the Bank of America before approving this merger.

Finally, we are concerned that the size of this merger and the potential arrogance that it may engender in its corporate culture has been recently experienced by the reinvestment task Force in our efforts to dialogue with the two institutions regarding the continuation of the 1992 Bank of America Reinvestment Strategy for San Diego. Key personally from both banks attended as did key players in the affordable housing and economic development communities. When asked to validate, update and continue the San Diego plan we were told that they did not have time to do so at this point. How does the local community interpret this? A simple analysis says that they are too big to deal with local issues. There is no link between Charlotte North Carolina and San Diego and certainly there is not time in the context of such a major merger to respond to a single counties credit need a and efforts to obliterate disinvestment in its communities.

The RTF has nine agreements with the major lenders, mostly all being California based institutions. In our first encounter with a national bank we are told they do not have time. This experience provides us with a metaphor for the future. It may be that eventually, they may not have time for the Federal Reserve Bank either (see Travelers/Citicorp merger and Office of Thrift Supervision).

# ATTACHMENT 1



## COUNCIL POLICY

SUBJECT  COMMUNITY REINVESTMENT MASTER PLAN	POLICY NUMBER	900-09
	EFFECTIVE DATE	04/15/91

BACKGROUND

Lending institutions, through their credit practices and the banking services they provide, play an essential role in maintaining healthy businesses and community institutions and promoting savings by and providing jobs and affordable housing for San Diego Residents.

Banks are granted a public charter conveying numerous economic benefits for which they must in return serve a public purpose. Federally regulated financial institutions are required to comply with the Federal Community Reinvestment Act of 1977 (CRA). CRA requires that financial institutions act affirmatively to meet their local communities' banking needs as a condition of being granted a charter.

Local government is uniquely able to identify specific community deposit and credit needs and is a major consumer of banking services. The City of San Diego can encourage banking practices and programs which are responsive to community needs and support community-based organizations in establishing positive working relationships with local banks within the context of CRA.

PURPOSE

It is the purpose of this policy that the City encourage lending practices and programs that promote the economic stability and growth of the City of San Diego and meet the credit and banking services needs of all of its neighborhoods and residents.

POLICY

It shall be the policy of the City to encourage each lender doing business within its boundaries to develop and implement a San Diego-specific community reinvestment program consistent with CRA. Such a program may include, but need not be limited to, the following reinvestment activities.

- ° Affordable single-family and multi-family residential mortgage new construction and rehabilitation lending, especially to nonprofit organizations and to women, minorities and low- and moderate-income persons;
- ° Consumer lending and checking and deposit services, especially to women, minorities and low- and moderate-income persons and neighborhoods;

**COUNTY OF SAN DIEGO, CALIFORNIA  
BOARD OF SUPERVISORS POLICY**

<b>Subject</b> County Community Reinvestment Policy	<b>Policy Number</b>	<b>Page</b>
	A-123	1 of 2

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- Affordable single-family and multi-family residential mortgage, new construction and rehabilitation lending, especially to nonprofit organizations and to women, minorities and low- and moderate-income persons;
- Consumer lending and checking and deposit services, especially to women, minorities and low- and moderate-income persons and neighborhoods;
- Small business and commercial lending, especially to women, minorities and low- and moderate-income persons and neighborhoods;
- Financial participation in County housing, redevelopment, revitalization and economic development projects;

# ATTACHMENT 2



**BANKAMERICA'S COMMUNITY REINVESTMENT ACT PLAN  
SAN DIEGO COUNTY  
JANUARY 1992**

BankAmerica's Community Reinvestment Act Plan  
San Diego County  
January 1992

I. INTRODUCTION

Described below are the elements of a San Diego - specific Community Reinvestment Act Plan for Bank of America National Trust and Savings Association both before and after its merger with Security Pacific National Bank.<sup>1</sup> This plan is intended to meet the intent of the City of San Diego's Council Policy #900-9.

We believe the request of the City and the County of San Diego and their various constituents for a description of BankAmerica's planned CRA activities, as they address the City's and County's needs, is a sincere attempt to enhance the availability of credit for lower-income and ethnic communities in the San Diego area.

BankAmerica has developed this plan based on many interactions with representatives of various constituents over the years. We particularly recognize the work of the groups convened by the City of San Diego and City/County Reinvestment Task Force in providing us with valuable input for this plan.

We hope that the City and County and its various constituents will recognize that Bank of America, as a statewide financial institution, by its nature brings a different set of resources than local institutions, and that there is a strong value to these. We also hope they will recognize that as an institution with a single but diverse delineated community, the State of California, for CRA purposes, we must provide a consistent approach to CRA activities. While this may mean less flexibility in some ways, it also means the availability of specialized skills, economies of scale, and the ability to do larger transactions that smaller, locally-headquartered institutions cannot provide. We believe our programs and activities add significant value to the role financial institutions as a group play in the San Diego Community.

We also hope the City and County and their various constituents will recognize that setting San Diego-specific dollar goals for lending programs presents us difficulty. Based on discussions with community groups and coalitions of groups throughout the state, we set dollar goals for our single community, the State of California. It is administratively difficult to subdivide and monitor these goals for the many localities that wish us to set individualized goals. Even more important, subdivision of the goals works against our ability to focus our resources on needs and take advantage of opportunities where they are the greatest. Our experience has shown that there are many variables in assessing community credit needs -- market conditions, specific needs in different areas, the capacity of nonprofits to support projects, to name a few. We believe an effective statewide CRA program

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1 For sake of clarity, we refer herein to the pre-merger bank as "Bank of America NT&SA" and the post-merger bank as "Bank of America".

including Bank of America NT&SA, when reviewing certain applications submitted by the Corporation.

We view the City and County of San Diego and their various constituents as partners helping us to determine local credit needs, providing comments and input on our CRA program, and in many cases helping us to meet local credit needs.

- C. CRA Program Goal. Bank of America, along with other banking subsidiaries of BankAmerica, has a goal of achieving and maintaining an "outstanding" rating for CRA performance. It currently has a rating of "outstanding". Bank of America State Bank, the Bank's community development affiliate, also has a rating of "outstanding" from its regulatory agency, the Federal Deposit Insurance Corporation (FDIC).
- D. Delineated Community. Bank of America NT&SA has a single delineated community, the entire State of California. Bank of America NT&SA serves California through its branches located in over 800 neighborhoods and cities. An important value Bank of America NT&SA brings to each of these neighborhoods and communities is the ability to provide resources and specialized expertise for local needs that local institutions may not have the capacity to provide.

We will continue to strive to distribute our resources equitably throughout our delineated community, but our ability to do so is affected by competitive factors, the availability of resources, local capacity, and local economic conditions. Further, we will take affirmative steps to distribute credit, help build capacity, and create partnerships where there is both a need and a local willingness to make that happen.

- E. Existing CRA Goals. In order to maintain its rating of "outstanding" in CRA performance, Bank of America NT&SA has in place a plan for its entire CRA community. This plan is "localized" through internal goals for operating units conducting CRA activities for geographic areas throughout the community.

As part of its existing CRA Plan, Bank of America NT&SA is working against a 10-year \$5 billion goal for specialized CRA lending. This current goal includes on average annually:

- \$400 million in home loans in low income census tracts.
- \$50 million in loans for development of low- and very low-income housing.
- \$40 million in SBA and other government-guaranteed small business lending.
- \$8 million in consumer loans to low-income consumers using the B.A.S.I.C program.

lending (loans between \$50,000 and \$500,000), government-guaranteed student loans, and financing for government entities.

In order to accomplish the overall CRA goals the new BankAmerica has set for itself, CRA-specific targets within those goals will be set based on communication with community representatives regarding the nature of credit needs, ways to meet those needs, and performance in meeting the needs.

### III. BANK OF AMERICA'S CRA PROGRAM AND SAN DIEGO COUNTY

Bank of America NT&SA's CRA Program relates to San Diego County as follows:

- A. Delineated Community. San Diego is a significant portion of Bank of America NT&SA's single delineated community. Bank of America NT&SA intends to continue the full range of banking services to the entire community, notwithstanding mergers, consolidations, acquisitions, headquarters location, and opening and closing of branches.
- B. Ascertaining Community Credit Needs. Bank of America NT&SA maintains, and will continue to maintain, an active program for ascertaining community credit needs. The cornerstone of this program is an annual Needs Assessment Calling Program conducted by two CRA Calling Teams covering San Diego County. In 1989, these teams made 82 calls and in 1990 they made 63 calls. For the year 1991, through October, 84 calls were made. See Exhibit I for a list of organizations called on. These calls have resulted in a description of credit needs for each of the Calling Team's respective geographic areas, which in turn feed into the description of the needs in Bank of America NT&SA's entire local community. Beginning in 1990, combined Needs Assessment and Marketing Calls were made by Bank of America State Bank officers and their input has helped identify San Diego County credit needs. Their calls (1990 and 1991 year-to-date) are also included in Exhibit I.

The needs assessment program for the merged institutions in San Diego County will consist of the following elements:

- Continued calls made by Calling Teams. Bank of America NT&SA maintains internal goals for its call program, and the goals for the merged institution will be at least as large as existed prior to the merger.
- Continued calls by Bank of America State Bank officers.
- Review of any special needs assessments, including those completed by the Federal Reserve Bank, SEDC, and the City or other public entity.
- Regular meetings with the representatives described later in this document in Section III (M).

including the one in San Diego. Using the \$100 million goal as a reference, Bank of America and Bank of America State Bank will strive to originate loans in the City and County of San Diego at a level commensurate with the size and level of needs in the City and County relative to our total local community. However, our ability to do so will depend on, among other things, competitive factors, availability of public sector and charitable support for local projects and local capacity to develop low-and very low-income housing. Another factor is the long lead times required for many deals to come to fruition.

For this type of financing, we tailor our underwriting to meet the specifics of each transaction.

Programs currently offered by Bank of America State Bank and Bank of America NT&SA in San Diego County include:

- Construction and rehabilitation loans for new and rehabilitated units of low-and very low-income housing.
- Resident motivated mobilehome park conversions.
- Site and acquisition financing for nonprofit developers of low-income housing projects.
- Government-assisted loan placements such as HUD- and Fannie Mae-insured mortgages.
- Participation in long-term financing provided by the California Community Reinvestment Corporation.

As of the time of writing, our activity in San Diego County during 1990 and 1991 has resulted in the following:

- In 1990, a \$4,000,000 loan closed for resident purchase of a 143 space mobilehome park in Vista. \$2,993,000 of the loan amount was allocated to low- and very low-income units.
- In 1990, we also issued a \$3,000,000 construction loan commitment for a 68-unit project in Southeast San Diego. 20% of the units would have been for low-income.
- Also in 1990, a \$80,000 loan to Casa Familiar in San Ysidro was closed with all funds allocated for low-income housing.
- In 1991, a \$4,078,000 loan for a multi-unit rental property in National City was closed. Of this amount, \$3,842,000 was allocated to very low-income units and \$236,000 was allocated to low-income units.
- During 1991, we have made commitments to finance the following projects:



There is no minimum loan size and applicants will not be disqualified due to lack of a credit bureau history provided they can demonstrate an ability and willingness to repay obligations through other verifiable records such as rent receipts, utility payments, and savings records.

2. To Minority Borrowers. In August 1990, Bank of America NT&SA retained a private consultant to conduct an analysis of its 1989 Home Mortgage Disclosure Act Report. The consultant finished the analysis in October 1990. As a result, Bank of America NT&SA initiated a number of steps to increase the level of applications from minority applicants and the number of approvals for minority applicants.

These steps include:

- Creation of a new review process for real estate loan applications involving minority applicants and/or applicants in lower-income census tracts. If the original underwriter in the Residential Loan Center "RLC" does not approve the application, it is passed to a senior officer at the RLC for another review. If a decline is recommended at that level, it is forwarded to corporate underwriting officers at the San Francisco headquarters. Bank of America NT&SA has allocated a special \$30 million fund for loans of this type that do not meet even the liberalized underwriting guidelines of Neighborhood Advantage, the home loan program for low-income areas. This review process is helping Bank of America NT&SA become more aware of why the loans are not approved at the field level, enabling it to take steps where appropriate to modify the credit review process.
- Creation of a new production staff to focus exclusively on originating home loans to low-income and minority customers through realty channels, in addition to originations through branches and wholesale mortgage brokers.
- Increasing financial incentives for loan officers to make creditworthy loans in lower-income areas.
- Modifying Neighborhood Advantage to allow down payments as low as five percent on selected loans for property in lower-income areas and, for a limited time, waiver of non-recurring closing costs and fee reductions on fixed rate loans in lower-income areas.
- Development of affirmative marketing programs, including Spanish-language advertising and bilingual services at selected branches and future plans to target marketing to other minority communities.
- Increased recruitment of minority loan officers.

1. The B.A.S.I.C Program. This program is available only to households that earn 80% or less of the area median income as calculated by the United States Department of Housing and Urban Development. For San Diego County residents, we use these income calculations as reported for San Diego County by the State Department of Housing and Community Development.

The program makes available auto loans, personal loans, manufactured housing (mobilehome) purchase loans, and home equity loans, including home improvement purpose loans. The B.A.S.I.C program allows longer maturities than available with conventional loans in order to reduce monthly payment amounts. Minimum loan sizes are smaller than for conventional products, e.g., the minimum loan size for a personal loan is \$1,000 instead of \$2,500. Applicants will not be disqualified due to a lack of a credit bureau history provided they can demonstrate an ability and willingness to repay obligations through other verifiable records such as rent receipts and utility bills.

2. Home Improvement. Personal and home equity loans and lines of credit may be obtained for home improvement purposes. Of special note, the B.A.S.I.C program (described above) home equity loan provides home equity and personal loans for home improvement purposes. During 1990, 188 home improvement purpose loans and lines of credit were extended in San Diego County low income census tracts.
3. Participation in Local Government Programs. Following the merger, we will have the capacity to participate in local government programs that leverage federal and local funds for home improvement or rehabilitation purposes. At that time, we would welcome discussions with the County of San Diego, the City of San Diego, and other municipalities within the County regarding our participation in such programs.

#### H. Small Business and Economic Development

1. Goals. As described above, BankAmerica has set a goal of average annual originations totalling \$200 million of conventional small business loans of less than \$50,000. It has also set a goal of at least \$100 million on average annually in government guaranteed and other special programs for small and micro businesses. These goals apply to the delineated communities of BankAmerica subsidiaries throughout the western states. Approximately two-thirds of the goals will be allocated to California. Using these goals as a reference, Bank of America NT&SA, prior to the merger, and Bank of America, following the merger, along with Bank of America State Bank will strive, on an ongoing basis, to originate loans in San Diego County at a level commensurate with the size of and level of needs in San Diego City and County relative to our total local community. However, our

5. Religious Organizations. Loan applications from churches often present unique characteristics that are difficult for financial institutions to evaluate. We are willing to discuss this issue under the provisions of Section III. N. as described on page 13.
6. Small Business Incubators. Small business incubators are a relatively new concept for providing a comprehensive set of services designed to foster small business development. We believe the incubator concept has a high level of potential for small business start-up, development, and growth. We also believe support of small business incubators enhances our broader role in financing small businesses and other economic development projects. We intend to continue our support for the activities of the San Diego Incubator Corporation and other incubators provided they continue to show strong potential and to achieve significant results.

- I. Use of Charitable Funds. BankAmerica's philanthropic arm, BankAmerica Foundation, will continue to use contributions and grants to enhance its CRA program. Grants and contributions to support nonprofits active in housing and economic development are relevant to CRA. We will allocate an amount equal to 10% of BankAmerica Foundation's budget or \$1 million, whichever is greater, to support these activities within the delineated communities of BankAmerica's banking subsidiaries. Using this allocation as a reference, we will provide, on an ongoing basis, charitable support to housing and economic development nonprofits providing services to San Diego County at a level commensurate with the size of and level of need in San Diego City and County relative to our total local community.

During 1990 and 1991, we pursued a strategy of building capacity within San Diego nonprofits involved in the production of low- and very low-income housing. During this period, examples of our support include a \$100,000 commitment needed to help bring Local Initiatives Support Corporation "LISC" to San Diego. We also provide LISC, the California Housing Partnership, and the San Diego Housing Federation free office space, furniture, and equipment on an on-going basis. During 1990 and 1991, we helped sponsor four San Diego County nonprofit staff persons as National Interns at the Development Training Institute in Baltimore to enhance housing development skills.

We use written guidelines for support of housing and economic development. Currently, our areas of interest are capacity-building, project support, and support for organizations dedicated to increasing resources available to community-based development organizations. We will continue to use written guidelines, and a copy of the current guidelines is attached as Exhibit 2.

We will consider San Diego a priority areas for capacity-building grants during 1992.

community. We believe you already recognize that there is no easy solution, and that the responsibility for providing banking services to underserved areas throughout our marketplace (the State of California) is not solely the responsibility of any single institution. We believe we have more branches in low-income and high minority areas than any other institution in the State, and will continue to do so after the merger. We hope you will also recognize that even after the merger, we will not be the largest financial institution in San Diego County.

Our intent is to ensure that the level of service to lower-income areas and minority dominant areas is not reduced by the merger.

The immediate concern of the merger is around consolidation of duplicate branch locations and the divestiture of branches to address competitive concerns. It is premature to discuss the opening of new branch locations, however, we will commit to exploring options for Southeast San Diego, including options with providers of other consumer services.

- L. Low-Cost Checking and Other Banking Services. Bank of America NT&SA's Limited Checking Account was designed to meet the needs of lower-income customers. For \$3.50 a month, no minimum balance, and a minimum opening deposit of only \$25, customers have full access to our services. Not only do they have a checking account, but they receive a VERSATEL card, the ability to cash checks, withdraw funds, and make deposits at any branch. A full product description of Limited Checking is attached as Exhibit 3. Following the merger, Bank of America anticipates increasing the number of checks honored without charge each month from 8 to 10.

Bank of America NT&SA offers free check cashing to all depositors. We will continue to charge market rates for cashing checks for non-customers. We believe that promoting banking relationships is in the best interest of our community, including San Diego County, and that the low cost of Limited Checking makes it affordable to everyone.

We are willing to discuss with the appropriate public officials, and to seriously consider, a program for direct deposit of public assistance checks.

- M. Training. Bank of America will provide training to its staff sufficient for the successful carrying out of our CRA plan.
- N. Regular Meetings. Bank of America NT&SA and Bank of America, as well as Bank of America State Bank, welcome the opportunity to meet regularly with a committee of representatives of the San Diego City and County agencies, including nonprofits and religious organizations, to discuss in good faith our progress toward meeting local credit needs. We will provide this committee with publicly available information regarding performance in San Diego County. We are willing to discuss at those meetings the progress of our CRA program including specific lending products and

Bank of America NT&SA/Bank of America State Bank  
San Diego County  
CRA Activity Contacts  
As of December 31, 1991

1. Senior Officer Responsible for CRA Activities

Larry Knutson  
Senior Vice President & Region Manager  
(619) 230-5100

2. Affordable Multi-Family Housing

Mitch Thompson  
Vice president  
Bank of America State Bank  
(619) 230-5421

3. Government-Guaranteed Small Business Loans

Rod Maldonado  
Vice President  
Bank of America State Bank  
(619) 230-6183

4. Conventional Small Business Loans

Jose Valez  
Vice President and District Manager  
(619) 588-3701

Fred Baranowski  
Vice President and Manager, Consumer Banking Services  
(619) 230-5200

5. Single Family Home Loans Including Neighborhood Advantage

Norm Austin  
Vice President  
(619) 230-5010

6. Consumer Loans Including Home Improvement and B.A.S.I.C Loans

Norm Austin  
Vice President  
(619) 230-5010

7. Retail Deposit Services Including Limited Checking

Judy Maudsley  
Vice President and District Manager  
(619) 230-5111

AN ANALYSIS OF HOME  
MORTGAGE DISCLOSURE ACT  
LENDING DATA

FROM 1992-1996

Written and Researched by  
David Oddo  
March, 1998

## STUDY SUMMARY

This study compared home loan denial rates for African American and white applicants in San Diego County between 1992 and 1996.

Ten lending institutions were surveyed: American Savings Bank, Bank of America, Downey Savings and Loan, Glendale Federal Bank, Great Western Bank, Grossmont Bank, Home Savings, Union Bank, Wells Fargo and World Savings and Loan.

The study only looked at conventional (non-government insured) home purchase loans on 1-4 unit family dwellings in San Diego County from 1992 to 1996.

### KEY FINDINGS OF THE STUDY INCLUDE:

- \*\*\* In 1996 (the most recent year for which data is available), African American loan applications were, on average, 2.87 times more likely to be turned down than white applicants. This represents a 50 percent increase over 1992, when African Americans were only 1.91 times more likely to be turned down than white applicants.
- \*\*\* Even when the income levels of the borrower were the same, African American loan applicants were still turned down more often than whites in 1996. For example, upper income (those with incomes of greater than 120 percent of the area median) African American loan applicants at Great Western Bank were turned down 3 times more frequently than upper income white loan applicants in 1996.
- \*\*\* At Union Bank in 1996, low income (those with incomes of less than 80 percent of the area median) African American loan applicants were turned down 5.36 times more frequently than low income white loan applicants.
- \*\*\* In 1996, only 1.64 percent of all the loan applications received by the 10 lending institutions were submitted by African Americans. This represents a 12.3 percent drop in such applications compared to 1992, when 1.87 percent of all applications received from the 10 lenders came from African Americans.
- \*\*\* In terms of loans actually granted to African Americans, the numbers are worse. In 1992, the 10 lenders granted 127 conventional home purchase loans to African Americans, or 1.62 percent of their total. In 1996, these same 10 lenders granted only 70 such loans to African Americans, or 1.2 percent of their total -- a decrease of nearly 26 percent compared to 1992.
- \*\*\* According to 1990 census data (provided by the San Diego Association of Governments), African Americans represent 6 percent of the total population of San Diego County.

- \*\*\* Union Bank had the best record of attracting loan applications from African Americans in 1996. Nearly 4 percent of all their conventional home purchase loan applications in San Diego County were submitted by African Americans.
- \*\*\* Grossmont Bank had the worst record of attracting loan applications from African Americans in 1996. Out of 122 total conventional home purchase loan applications in San Diego County, none were submitted by African Americans. Glendale Federal Bank took in only two applications from African Americans in 1996, out of a total of 208.
- \*\*\* Union Bank had the worst record in terms of denying loan applications from African Americans relative to white applicants. In 1996, 42.86 percent of African American applicants were rejected, compared to 8.2 percent of white applicants, a ratio of more than 5 to 1.

All lending and loan denial data for this study was provided by the Federal Financial Institutions Examination Council and the 10 lending institutions surveyed, under terms of the Federal Home Mortgage Disclosure Act of 1975. This law requires financial institutions to publicly disclose detailed data on their mortgage lending activity every year; such as the number and type of housing loan applications by census tract, and by the race, income, and sex of the borrower. By law, institutions must indicate whether the applications taken in were approved or denied and the amount of the loan.



**PART I Combined African-American Conventional Home Purchase Loan Applications, Originations, and Denial Ratios of All Ten Lenders Surveyed - San Diego County 1992 and 1996**

Number Of Loan Applications Received

	<u>1992</u>	<u>1996</u>
County-wide Total	11,698	8,807
From African-Americans	219 (1.87% of total)	144 (1.64% of total)

Percentage of Change in African-American Applications: -12.3%

Number Of Loans Originated (Granted)

	<u>1992</u>	<u>1996</u>
County-wide Total	7,843	5,831
To African-Americans	127 (1.62% of total)	70 (1.2% of total)

Percentage of Change in African-American Loans: -25.93%

Average Disparity In Denial Ratios Between African-Americans and White Applicants

<u>1992</u>	<u>1996*</u>
1.91:1	2.87:1
[In 1992, African-American applicants were turned down 1.91 times more often than white applicants.]	[In 1996, African-American applicants were turned down 2.87 times more often than white applicants.]

Percentage of Change in Disparity in Denial Ratios: + 50.26%

\*Notes:

Even when the income level of the borrower was the same, African-Americans were still turned down more often than whites in 1996.

[Only those loans on 1 to 4 unit family dwellings were counted.]

According to 1990 census data provided by the San Diego Association of Governments, African-Americans make up 6% of San Diego county's population.

The 10 lenders:

- American Savings Bank
- Bank of America
- Downey Savings and Loan
- Glendale Federal Bank
- Great Western Bank
- Grossmont Bank
- Home Savings
- Union Bank
- Wells Fargo Bank
- World Savings and Loan

**PART I** Combined African-American Conventional Home Purchase Loan Applications,  
(cont'd) Originations, and Denial Ratios of All Ten Lenders Surveyed -  
San Diego County 1992 and 1996

Sources for lending data: Table 4-2 of each lender's 1992-1996 "Home Mortgage Disclosure Act" statements for San Diego county, and the Federal Financial Institutions Examination Council (FFIEC).

Notes: A "conventional" loan is one that is not insured by the federal government. Therefore, the risk is carried by the individual lending institution.

The number of loans originated means the number of loans actually granted by a particular lending institution.

1996 is the most recent year for which lending data was available. For Wells Fargo Bank, 1995 was the most recent year for which data was available. 1995 was the last year in which they made home loans directly. They now make home loans through a joint venture with a mortgage company.

**PART II Denial Rates on Conventional Home Purchase Loan Applications for Whites and African-Americans in San Diego County, 1992-1996 (All income levels)-Minimum 5 applicants -Loans on 1 to 4 unit family dwellings**

Financial Institution	1992	1993	1994	1995	1996
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*American Savings Bank*

Whites:	19%	19.76%	16.44%	-11.19%	12.08%
African-Americans:	28.57%	31.25%	32.14%	43.75%	24.14%
Disparity Ratio:	1.5:1	1.58:1	1.95:1	3.91:1	2:1

[Note: A disparity ratio of 1.5:1 means that African-Americans were denied loans 1.5 times more often than white applicants.] "Conventional" means that the loan is not insured by the federal government and the lender carries the risk.

*Bank of America*

Whites:	22.98%	26.15%	18.90%	17.87%	16.14%
African-Americans:	40.24%	47.50%	24.32%	44%	46.15%
Disparity Ratio:	1.75:1	1.82:1	1.29:1	2.46:1	2.86:1

*Downey Savings and Loan*

Whites:	30.95%	32.88%	14.67%	29.66%	17.89%
African-Americans:	[*]	[*]	0%	2 Appl.	4 Appl.
Disparity Ratio:			0:1		

[\*] No Applications Submitted

*Glendale Federal Bank*

Whites:	34.38%	22.86%	12.04%	20.75%	19.44%
African-Americans:	[*]	1 Appl.	3 Appl.	3 Appl.	2 Appl.
Disparity Ratio:					

[\*] No Applications Submitted

*Great Western Bank*

Whites:	22.87%	18%	11.16%	14.43%	14.33%
African-Americans:	36.10%	33.30%	25.80%	25%	43.75%
Disparity Ratio:	1.58:1	1.85:1	2.3:1	1.73:1	3.05:1

*Grossmont Bank*

Whites:	52.94%	32.81%	22%	20.19%	12.82%
African-Americans:	[*]	[*]	1 Appl.	40%	[*]
Disparity Ratio:				1.98:1	

[\*] No Applications Submitted

**PART II Denial Rates on Conventional Home Purchase Loan Applications for Whites and African-Americans In San Diego County, 1992-1996 (All income levels)-Minimum 5 applicants -Loans on 1 to 4 unit family dwellings**

Financial Institution	1992	1993	1994	1995	1996
-----------------------	------	------	------	------	------

*Home Savings*

Whites:	8.60%	9.48%	8.70%	-12.42%	11.90%
African-Americans:	16.67%	17.10%	19.10%	32.60%	25%
Disparity Ratio:	1.94:1	1.8:1	2.2:1	2.62:1	2.1:1

*Union Bank*

Whites:	12.60%	13.30%	14.81%	8.76%	8.20%
African-Americans:	3 Appl.	42.86%	57.14%	25%	42.86%
Disparity Ratio:	-	3.2:1	3.86:1	2.85:1	5.23:1

*Note: At Union Bank, African-American applicants were turned down 5.23 times more often than white applicants in 1996. This is the highest disparity in denial rates of all the lenders surveyed.*

*Wells Fargo Bank*

Whites:	52.53%	38.59%	26.02%	26.13%
African-Americans:	66.67%	28.57%	47.06%	3 Appl.
Disparity Ratio:	1.27:1	.74:1	1.81:1	

*World Savings and Loan*

Whites:	10.66%	8.80%	8.44%	11.20%	10%
African-Americans:	36.36%	28.57%	35.71%	10%	20%
Disparity Ratio:	3.41:1	3.25:1	4.23:1	.89:1	2:1

Average denial disparity ratio between African-American and white loan applicants:

1992) 1.91:1  
1996) 2.87:1

In 1992, African-Americans were (on average) 1.91 times more likely to be turned down for a home loan than whites. In 1996, African-Americans were (on average) 2.87 times more likely to be turned down for a conventional home purchase loan than whites, a 50.26% increase over 1992.

Sources for lending data: Table 4-2 of each lender's 1992-1996 "Home Mortgage Disclosure Act" statements for San Diego county, and the Federal Financial Institutions Examination Council (FFIEC).

Note: 1996 is the most recent year for which information is available. 1995 was the last year Wells Fargo offered home loans.

**PART III 1996 Denial Rates on Conventional Home Purchase Loans When Borrower Income Levels are the Same : Loans on 1 to 4 Unit Family Dwellings (minimum 5 applications)**

<u>Financial Institution</u>	<u>"Low" Income Borrowers</u>	<u>"Upper" Income Borrowers</u>
<i>American Savings Bank</i>		
Whites:	14.29%	10.98%
African-Americans:	60%	15.38%
Disparity Ratio:	4.2:1	1.4:1
<i>Bank of America</i>		
Whites:	26.36%	11.64%
African-Americans:	3 Appl.	33.30%
Disparity Ratio:		2.86:1
<i>Downey Savings and Loan</i>		
Whites:	15.22%	15.71%
African-Americans:	2 Appl.	1 Appl.
<i>Glendale Federal Bank</i>		
Whites:	26.67%	15.12%
African-Americans:	2 Appl.	0 Appl.
<i>Great Western Bank</i>		
Whites:	20.24%	12.34%
African-Americans:	63.64%	38.46%
Disparity Ratio:	3.14:1	3.12:1
<i>Grossmont Bank</i>		
Whites:	35%	4.44%
African-Americans:	0 Appl.	0 Appl.
<i>Home Savings</i>		
Whites:	18.45%	9.13%
African-Americans:	50%	20%
Disparity Ratio:	2.71:1	2.19:1
<i>Union Bank</i>		
Whites:	8.47%	6.80%
African-Americans:	45.45%	3 Appl.
Disparity Ratio:	5.36:1	

**PART III 1996 Denial Rates on Conventional Home Purchase Loans When Borrower Income Levels are the Same : Loans on 1 to 4 Unit Family Dwellings (minimum 5 applications)**  
 (cont'd)

<u>Financial Institution</u>	<u>"Low" Income Borrowers</u>	<u>"Upper" Income Borrowers</u>
<i>Wells Fargo (1995 data)</i>		
Whites:	50%	17.19%
African-Americans:	1 Appl.	0 Appl.
<i>World Savings and Loan</i>		
Whites:	14.89%	9.87%
African-Americans:	3 Appl.	28.57%
Disparity Ratio:		2.89:1

Note: Four lending institutions denied low income African-American loan applicants more frequently than low income white applicants: American Savings, Great Western Bank, Home Savings and Union Bank. Also, 5 lending institutions denied upper income African-American loan applicants more frequently than upper income white loan applicants: American Savings, Bank of America, Great Western, Home Savings and World Savings and Loan.

Sources: Table 5-2 of each lender's 1996 Home Mortgage Disclosure Act Statements for San Diego County and the Federal Financial Institutions Examination Council (FFIEC).

"Low Income": 0 - 80% of area median income (\$38,880 or less)

"Upper Income": 120% or more than area median income (\$58,320 or more)

According to the US Department of Housing and Urban Development (HUD), the 1996 San Diego County median income (for a family of 4) was \$48,600.

The term "median" means that 50% are above that level and 50% are below that level

(Note: HUD sets the limits for the various income levels.)

**PART IV Conventional Home Purchase Loan Applications in San Diego County, 1992-1996 (Loan applications on 1 to 4 unit family dwellings) - Number submitted by African-Americans**

<u>Financial Institution</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
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*American Savings Bank*

Total Applications Submitted:	562	529	1,294	1,437	1,871
Total by African-Americans*:	7	16	28	32	29
* Percentage of Total Submitted:	1.25%	3%	2.16%	2.23%	1.55%

*Bank of America*

Total Applications Submitted:	3,742	2,303	2,489	1,231	1,638
Total by African-Americans*:	82	40	37	25	26
* Percentage of Total Submitted:	2.19%	1.74%	1.49%	2%	1.59%

*Downey Savings and Loan*

Total Applications Submitted:	54	91	528	180	491
Total by African-Americans*:	0	0	6	2	4
* Percentage of Total Submitted:	0%	0%	1.14%	1.1%	0.81%

*Glendale Federal Bank*

Total Applications Submitted:	120	88	252	167	208
Total by African-Americans*:	0	1	3	3	2
* Percentage of Total Submitted:	0%	1.14%	1.19%	1.8%	0.96%

*Great Western Bank*

Total Applications Submitted:	1,818	1,653	2,101	2,008	1,696
Total by African-Americans*:	36	42	31	44	32
* Percentage of Total Submitted:	1.98%	2.54%	1.48%	2.19%	1.89%

*Grossmont Bank*

Total Applications Submitted:	59	84	174	181	122
Total by African-Americans*:	0	0	1	5	0
* Percentage of Total Submitted:	0%	0%	0.57%	2.76%	0%

*Home Savings*

Total Applications Submitted:	3,023	3,001	3,505	2,229	1,495
Total by African-Americans*:	60	76	89	46	24
* Percentage of Total Submitted:	1.98%	2.53%	2.54%	2.06%	1.60%

**PART IV Conventional Home Purchase Loan Applications In San Diego County, 1992-1996 (Loan applications on 1 to 4 unit family dwellings) - Number submitted by African-Americans**  
 (cont'd)

Financial Institution	1992	1993	1994	1995	1996
-----------------------	------	------	------	------	------

*Union Bank*

Total Applications Submitted:	168	275	328	381	353
Total by African-Americans*:	3	7	14	16	14
* Percentage of Total Submitted:	1.79%	2.55%	4.27%	4.2%	3.97%

*Wells Fargo*

Total Applications Submitted:	278	440	1,255	198	-
Total by African-Americans*:	9	7	51	3	-
* Percentage of Total Submitted:	3.24%	1.59%	4.06%	1.52%	-

*World Savings and Loan*

Total Applications Submitted:	1,874	1,428	1,764	989	735
Total by African-Americans*:	22	14	28	20	10
* Percentage of Total Submitted:	1.17%	0.98%	1.59%	2.02%	1.36%

Note: According to the 1990 Census of Population and Housing, African-Americans make up 6% of the total population of San Diego County. Source: San Diego Association of Governments - SANDAG

Sources for lending data: Table 4-2 of each lender's 1992-1996 "Home Mortgage Disclosure Act" statements for San Diego county, and the Federal Financial Institutions Examination Council (FFIEC).



**PART V Conventional Home Purchase Loan Originations In San Diego County, 1992-1996**  
**(Loan originations on 1 to 4 unit family dwellings) - Number of loans originated (granted)**  
**to African-Americans**

<u>Financial Institution</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
------------------------------	-------------	-------------	-------------	-------------	-------------

*American Savings Bank*

Total Loans Originated:	362	323	878	971	1,356
Total to African-Americans*:	4	11	17	9	16
*Percentage of Total Originated:	1.10%	3.40%	1.94%	0.93%	1.18%

*Bank of America*

Total Loans Originated:	2,458	1,418	1,705	738	1,076
Total to African-Americans*:	47	18	26	10	12
*Percentage of Total Originated:	1.91%	1.27%	1.52%	1.36%	1.12%

*Downey Savings and Loan*

Total Loans Originated:	28	51	393	108	337
Total to African-Americans*:	0	0	6	2	4
*Percentage of Total Originated:	0%	0%	1.53%	1.85%	1.19%

*Glendale Federal Bank*

Total Loans Originated:	60	49	173	100	115
Total to African-Americans*:	0	0	1	2	0
*Percentage of Total Originated:	0%	0%	0.58%	2%	0%

*Great Western Bank*

Total Loans Originated:	1,054	1,038	1,457	1,284	1,055
Total to African-Americans*:	19	20	18	25	11
*Percentage of Total Originated:	1.80%	1.93%	1.24%	1.95%	1.04%

*Grossmont Bank*

Total Loans Originated:	21	42	82	91	73
Total to African-Americans*:	0	0	0	2	0
*Percentage of Total Originated:	0%	0%	0%	2.2%	0%

*Home Savings*

Total Loans Originated:	2,340	2,227	2,539	1,472	1,017
Total to African-Americans*:	43	45	56	24	13
*Percentage of Total Originated:	1.84%	2.00%	2.20%	1.63%	1.28%

**PART V** Conventional Home Purchase Loan Originations in San Diego County, 1992-1996  
 (cont'd) (Loan originations on 1 to 4 unit family dwellings) - Number of loans originated (granted) to African-Americans

Financial Institution	1992	1993	1994	1995	1996
<i>Union Bank</i>					
Total Loans Originated:	110	165	224	283	244
Total to African-Americans*:	1	3	5	11	7
*Percentage of Total Originated:	0.90%	1.82%	2.23%	3.89%	2.87%
<i>Wells Fargo Bank</i>					
Total Loans Originated:	103	234	723	83	-
Total to African-Americans*:	3	5	21	1	-
*Percentage of Total Originated:	2.91%	2.14%	2.90%	1.20%	-
<i>World Savings and Loan</i>					
Total Loans Originated:	1,307	1,012	1,308	679	475
Total to African-Americans*:	10	6	14	12	6
*Percentage of Total Originated:	0.77%	0.59%	1.07%	1.77%	1.26%

Note: According to the 1990 Census of Population and Housing, African-Americans made up 6% of San Diego County's total population. Source: SANDAG / San Diego Association of Governments.

Sources for lending data: Table 4-2 of each lender's 1992-1996 "Home Mortgage Disclosure Act" statements for San Diego county, and the Federal Financial Institutions Examination Council (FFIEC).

## METHODOLOGY

### 1. How the loan denial rates and the denial disparity ratios were computed:

Example: If lender "A" receives 20 loan applications from African-Americans and denies 6 of those applications, 20 divided by 6 results in a 30% denial rate. If the same lender rejects 10 out of 100 loan applications from white borrowers, the result is a 10% denial rate.

To compute the disparity ratio, the African-American denial rate of 30% is divided by the white denial rate of 10% to result in a 3:1 disparity ratio. This means lender "A" denied African-American loan applicants 3 times more often than white loan applicants.

### 2. Source of lending data used in this survey: each lender's 1992, 1993, 1994, 1995 and 1996 HMDA ("Home Mortgage Disclosure Act") statements for San Diego County. Data obtained via written request to each of the 10 lending institutions included in this survey.

Each year a government agency named the Federal Financial Institutions Examinations Council (FFIEC) compiles a HMDA statement for virtually every lending institution in the country. These statements are available to interested members of the public and can be obtained from individual lending institutions or can be ordered directly from FFIEC.

Source for all census data used in this survey: San Diego Association of Governments / SANDAG.

### 3. Ten Lenders Surveyed:

American Savings Bank	Grossmont Bank
Bank of America	Home Savings
Downey Savings and Loan	Union Bank*
Glendale Federal	Wells Fargo**
Great Western Bank	World Savings and Loan

\* Union Bank had the best record of all ten lenders surveyed in terms of receiving loan applications from and granting loans to African-Americans in San Diego County. The percentage of loan applications received from African-Americans increased substantially between 1992 and 1996; as did the number of loans granted to this community. However, the disparity in denial rates between African-Americans and white applicants also increased substantially between 1992 and 1996, regardless of borrower income level.

\*\* Wells Fargo-1995 was the most recent year for which lending data was available. 1995 was the last year Wells Fargo made home loans directly. They now make home loans through a joint-venture with a mortgage company. For the other nine lenders, 1996 was the most recent year for which data was available.

# ATTACHMENT 3

**CITY-COUNTY REINVESTMENT TASK FORCE  
LENDERS ACTIVITY SUMMARY  
SAN DIEGO COUNTY - FY 1996**

	Bank of America					Wells Fargo Bank					Union Bank of CA				Great Western Bank		Grossmont Bank		Comerica Bank		Borrego Springs	
	Goal	Actual				Goal	Actual				Goal	Actual			Goal	Actual	Goal	Actual	Goal	Actual		
		93	94	95	96		93	94	95	96		94	95	96		95	96		96		96	
Home Purchases in Low Income Census Tracts	\$40M	\$34.3M	\$31.3M	\$25.8M	\$35.9M	\$6M	\$10.7M	\$37.8M	N/A	N/A	\$15M	\$14.7M	\$7.3M	\$10.47M	\$35.09M	\$229K	\$58K	\$216K	\$441K		\$0	
Affordable Housing Development	\$8M	\$88.2M	\$1M	\$43.9M	\$27.5M	\$6M	\$33.1M	\$6.8M	\$10.6M	\$2.9M	\$8M	\$0	\$0	\$0	\$9.7M	\$9.86M	\$20K	\$100K	\$0		\$1.05K	
Small Business Loans *Gov't Guaranteed *Conventional	\$5.3M \$10.7M	\$3.9M \$100M	\$5.9M \$10.9M	\$9.9M \$16.4M	\$10.8M \$89.1M	\$3M \$6M	\$4.3M \$15.3M	\$6.6M \$24.4M	\$15.3M \$45.8M		\$25M \$10M	\$30.9M \$8.6M	\$22.1M N/A	\$38.8M \$6.2M	N/A N/A	N/A N/A	\$85K \$16.1M	\$13.5M \$53.7M	\$1.7M \$3.86M		N/A N/A	
Commercial Construction	N/A	N/A	N/A	N/A	\$18M	\$8M	\$3.6M	\$3.57M	\$12.1M	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$3.5M	\$143K	\$0		N/A	
Consumer Loans	\$640K	\$800K	\$22.6M	N/A	\$27.6M	\$1M	\$105K	N/A	\$6.3M	79.2M	\$8M	\$5.5M	\$8.4M	\$6.65M	N/A	N/A	\$1.2M	\$1.06M	\$837K		N/A	
Corporate Giving	\$100K	\$100K	\$100K	\$257K	\$80K	\$1.5M	N/A	N/A	\$341K	1.02M	\$500K	N/A	\$436K	\$526K	\$278K	\$437K	\$12K	\$41.8K	\$6.1K		N/A	
Special Support	<ul style="list-style-type: none"> <li>* High Levels of Home Mortgage Lending</li> <li>* Non-Profit Credit Lines</li> </ul>					<ul style="list-style-type: none"> <li>* Neighborhood Nat'l Bank</li> <li>* ACCION, San Diego</li> <li>* Non-Profit Federation</li> </ul>					<ul style="list-style-type: none"> <li>* Neighborhood BanCorp</li> <li>* Church Loans, Low Cost</li> <li>* Support to Variety of Non-Profits</li> </ul>				<ul style="list-style-type: none"> <li>* San Diego Partners Program</li> <li>* Continued Use of Minority Media</li> <li>* Access to REO Lists</li> </ul>		<ul style="list-style-type: none"> <li>* NHR Homebuyers Program</li> <li>* Convension Center</li> <li>* Small Business Loans</li> <li>* Bankers Small Business CDC</li> <li>* Variety of Non-Profits Support</li> </ul>		<ul style="list-style-type: none"> <li>* CA CRC</li> <li>* Bankers Small Bus. CDC</li> <li>* CEDLI (econ. dev. loans)</li> </ul>		<ul style="list-style-type: none"> <li>* Neighborhood Nat'l Bank</li> <li>* Bankers Sm. Bus. CDC</li> </ul>	

# ATTACHMENT 4

HMDA

**Home Mortgage Lending: Minority / LMI (<120%)  
Percent of Market Share**

	<b>92</b>	<b>93</b>	<b>94</b>	<b>95</b>	<b>96</b>
<b>BofA</b>	37.79%	11.57%	11.68%	7.34%	10.91%
<b>Union</b>	2.68%	1.68%	1.53%	2.68%	1.89%
<b>Wells</b>	3.09%	1.39%	11.54%	1.26%	0.18%
<b>Home</b>	23.98%	27.90%	24.67%	17.99%	9.47%
<b>American</b>	4.82%	2.71%	11.38%	11.99%	13.21%
<b>Gr. West.</b>	23.67%	18.77%	14.31%	22.00%	10.88%

# ATTACHMENT 5



**MID-CITY SMALL BUSINESS CREDIT  
NEEDS ASSESSMENT**

**September, 1997.**

**BY: Ann Meier, Independent Research Consultant**

**This study is sponsored by the City of San Diego Office of Small Business, Council Member Christine Kehoe's Office, Bank of America, Union Bank of California, Wells Fargo and the Business Improvement Districts of Adams Avenue, El Cajon Boulevard, North Park and City Heights. Project oversight was provided by the San Diego City-County Reinvestment Task Force.**

City of San Diego was conducted by David Paul Rosen & Associates, Community Development Consultants from Irvine. This study used an interesting methodology of applying actual banking industry norms as reflected in measures published by Robert Morris & Associates (RMA) to the 1991 City business license database. The authors of this report note that their estimates of credit demand do not reflect very small businesses with sales below \$50,000 which are very difficult to quantify. A large proportion of the small businesses in the Mid-City fall into this category and thus were not covered by this 1992 report. Also in 1992, the San Diego City-County Reinvestment Task Force completed a credit needs assessment in Spring Valley. In 1993 Adams Avenue conducted a credit needs assessment and reported on barriers to small business capital formation. In 1994 City Heights developed a Business and Economic Development Plan based on a survey. While not exclusively a credit needs assessment, some measures of credit need were addressed. The Mid-City Business Improvement Districts and the San Diego City-County Reinvestment Task Force decided a credit needs assessment was needed to measure the current situation in a broader scope, encompassing more of the Mid-City. That is the purpose of this study.

### *Survey Methodology*

The survey incorporated questions asked in many of the studies mentioned above as well as similar studies in other cities across the nation. The contents of the questionnaire were reviewed and revised by the BIDs, Reinvestment Task Force members, and officials from Wells Fargo, Union Bank of California, and Bank of America (see Appendix A).

The questionnaire was sent to approximately 3500 Mid-City small businesses (which did not include apartment owners). Approximately 1000 of these surveys were "returned to sender." This high volume of returns indicates several things. The mailing list used for the survey came from San Diego Data Processing whose database is apparently not current. The return volume may also indicate a high rate of small business failure or relocation in the Mid-City. It is likely that many, if not most, of the business whose surveys were "returned to sender" were once, but are no longer in business or have moved.

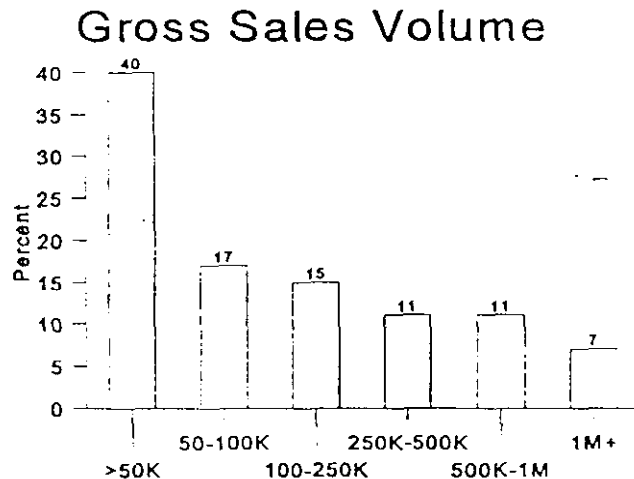
Excluding the returned surveys, approximately 2500 surveys reached the correct owner of a currently operational small business. 183 small business from four BIDs (Adam's Avenue, El Cajon, North Park and City Heights) responded to the survey. The survey responses were supplemented with two focus groups with BID committee members. These focus groups allowed us to solicit more in-depth information and to ensure the clarity of the survey instrument. Although the survey was in English, a volunteer from UPAC canvassed the neighborhoods to assist non-English speaking business owners with the survey. The data from the UPAC volunteer, the two focus groups and the survey responses were compiled to report on the credit needs of small businesses in San Diego's Mid-City. Because of project financial constraints, we were not able to mail survey pre-notification letters, reminder post-cards, or conduct a survey remaining to non-responders. These steps usually increase the survey response rates. We did,

land use issues. The way that commercial strips are zoned in the Mid-City prevents business owners from having larger square footage for their stores and from physically expanding their business at their current site. The commercial linear strips are restricted by the size of the buildings on them which are currently mostly older, small structures. This may explain the small median square footage of small businesses in the Mid-City and indicate a need for creative solutions regarding land-use in the Mid-City.

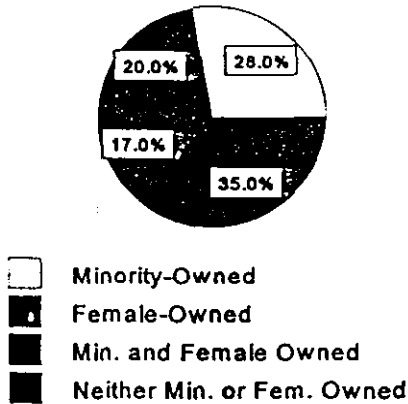
Most of respondents lease, rather than own their business location -- 76 and 24 percent respectively. When we look at the age of the businesses who lease versus those who own their business location, we find that as age of the business increases, so does ownership of the business location. Among respondents who have been in their current business for under four years, 87 percent lease their location and just 13 percent own. For respondents who have been in their business for four to ten years, 77 percent lease and 23 percent own their locations. For those in their current business for 11 to 20 years, 71 percent lease and 29 percent own the location. Finally, for those who have been in their current business for more than 20 years, 41 percent still lease their location and 59 percent own it. While more of the older business own their properties, a significant percent (41%) still lease the location.

About half of the responding business owners said they live in the Mid-City (49%) and half live outside of the Mid-City (51%). Most of the respondents own "smaller" small businesses with 76 percent of them employing 3 or fewer full-time employees and 87 percent employing 3 or fewer part-time employees. Forty-nine percent actually do not have any part-time employees. The businesses employ more people from the Mid-City (55%) than they do from outside of the Mid-City area (45%). For the 183 respondents, a total of 495 Mid-City residents are employed by businesses local to them. This is important and could stand to be higher because the unemployment rate in the Mid-City is two-time what it is in other parts of the city. Small businesses in Mid-City are a main source of employment for local residents.

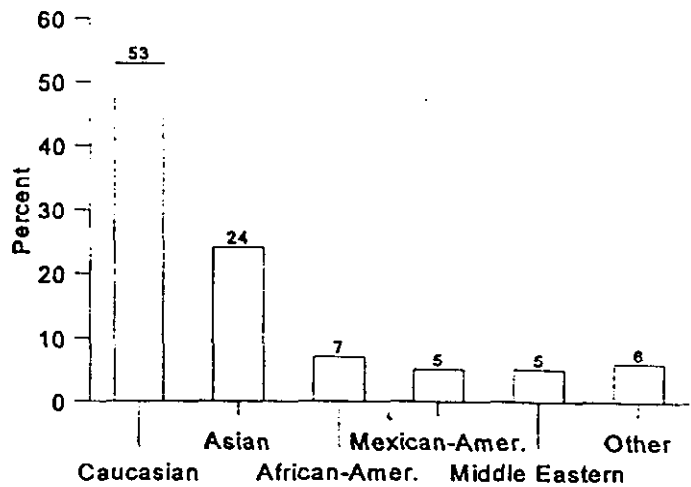
When asked their gross sales volume last year, 40 percent of all respondents said they grossed less than \$50,000. 17 percent grossed between \$50,000 and \$100,000, 15 percent between \$100,000 and \$250,000, and 10 percent each between \$250,000 and \$500,000 and \$500,000 and one million. 7 percent reported grossing over one million dollars.



## Gender & Minority Status of Respondents

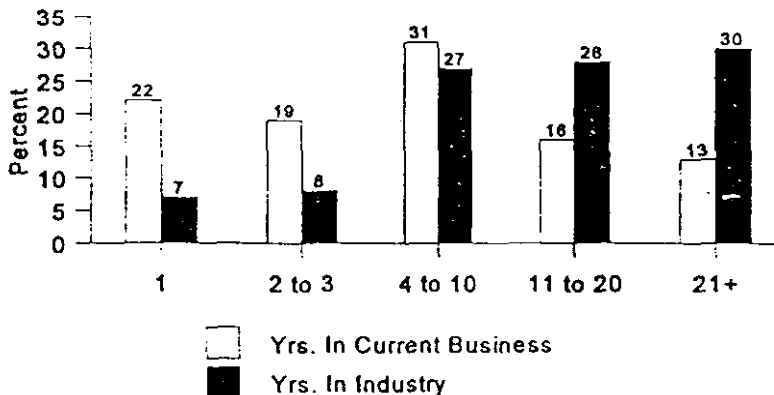


## Ethnicity of Respondents

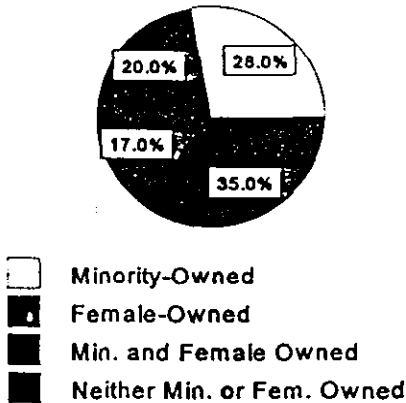


Businesses in the Mid-City are of all different ages. Thirty-one percent of business owners have owned their current business for 4 to 10 years, while another 22 percent have owned their current business for just one year. Nineteen percent have owned their business for 2-3 years, 16 percent for 11-20 years and 13 percent for more than 20 years. In contrast, most of the business owners have been in their industry longer than they have owned their current business. A large percentage of owners have been in the industry more than 20 years (30 percent). Twenty-eight percent have been in the industry 11-20 years and another 27 percent for 4-10 years. Only 8 percent are new to the industry (2-3 years) and 7 percent are rookies (only one year in the industry). The median number of years respondents have owned their business is 5 years, but the median number of years in the industry is 14. While many owners are apparently new to their current business, few are naive to their industry, products, customer base and challenges faced in financing a businesses' growth and development.

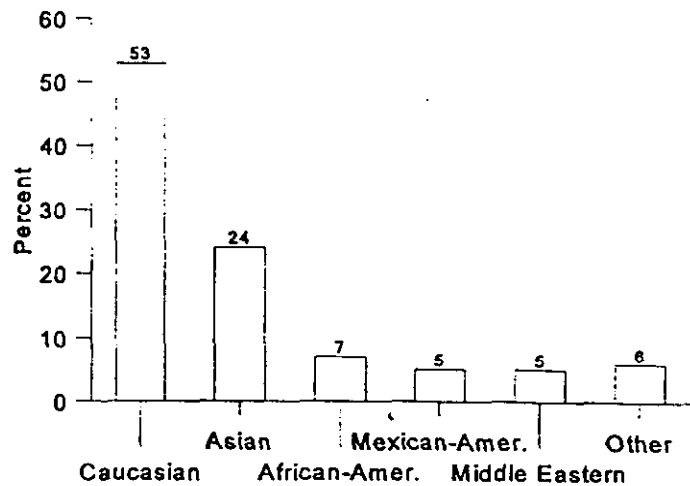
## Yrs. Owning Business Versus Yrs. In The Industry



## Gender & Minority Status of Respondents

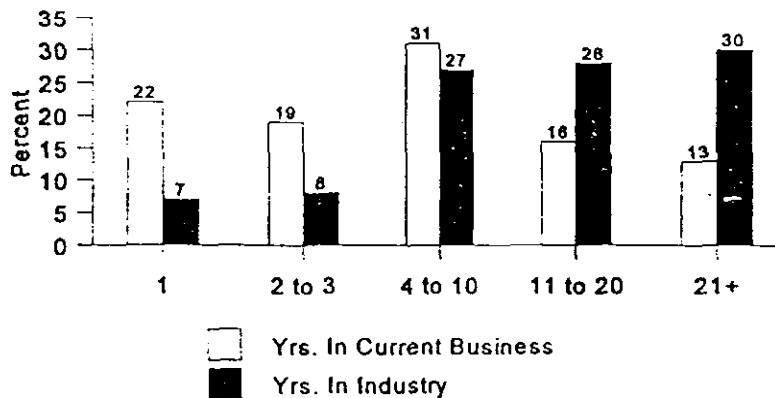


## Ethnicity of Respondents



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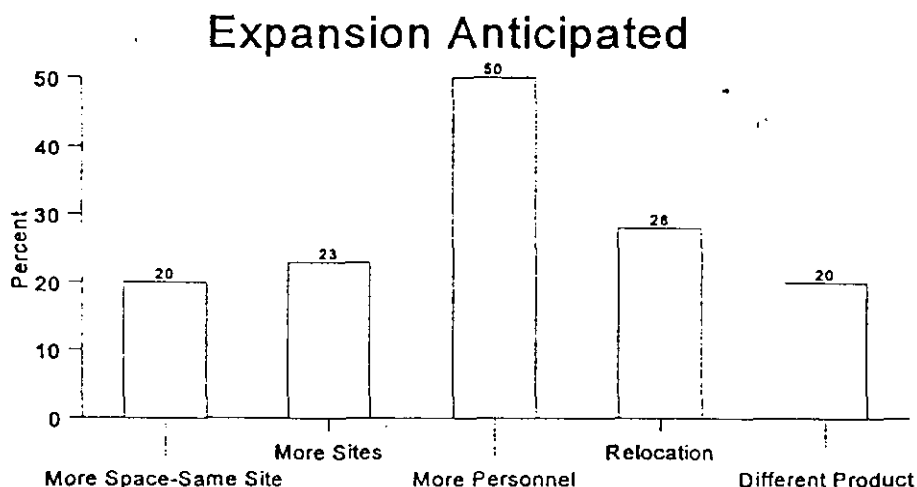
## Yrs. Owning Business Versus Yrs. In The Industry



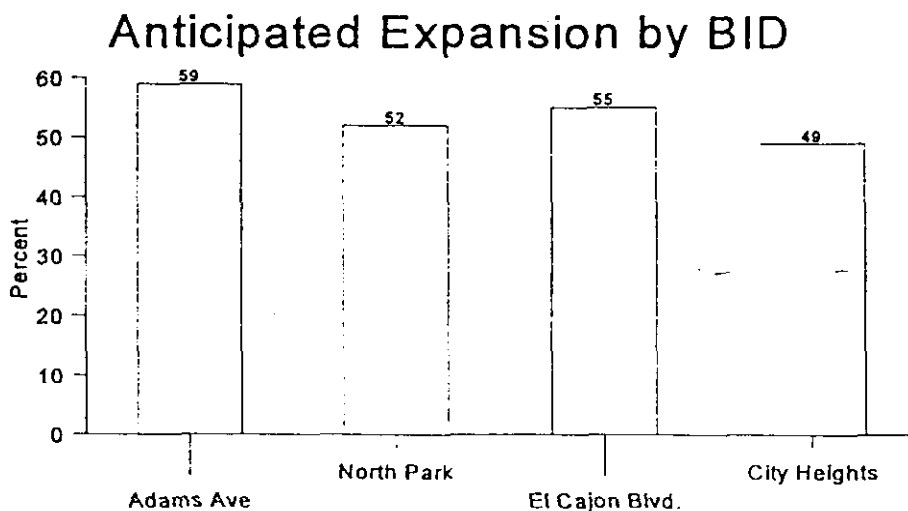
Small businesses in the Mid-City are serving the local community as well as bringing outside customers into the community. Forty-two percent of the respondents said most of their business comes from outside of the Mid-City while 58 said most of their business comes from local customers.

### Mid-City Business Expansion

Respondents were asked if expansion of their business was anticipated within the next year. Fifty-four percent of respondents reported expected expansion in the next year. Of those who anticipate expansion in the next year, 50 percent plan on adding additional personnel, 28 percent on relocating for additional space, 23 percent hope to secure more space at additional locations, 20 percent plan on more space at their present site and 20 percent plan on adding a new product to their business.

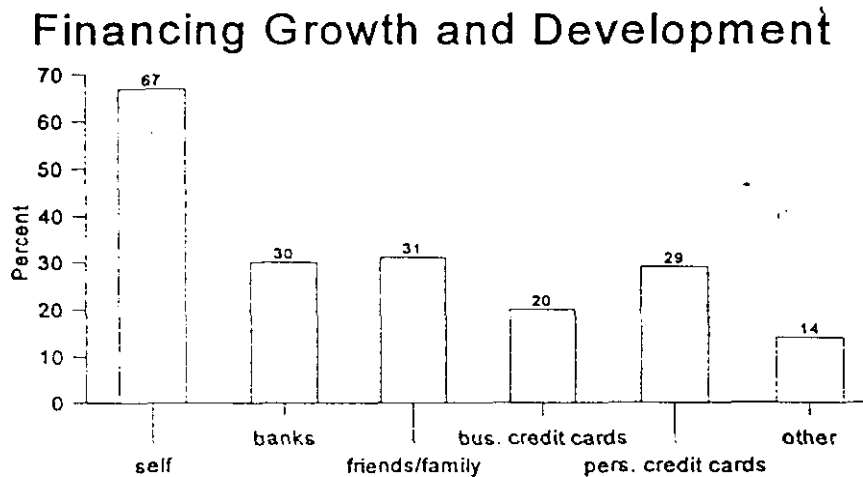


Fifty-nine percent of Adams Avenue respondents said they anticipated expansion compared to 52 percent in North Park, 55 percent in El Cajon and 49 percent in City Heights.



## Financing Growth and Development

Next, business owners were asked how they finance the growth and development of their business. An overwhelming 67 percent of respondents said they finance their business out-of-pocket. Thirty-one percent say they use loans from family or friends and 30 percent said they use bank credit. Twenty-nine percent use personal credit cards and only 20 percent use business credit cards. Very small percentages use finance companies (5%), credit unions (4%), thrifts (1%) and other investors (4%).



Ethnicity seemed to have some effect on how small business owners chose to finance growth and development of their businesses. While 53 percent of responding business owners are Caucasian, a higher percentage (59%) of those who report using bank credit are Caucasian. Asians are 24 percent of our total respondent population, but just 19 percent of those who use bank credit. African-Americans are 7 percent of our respondent population, but just 4 percent of those who use bank credit. The converse is also true -- while Asians were 24 percent of our respondent population, they are 33 percent of those who use loans from friends or family. On this measure, Caucasians drop to 36 percent. More Caucasian business owners finance growth and development out of their own pocket (61%) and less Asians use this method of financing (17%). Other ethnicities follow the same pattern Asians on this measure -- proportionally fewer African-Americans, Mexican-Americans, and Middle Easterners finance their business out of pocket. Caucasian and Middle-Eastern business owners use both personal and business credit cards at a high rate than do African-Americans, Mexican-Americans and Asians.

When asked why they use the bank(s) that they do, most respondents had multiple reasons. The reason that was listed by the most respondents was location (59%) followed by convenience (47%), quality of service (33%) and cost (15%). Variety of services/products scored the lowest with just 7 percent.

Respondents were asked what business services they use at their banks and the amount of their monthly service charge. Then they were asked if they felt that their business was getting a good value for their monthly service charge. The median monthly service charge of all who answered this question was \$12.00. The largest percentage of respondents pay between \$1.00 and \$10.00 per month (21%). Sixteen percent pay no monthly service charge. The services used by most businesses are deposits (86%), bank cards (26%), night drop (14%), and payroll services (8%). A majority of respondents feel that they are getting a good value for the monthly service charge they pay (56%).

The Mid-City has suffered from many recent branch closures. Almost a third (28%) of respondents said they bank has changed sites over the last two years, and for most of the businesses reporting that their branch had closed, this made their bank less accessible (73%). Accordingly, 37 percent of all respondents, even those whose branch has not closed feel that the quality of services at their bank has changed because of branch closures. Thirty-five percent say they don't know why their bank has changed sites indicating banks that close branches in the Mid-City need to better communicate the reasons for closing. Twenty percent of all respondents said they have changed banks in the last 2 years. When asked why, many responded that the service at their bank has declined -- longer lines, frequent employee turn-over, or less interest in the businesses in the community.

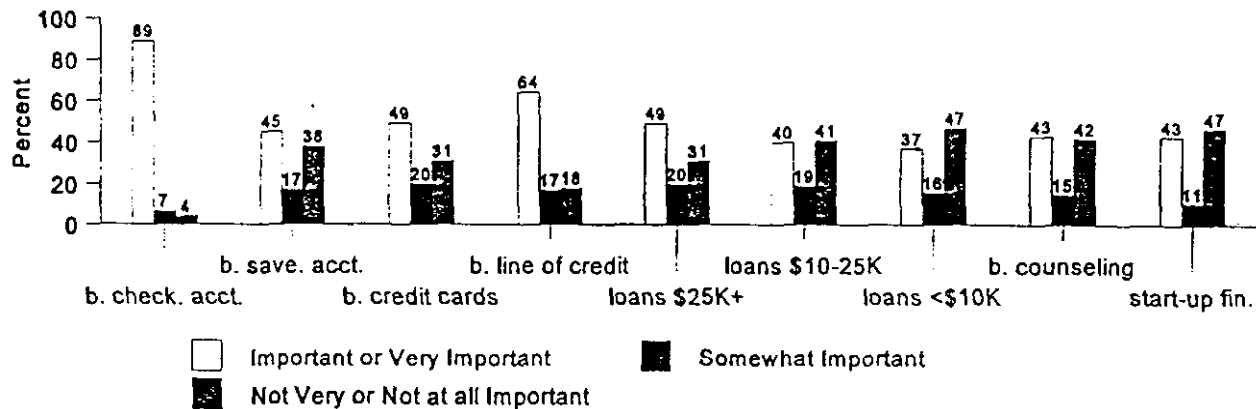
Next, respondents were asked about specific services and products offered to small businesses by banks and other financial institutions. The following are the products and services we asked about:

1. Business Checking Account
2. Business Savings Account
3. Business Credit Cards
4. Business Line of Credit
5. Business loans for \$25,000 or more
6. Business loans for \$10,000 to \$25,000
7. Business loans for under \$10,000
8. Accounts receivable loans
9. Loans for machinery and equipment
10. Real Estate loans for business facility
11. Venture Capital/Equity
12. Business counseling and referral services
13. Financial statement preparation
14. Financing for business start-ups
15. Credit cards



All respondents were asked to rate the importance of the products and services to them. Eighty-nine percent of all who responded said business checking accounts were important or very important to them. Only 4 percent rated them as not very or not at all important. For business saving accounts, 45 percent rated them as important or very important, 17 percent said somewhat important, and a high 38 percent said business savings accounts are not very or not at all important. For business credit cards there was a split as well with 49 percent saying they were important or very important, 20 percent saying they were somewhat important and another 31 percent saying not very or not at all important.

## Level of Importance of Products and Services



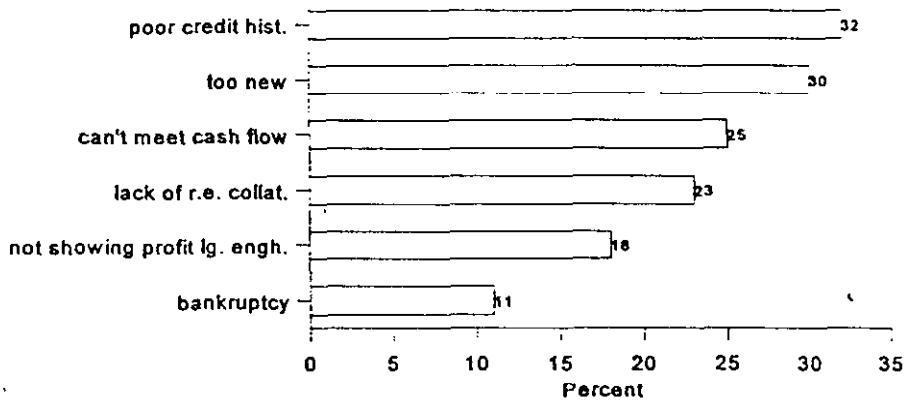
When rating the importance of business lines of credit and the three different loan amount categories, business lines of credit had the highest percentage of respondents reporting that they were important or very important to them (64%). Forty-nine percent of those responding said loans for over \$25,000 are important or very important and 40 percent said loans for \$10,000 to \$25,000 are important or very important to them. Thirty-seven percent of those responding said smaller loans, those under \$10,000, are very important or important to them. Business counseling and referral was rated as very important or important by 43 percent of those responding as was financing for start-ups.

### *Loan Application Experiences*

A majority of respondents have not made any business loan applications in the past three years (57%). Twenty-three percent have made one loan application in the past three years, 7 percent have made two, 6 percent made three and 7 percent made more than three loan applications in the past three years. Of those who made at least one loan application in the past three years, 73 percent have been denied a business loan. Arthur Anderson's Enterprise Group reports a business loan denial rate of just 23 percent nationwide and 34 percent in the western region. The

(25%), "not showing profit long enough" (18%), and "bankruptcy" (11%).

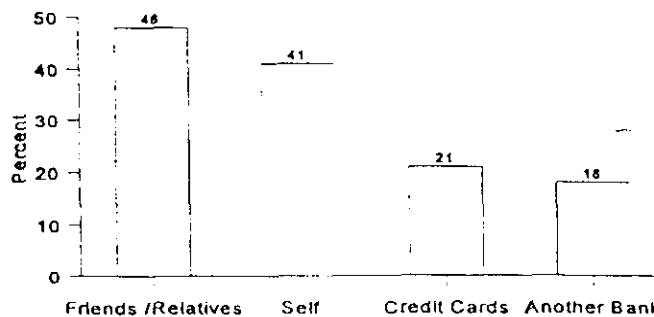
### Reasons Given for Loan Denial



For those denied loans, most were requesting the loan for working capital (56%). The second most common intent for use of the loan was real estate purchase (17%). Thirty percent of those denied were requesting small to mid-sized loans between \$5000 and \$15,000 and 35 percent were requesting large loans over \$50,000. The median loan request was \$25,000.

For almost all of those denied, the bank who denied them did not discuss any alternative lending sources with the business owner. Forty-eight percent of respondents turned to their friends and relatives when denied a loan and 41 percent relied on themselves to come up with the funding they needed. Twenty-one percent used their credit cards to finance their growth and development after they were denied a bank loan and 18 percent went to another bank. Nearly all of those who were denied a loan would have accepted a loan at a higher price, but still lower than a credit card if the bank would have offered such a loan (79%). Sixty-two percent of all respondents said they would attend seminars on how to get credit for their businesses if such seminars were offered by a local bank.

### Where Did You Turn When Denied a Loan



Some respondents felt that banks could improve their level of services by lowering the cost of services, adding personnel and branches. One respondent suggested that banks "open more teller services or windows to avoid long lines every day." Another thinks banks should create "more locations in neighborhood areas with parking. Small sub-branches would be fine." A third respondent said banks need to "stop all the take overs (friendly and hostile) and stop raising fees to finance mergers, take overs and grocery store banks."

Several respondents suggested that banks develop more specialized programs for the "smaller" small businesses. One respondent said that Mid-City small businesses would benefit greatly by banks "... offering services to small businesses with just a handful of employees. Some small business programs [currently] are for 100 and under employees, or loans of maybe \$250,000 and over ... us little guys need our own programs." Several other respondents recommended a locally owned bank, more specialized for businesses. One North Park respondent felt that "business owners need a business bank in North Park. This could work as a small credit union does, with shares." While credit unions do not offer business loans, the concept of community banking embraced by credit unions is coveted by small businesses in the Mid-City. Based on the responses given, respondents feel that banks need to make improvements in credit accessibility, personal banking relationships, quality of services, and programs specifically for "small" small businesses.

### *The Mid-City Population*

The City of San Diego's Economic Development Division found some interesting statistics about the general population of the Mid-City. The median household income in the Mid-City is more than \$10,000 less than it is city-wide, \$22,586 and \$33,686, respectively. The percent of single parent households in the Mid-City is 16 percent compared to just 9 percent city-wide. Eighteen percent of Mid-City households receive public assistance compared to 9 percent of households city-wide. Twenty-three percent of the families in the Mid-City live below the poverty line while that same measure is 13 percent city-wide. The percentage of unemployment in the Mid-City is 10 percent and 6 percent in the whole city. Twenty-four percent of all Mid-City residents have only a high school diploma and city-wide this number is 20 percent. Nineteen percent of all Mid-City residents are without vehicles and 10 percent of residents city-wide don't have their own transportation. City-wide 6 percent of households are without an adult who speaks English. That percentage jumps to 11 percent for the whole city. Twenty-five percent of all Mid-City residents and 21 percent of all resident city-wide are foreign born. Although these are stark differences, many feel that they are a bit conservative and the actual differences are even greater.

closed branches as did the personal banking relationship the business owners relied on to get fair consideration for financing. Small business owners in the Mid-City want banks to get to know them and their businesses. Only through a personal banking relationship can a loan officer recognize that a high level of personal debt is attributable to investment in one's business or that a business employs four Mid-City residents who may have otherwise been unemployed but are, instead, depositing their paychecks in an account at the loan officer's bank. Most of the businesses in the Mid-City are seeking credit because they are doing well, and want to expand (53%), not because they are failing and need to save their business. Making credit available not only allows the businesses to grow but it also facilitates Mid-City employment growth and ultimately economic growth. A personal banking relationship allows branch managers and loan officers to assess the whole business, the business owner, and the potential for positive effects on the community.

According to the statistics provided by the City of San Diego's Economic Development Division, we see that there is a need for local job creation in the Mid-City area. Credit extensions to small businesses would likely result in job creation and hopefully diminish the great disparities in unemployment and economic well-being between Mid-City residents and the city-wide.

*A "second look" policy should be established by all existing lenders in the Mid-City area to reduce the loan denial rate.*

The loan denial rate among respondents was 73 percent compared to just 23 percent nationwide and 34 percent in the western region. The businesses responding were not financially weak with most reporting assets exceeding liabilities. Existing lenders in the Mid-City are not lending to viable, stable small businesses enough. The establishment of a geographic, branch-based, second look policy for loans denied using credit scoring methods may reduce the exorbitant rejection rates.

*Efforts to establish additional banking facilities which address small business credit needs, such as a community bank in the Mid-City, should be endorsed and pursued by all relevant agencies.*

It is clear from the data in this report that Mid-City small businesses have been impacted by branch closures which have occurred over the past five years. The impacts range from a perceived lack of services to disparate treatment in credit granting procedures. Further, there is ample evidence to suggest that there is a residential and small business deposit base adequate to support additional branches.

The implementation of this item can occur in a range of forums. The City-County Reinvestment Task Force should advocate to lenders working in partnership with the Task Force to establish new branches in the Mid-City.

A joint effort by the Mid-City Business Associations, the City Offices of Small Business and Economic Development Departments as well as other pertinent groups can explore the formation

Panel 13

**ACORN Housing Corporation**  
846 N. Broad St.  
Philadelphia, PA 19130  
(215) 765-0048

**Testimony of George Butts**  
President of  
**ACORN Housing Corporation**

**In Support of the Proposed Acquisition**  
**By NationsBank of BankAmerica**

**July 9, 1998**

It is not the usual role of ACORN Housing Corporation to testify to the Federal Reserve Bank in favor of the merger of banks. We are living in a country where the homeownership rate for white households is 72%, but the homeownership rate for black households is 45% and Hispanic households is only 42%. Redlining and unfair barriers to credit have profoundly impacted our communities and we will continue to speak out on these issues.

We are here today because NationsBank stands out as a leader in the community reinvestment field. They are leaders for some very specific reasons.

First, NationsBank has recognized that community organizations are the vehicle for real access to the community. We have too many banks which believe that an occasional loan to a community development corporation and a small grant means a partnership. NationsBank has invested in building the infrastructure for nonprofit community organizations to grow and produce. For us that means that our housing counseling program has grown with Nations from five cities to now eleven cities across the country. We have expanded the housing staff working in Nations cities from ten to thirty two.

Second, NationsBank has produced. The ACORN Housing Corporation / NationsBank partnership alone has produced over \$236 million in mortgages. Virtually all these loans were to lower income households, with small downpayments, with nontraditional credit, with cash on hand, and with older, urban housing stock. And these loans perform well with low delinquencies.

Third, NationsBank has been flexible. They were the first multistate lender to negotiate their mortgage underwriting standards with us. And their step forward did a lot to bring our kind of underwriting standards for low income people into the mainstream of the mortgage market. At the time these things were pretty radical, but today no one thinks twice about the appropriate use of low downpayments, nontraditional credit, food stamps as income, voluntary child support, cash on hand, or steady income rather than the same job for two years. In the early days, plenty of lenders talked the talk, but Nations rewrote their mortgage program and within a year we were doing 300 and 400 mortgages a year in cities like Houston and Dallas, Texas where other lenders told us low income people couldn't handle owning a house.

Fourth, NationsBank is innovative. We are now talking with them about providing significant predevelopment and interim financing. Nonprofits lose out on the bidding for affordable multifamily housing projects to wealthier for profit speculators, unless we can move quickly to evaluate and acquire. Nations is hammering out a 30 day, fast track development fund so that more multifamily properties around the country can be purchased, upgraded, and maintained as affordable housing by nonprofits.

And NationsBank views their commitment to our communities as part of their business. Many lenders view their community reinvestment as a legal obligation, rather than a core market. With their new \$350 billion dollar commitment and their aggressive 50,000 unit target, we are seeing them view our communities as a market on their own.

For me, the single event that best illustrates the NationsBank commitment to our communities occurred a few years ago when the Community Reinvestment Act was under attack in Congress by radical right-wing Republicans. NationsBank was the only national bank that took a public stand in support of the CRA--and when I say public I'm not just talking about writing letters, either. Cathy Bessant sat next to me in front of a hostile House Banking Committee and told the Congressmen exactly what they didn't want to hear. She testified that NationsBank was against any effort to weaken the CRA. NationsBank was bucking the industry mainstream, but the message was clear: NationsBank saw the underserved markets covered by the Community Reinvestment Act as **their** market.

NationsBank's \$350 billion, ten year community investment commitment is different from the commitments we see from other lenders. Nations senior management sat down for a day with us and the product of those discussions shows up in the single family, multifamily, and economic development commitments. We know NationsBank listened and responded and they have done the same with other groups. This is in contrast to the CitiBank/Travelers commitment, where they have yet to even agree to a meeting with us, where the NationsBank commitment in mortgage production alone equals the Citibank/Travelers total commitment, and where CitiBank/Travelers puffed up their numbers with credit card debt. The NationsBank commitment also contrasts favorably with the Bank One-First Chicago/NBD, which has made no corporate-wide CRA commitment to low and moderate income communities.

We have worked with NationsBank in projects like the Sweet Auburn Ave. project in the Martin Luther King District of Atlanta, where some said the property values were too low to make new construction work, and they made it work. We worked with them in the Cherry Hill project in Baltimore where some said the neighborhood was too rough for homeownership and they made it work. They did not do it just by themselves, but they figured out how to make it work with community partnerships and creative products. When a Mexican-American family wanted to buy a \$28,000 house in Houston, Texas, Nations was the first lender who let us use cash on hand, who lets us stretch their ratios to match what they were already paying in rent, and let their church give a gift for their closing costs.

We support the NationsBank acquisition of BankAmerica because our experience with NationsBank is that they do more than talk. They will make credit work for low and moderate income people and they will work with the community institutions. The fight for affordable housing and fair access to credit is not over, not by a long shot, but NationsBank has been an ally and, among lenders, a leader in these struggles. We believe they will bring to the Bank America markets the same attitude of innovation, flexibility, and production.

Thank you.

# NCLR

NATIONAL COUNCIL OF LA RAZA

Raul Yzaguirre, President

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July 2, 1998  
(Via overnight carrier)

Mr. A. Linwood Gill, III  
Vice President  
Federal Reserve Board of Richmond  
701 East Byrd Street  
Richmond, VA 23261-4528

Panel 13  
Mark Van Brunt  
7-9-98

Reference: NationsBank-Bank of America Merger

Dear Mr. Gill:

I write, on behalf of the National Council of La Raza (NCLR), to inform you of our views regarding the proposed merger between NationsBank and Bank of America. NCLR is the nation's principal national Hispanic organization, representing more than 200 affiliated community-based organizations that together serve more than three million Latinos each year in 32 states, the District of Columbia, and Puerto Rico. As an organization committed to reducing poverty and discrimination against and improving life opportunities for the more than 30 million Americans of Hispanic descent, NCLR has a deep and profound interest in the outcome of this and other so-called "megamergers" taking place among the nation's financial institutions.

NCLR as a general rule does not take policy positions on mergers or financial industry consolidations *per se*. We have, however, addressed specific aspects of proposed "modernization" legislation and related rulemaking insofar as they may produce disparate impacts on Latinos and other low-income or ethnic minority communities. In this connection, we note below several aspects of the proposed merger that deserve considerable scrutiny by the Federal Reserve.

At the outset, we acknowledge that both NationsBank and Bank of America have Community Reinvestment Act (CRA) track records that are well above industry averages. Both received "outstanding" CRA ratings from the Office of the Comptroller of the Currency. In addition, NCLR has considerable direct experience with both of these institutions.



Program Offices: Phoenix, Arizona • San Antonio, Texas • Los Angeles, California • Chicago, Illinois  
LA RAZA: The Hispanic People of the New World



With respect to NationsBank, it has been a leader in a number of high profile national efforts focused on CRA and related activities. It sponsored the "Blueprint 2000" conference in 1992, which was something of a watershed in the history of the community reinvestment movement. Its Chief Executive Officer has been a highly-visible supporter of CRA and affirmative action. It has a strong and consistent record of direct support of national advocacy organizations and intermediaries involved in community reinvestment. Moreover, since its expansion from the deep south to areas of the country with significant Hispanic populations, NationsBank has supported a number of noteworthy affordable housing and homeownership programs, including several operated by NCLR affiliates. For the past year, NCLR and NationsBank have been engaged in highly promising discussions centered on facilitating pre-development or "recoverable grant" support to NCLR affiliates and the expansion of NCLR's community development subsidiary.

With respect to Bank of America, we note that the Hispanic Association for Corporate Responsibility has given it higher-than-industry-average ratings for its philanthropic efforts involving Hispanic organizations and its Latino employment record. We note further, in the interests of full disclosure, that a high-ranking Bank of America executive has served with distinction as a member of NCLR's Corporate Board of Advisors. We also note that NCLR and several of its affiliates have been in long-standing discussions with Bank of America regarding a partnership to support a major homeownership initiative. While these negotiations have yet to come to fruition, NCLR remains hopeful that successful partnership can be established.

Notwithstanding our considerable successful program experience with these institutions, NCLR believes that there are several broad policy issues that should be considered. First, we would request that the Federal Reserve carefully consider the impact of the proposed merger on enforcement of the fair lending laws. The Board has previously indicated with respect to one of the banks involved that unresolved questions regarding fair lending performance would be investigated further, and that it might subsequently require changes in the lending process. NCLR encourages the continuation of this policy in this case.

Second, we request that the Board scrutinize the issue of "subprime lending" in the context of the merger. A number of credible sources have alleged that subprime lending subsidiaries may engage in predatory lending practices which have disproportionate, negative impacts on ethnic minorities and low-income communities. NCLR recommends that the Federal Reserve investigate whether and the extent to which such allegations are true, and if proven, require appropriate procedural reforms in conjunction with the merger.

Third, NCLR requests a careful, comprehensive assessment of the merged bank's plan to assure compliance with the spirit and the letter of the Community Reinvestment Act (CRA). We would note initially that a number of banks previously have submitted community reinvestment plans as part of their merger applications; we believe that the Board should require such a submission in this case, given the size and scope of the transaction. We note further that, while major CRA commitments that typically are announced during financial companies' mergers are most welcome, they generally are not accompanied by any

mechanisms to assure that such commitments are actually fulfilled. In this connection, we believe that a formal CRA plan included as part of a merger application constitutes an ideal accountability mechanism.

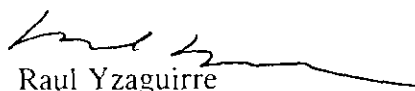
Furthermore, we would request that, in determining the adequacy of such plans, the Federal Reserve consider: the extent to which previous CRA performance goals have been met; the extent to which such plans lay out in sufficient detail how the needs of specific groups, such as Hispanic Americans, will be addressed subsequent to the inevitable institutional and procedural changes that will take place as a result of the merger; and direct input from local, grassroots community groups, preferably through public hearings. With respect to the last point, we note that the Board has scheduled a public hearing on this matter, which NCLR greatly appreciates.

With respect to measuring the extent to which the merged bank's CRA plan adequately serves the nation's growing Latino community, we would urge the Board to consider encouraging the establishment of a community development fund, constituting no less than 10 percent of the merged bank's total CRA commitment, targeted to predominantly Hispanic communities. Inasmuch as the record demonstrates that Hispanic communities and organizations have not benefited fully from prior CRA commitments, we believe it would be highly appropriate, consistent with applicable laws, for the merged bank to establish clear goals for assuring that the credit needs of all low-income Americans are addressed in the merged bank's CRA plan.

In conclusion, notwithstanding the considerable credibility that both NationsBank and Bank of America have as independent institutions with respect to CRA performance, NCLR believes that the merger offers the Board an opportunity to address several important policy questions. To the extent that these issues are adequately and substantively addressed, the National Council of La Raza would be prepared to endorse the proposed merger.

We request the opportunity to amend these comments as more specific information becomes available to us during your consideration of this merger application, and we thank you for the opportunity to present our views.

Sincerely,



Raul Yzaguirre  
President



California Association for  
Microenterprise Opportunity

July 9 and 10, 1998

**Federal Reserve Hearings on Proposed NationsBank/ BankAmerica Merger**

Bank of America has made a significant investment in small business development in California. This investment has taken the form of support of the non-profits that provide technical assistance to the emerging business owners and loans to small business. A written commitment of community investment in small business development is an essential element of any merger agreement.

The California Association for Microenterprise Opportunity recommends a written commitment for the following:

- 1) Investment in the non-profit technical assistance providers who assist small business reach the level of expertise that permits them to qualify for bank credit.
- 2) A target of 75% of loans (based on dollar amount) to small business in loans of lines of credit of <\$50,000.
- 3) A target 30% of small business lending to minority and disabled-owned businesses.
- 4) A secondary review process for declined small business loan applications.

Submitted by:

Catherine Marshall  
CEO  
California Association for Microenterprise Opportunity  
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Oakland, CA 94612  
510-238-8360  
510-238-8361  
cameo@igc.org



California Association for  
Microenterprise Opportunity

### WHAT IS A MICROENTERPRISE?

Microenterprises are small businesses that have fewer than five employees. These businesses are usually started with less than \$25,000. These very small businesses are actually the greatest contributor to job generation during all business cycles. Many of them start as homebased businesses and part time occupations that contribute to a total family income.

### WHAT IS MICROENTERPRISE DEVELOPMENT?

Microenterprise development is a process of providing resources to new, prospective and experienced small business owners. These resources include technical assistance in the form of business management training and one on one consulting. Small loans called microloan funds help with the start up or expansion needs of these businesses and are usually accessed because traditional financing is not available for developing businesses. Microenterprise development reduces the learning curve and increases the chances of success. These resources are usually provided by a community based or faith based non-profit in partnership with government agencies. These non-profits are usually supported with a combination of funding from government agencies, corporations and individuals.

### WHO BENEFITS FROM MICROENTERPRISE DEVELOPMENT?

- \*The community benefits from the increased job availability and economic vitality that successful small businesses can provide.
- \*Small business owners, who are expanding their businesses, can access microenterprise development resources such as loan funds, training programs and support services.
- \*New business owners get a jump start on success by learning from experts instead of the "school of hard knocks."
- \*Prospective business owners gain valuable business skills while examining their business idea in a risk free environment.

### HOW CAN WE MEASURE THE IMPACT OF MICROENTERPRISE DEVELOPMENT ?

#### *For the Community*

- \*Reduction in welfare, unemployment and other public assistance costs.
- \*Increase in the number of jobs created.
- \*Increase in goods and services exchanged, space leased, etc. and associated tax revenues
- \*Increase in the availability of goods and services in the community

#### *For the Individual*

- \*Business start, increase in revenues, reduction in costs, increase in personal profits
- \*Creation of an economic safety net with an increase in cash flow and assets
- \*Increase in business skills and access to community resources and referral networks.

**MICROENTERPRISE DEVELOPMENT IS AN ESSENTIAL PART OF AN OVERALL ECONOMIC DEVELOPMENT STRATEGY. TO LEARN MORE ABOUT MICROENTERPRISE DEVELOPMENT CALL CAMEO 510-238-8360.**

655 13th Street • Suite 203 • Oakland • California 94612  
Telephone: 510 • 238 • 8360 • Fax 510 • 238 • 8361  
email: [cameo@igc.apc.org](mailto:cameo@igc.apc.org)

# C•A•M•E•O

California Association for  
Microenterprise Opportunity

CAMEO is a statewide association for microenterprise development organizations. Its membership is made up of nonprofit organizations, government agencies, financial institutions, foundations and individuals committed to creating self-employment opportunities for disadvantaged individuals.

*The mission of CAMEO is to promote microenterprise as an effective community economic-development strategy for people and communities with limited access to economic resources.*

*CAMEO accomplishes its mission by:*

- \* Providing leadership and a voice for statewide microenterprise support*
- \* Building the capacity of microenterprise practitioners*
- \* Educating the public about the value of microenterprise development*

## **Benefits of CAMEO Membership:**

- Information on funding, policy issues and practitioner education*
- Members' directory and informative newsletter*
- Representation in the advocacy efforts of the microenterprise field*
- Networking, referral and resource exchange opportunities*
- Technical assistance through regional meetings*
- Access to the VISTA volunteer program.*

---

Yes, I would like to join CAMEO.

- Interested Party / Consultant (\$50)
  - Nonprofit Organization with Budget under \$500,000 (\$75)
  - Nonprofit Organization with Budget over \$500,000 (\$150)
  - Sponsoring Organization (\$500)
- Please make your check payable to CAMEO.*

Name: \_\_\_\_\_  
Organization: \_\_\_\_\_  
Mailing Address: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
Phone: (\_\_\_\_) \_\_\_\_\_ Fax: (\_\_\_\_) \_\_\_\_\_ E-mail: \_\_\_\_\_

(Please include a brief description of your organization on the back of this form. Thank you.)

655 13th St. Suite 203 - Oakland, CA 94612  
Phone (510) 238-8360 FAX (510) 238-8361 [cameo@igc.org](mailto:cameo@igc.org)

GOOD EVENING. I HAVE TRAVELED TODAY FROM MENDOCINO COUNTY LOCATED ABOUT 100 MILES NORTH OF SAN FRANCISCO. MENDOCINO COUNTY IS A RURAL CALIFORNIA COUNTY WITH A POPULATION OF 86,000 AND TRADITIONALLY HIGH UNEMPLOYMENT AND POVERTY RATES.

TEN YEARS AGO, THE ORGANIZATION WHICH I DIRECT WAS FOUNDED TO ADDRESS ECONOMIC SELF-SUFFICIENCY AMONG LOW-INCOME PEOPLE. THE WEST COMPANY PROMOTES MICROENTERPRISE AS A STRATEGY TO INCREASE ECONOMIC SELF-SUFFICIENCY FOR PEOPLE WITH LIMITED ACCESS TO ECONOMIC RESOURCES.

ONE OF THE FIRST COMMUNITY PARTNERS TO JOIN THIS ENDEAVOR WAS THE BANK OF AMERICA. ORIGINALLY, THE FOUNDATION CAPITALIZED THE MICROLOAN FUND WITH A \$10,000 GRANT. TWO YEARS LATER IN 1993, THE FOUNDATION PROVIDED A \$99,000 GRANT THROUGH A COMPETITIVE ECONOMIC DEVELOPMENT INITIATIVE. THIS GRANT ADDED \$60,000 TO THE LOAN FUND AND \$39,000 FOR TECHNICAL ASSISTANCE TO BORROWERS AND COMMUNITY CAPACITY BUILDING. DURING THE SAME ERA, THE LOCAL COMMERCIAL BANK OF AMERICA BRANCHES PROVIDED HUMAN CAPITAL TO WEST COMPANY'S BOARD OF DIRECTORS AND MICROLOAN FUND COMMITTEE. AS WELL, BANK OF AMERICA PAID THE SALARY AND PLACED A FORMER BANK OF AMERICA EMPLOYEE AT WEST COMPANY FOR A PERIOD OF SIX MONTHS. WE WERE ALSO ABLE TO OBTAIN NO COST ACCOUNTS FOR LOW-INCOME CUSTOMERS.

THE IMPACT OF BANK OF AMERICA'S INVESTMENTS ON ONE RURAL CALIFORNIA COUNTY HAS BEEN IMMENSE. AMONG THE OUTCOMES, BANK OF AMERICA HAS:

- HELPED TO BUILD THE CAPACITY OF A COMMUNITY-BASED ORGANIZATION TO BRING LOW-INCOME ENTREPRENEURS INTO THE MAINSTREAM
- *Enabled us to* PROVIDE \$197,458 IN LOANS TO 61 NONBANKABLE CUSTOMERS
- ASSIST WITH THE START-UP OF 40 BUSINESSES AND THE EXPANSION OF 39 BUSINESSES  
*all of which*
- CREATE 83 JOBS



367 N. State St. • Ste. 201 • Ukiah, CA 95482 • tel 707-468-3553 • fax 707-468-3555 • E-mail westco@pacific.net

306 E. Redwood Ave. • Ste. 2 • Fort Bragg, CA 95437 • tel 707-964-7571 • fax 707-964-7576 • E-mail westcofb@mcn.c

I AM HERE TODAY TO COMMEND THESE CONTRIBUTIONS AND THE COMMITMENT THAT THEY DEMONSTRATE TO RURAL CALIFORNIA COMMUNITIES AND TO MICROENTERPRISE AS AN ECONOMIC ENGINE. I AM HERE TODAY TO ASK FOR RENEWED COMMITMENT TO THE RURAL INITIATIVE AS DEVELOPED DURING THE LAST YEAR BY BANK OF AMERICA AND ITS COMMUNITY PARTNERS. I AM HERE TODAY TO ASK THAT THE BANK OF AMERICA FOUNDATION AND THE BANK OF AMERICA COMMUNITY DEVELOPMENT BANK AS THEY CURRENTLY EXIST BE RETAINED IN CALIFORNIA.

THANK YOU FOR THE OPPORTUNITY TO TESTIFY AT THESE EXTREMELY IMPORTANT PUBLIC HEARINGS.



# FIRST NATIONS DEVELOPMENT INSTITUTE

The Stores Building • 11917 Main Street • Fredericksburg, VA 22408  
(540) 371-5615 • Fax (540) 371-3505

*Daniel*

July 9, 1998

Jennifer J. Johnson  
Secretary, Board of Governors  
Federal Reserve System  
20<sup>th</sup> Street & Constitution Avenue  
Washington, D.C. 20551

Re: Proposed acquisition of  
BankAmerica Corp. and its  
subsidiaries by NationsBank Corp.

Dear Secretary Johnson and Board of Governors:

Please consider the enclosed oral and written testimony and attachments our timely comment on the proposed merger of NationsBank Corp. and BankAmerica Corp. The oral portion was presented by Board Chairman B. Thomas Vigil at the July 9 public meeting conducted at the Federal Reserve Bank of San Francisco. The written portion, with attachments, was submitted on the same day to Federal Reserve Bank of San Francisco officials, per the instructions issued July 6 by community affairs officer Joy Hoffman Molloy.

We appreciated our participation in the meeting. We are available to answer any questions.

Cordially,

*Sherry Salway Black*

Sherry Salway Black  
Vice President

Attachments: Testimony, oral and written  
List of letters of support  
Survey findings  
Statement of Chester Carl, National American Indian Housing Council  
Organizational Descriptions

cc: A. Linwood Gill III  
Assistant Vice President  
Federal Reserve Bank of Richmond





# FIRST NATIONS DEVELOPMENT INSTITUTE

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Panel 15

**Testimony of B. Thomas Vigil  
Chairman of the Board  
First Nations Development Institute  
before the Board of Governors,  
Federal Reserve System,  
Federal Reserve Bank of San Francisco  
July 9, 1998**

Governors and members of the Federal Reserve System, ladies and gentlemen:

Greetings. My name is B. Thomas Vigil. I am a member of the Jicarilla Apache Tribe and my mother is from a tribe called Jemez, both in New Mexico. I own and operate several businesses, mostly on the Jicarilla Apache reservation. These businesses, including a hotel and a guest ranch, obviously require extensive banking relationships. It has been my experience that small local banks can offer very limited services for such businesses, because of their limited access to capital. Often we've had to go outside our community to establish these larger banking arrangements. This need for outside resources is not limited to our dealings in New Mexico. From the more national perspective of First Nations Development Institute and its many relationships with entrepreneurs and entrepreneurial organizations across the nation, access to larger capital resources is a regular business need and a critical hindrance to development.

Today, I come before you as the Chairman of the Board of First Nations Development Institute. As an organization, First Nations Development Institute has been assisting the culturally directed economic development efforts of Native American tribes and organizations for almost 20 years. During this time, banks have been a steady focus of our efforts to bring about economic relationships in the remote rural communities that characterize Indian Country. While First Nations has not specifically focused on metropolitan Native populations, we know that they too have often lacked access to credit. For most Native individuals in any location, banking relationships have not existed in the past.

But we have seen a groundswell of banking interest in Indian Country in recent years. Gaming and other developments have led to an aggressive movement for banking services in Indian communities. Especially in the last two years, we have seen the emergence of what may well be a critical mass of lenders and regulators dedicated to making a difference in the provision of financial services to Indian people.

As a function of our normal efforts to keep Indian communities informed of their rights

under the Community Reinvestment Act, and since the announcement of the NationsBank/BankAmerica merger, First Nations has conducted a survey of banking needs in Indian communities, the findings of which are attached. Our survey of 177 tribal and non-profit organizations in the 22 states affected by the proposed merger reveals a woefully inadequate collective encounter with mainstream financial channels. The vast majority of tribes and Native organizations had not had any experience with either NationsBank or BankAmerica, nor did they know of any NationsBank or BankAmerica activities in the Native community. The prevailing view among tribes and Native organizational representatives is that big banks in particular don't do business in Indian Country. And notwithstanding the accelerated banking activities of the past five years, only 91 home mortgages have been closed on tribal land during that same period - 91 homes in a market with an estimated need of 200,000 (attached).

Despite the shortcomings revealed in our survey, we remain optimistic that a critical mass of problem-solvers, responsible borrowers and business interests will eventually bring full-fledged banking and financial services to Indian communities. We are pleased that NationsBank/BankAmerica has agreed to be a part of this progress following the proposed merger. Not only have they included a specific mention of Indian Country in their pledge of \$10 billion in lending and investments for community and economic development in rural areas over the next 10 years; but in a meeting June 16 with First Nations and other Native American groups, they also agreed to work with First Nations and a Native task force on an analysis of loan products and financial services that would inform a Native American-specific lending goal.

The stated commitments of the two banks will greatly mitigate our original concerns regarding competitive factors and the convenience and needs of Indian communities under the merged entity. Our concerns were based on NationsBank's lack of experience with Native Americans, due to the small number of reservations and Native urban population centers in the south and southeastern states where NationsBank's holdings are concentrated. In western and southwestern states where BankAmerica is concentrated, on the other hand, Native Americans number close to 1 million (almost half of all Native Americans), including 426 tribes and 18 of the top 25 urban Native population centers. In brief, BankAmerica has begun to initiate progress in financial services for Indian people and organizations; NationsBank has not.

But NationsBank has provided assurances that the merged bank will take a progressive approach to providing banking and financial services for Indian communities in its newly acquired service areas. And to be quite candid, we consider it a good sign that a bank with so little experience in Native-specific lending should come to the table with a commitment to learn how successful lending and financial services can be provided in Indian Country. This approach suggests to us that the merged entity intends to do the job of community development lending right, rather than simply drafting Indians as window dressing with a pledge of loans that won't materialize. As long as the NationsBank/BankAmerica commitment of June 16 to an executive task force, products and services analysis, and eventual Indian-specific lending agreement are honored, First Nations will support the proposed merger.

We reached this decision based on considerable, serious thought. As you may remember, we are the people who have been promised more than any other group in this country, and which

promises have seldom been kept -- i.e., '... as long as the wind shall blow, and the streams shall flow, and the grass shall grow ...' We intend to hold the merged entity to its promises. And once this merger is approved, we trust the Federal Reserve System will actively oversee the fulfillment of these promises.

We appear here today bearing letters of support from 29 tribes and nonprofit organizations within service areas that would be affected by the proposed merger, and in cooperation with the 400-plus-member National American Indian Housing Council, the 200-plus-member National Congress of American Indians, the Native American Rights Fund, and the Council of Energy Resource Tribes.

Thank you for receiving our presentation.

NATIONAL AMERICAN INDIAN HOUSING COUNCIL  
ANNUAL CONVENTION  
TAMPA, FLORIDA  
JUNE 8, 1998

STATEMENT FOR CHESTER CARL  
CHAIRMAN  
and, EXECUTIVE DIRECTOR, NAVAJO HOUSING AUTHORITY

Welcome and thank you for coming today to hear about some of the challenges facing Indian country and some of the solutions that we are advocating to address them. **We estimate that there is an immediate need for as many as 200,000 housing units on Indian reservations today.** We are taking a strategic focus of how we best meet those needs. How do we expand our thinking outside the box to bring about what is so common in the rest of the country—homeownership—which is not yet promoted as a value in our culture.

We are trying to change that culture and gain independence from too much dependency on the federal government. We'll never be effective if we continue to pump grant dollars into our housing without leveraging into other innovative private sector programs. This is something that the new law, Native American Housing and Self-Determination Act, passed last year, can move us toward.

It is imperative for Congress to allocate the dollars to make it work. NAHASDA is the harbinger of change and self-reliance. It's a Tribal driven program-- Tribes took the lead in developing regulations to implement this law, so it can work.

**One major issue that still remains which policy makers can easily fix, is the 113 staff year backlog of title search requests at the Bureau of Indian Affairs. That obstacle will continue to stall progress and is just unacceptable for a government program designed to help Indians.**

Before I end, let me provide some data that demonstrate the seriousness of housing conditions on Indian Territory:

- **In Tribal areas 40 percent of the housing is considered substandard, compared to 5.9 percent of housing generally.**
- 21 percent of the homes are overcrowded, compared to 2.7 percent national average for all Americans.
- 16.5 percent of Native American households in Tribal areas are without complete plumbing.
- The poverty rate for rural Native Americans is 37 percent, more than 3 times the rate for rural white persons, and the highest of any racial/ethnic group.

Panel 13



# FIRST NATIONS DEVELOPMENT INSTITUTE

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First Nations Development Institute provides support to sustainable Native-controlled economic development projects, investments to financial intermediaries such as microenterprise loan funds, research and publications on a host of development-related subjects, approaches to national policy reform, and technical assistance through a variety of venues. First Nations was founded in 1980.

The National American Indian Housing Council, founded in 1974, is a nonprofit organization that assists tribes and tribal housing agencies in reaching their goals of providing culturally relevant, decent, safe, sanitary, and affordable housing for Native people in Indian communities and Alaskan Native villages.

The National Congress of American Indians provides effective political coordination and advocacy leadership in coordination with member tribes, timely information and strategic intelligence on critical policy issues, and useful monitoring updates on the legislative process. It is the oldest national Indian organization.

The Native American Rights Fund is a legal organization devoted to the assertion and the protection of Indian rights and to the orderly development of the body of law affecting Indians. For the past 28 years, NARF has represented hundreds of tribes on such issues as tribal recognition, land claims, subsistence rights, and the protection of Indian religious freedom.

Panel 15

**FIRST NATIONS DEVELOPMENT INSTITUTE**  
The Stores Building, 11917 Main Street, Fredericksburg, Virginia 22408

# **SURVEY FINDINGS**

**1998**

## **CRA Query**

### **A Sample of Indian Country: A Summary**

#### **The Methodology**

First Nations conducted an informal telephone survey to a random sample of 381 Native and tribal representatives including tribes, Alaskan Native councils, and non-profit organizations serving Native people within the 22 state region affected by the NationsBank and BankAmerica merger. The collected data represents responses from 177 Native representatives of either a tribe, village council, urban Indian center or other non-profit organization. A qualitative approach was utilized in order to obtain information, experiences and anecdotal information that would illustrate the unique and specific needs, problems, barriers and issues among Native communities with respect to banking and financial services. The qualitative nature of this query is useful in providing greater insight into individual Native community needs and gives local expression to those needs. The quotations included are representative of the quotes gathered in the survey.

**Measures:** First Nations structured a brief survey questionnaire designed to elicit information on the financial service and banking needs among the Native people in the community which the tribe, council, center or organization served, and also to determine the extent to which communities had experience with either NationsBank or Bank of America. Further, a question was incorporated to establish the Native population in the service area of the organization.

**Response Rate:** Of a possible 381 organizations, 177 organizations completed the telephone survey, which translates into a 46% response rate. (Note: In addition to the survey, a total of 471 tribes were contacted for information on the subject of financial services and banking needs in their communities, along with the 381 non-profit organizations that were contacted. This included non-federally recognized tribes, state recognized tribes and Alaskan Native village councils and corporations. In sum, a total of 853 tribes and Native organizations were contacted by First Nations in this research project.)

**Findings:** The anecdotal information gathered raises questions regarding the financial service systems and programs currently offered by financial institutions and demonstrates the obstacles to Native self-sufficiency through economic development. The data is laced with the details of shared experiences among Native people that point to their collective encounter with numerous formidable barriers to accessing credit and lending from banks.

In response to the NationsBank/BankAmerica merger, First Nations launched a query to non-profit organizations that reside within the 22 affected states, including the District of Columbia. A list of 381 non-profit organizations were identified as serving Native people within the geographic area of the merger. First Nations collected 177 total responses from organizational representatives. Of the total collected, 80 were substantive, solid responses from representatives who were more familiar with the issues involved and more closely in tune with the financial needs of the Native community. They offered detailed insights into their respective communities and provided anecdotal information about the unique needs and issues among Native people with respect to lending, banking and financial services.

In sum, those queried expressed a great need for access to credit and lending from banks. The most commonly expressed need is for credit in general, and when specifically broken down, respondents indicated the need for small business loans, home loans, general banking services and consumer loans, in that order. High on the list from a community-wide perspective is the need for financing for low income housing; training and education in personal finance and money management; working capital for facility development, construction or purchase; and opportunities for professional development among Native people in the banking industry.

A brief synopsis is given which indicates the respondents' level of awareness on two levels: awareness of the merger itself, and awareness of the implications of the merger for Indian Country. A total of 82 organizations or 46% of those queried had heard of the proposed merger. Meanwhile, 27 organizations or 15% expressed awareness of the potential implications for Indian country.

The vast majority of tribes and organizations had not had any experience with either BankAmerica or NationsBank. Further, the vast majority of those queried had no knowledge of any BankAmerica or NationsBank activities in the Native community, be they in the form of community reinvestment initiatives, specified lending programs for housing or economic development, informational or educational programs for personal financial management or material development and distribution on accessing credit and lending, corporate sponsorship of programs, events, conferences or any other community involvement activities.

There is a perception among Native people that big banks don't work with tribes or Native organizations and thus, there is no opportunity or need for Native people to become acquainted or familiar with what banks offer. There were also a number of comments in which people stated that they have tried to access loans and credit for small business development, for housing improvements, for business equipment, etc., and that they simply don't qualify. They say banks have turned them away since the system is collateral-based and many individuals and communities don't have the kind of assets that banks value or the credit or credit history required. Many felt that banks shut them out of the system.

The general consensus among tribes and organizational representatives regarding banks is that the big banks in particular don't do business with Indian Country. Respondents named small, local community banks that have established relationships with tribes, resulting in lending programs and economic opportunities.



Ron Andrade, Regional Census Center, Southern California

“The tribes (of California) use smaller, local banks. There has been little outreach to tribes by the big banks. The big banks don’t even let tribes know that they’ve got loans available. They won’t come out to the tribes and let them know. The purchasing power of even gaming tribes is ignored by the big banks.”

Mark Uskes, Affiliated Tribes of Northwest Indians, Lynwood, Washington

“Banks could be more flexible in their approach to tribes. There is administrative and bureaucratic insensitivity to the complex way in which tribes work and what it takes to build a relationship. There is a lack of branch capacity to work with tribes on a business level to do more lending. There are smaller banks who do this work with tribes, so why can’t the big ones?”

Hand in hand with the respondents’ perception that banks don’t reach out to Indian Country is the sense that banks possess very little knowledge about the Indian community. The need for greater awareness of the unique needs and complex issues associated with tribes, Native groups, organizations and the urban Indian population was repeatedly expressed by respondents.

Herman Agoyo, San Juan Pueblo Agri Co-Op, San Juan Pueblo, New Mexico

“Banks need to meet with the Indian community and they need to understand our financial needs and problems. That is the first step.”

Bob Stalker, Columbia Legal Services, Seattle, Washington

“There are many ways banks can support development in Indian Country. Financial institutions have shied away from working with tribes and they don’t even understand the issues central to Indian Country. Part of the process is becoming educated on the issues.”

The single most common comment from all organizations related to general access to credit and lending as the most significant banking/financial service need.

Mark Snigaroff, Atka IPA Council, Atka, Alaska

“The most critical thing banks can do is help the community gain access to credit. There is no recognition from banks. Many don’t even have a history of working with tribes.”

Jack Orr, Corporation of Newe Sogobia, Reno, Nevada

“Banks should be sitting with Indian people to discuss some of the unique situations in Indian Country. Native people have been locked out of the mainstream because we don’t have the money or the credit to help develop our communities.”

William Weahkee, Five Sandoval Indian Pueblos, Bernalillo, New Mexico

“There are many people who have a good education, good jobs, and good credit and they still can’t get lending.”

Joan Timeche, Center for American Indian Economic Development, Flagstaff, AZ  
"Most banks will not do loans for start up and we don't have the equity. We need to sit down and help lenders become familiar with the tribal system because we can come up with solutions to lending and overcome problems with defaults."

Respondents were asked what the greatest banking/financial service need was for the Native people in their respective communities, in terms of loans and investments. The responses included needs for: small business loans, startup capital for microenterprise development, home loans and mortgage products, consumer loans, and general access to credit and lending. On an organizational level, non-profits most often voiced the need for capital for facility development, purchasing or renovation and the need for financing for low-income housing. Respondents also discussed the need for general banking services; programs to assist people in personal money management and finances, how to access, build and repair credit; and opportunities for education, training and professional development in the banking industry.

### Specific Lending Needs

#### ■ **Small Business Loans and Start Up Capital**

Small business loans and start up capital for microenterprise and business development topped the list of needs among both respondents who spoke of the individual needs of Native people and the community-wide needs of Native groups.

Mel Begay, Tohlokai Christian Business Opportunities, Gallup, New Mexico

"There are no banks in the community and people have to travel many miles. We need more access to business loans. Banks need to provide resources to intermediaries or groups like ours that can help bring about economic development opportunities in Indian communities."

Leon Kiana, Maniilaq Association, Kotzebue, Alaska

"We still have trouble getting loans, even with guaranteed loans. Institutions are not cooperative. We are working on setting up programs for economic development in our communities, but we have no seed money or access to start up capital for job creation. We're a Third World Country. Without investments in the community we can't progress with the rest of the world."

Tandy Young, Arizona American Indian Tourism Association, Scottsdale, Arizona

"They need to talk to the people to find out what their needs are. We talked to Bank of America for a line of credit and they wouldn't give us one. We were not given a reason for why not, outside of the standard 'you're not a good risk'. Yet we went to BankOne and got the line of credit. I had an account with Bank of America for 20 years, personal and business. After that I figured they weren't going to do anything for me and I changed banks. Especially if you've been a good customer for a number of years, it should count for something."

### ■ Home Loans & Financing for Low Income Housing

Home loans and low income housing were among the most critical needs of groups serving the urban Indian population, but were also discussed among individuals from reservations who could not qualify for HUD assistance.

Ronda Thomas, Los Angeles Native American Center, Los Angeles, California

“We are an Urban Center that serves nearly 80,000 Native people from more than 200 different tribes. Since we have no land base, we have no housing authority, we have no access to programs and the housing money that many Native people could benefit from. There are no first time buyer programs and no low income housing fund. We need some intervention for community development and housing.”

Mark Mosely, Housing and Credit Counseling, Topeka, Kansas

“Housing is a major problem. We have a huge urban Indian population that is not represented in the home ownership population. There is high population of Native people in poverty who can’t even qualify for the one alternative lending program. Banks need innovative programs to target low income Native people to address this need.”

Cathy Jacobs, Baltimore Indian Center, Baltimore, Maryland

“We’re the only organization in the state that provides services to Native Americans. There are tremendous needs that we are not meeting. And the needs for the urban Indians is totally different. For instance with housing needs, there is not enough low income or affordable housing for Native people.”

### ■ General Banking Services, Educational Programs & Training

The need for general banking services, educational outreach programs and training in personal finance and money management was frequently expressed as a critical element for personal and community development by respondents.

Carolyn St. James, Skokomish, Shelton, Washington

“Tribal people hardly have credit at all, much less good credit. And people don’t know what they can do to build credit or start over. We need education and information on personal finances and planning. We need a start up fund for more education of responsible money management, a model program on basic financing.”

Sharon Anderson, Howard Rock Foundation, Anchorage, Alaska

“Economic development is a big issue. We need job creation and business development, but many people don’t have the education and know how to do these things. We need investments to develop training and assistance programs for designing business plans and strategies. We need the investments and access to credit for start up.”

■ **Working Capital for Facility Development, Construction, Purchase and/or Expansion**  
Non-profit organizations serving Native people and urban Indian centers remarked on the need for working capital for facility development as one of the most pressing needs on a community-wide basis.

Bernie Whitebear, United Indians/Daybreak Star Cultural Center, Seattle, Washington  
“We (the Center) are a service delivery system that doesn’t get close to meeting the needs of enrolled Indians in the city who don’t get served by the tribes. Our biggest need is for financing/capital for facility development in order to house programs to serve the needs in the Indian community.”

### Special Issues and Needs

#### ■ **Urban Indian areas**

Recent statistics on urban Indian communities indicate that upwards of 64% of the total Native American Indian population reside in urban centers. Some of the largest concentrations of Native people are found in Los Angeles, Phoenix, Chicago, San Francisco, Houston, Seattle and in North Carolina and Florida cities, all cities which are within the geographic service area of Bank of America and Nations Bank. Urban Indian poverty levels are three times that of any other race, leaving urban Indians to turn to Indian centers for social service assistance and in emergency situations. Urban Indian centers tend to serve the most vulnerable, impoverished pockets of Native people with a great need for a variety of services. The Indian centers, however, cannot access the same monies available for the full range of programs and services that are targeted for Native people on reservations and in land based communities. Urban Indian centers remain strapped and unable to assist Native people in the cities with many needs going unmet including housing needs, and programs for community development.

Jim Denomie, American Indian Economic Development Center, Chicago, Illinois  
“Urban Indian Centers like Chicago are the urban reservation. We have almost a mirror image of the social conditions that exist on the reservation. One-third of our population are neither renters or homeowners.”

Jerry Martin, Mid America All Indian Center, St. Louis Missouri  
“Urban Indian always get left out...by BIA, by everyone. Financial institutions don’t serve us. There are more than one million Indians living in urban cities. People think Indians are only on the reservation.”

Fred Lomayesva, Tucson Indian Center, Tucson, Arizona  
“(Banks) can support agencies like the Indian centers to help provide housing programs. It may not be direct grant money. It doesn’t have to be corporate giving. But they can help with non-profit cash flow. There is a critical need for access to affordable housing loans among urban Indians and banks should be doing their CRA share.”

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## ■ Partnerships

Many other issues and needs were raised by the respondents, and the most frequently recorded concerns have been included here in summary. However, several representatives brought up additional issues of concern which add weight to the need for improved lending, access to credit and alternative approaches and practices by banks in light of their historical and contemporary importance.

In sum, the cacophony of voices that resonate from tribal communities and urban centers, become harmonized by the need for the establishment of genuine partnerships between banks and Indian communities. The commitment to establishing partnerships is viewed as the essential ingredient to changing the way banks do business with Indian Country.

Mark Uskes, Affiliated Tribes of Northwest Indians, Lynwood, Washington

“We must develop partnerships. It is not just a matter of sinking money into a pet project. Instead of just doing lending, it goes back to making a genuine connection with tribes. Ninety-five percent of banks have no relationship with tribes. We need to facilitate communication that will help the tribal community and the business community to understand each other.”

Ron Andrade, Regional Census Center, Los Angeles, California

“The two critical issues are for housing and private loan activity. It’s hard to get a straight business loan without a BIA guarantee. (Some) tribes have millions of dollars in deposits and no banks are trying to talk with them. We have huge development projects, some of us have money and we are a good risk, yet no one is talking to us. How do we do joint business agreements here? How can we do business with banks for economic development projects?”

Several other specific issues and concerns were raised that further emphasized the need for targeted efforts among Native people. The first relates to the lack of alternative lending programs and partnerships currently in existence with banks. The second concern is with respect to the associations some banks apparently make between gaming tribes and all Native people. This concern, although it relates to the previously mentioned lack of awareness of the uniqueness and variations among tribes, communities, groups and organizations of Native people, came up often enough to warrant an earmark in the summary.

## ■ Need for Alternatives to Collateral-Based Lending

Glenn Dailey, Tanacross Village Council, Tanacross, Alaska

“At the tribal level, we need cash flow based commercial lending, rather than collateral based. The mix of regulations and land status makes it difficult for tribes to get the kind of lending they need. It’s tough to create an economic base without this kind of lending and credit.”

Howard Beladoff, Idaho Legal Services, Boise, Idaho

“Fort Hall has an economic resource (the land) that is being exploited by others and not by the tribe. They have the land as an asset which could be productive for farming. Banks need to establish alternative approaches to collateral based lending and create more innovative, flexible lending arrangements. It would radically change the complexion of the economy and assist in the tribal self sufficiency.”

Norm Begotey, American Indian Chamber of Commerce, Tucson, Arizona

“Bank of America says they have a minority business development center, but I don’t see much going on with the Indian community because it’s collateral based and few can access it. We don’t see much help coming from anywhere to help urban Indians start businesses. There is no micro-lending program.”

Ken Freeman, Lumbee National Bank, Lumbee, North Carolina

“There were barriers to lending which was a combination of geographics, race, income and economics. One barrier was building confidence and trust in our ability to run the bank by the banking commission. And then we had to build trust in our own community. We are a community bank and community banks are more directed at the community to make a difference. If the big banks are going to make an effort at moving into small communities like reservations they’ve got to get some familiar faces in the banks.”

## ■ Reliance on Gaming Tribes

Delores Hudson, Candelaria American Indian Council, Ventura, California

“Banks need to be more accessible to the Native American community. We went to some banks and they told us to go to the gaming tribes.”

## Organizations Surveyed

First Nations conducted an informal, national telephone survey to a random sample of tribes, Alaskan Native villages, organizations, urban Indian centers and businesses. First Nations gathered data and information from a total of 177 organizations. The following are the survey respondents:

### **ALASKA**

Allakaet Tribal Council  
Arctic Development Council  
Arctic Village Council  
Asa'Car Sar Mint Tribal Council  
Atka IPA Council  
Bethel Broadcasting Inc.  
Chilkoot Indian Association  
Chistochina Village Council  
Copper Mountain Foundation  
Douglas Indian Association  
Doyon Foundation  
Ekwok Village Council  
Evansville Tribal Council  
Holy Cross Tribal Council  
Howard Rock Foundation  
Interior Rivers RC&D Council, Inc.  
Inuit Circumpolar Conference  
Ketchikan Indian Corporation  
Kivilina IRA Council  
Maniilaq Association, Inc.  
Naknek Native Village Council  
Native Village of Koyuk  
Native Village of Kotzebue  
Nightmute Traditional Council  
Organized Village of Kake  
Platinum Traditional Village  
Sitka Prevention and Treatment Services  
Tanacross Village Council  
Upper Tanana Development Corporation  
Valdez Native Association  
White Mountain IRA Tribal Council  
Yakutat Tlingit Tribe

### **ARIZONA**

American Indian Association of Tucson, Inc.  
Apache First Organization  
Arizona American Indian Tourism Association  
Arizona Native American Economic Coalition  
American Indian Chamber of Commerce  
Atlatl, Inc.  
Cocopah Indian Tribe Vocational Training Center  
Dineh Cooperatives, Inc.  
First American Cooperative  
Gila Indian Center  
Labriola National American Indian Data Center



**IDAHO**

Idaho Legal Aid Services  
Youth with a Mission

**ILLINOIS**

D'Arcy McNickle Center for American Indian History  
American Indian Economic Development Center

**IOWA**

Native American Alcohol Treatment Program  
Native American Child Care Center, Inc.

**KANSAS**

Haskell Foundation  
Housing and Credit Counseling  
Lawrence Indian Center  
Mid America All Indian Center, Inc.

**MARYLAND**

Baltimore American Indian Center  
Johns Hopkins Center for American Indian and Alaskan Native Health  
Maryland Indian Heritage Society

**MISSOURI**

American Indian Center of Mid America  
Heart of America Indian Center

**NEVADA**

Corporation of Newe Sogobia  
Western Shoshone Nation  
Native American Consortium of Northern Nevada

**NEW MEXICO**

Ak'E'Elechiigi, Inc.  
Albuquerque Area Indian Health Board, Inc.  
Cornerstones Community Partnership  
Farmington Inter Tribal Indian Organization  
Five Sandoval Indian Pueblos, Inc.  
Futures for Children  
Gallup Inter Tribal Indian Ceremonial Association  
Indian Land Working Group  
Navajo Cooperative at the Gathering Place  
Nazarene Indian Bible College  
New Mexico Community Development Loan Fund  
New Mexico Native American Business Development Center  
Northwest New Mexico Fighting Back  
San Juan County Museum Association  
San Juan Pueblo Agri Co-op  
Shiprock Home for Women and Children  
Tohlokai Christian Business Opportunities, Inc.

**NORTH CAROLINA**

Cherokee Historical Association, Inc.  
Coree Indian Tribe  
Guilford Native American Association, Inc.  
High Country Art and Craft Guild  
Lumbee River Legal Services  
Lumbee National Bank  
Lumbee Regional Development Association  
Meherrin Tribe  
North Carolina Indian Business Association  
Triangle Native American Society

TABLE 1:

**American Indian/Alaskan Native Populations,  
Tribes and Alaskan Native Villages  
in the Geographic Areas of NationsBank and BankAmerica**

	NationsBank States (AR, DC, FL, GA, IL, IA, KS, MD, MO, NM, NC, OK, SC, TN, TX, VA)	BankAmerica States (AK, AZ, CA, ID, NV, NM, OR, TX, WA)	Combined States NationsBank & BankAmerica
Native Population Totals	514,422	885,017	1,399,439
Reservation Population Totals	56,784	210,725*	267,509
Off Reservation Population Totals	457,638	674,292	1,131,930
Number of Tribes	69	426**	471

The figures in Table 1 and 2 were taken from the 1990 census, and reflect self-declarations of American Indian/Alaskan Native status.

\*This figure does not include Native population found in Alaskan Native Villages

\*\*Of this figure, 224 are Alaskan Native villages; 202 are tribes

Prepared by First Nations Development Institute, 1998

TABLE 3:

**Native Populations by State: BankAmerica geographic area**

State	Native Population	Percent of Total State Pop.
Alaska	85,698	15.6%
Arizona	203,527	5.6%
California	242,164	.8 %
Idaho	13,780	1.4%
Nevada	19,637	1.6%
New Mexico	134,355	8.9%
Oregon	38,496	1.4%
Texas	65,877	.4%
Washington	81,483	1.7%

**Total BankAmerica States**Native population= **885,017**

(NB states Native pop.)= 514,422

**TOTALS= 1,399,439**

Native Population in combined 22 merger affected states

Population figures taken from 1990 Census

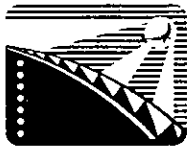
Prepared by First Nations Development Institute, 1998

## Tribes and Native Organizations Zip Code Associations & Proximity to BankAmerica Branches Across

STATE	TOTAL # OF TRIBES AND NATIVE ORGZ.	WITHIN BRANCH ZIP CODE	ZIP CODE PROXIMITY	WITHIN 20 MILE RADIUS	TOTAL "WITHIN 20 MILE RADIUS" OF BRANCH
Arizona	151	32	37	6	
California	155	50	25	43	
New Mexico	49	12	10	5	
Washington	49	23	10	4	
<b>TOTALS</b>	<b>404</b>	<b>117</b>	<b>82</b>	<b>58</b>	

For example: In Arizona, the First American Cooperative is "Within Branch Zip Code" since it is in the exact same zip code as BA branch at 1815 W. Glendale Ave., Phoenix, Center, with a Phoenix zip code of 85004, has a zip code association with all Phoenix zip codes as defined by the U.S. Postal Service and is in "Zip Code Proximity" to a BA branch with a Phoenix zip code. The Gila River Indian Community, with a zip code of 85247, is "Within 20 Mile Radius" of a BA branch since a Coolidge branch, zip 85228, is 15 miles away. The three zip code categories are combined in a "Total 'Within Reach' of Branch" to illustrate the extent to which BankAmerica is in close proximity to a BA branch.

Prepared by First Nations Development Institute, 1998



# FIRST NATIONS DEVELOPMENT INSTITUTE

The Stores Building • 11917 Main Street • Fredericksburg, VA 22408  
(540) 371-5615 • Fax (540) 371-3505

**Testimony of First Nations Development Institute  
before the Board of Governors,  
Federal Reserve System,  
Federal Reserve Bank of San Francisco  
July 9, 1998**

## **Introduction**

On behalf of 27 tribes and tribal organizations, and in cooperation with the National American Indian Housing Council, National Congress of American Indians, and Native American Rights Fund, First Nations Development Institute offers the present letter as timely comment conditionally approving the proposed merger of NationsBank Corp. and its subsidiaries and BankAmerica Corp. and its subsidiaries.

Banking and financial relationships are of the first importance to Indian Country. Geographical remoteness and lack of access to credit and financial services have excluded Native Americans from mainstream financial channels in the past. But we have seen distinct improvements in recent years, and we believe we can rely on the merger partners to participate in perfecting the delivery of financial services to Indian people.

Our hopes in this regard received a boost on June 16, when we met with representatives from NationsBank and BankAmerica. Douglas B. Woodruff, senior vice president for NationsBank Community Investment, stated that First Nations and our partners were providing the vehicle that would enable the merged entity to access the Native American credit market. He also committed Chief Executive Officers Hugh McColl Jr. and David Coulter to banking in Indian Country "as a business." And he agreed to continue the dialogue with Native American organizations on lending and investment products and services that will work within Indian Country. In addition, BankAmerica agreed to gather an executive task force for the same purpose.

## **Competition, Convenience and Needs**

Though these understandings dispose us favorably toward the merger, we must underscore the gravity of these agreements. Without follow through, the proposed merger may substantially lessen competition in rural areas, and especially in remote rural areas where many Native Americans reside. A First Nations survey (attached) of 177 tribes and tribal organizations in the 22 states that stand to be affected by the merger found that the record of banking relationships in these areas is already woeful. Though debate continues as to the effect of mergers on competition in metropolitan areas (where many Native Americans also reside), we join Sens.

Grassley of Iowa and Bingaman of New Mexico in suggesting that bank consolidation may in fact reduce competitiveness in rural areas, as some outlying branches close and others are relegated to minor branch status in the combined operations of a coast-to-coast bank of the size proposed.

These misgivings acquire still more momentum when we consider the issues of convenience and need for rural and metropolitan areas alike. Our survey sought to link Native Americans with the service and assessment areas of BankAmerica branches in four states with comparatively large Native American populations: Arizona, California, New Mexico and Washington. As the accompanying chart indicates, we found 117 branches within Native-affiliated zip codes, 82 within proximity of Native American populations, and 58 within a 20-mile radius of tribal populations. But in no case did we find full services being provided by these branches to these populations. In only a few cases did we find services being provided; in fewer still did we find any satisfaction with those that are provided.

Our concern since the merger announcement has been that the neglect of Native populations would be exaggerated within a NationsBank-dominated corporate structure, given that NationsBank has exceedingly limited experience with Native American lending. Such an eventuality would be particularly dire in that, despite the isolation of Native American tribes and groups from mainstream financial channels, improvement has occurred in recent years. BankAmerica, with close to 1 million Native Americans, 426 tribes, and 18 of the top 25 urban Native population centers in the states it serves, has only just begun to get aboard this progressive trend.

## **Background**

In an effort to initiate NationsBank's involvement with Indian Country, First Nations seized the opportunity of the June 16 meeting to share our survey findings with bank representatives and offered a general overview of lending issues in Indian Country, as follows:

Several of the issues in Native American access to credit and financial services are the same as for low-income people anywhere – unconventional credit records, lack of capital, lack of familiarity with banking practices and expectations and the resultant distrust of banking institutions, and a discomfort with the lack of people like them in bank settings. Many of the strategies in use to address these issues elsewhere would be effective in Indian Country.

Other hindrances to credit and financial services are unique to Indian Country:

- \* The geographical remoteness of many reservations means that banking relationships there may never have a chance to develop as personal and cultural familiarity is difficult to establish. Overcoming geography is critical to developing the Native American credit market.

- \* The remoteness of Indian Country from mainstream banking has translated to a sharply reduced level of economic activity on many reservations, which in turn has curtailed the development of financial infrastructure such as Uniform Commercial Codes. Economic development is on the increase, however, and the establishment of UCCs and other financial

infrastructure is key to moving this development activity to the next level of community-wide prosperity. One model UCC for tribes is in development and another is ready for enactment; some tribes have adopted UCCs specific to their circumstances; others have adapted state codes.

\* The trust status of tribal land. Trust status, which means the federal government holds the land in trust for tribes, is an asset to the tribe as a whole but may stand in the way of homeownership or other individual property disposition because it is not alienable and so cannot be attached as collateral. Models of mortgage lending on trust land are in place, their common feature being tribal first right of refusal on foreclosed properties based on the high number of Native Americans in need of housing. Extending these models to establish secondary markets for Native American housing is an achievable goal of the next 10 years. The need for housing in Indian Country cannot be overstated: 40 percent of housing in tribal areas is substandard, 21 percent of these homes are overcrowded, and 16.5 percent lack complete plumbing (see attachments of the National American Indian Housing Council).

\* Tribal sovereignty gives tribal courts jurisdiction over reservation-based business transactions. The unfamiliar legal system means that bank executives must devote good will and resources to bringing Indian Country within the same 'comfort zone' loan officers enjoy in off-reservation transactions. The uptick in banking activity on reservations in recent years has demonstrated beyond doubt that this 'comfort zone' exists for banks that commit to finding it.

\* Native American culture, though by no means impenetrable, is distinct from mainstream American culture in many respects. This raises perceptual barriers as well as practical ones. For example, Native American tribal councils by and large refuse to allow at-will car repossession for reasons derived from the cultural context of reservations, raising a practical barrier for banks in some cases. The perceptual barrier for some bankers is a stereotypical assumption that the lack of at-will provisions simply encourages deadbeats to run a car into the ground while creditors take the time to comply with less expeditious tribal court processes. But in recent years, practice has proved it to be far more often the case that informal tribal processes lead to the payments being made or the car being repossessed without incident.

## **Recommendations**

Thus assured that NationsBank had established some understanding of the new market it proposes to acquire, First Nations offered specific recommendations for the merged entity to act on:

\* Make a formal commitment to Indian Country and urban Native communities to build on and strengthen work begun by BankAmerica.

\* Identify and seek input from a broad representation of Native tribes and communities in the affected states.

\* Invest in and provide developmental support for venture capital funds serving Indian Country and Small Business Investment Companies with a stated Native emphasis.

- \* Invest in tribal- and Native-owned business enterprises.
- \* Invest in and offer start-up assistance for Native-controlled banks and intermediaries, including microenterprise and small business lending, in underserved portions of Indian Country.
- \* Offer philanthropic support for enterprise and microenterprise development, housing, financial services, and for Native funds that support development.
- \* Develop and implement workable mortgage products and investments in Low Income Housing Tax Credits for Native communities.
- \* Develop and sponsor financial literacy training seminars for Native communities and education for bank personnel to better understand Indian Country.
- \* Invest in the technological and financial infrastructure of Indian Country.

NationsBank representatives found no "red flag" in these recommendations and responded that the bank ought to be providing these investments and services in any case. Mr. Woodruff described eventual agreement to a Native-specific lending goal as "a reasonable expectation."

## **Conclusion**

These agreements have greatly mitigated our original concerns regarding competitive factors and the convenience and needs of Indian communities under the merged entity. We go so far as to consider it a good sign that a bank with so little experience in Native-specific lending should come to the table with a commitment to learn how successful lending and financial services can be provided in Indian Country. This approach suggests to us that the merged entity intends to do the job of community development lending right, rather than simply drafting Indians as window dressing with a promise of loans that won't materialize.

For the reasons set forth above, and conditional on formation of an Indian-specific executive task force, analysis of Indian-specific lending products and services, and an eventual Indian-specific lending agreement pursuant the proposed merger partners' \$10 billion pledge over 10 years to rural areas and Indian Country, the proposed merger should be approved.

Attachments: List of letters of support  
Survey findings  
Statement of Chester Carl, National American Indian Housing Council  
Organizational descriptions



**Support Letters Received by First Nations Development Institute**

First Nations received 29 letters from tribes and Native organizations expressing support for efforts to improve financial services for Native people and to secure a lending agreement for Indian Country from BankAmerica and NationsBank. Two sample letters are attached as submitted by the Lumbee Tribe of North Carolina, and the Native American Travel Service. Additional letters were received from the following organizations:

- Nightmute Traditional Council
- Akutan Traditional Council
- Teller Traditional Council
- Jamestown S'Klallam Tribe
- Klawock Cooperative Association, Tribe
- Manokotak Village Council
- Native Village of Brevig Mission
- Native Village of White Mountain, IRA Tribal Council
- Native Village of Barrow, Inupiat Traditional Government
- Kipnuk Traditional Council
- Arctic Development Council
- Center for American Indian Economic Development
- Washoe Tribe of Nevada and California
- North Fork Rancheria
- Confederated Tribes of the Umatilla
- New Mexico Community Development Loan Fund
- Chickasaw Nation
- Bridgeport Indian Reservation
- Eastern Band of Cherokee Indians
- Lumbee Tribe of North Carolina
- Fallon Paiute-Shoshone Tribe
- Modoc Tribe of Oklahoma
- San Carlos Apache Tribe
- All Indian Pueblo Council
- Atlatl, Inc.
- Corporation of Newe Sogobia/Western Shoshone Nation
- National Native American AIDS Prevention Center
- New Mexico Native American Business Development Center
- Native American Travel Service



# NATIVE AMERICAN TRAVEL SERVICE

4130 N. Goldwater Boulevard, Suite 114, Scottsdale, Arizona 85251  
(602) 945-0771 FAX: 945-0264

June 23, 1998

First Nations Development Institute  
The Stores Building  
11917 Main Street  
Fredericksburg, VA 22408


To Whom It May Concern:

I am writing, on behalf of Native American Travel Service, to support First Nations Development Institute's national initiative to improve banking services to Indian Country. In reading about the recently proposed merger between Bank of America and Nations Bank presents American Indian people with an opportunity to effect important changes in the way banks are doing business with Indian tribes, communities and individuals. Also how they have dealt with Indian owned businesses when it comes to loans.

We would like to see first hand how the merging companies will operate with American Indian people in terms of a specific commitment to community development in Indian Country.

We strongly support First Nations committment to ensure that our concerns are heard and acted upon favorably and that the financial community is responsive to us.

Sincerely,

  
Tandy Young  
President/Owner

TRIBAL ENROLLMENT  
(910) 521-2462

ENERGY OFFICE  
(910) 738-7908

DAY CARE OFFICE  
(910) 521-8555

JTPA OFFICE  
(910) 521-9761

# Lumbee Tribe of North Carolina

East Main Street • Post Office Box 68 • Pembroke, North Carolina 28372-0068



## ADMINISTRATIVE OFFICES

Revels Plaza  
(910) 521-8602

Fax Number  
(910) 521-8625

Home Page  
of the Lumbee Tribe  
[www.lumbee.tribe.org](http://www.lumbee.tribe.org)

## TRIBAL BOARD

ADOLPH BLUE  
Chairman

WILLIAM LOWRY  
Vice Chairman

LEROY SCOTT  
Treasurer

H. DOBBS OXENDINE  
Secretary

BOBBY D. LOCKLEAR  
A. BRUCE JONES  
RODERICK G. LOCKLEAR  
JAMES SAMPSON, JR.  
BURLIE LOCKLEAR  
GERALD STRICKLAND  
PATRICIA HUNT  
EARL CUMMINGS  
HERBIE OXENDINE  
HAROLD CHAVIS  
DEANNA L. LOWRY  
KENNETH R. MAYNOR  
GWEN D. LOCKLEAR  
ODELL LOWRY  
MARTY BLANKS

JAMES HARDIN  
Tribal Manager/  
Executive Director

June 18, 1998

Sherry Salway Black  
First Nations Development Institute  
The Stores Building  
11917 Main Street  
Fredericksburg, VA 22408

Dear Ms. Black:

I wish to commend you on your efforts to improve access to capital, credit, and financial services for economic development in Indian country. I support your efforts to get a formal commitment to Indian country from NationsBank and BankAmerica, or the new entity that will result from the proposed merger.

Per your query, I feel that the major needs in Indian country in North Carolina is for better financial services for housing, business development, and financing of infrastructure development in rural towns and communities where Indian people live.

NationsBank does not have a branch office presence in the counties of Robeson, Scotland and Hoke, where most members of the Lumbee tribe live. I would ask that NationsBank, or the new entity, consider expanding into this area or establish a working partnership with existing financial institutions that serve this area to assist lending services in the homeland of the Lumbee tribe.

Sincerely,

James Hardin  
Tribal Manager  
/Executive Director

"Land of the Lumbee"

STATE RECOGNIZED SINCE 1985  
dba/ Lumbee Regional Development Association (LRDA) since 1968

Panel 15

**TESTIMONY FOR**  
**BANK OF AMERICA**  
**SAN FRANCISCO, CALIFORNIA**  
**JULY 9, 1998**

**Johnnie King, Jr.**

*The King Group*

*The*  
**king group** inc.

3131 McKinney Ave. • Suite 450 • Dallas, Texas 75204  
(214) 720-9046 • Fax (214) 720-1435

Panel 15

**TESTIMONY FOR**  
**BANK OF AMERICA**  
**SAN FRANCISCO, CALIFORNIA**  
**JULY 9, 1998**

**Johnnie King, Jr.**

*The King Group*

*The*  
**king group** inc.

3131 McKinney Ave. • Suite 450 • Dallas, Texas 75204  
(214) 720-9046 • Fax (214) 720-1435

**My name is Johnnie King, President and Chief Operating Officer of The King Group, Inc. of Dallas, Texas.**

**The King Group is one of the largest African American, female owned marketing firms in the southwest and specializes in advertising, sales promotions and community relations that target the African American segment of the population.**

**The King Group has worked with Bank of America Texas since the first year of operation as a retail bank in the state of Texas. Our primary function with Bank of America has been to work with the bank in all of these areas in the African American communities across Texas.**

**I would like to speak briefly on three areas:**

- ◆ First, I will address some of the unique banking needs of African Americans based on our research and experience, along with some of the historical basis for those needs.**
  
- ◆ Next, I will present some of the programs and activities that Bank of America, with the assistance of the King Group, has implemented to address the needs of the African American segment over the past six years.**

- ◆ And finally, I would like to address some concerns that we believe must be, and will be addressed by the combined Nations Bank/Bank of America entity.

### Unique banking needs of African Americans

The King Group has conducted extensive research on Banking as it relates to African Americans on behalf of Bank of America. This research was conducted by Dr. Delva King, our C.E.O. who is recognized as one of the top ethnic researchers in the country.

Our research revealed some of the unique banking needs of African Americans and more importantly, we identified the historical bases that contributed to the special needs of this segment. These include:

- ◆ A general belief that banks are not sensitive to the needs of African Americans, and the barriers that African Americans have historically faced in attempting to do business with banks.

This was based on several historical factors that include:

- ◆ Limited success in accessing bank products and services;
- ◆ The fact that few banks were located in African Americans communities.

- ◆ A perception that banks did not value or want to do business with African Americans. The term "red-lining" appeared as a reoccurring theme in our research.
- ◆ The belief that banks did not understand the barriers African Americans have had to overcome, and that there was a lack of sensitivity to those historical barriers.
- ◆ Finally, our research revealed that African Americans felt that banks have ignored our history and some of the reasons that we have difficulty in meeting the general criteria of banks.

### Bank of America's Approach

Based on the research which, I might add was quite extensive, we, together with Bank of America, developed a comprehensive five year plan that was used in building marketshare, increasing accessibility to African Americans and insuring that Bank of America had the products, programs and services necessary to do business in the African American community.

- **Image/Perception**

Our first challenge was to overcome the historical image of banking in the minds of African Americans while creating a basis for long-term patronage and marketshare for Bank of America.



The program that was created presents the lifetime achievements of African Americans in the local communities throughout the state. Our belief was that by creating a program based on the rich heritage of African Americans, Bank of America could best, and rightfully so, learn about this heritage and at the same time insure African Americans that we are concerned and knowledgeable about the history of African Americans in Texas.

Today, this program, is the highest visibility, most intrusive program in the African American Community in the state of Texas. It has been lauded and recognized by Black clergy, elected officials, community leaders and others throughout the state.

The Chronicles program is an example of how we used research and knowledge of the segment to create business for the bank and, at the same time, give back to the community.

- **Accessibility**

While we were introducing and creating affinity with African Americans, Bank of America was simultaneously

making banking more accessible to the segment with plans for two DeNovo's - one in Dallas and one in Houston. Three-fourth of the state's African American population reside in these two markets.

We worked with Bank of America on sight selection, grand openings, and patronage programs for these two branches which I am proud to say, are "state of the art" and located in the hearts of the African-American community.

- **Products and Programs**

With these sharebuilding, branding and access initiatives underway, Bank of America was creating several products to assist in marketing to the African American segment.

Products such as the A.B.C. Loan was designed to assist small businesses. This line of credit product addressed the number one need that we found in our research among African American business people - that was "cash flow". The program simplified the loan application process and provided a relatively quick turnaround in service.

We assisted the bank in developing and marketing programs such as the Minority Opportunity Success Training program or M.O.S.T. as we affectionately call it. This program

**provides training in several areas and assists in accessing capital products like the A.B.C. loan, S.B.A. as well as other traditional banking products.**

**The Neighborhood Advantage loan product was designed to have a similar impact on mortgage lending. We took this product which targets LMI census tracts and created a neighborhood advantage club which provided training and benefits for home buyers.**

**We assisted Bank of America in developing and implementing community outreach programs, the newest of which is the "Faith-Based" Academy that was rolled out earlier this year. The Faith-Based Academy was created based on the increasing role of African American churches in community development. Today, churches own property, have housing developments and operate businesses.**

**The Faith-Based Academy is a training program that provides the technical skills and the religious basis for community development. Pastors and church leaders learn everything from how to set up a CDC to how to access capital.**

**The activities that I have covered in these brief minutes can in no way account for the many hours that we have spent with Bank of America in providing banking services to our segment. Our approach, though methodical, has been sincere.**

**We, at The King Group, are proud to have been a part of this great history in Texas banking.**

**We know that there is still much to accomplish and we have a long way to go. The challenges that the new bank will face are many.**

**We fully believe that the combined resources and expertise of both Nations Bank and Bank of America will allow us to better meet the challenges in the future and we fully and wholeheartedly support this merger.**

**THANK YOU!**

# Dallas/Ft. Worth Area Publishers Association

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## LA VIDA NEWS

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## The African Herald

Dr. Richard O.  
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**Vice-President**

## The Dallas EXAMINER

Mollie Belt,  
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## MON Minority Opportunity News

Thurman R.  
Jones,  
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**General Secretary**

## The Dallas Post Tribune



Dr. Theodore Lee,  
*Secretary*

Date: July 8, 1998

To: Federal Reserve Board

From: Dallas/Fort Worth Publishers

Re: **Bank of America/Nations Bank Merger**

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### Consensus:

It is the consensus of the Dallas/Fort Worth African American press that the following areas of concern be addressed as it relates to the above proposed merger.

- ◆ How will the consolidations address the communications and outreach needs as it relates to African Americans?
- ◆ How will the products and services be communicated to African Americans, and how will overall expenditures in African American owned media be affected?
- ◆ What type of community outreach activities will the new entity have in place to assist in educating, communicating and assisting African Americans in assessing bank products and services?
- ◆ What type of African American communications, professionals and companies will be used to assist the new bank?

Respectfully,

Ted Pruitt  
President