

# CATAWBA REGIONAL DEVELOPMENT CORPORATION

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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.