



Northbay Ecumenical Homes

— A NON-PROFIT HOUSING DEVELOPMENT CORPORATION —

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Clark A. Blasdell
President & CEO

Karen Nathanson
NEH Real Estate Broker



DATE: Friday, July 10, 1998

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TO: Board of Governors, Federal Reserve Bank of San Francisco (FRBSF)
FROM: Northbay Ecumenical Homes, Inc. (NEH) and
Suburban Alternatives Land Trust (SALT), Inc.
by Clark A. Blasdell, President and CEO of NEH and SALT

RE: NationsBank and Bank of America MERGER as "NewBank"

INTRODUCTION: NEH and SALT are two affiliated Marin County-based nonprofit community development and affordable home finance corporations. I was a Founder of NEH in 1978 and in 1993 of SALT, which incorporated in 1998. As a developer/builder of new homes for almost two decades, I have known the difficulties of seeking and securing the cash and credit needed to build and finance subdivisions and individual home sales and purchases. We've produced over 2,500 homes; more than one in four affordable.

I particularly have had extensive experience assisting low income first time homebuyers buy their first home in Marin - one of our Nation's most unaffordable and difficult housing markets - and more recently with CASA HOME Loan™ contracts in ten Bay Area cities.

SUPPORT FOR MERGER: On behalf of NEH and SALT, and the many low income clients and working families we have served over the past two decades, I support the Merger as I understand it from publicly available materials that have been provided to me and us.

As this is the first merger discussion in which I've participated, I am unclear about the roles and process after today's hearing is closed. However, I offer the following additional comments for your considered action:

ISSUES and CONCERNS to ADDRESS/RESOLVE:

1. Whether or not FRBSF retains review and control over subsequent CRA evaluations of "NewBank" performance, I think clear and adequate written direction is important now, in case any other FRB gets jurisdiction. This can ensure California's diverse credit and banking needs are properly and adequately understood, as well as provided for by those farther away. Measurable and profitable RESULTS must be standard achieved by NewBank, from the perspective of new Stockholders, any new Regulators, and ultimately by the number of new Customers they secure beyond all existing Customers retained.

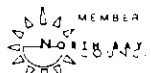
2. "NewBank" should make adequate written commitments establishing the numerical targets, goals and/or minimum CRA activities for California (e.g. make separate "California Commitments", especially for program areas such as Charitable giving, Foundation operations, and State/Community Bank staff H.Q.).

FRB798

MEMBERS

- Autodesk
- Bank of America
- Bank of Marin
- Bay Area Council
- Birkenstock
- Kim R. Blackseth, Interests
- California Land Title Co. of Marin
- Chapin Charitable Unitrust
- Community Action Marin
- CYO/St. Vincents
- Barbara Dalmau
- Ellenberg Insurance Agency
- Fair, Isaac
- Fidelity National Title Co
- First Federal Savings & Loan Assn.
- First National Bank of Marin
- Frank Howard Allen Realtors
- Good Shepherd Lutheran Church
- Great Western Bank
- Griffiths Insurance Agency
- Habitat for Humanity - Marin
- Headlands Mortgage Company
- Lucas Valley Properties
- Luther Burbank Savings & Loan
- Marin Association of Realtors
- Marin Builders Exchange
- Marin Church of the Nazarene
- Mann Mobile Home Park
- McPhail's Inc
- Clyde L. Miller
- Modular Lifestyles, Inc.
- New West Thrift & Loan Co
- North Bay Children's Center
- North Bay Council
- Novato Chamber of Commerce
- Novato Community Hospital
- Novato Human Needs Center
- Novato United Methodist Church
- Old Republic Title Company
- Our Lady of Loretto
- Catholic Church
- Pacheco Ranch Winery
- Presbyterian Church of Novato
- St. Francis of Assisi
- Episcopal Church
- San Rafael Thrift & Loan
- Robert L. Sewall, CPA
- James C. Spee, PhD
- Spieker Properties
- The Martin Group
- The New Hamilton Partnership
- James R. Tuite
- Vintage Oaks at Novato
- Ferry Ward, Spectra
- Mortgage Group
- Wells Fargo Bank
- WestAmerica Bank
- David Wright, Grant Writer

With the support of





The CASA Home Loan™ Program

by V. Terrell (Terry) Ward, CMB
Consultant & Capital Funds Development Officer

In the process of looking for new ways to respond to CRA and community investment requirements, many financial institutions are recognizing residential lending opportunities for first-time homebuyers which offer real potential for both growth and profitability.

The CASA Home Loan™ "silent second" Program offers a simple and effective vehicle for providing affordable home purchase opportunities. Through the Community Assisted Shared Appreciation, or CASA, Home Loan™ Program, each participating lender may benefit in one or more of the following ways:

- Investment potential through CASA Home Loan™ fundings
- Increased first mortgage lending and related income opportunities
- Expanded business opportunities with builders and realtors
- Enhanced CRA performance under the lending, investment and service tests
- Community outreach and visibility
- Increased investment potential through public/private partnerships

Advantages of CASA Home Loan™ Program Participation

Northbay Ecumenical Homes (NEH) has developed the CASA Home Loan™ Program in response to the substantial need for home ownership assistance in the California market where housing costs are among the highest in the country. Through a unique blending of public and private funds, the CASA Home Loan™ Program has the potential to: 1) substantially increase the number of families achieving home ownership for the first time, 2) help financial institutions meet CRA objectives and 3) through public/private "leveraged investments," increase the potential return to participating financial institutions.

Structure of the CASA Home Loan™ Program

The CASA Home Loan™ is a specialized home finance program in which the borrower agrees to share appreciation in the property being purchased with NEH and on behalf of its public and private CASA partners. Typically, three loans are put in place along with a minimum downpayment of five percent from the borrower. The first loan will generally be a fixed rate FannieMae saleable loan made by a primary lending institution. A second loan is then placed on the property either from the same first lender or another lender who wishes to participate in this program. To complete the purchase, a third loan is placed on the property through the use of a city silent loan program or other grant source. When these loans are ultimately paid off through the sale of the property, the borrower receives the original amount of their downpayment plus a minimum of 40% of the appreciation. When the CASA loan is paid off NEH also receives, on behalf of its CASA partners, its original principal and a maximum 60% share of the property's appreciation instead of the monthly principal and interest payments it would have normally received if the loan had been a traditional second loan.

A simplified example of how this program works is as follows:

Original Purchase Transaction

Original Purchase Price	\$100,000*
Downpayment from Borrower @ 5%	\$5,000
First Mortgage	\$75,000
CASA Loan - Second Mortgage	\$10,000
Silent City Loan or Grant - Third Mortgage	\$10,000

Five Year Sale Scenario

Subsequent Sale Price	\$112,500*
Payoff of First Mortgage	(\$70,963)
Payoff of CASA Loan Second Mortgage	(\$10,000)
Payoff of Silent City Loan or Grant - Third Mortgage	(\$10,000)

(continued)



NEIGHBORHOOD HOUSING SERVICES OF CHICAGO INC.
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Bruce Gottschall - Ex. Dir.

B of A - Nations Bank merger testimony July 9, 1998 at the Federal Reserve

NHS Chicago background

- * 23 years of community development; 18 Chicago neighborhoods
- * partnership with more than 200 financial institutions in Chicago with neighborhood residents and city government amid at restoring confidence in declining neighborhoods
- * community development - neighborhood strategies - neighborhood reinvestment
- * made 10,000 housing rehabilitation and community development loans
- * 20,000 units directly impacted
- * involved nationally with NHS's across the country in the NeighborWorks Campaign for Home Ownership and the National Neighborhood Housing Network

Bank of America and the predecessor organizations in Chicago - B of A IL and Continental Bank - have been leaders in assisting NHS of Chicago to serve the credit and community development needs of an increasing number of people and neighborhoods over the last 23 years. Twenty-three years ago the first president of NHS Chicago was an executive vice president at Continental. Fifteen years ago Continental Bank was the first single institution to fund the majority of a new NHS neighborhood - Little Village. Ten years ago Continental made a \$20 million commitment to NHS to develop the Chicago Home Improvement Program (CHIP) which assisted in NHS becoming the only not for profit mortgage bank licensed in the State of Illinois and substantially increasing NHS's capacity as a community development lender.

Five years ago, B of A IL expanded the CHIP commitment to \$40 million and invested in the development of a new neighborhood NHS operation in West Humboldt through a 5 year grant. Funds were also committed to improve NHS lending capacity, market the lending programs, assist in funding the RLF and support the NHS operation in other neighborhoods of Chicago. The B of A community development staff has provided personal leadership for the expansion of NHS activity in Chicago's neighborhoods. Among other things, their consultation in financial planning prepared NHS to submit and be approved for matching funds as a Community Development Financial Institution.

NHS has been able to provide lending and investment opportunities for financial institutions through NHS loan pools and investment opportunities such as the Chicago Family Housing Fund (CFHF). In addition to lending and investment opportunities, NHS provides lending institutions with "bankable" customers that otherwise could not have been served by their institution. NHS is able to do this because we provide a level of service that prepares an individual for home ownership and improvement. NHS provides customers with homebuyer education, rehabilitation assistance, and affordable financing and downpayment assistance, all of which makes the customer a better credit risk for the bank. Without NHS added services these loans would not be made. In the private market, these services are not available or are not combined in such a way

that make homeownership a viable option for many low and moderate income individuals and families. NHS is able to provide an a range of services through its Full Cycle Lending program, which offers families guidance and services throughout the entire homebuying process from credit counseling to landlord training and post-purchase services. It is because of this high level of service and assistance to families that NHS is able to create lending opportunities for the banks.

NHS has the history, capacity, and infrastructure/delivery system to make loans to clients and to neighborhoods that are not routinely served by the bank's own infrastructure and program. It creates viable neighborhood markets through education and development.

In Chicago, the Bank of America's leadership involvement, investment, lending and grant relationship has produced benefits for neighborhoods and families. In past mergers and organizational changes, the new entities have always increased their resources to NHS of Chicago and the community. As NHS of Chicago continues to fulfill its community development and lending commitments to the neighborhoods, we expect as in the past that B of A / NationsBank will increase resources based on their size and institutional capacity.

We are supportive of this merger because of our very positive history and working relationship with Bank of America. In addition, our discussions with Bank of America and NationsBank representatives make us very optimistic about their commitment to communities and partnerships. The \$350 billion commitment demonstrates this and the interest in developing local partnerships gives specific avenues that these resources can be delivered in local communities. Because of this we believe it will result in increased resources for community development.

Finding solutions at the local level within national organizations is a major challenge. How can large national institutions respond to local community development needs? As decision-makers get further removed how can they understand the local communities? How can local partnerships be built that have the resources and decision-making necessary?

Community development by its very nature is local. In order to truly transform once undeserved neighborhoods, like the neighborhoods in which NHS operates, you need specialized program and products that address the very specific problems that cause their decline.

The NeighborWorks Network is actively engaged with B of A/Nations Bank in developing innovative partnerships to bridge this gap and create mechanisms responsive to local communities.

We are working to strengthen and enhance a national commitment and build on and strengthen local partnerships and capacity. This is the way to insure that the \$350 billion commitment that was made will result in loans and dollars committed to community development at the local level. We are confident that this working relationship and the commitment to community development and innovative local and national partnerships that this merger will result in effective and additional resources.

By working creatively together to develop innovative loan pools and investment opportunities, working to meet community credit needs and to deliver national as well as specific local loans and investments that B of A and Nations to show their support for community development that creates effective results.

NHS appreciates the opportunity to testify at these hearings because it focuses the attention on the need to sustain and enhance the local community development efforts and resources.

Thank you

Panel 25



July 10, 1998

Mid-Peninsula Housing Coalition

Board of Governors
Federal Reserve System

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RE: Nations/Bank of America merger

Gentlemen:

My name is Fran Wagstaff and I am pleased to be here this afternoon representing the Non-Profit Housing Association of Northern California (NPH).

NPH is a membership organization of some 500 members, including regional and community based housing non profits, service providers, consultants, lenders, public agencies and other parties involved in the production and management of affordable housing in northern California. I am a non-profit developer and member and past president of NPH.

I am here today to emphasize NPH's concern regarding the proposed merger and its effect on our constituents.

First, I want to describe the active and strong network of non-profit housing organizations which exists here.

NPH last conducted a poll on non-profit housing production in 1995-96. In the nine Bay Area counties, we found that non-profits had produced over 15,000 units of housing in the prior six years, at a development cost exceeding \$ 1 billion. In one year alone, 1994, non-profit housing production accounted for 61% of all multifamily housing built in the region. 86% of this housing serves low-income households, and over 50% is targeted to very low-income households. Unlike for-profit housing, this housing promises to remain affordable for the long term.

Our active non-profit community has been involved for many years in helping to shape the programs that are offered by the Bank of America Community Development Bank. This bank, based in California, has understood the unique needs of a housing market, which has the dubious distinction of being the least affordable in the nation.

We have benefitted by this California presence, and have counted Bank of America as an important partner in addressing local needs, and in building local capacity. For example, the Bank of America Challenge has encouraged talented graduate students to study affordable housing development, and to compete with their peers by developing affordable housing proposals. This Challenge competition has generated competent staff



for many non-profit agencies, thus helping to build local capacity. We would like to see this and other innovative Community Development Bank programs continued.

NPH is concerned that NationsBank will extend the use of their own for-profit CDC to California, and will thereby compete for scarce resources and inadvertently undermine local organizations.

In addition, the Bank America Foundation has been an important source of support for our industry. If this foundation is integrated into the central corporate structure in North Carolina, our access to these funds will almost certainly diminish. We want to see a written commitment to contribute a percentage of the Bank's earnings to charitable contributions in California.

Since most of NPH's members are engaged in producing multifamily housing, we expected to see an increased CRA commitment to multifamily housing as a result of this merger. We note with disappointment that the bank's proposal is not targeted in regards to serving low income families, non-profit developers or in regards to offering a flexible mix of financing including construction, term, bridge, bond program and tax credit investments. All these goals need to be specific, and in writing.

The business relationships of our members with Bank of America have developed over many years. We don't want to lose this local presence, nor do we want a new huge bank replacing local staff and making decisions for California from North Carolina, or "reinventing the wheel" when it comes to community lending. Our members have benefitted from the lively spirit of competition in community lending which has resulted in lower costs for loans and more flexible terms. The huge merger that is proposed will in the long run curtail competition and roll back the gains we have made, therefore we urge you to consider these issues carefully.

Sincerely,

Fran Wagstaff

Cc: Diane Spaulding, NPH