PAUL HAZEN
APPLICANT PRESENTATION

Good morning. I am Paul Hazen, Chairman of Wells Fargo. I will divide my remarks this morning into two parts. First, I will describe what the Norwest-Wells Fargo merger will mean for the communities where we do business—specifically what values will guide the new company as we move forward. Secondly, I will also describe Wells Fargo's record since 1852 of keeping its promises to the communities where it does business and assure you we will continue our "best practices" with respect to CRA lending, services and investments.

The new Wells Fargo & Co. will have one of the most widely known brand names in the financial services industry, a name that has endured for 146 years. Since the gold rush, Westerners have relied on Wells Fargo for honest, reliable banking service. It may surprise you to know that Minnesotans, too, once counted on Wells Fargo for express delivery services.

If I may, I'd like to give you a one minute history of Wells Fargo. In 1852, Henry Wells and William Fargo, formed Wells Fargo & Co., to provide reliable banking and express services to Western pioneers, and opened their first office in San Francisco.

By 1858, as Minnesota became a state, Wells Fargo had established seventy-eight offices. These offices and stagecoaches linked mining camps and towns all over the West. In May 1869, the completion of the transcontinental railroad allowed Wells Fargo express messengers to ride the rails. By April 1, 1897, Wells Fargo was operating in the upper Midwest aboard the trains of the Chicago Great Western Railroad, and had 31 offices in Minnesota. The Twin Cities' locations became part of Wells Fargo's "Ocean to Ocean" express network of offices around the country and around the world. By 1910, Wells Fargo had offices in 194 Minnesota communities, from Adams to Zumbrota.

In 1918, Wells Fargo changed abruptly when as a wartime measure the federal government took over all the 10,000 offices throughout the U.S. of Wells Fargo's express operations, and the Wells Fargo name disappeared from depots and storefronts throughout Minnesota. However, Wells Fargo's banking operations continued in the West, carrying on the most famous name in Western banking.

This year our history adds a new chapter with our merger with Norwest. We want to build a strong foundation for the new Wells Fargo that will last a long time. We pledge to make the transition as smooth as possible. I can assure you that we will take the time to do it right.

In bringing Norwest and Wells Fargo together, we find that our cultures have much in common. These similarities include high performance orientation, commitment to customer service, high quality of teammember talent and strong records of community involvement.

One value that we find that Norwest and Wells Fargo share is our belief that people are the best competitive advantage we have. At Wells Fargo, our employees "do whatever it takes to come through" for the customer.

Both Wells Fargo and Norwest believe in the strong linkage between a diverse workforce and business success in an increasingly competitive global economy. For Wells Fargo, nowhere is this more evident than in California, a state that is a true mosaic of ethnicities. The new Wells Fargo will continue in its efforts to recruit, retain and promote women and minority employees in key positions throughout the company in all our combined markets just as we have since the company's founding in 1852.

It is true that our banks do have different business models, based on our geographic origins and the different types of businesses we are in. For example, Norwest grew up here in the Midwest with more community banks than Wells Fargo's predominantly urban markets. But that does not mean that the new Wells Fargo would adopt an urban model in areas where a community banking model would work better. Both banks have been looking for a model to cultivate that other marketplace. We'll gain by sharing our different business models that fit each type of community, and combining them into a common operating philosophy.

Our commitment to all of the communities in which we do business is to take "best practices"-- those things that work well in both organizations and apply them to the new Wells Fargo.

First, let me emphasize that the new Wells Fargo will honor all of Wells Fargo's and Norwest's previous CRA obligations. Wells Fargo is a leader in outreach to women and minority-owned small businesses in the West, if not the nation. These commitments include a $10 billion, 10-year goal for women-owned small businesses, a $1 billion, 6-year goal for providing loans to Latino-owned small businesses, and a recently announced $1 billion, 12-year goal for loans to African-American owned small businesses. The new Wells Fargo will continue to aggressively market its products to low-income and minority communities to ensure equal access to credit and banking services to all citizens.

It is worth noting that in 1990, Wells Fargo was the first major bank in the country to announce a multi-year CRA lending goal and the first bank to exceed its goal. Our CRA goals and lending results are shared with the communities we serve on an ongoing basis. You can find state-by-state results of our lending, service and investment programs at our website, which is www.wellsfargo.com.

Some have asked, how can the new Wells Fargo set goals when no one knows what will happen 10 years from now? We can't predict the future. But we do know that we will be there to meet credit needs of communities and consumers, however those needs change. We know that from our past experience with our CRA program. It is flexible and can accommodate new or special local programs as needed.

Wells Fargo's most current CRA lending goal which is $45 billion over 10 years was announced in December 1995 at the time of our merger with First Interstate. This goal is a public commitment to provide community lending and investments through a comprehensive and focused CRA strategy that capitalizes on the Bank's unique small business and community development lending strengths. We will continue to honor this commitment.

To date, Wells Fargo has accomplished over **<u>$16 billion</u>** of this goal resulting in the creation of over **<u>340,000</u>** jobs and over **<u>13,000</u>** affordable living spaces.

Wells Fargo and Norwest intend through our current and future community reinvestment programs to be the unrivaled banking leader in CRA lending throughout our new 21-state territory. Wells Fargo has achieved "Outstanding" CRA ratings from its primary regulator and will continue to do so.

Let me give you examples from two areas, small business and community development lending, where Wells Fargo has exemplified community reinvestment "best practices."

<u>Small Business</u>

Since 1996, Wells Fargo has lent over **<u>$11 billion</u>** to small businesses and small farms. According to the most current public data available, Wells Fargo provided more small business loan dollars to low- and moderate-income communities in the U.S. than any other bank in both 1996 and 1997. With Norwest's expertise in small farm lending, Wells Fargo expects to “Out Local the Nationals” and become the premier small business and small farm bank in the nation.

Community Development Lending

Wells Fargo is already a national leader in community development financing for both the construction of multi-family housing units and financing to middle-market businesses for job creation. We believe that the creation of a Community Development Corporation (CDC) will further enhance our community programs. Through the creation of a new national CDC, Wells Fargo will lend to non-profit organizations that develop affordable housing or provide technical assistance to micro and very small businesses in low-income communities.

Additionally, Wells Fargo has developed a portfolio of diverse and innovative CRA investments to meet local community financing needs. Currently Wells Fargo has a CRA investment portfolio of **$213 million** towards its $500 million, 10-year CRA Investment goal.

A significant portion of Wells Fargo's investments are focused on rural markets. Wells Fargo is the largest bank investor in the Rural Community Assistance Corporation (RCAC), a non-profit agency dedicated to improving the lives of low-income, rural Americans. RCAC provides technical assistance, loans, grants, and operational support for organizations in rural communities.

When it comes to CRA contributions, both Wells Fargo and Norwest have solid records of making grants throughout their markets. In 1995 Wells Fargo pledged that 75% of our contributions would support credit counseling, affordable housing, job training programs, schools serving low-to-moderate income students, and programs that provide social services in low-income and rural communities. Last year, **78%** of our contribution dollars funded such activities.

We will not decrease our contribution levels in the communities where we do business. We intend to continue to be the leader in a wide range of crucial community reinvestment-related issues.

Now, on to the business aspects of this merger. The new Wells Fargo has nine of the 10 fastest growing state economies in our markets. In 73 of our cities, we will be in first, second or third position for deposit market share, which represents 80% of our customer base. To serve our customers, the new Wells Fargo will have a strong delivery system across the new 21-state territory, including traditional branches, supermarket branches, business centers, ATMs, 24-hour telephone customer service, Internet banking, and PC banking.

One reason we are so convinced about the synergies of this merger is that the retail networks of both Wells Fargo and Norwest had already begun to evolve toward each other. Wells Fargo had looked for an effective community banking model and identified Norwest. Norwest had looked for an effective urban model and identified Wells Fargo. In our integrated retail network, services will continue to be expanded and customers will have the benefit of the widest choices possible.

These choices cover all income segments. In our major metropolitan areas, approximately half of Wells Fargo's branches are located within a mile of a low-income community. In fact, to be where our customers want and need us, we expanded our network. In the past two years, we added 506 new staffed offices which includes 353 supermarket offices.

Just as Wells Fargo historically expanded its delivery system from stagecoach to the railroad lines, we are embracing new banking technology and new formats for branch offices. Wells Fargo's leadership in alternative delivery systems is a perfect complement to Norwest's leadership in community banking.

Wells Fargo recognizes the challenges posed by technology. Demographic studies show that it is a consumer's attitude, not their income that determines the acceptance of technology. The new Wells Fargo will continue to work with non-profits and providers of credit counseling and banking services education to increase low-income consumers' understanding of how to access banking and financial services through technology.

So today, in a sense we are where we first started in 1852 – we are spanning the Western territories and back to serving Minnesota communities.

Wells Fargo looks forward to merging with a strong partner, Norwest, and continuing our historic leadership role as a community reinvestment bank. We pledge to become the best financial institution in this marketplace and in every community we serve.

# # #

9/15/98 – 5:25 p.m. – 10 minutes

Paul Hazen, Wel Fa

Facts regarding Wells Fargo's Relationship with Oregon Steel Mills, Inc.

- The labor dispute has nothing to do with Wells Fargo. It is between Oregon Steel and some of its employees who are members of the United Steelworkers of America (union).

- Wells Fargo is one of many bank lenders to this company and we also handle some of its deposit accounts. We have had a lending relationship with Oregon Steel since 1976.

- The most recent financing was done in syndication with eight other banks and has been in place since June 1996. Wells Fargo and The Bank of Nova Scotia are co-agents of this syndication. Other bank members include: Key Bank, U.S. Bank, NationsBank, First National Bank of Chicago, Union Bank of California, PNC Bank, and Bank of Tokyo-Mitsubishi.

- The financing provides for working capital and general corporate purposes. It does not specifically provide financing related to the union strike, which ended December 1997, or for the continuing dispute between Oregon Steel and the union.

- Wells Fargo is not a shareholder of Oregon Steel, as some literature that has been distributed suggests. We act as fiduciary trustee for certain Oregon Steel Mills shareholders, including employees of the mill, but Wells Fargo has no investment for our own account in the company's stock.

- Finally, it would be against our business principles to deny service to one customer, be it a large company, an individual or a union, simply because another customer urges us to do so. If the shoe were on the other foot and a company asked us to withdraw credit from an employee because of a dispute, we would also turn down such a request. From the very beginning of this labor dispute, Wells Fargo has maintained that there is no role we can play in the negotiations between the union workers and Oregon Steel.

Contact: Tom Unger

FOR IMMEDIATE RELEASE

Monday, April 27, 1998

Wells Fargo Reasserts it Plays No Role in Union Dispute with Steel Company

PORTLAND, Ore. – Responding to the United Steelworkers of America's series of recent protests against Wells Fargo, the bank reasserts that it plays no role whatsoever in the dispute between the union and Portland-based Oregon Steel.

The protests are due to the union's continuing quarrel with the management of the mill operated by Oregon Steel in Pueblo, Colo. Union members struck the mill in October 1997 but settled the strike in December 1997. Because Oregon Steel has not re-hired all of the workers who were on strike, the union decided to target Wells Fargo, one of many lenders to the steel company.

The union campaign against Wells Fargo is aimed at forcing the bank to abandon a 22-year customer relationship to pressure the steel company into accepting the union's demands. Wells Fargo's business principals do not allow it to deny service to one customer, be it a large company, individual or union, simply because another customer urges it to do so. If positions were reversed and a company asked Wells Fargo to withdraw credit from an employee or union because of a dispute, the bank would likewise turn down such a request.

Not only do Wells Fargo's business principles require that it honor its commitments, the bank also has a legal obligation to Oregon Steel.

At issue with the union is a $125 million loan made to Oregon Steel by Wells Fargo along with eight other major banks in June 1996. The loan is for working capital and general corporate purposes. It was not made to provide financing related to the strike, as alleged by the union.

Wells Fargo is not a shareholder in Oregon Steel, as also alleged. The bank acts as fiduciary trustee for certain Oregon Steel shareholders, including Oregon Steel employees, but Wells Fargo has no direct investment in the company's stock.

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Panel 1
Karen Clark

Karen Clark
State Representative

District 61A
Minneapolis

Minnesota House of Representatives

HOUSING AND HOUSING FINANCE DIVISION, CHAIR
COMMITTEES: CAPITAL INVESTMENT; ECONOMIC DEVELOPMENT FINANCE DIVISION; ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE; FINANCIAL INSTITUTIONS AND INSURANCE

Statement of State Representative Karen Clark to the Federal Reserve Board of Governors

September 17,1998

Good morning. Thanks for this opportunity to provide public testimony. My name is Karen Clark. I am the State Representative for five inner-city neighborhoods in South Minneapolis. I am also the Chair of the Housing and Housing Finance Committee of the Minnesota House of Representatives and a member of the House Financial Institutions and Insurance Committee. I am worried that the proposed merger between Norwest and Wells Fargo will negatively affect my constituents in their access to banking and credit. The Phillips Neighborhood in particular which I both live in an represent has suffered from a history of neglect by banks. With 17,000 residents, we are the largest neighborhood in Minneapolis (more populous than 35 of Minnesota's counties) and yet we do not have a major banking facility located there. What does that tell you about the banking industry's relationships to lowest income district in the state?

As you may know the state of Minnesota is in the throes of a serious crisis in affordable housing. It is extremely hard to find an affordable unit of housing to rent or even to buy in many areas throughout the state, particularly in the inner city where the vacancy rate is 1.3 to 1.8%. That's critically below the 7% that's considered a healthy rental market rate.

2633 18th Avenue South, Minneapolis, Minnesota 55407 (612) 722-7728
State Office Building, 100 Constitution Ave., St. Paul, Minnesota 55155-1298 (612) 296-0294
Fax (612) 297-8128 TDD (612) 296-9896

It's estimated that we are lacking 38,000 units of affordable housing in the metropolitan area alone. The problem is both one of not producing enough new affordable housing and of not preserving what affordable housing we already have. If you would walk with me around my own neighborhood as I have recently been doing a lot lately, you would count at least 200 units of boarded or vacant houses in need of repair. Some of these are scheduled for demolition. But many of these homes could be repaired and purchased by our hard working, low-income families that often pay twice as much in rent than they would for a mortgage with renovation rolled in for that same or a similar house. We need Norwest's help to develop better home-mortgage products that would be more responsive to the particular credit needs of many of our hard working, low-income families in order to allow that to happen.

Last year in the state legislature we had an opportunity to help both rehabilitate and construct more affordable housing and had an unprecedented alliance with the private sector to do so. We proposed to that the state invest $40 million in a combination of State Housing Finance Agency funds and tax credits and the private sector, with strong leadership provided by the Minnesota Family Housing Funds, proposed to match that with $20 million. Together that would have leveraged another $180 million in private and federal funding for a total of $240 million in housing rehabilitation and new construction dollars for both home-ownership and rental housing. The result would have create 3000 affordable housing units. Unfortunately Governor Carlson vetoed all but $5 million for construction and rehabilitation. My understanding is that Wells Fargo recently pledged that if the merger is approved, they will lend $5 billion a year in California to minority and low-income customers for home mortgages, small businesses, and community development. Before Norwest moves its headquarters out of Minnesota to California, we need them to make a similar commitment to the people of the Phillips Neighborhood, to the people of Minneapolis a dn St. Paul, and to all Minnesotans. With their new savings and combined wealth they should become a major private sector leader to match the public commitment the legislature has already shown it would provide. Norwest and Wells Fargo have announced that this merge will save them $630 million a year on top of the already large profits these banks make. We clearly need them to put more money back into our community.

One other significant approach to increasing home-ownership opportunities that the merged Wells Fargo-Norwest bank could provide would be to raise the wages of its front line workers. My information is that the average wages of the workers who work in the banking industry are such that they can't afford housing in today's market without public subsidy. For example, a bank teller would need to earn $12.38/hour to be to afford the fair market rent for a two bedroom home which is $644/month or would need to earn $18.98/hour to rent a four-bedroom housing unit. My understanding is that many of Norwest and Wells Fargo bank employees don't earn that kind of wage. Raising their wages would be one way to help with the housing crisis and real community re-investment.

I am concerned that even though Norwest is the largest mortgage company in the country, they lag behind the other Twin Cities banks in their lending to people of color and in low-income neighborhoods, according to their 1997 records for conventional and FHA loans. What is Norwest doing to address this?

On the House Financial Institutions Committee, I have fought for fairer bank fees for low-income consumers and senior citizens. Many of my constituents have complained about exorbitant bounced check fees and how hard that is on a fixed income. We heard testimony in particular from many of our military veterans and pensioners. Now Norwest just raised their bounced check free from $21 to $25.

Norwest is one of the biggest depositories of state funds. In the 1998 Minnesota Legislature, I authored legislation which required that in order for a bank to have the privilege of being a state depository they would have to offer a lifeline checking account. Norwest fought this legislation. I authored legislation that would limit how much banks can charge for bounced checks and that would prohibit banks from using the practice of clearing a customer's largest check first to gain more bounced check fees. Norwest fought this legislation.

I am concerned that the Norwest/Wells Fargo merger will make banking even less affordable to low-income people. I understand that just this summer, Wells Fargo stopped honoring the free checking accounts for senior citizens who had been customers of First Interstate, the last bank that merged with Wells Fargo. Now, instead of having free checking, senior citizens have their choice between the Basic ATM Checking Account, which has a $5.50 monthly fee and requires customers to do all their banking at ATM's or they must choose the Stagecoach Checking Account which has a $9 monthly fee.

What assurances do we have that this won't happen in Minnesota? My constituents need to know and I urge that you help us get these answers before you allow the proposed merger to go forward. Again, thanks for the opportunity to testify. I would appreciate a response.

Panel 1
Malcolm Curley

NORWEST BANK SPEECH

Thank you for this opportunity to testify before the Federal Reserve. I bring greetings from a Nation within a Nation --The Navajo Nation.

My presentation will cover a few of the experiences the Navajos have had with Norwest Bank Arizona, N.A.. But before I move into these experiences, let me express the fact that the Navajo Nation is pleased and honored to have four Norwest Banks located within the boundaries of our reservation. Furthermore, we are proud to have gainfully employed qualified Navajos at these banks.

NAVAJO NATION COMMITMENT:

In late 1993, Norwest Bank Arizona made a ten-year, good-faith commitment to the Navajo Nation to do the following:

1. Open two full service banking facilities on the Navajo Nation and improve the two existing banking locations.

2. Originate $60 million in loans over a 10-year period.

3. Annual contribution of $5,000 to the Navajo Nation college scholarship program.

4. Establish a community advisory board comprised of seven member representatives from the Navajo Nation.

Norwest's record against the commitment so far had demonstrated the bank's sincerity and good faith in serving the people of the Navajo Nation. Norwest's performance on each of the above commitments through June 1998 is as follows:

1. Norwest Bank Arizona, N.A., had invested $4 million to build its four full service branches within the boundaries of the Navajo Nation. These offices make up Norwest's Northeast Bank. These branches are located in Window Rock, Tuba City, Kayenta, and Chinle. All four branch managers are of Navajo descent, and of the remaining 35 employees, all but two are of Navajo descent.

2. Over the first four and a half years of the 10-year lending commitment, Norwest had lent approximately $35 million dollars to the Navajo people. The commercial relationship with Norwest and the Navajo Nation Government is as follows:

   Navajo Agricultural Products
   - $7,000,000 Term Loan
   - 3,000,000 Line of Credit

   Navajo Arts and Crafts
   - 129,998.77 Term Loan

   Navajo Nation
   - 1,640,000 Term Loan
   - 7,500,000 Term Loan

   Navajo Housing Authority
   - 1,395,000

   Part of the $60 million commitment was a commitment for approximately $28 million in mortgage loans on the reservation. In order to help ensure that the mortgage lending goal is achieved, Norwest has obtained approval to offer the HUD 184 loan program on the Navajo Nation and has already closed seven (7) mortgage loans under the program.

3. Norwest has contributed to the Navajo Nation college scholarship program each year, in addition to various other charitable contributions to Navajo Nation events and non-profit organizations.

4. Norwest has had an active community advisory board in place on the Navajo Nation since 1994. The members of which are Navajo business and community leads. The community advisory board works with the local bank to provide input and to ensure that the bank stays in touch with local needs and is able to be responsive to those needs.

Conclusion
Norwest Bank has taken a bold step in banking with the Navajo Nation in that it is a pioneer from the financial community which has truly invested in our nation and has respected our sovereignty along this journey of developing our economic base.

INSIDE MORTGAGE FINANCE'S

Inside Mortgage Compliance

VOLUME IX, NUMBER 13 SEPTEMBER 7, 1998

Community Reinvestment

Wells Fargo CRA Pledge Puts NationsBank on the Defensive

Wells Fargo & Co. has pledged to lend an additional $15 billion over the next three years to lower-income and minority homebuyers in California to strengthen its proposal to merge with Norwest Corporation..

The new pledge is in addition to Wells Fargo's existing 10-year Community Reinvestment Act commitment of $45 billion made in 1996.

Two-and-a-half years into the commitment, Wells Fargo already has lent more than $14 billion or 31 percent of the goal, Wells Fargo President and Chief Executive Officer Paul Hazen reported last month in letters to the Federal Reserve Board and the Office of the Comptroller of the Currency.

The $15-billion program combines Wells Fargo's CRA loan and investment programs for community development lending, small business lending, and loans to low-income consumers. Also, it introduces a new category of single-family mortgage lending.

NationsBank Strategy Repudiated

California community groups, which had a hand in crafting Wells Fargo's CRA program, praised the new pledge, calling it a "repudiation of NationsBank's strategy of making no commitments to minorities."

NationsBank, whose application to acquire Bank of America was approved recently by the Fed, has been at odds with community groups for its continued refusal to sign any CRA agreement with any group.

With such a policy, many community groups on the East and West Coasts doubt that they could achieve a successful, lasting partnership with the bank as they had with Bank of America.

While NationsBank has pledged $350 billion to community development lending over 10 years, community groups say the pledge is lacking in specifics and not enforceable.

Although much smaller than NationsBank's pledge, Wells Fargo's three-year CRA lending goal outlines the following:

- $8 billion in small business and small farm loans, including loans of $50,000 or less to small community entrepreneurs;
- $2.5 billion towards affordable home mortgage lending to low-income borrowers, including FHA and VA loans in California;
- $3.5 towards community development lending; and
- $1 billion for low-income consumer loans.

Wells Fargo also plans to commit at least $100 million in CRA investments and corporate contributions in California over the next three years.

Wells Fargo's clear cut commitment has garnered the support of California groups such as the Greenlining Institute and the California Reinvestment Committee. Both groups have agreed to review the results of the three-year program on an ongoing basis.

"The new Wells [Fargo]pledge is a strong indication that [it] intends to aggresively compete against NationsBank for California's 17 million minorities," institute officials wrote in a letter to Greenlining's member organizations. "We believe that Well's new commitment, since it is based on past successes, should be the floor for any negotiations with NationsBank."

Greenlining officials said that in the long run, competing market forces, rather than the Fed's approval of the NationsBank acquisition, will determine if the acquisition of Bank Of America by an "absentee landlord" is a success.

The Greenlining Institute and other community groups have been urging NationsBank to lay out in detail the $350-billion community development lending program, just as Wells Fargo and three other major California financial institutions have done with their CRA programs.

No To CRA Pacts

But NationsBank has stubbornly resisted calls to sign CRA agreements with community groups.

"We generally have a policy of not signing agreements that say we are going to spend 'x' amount of dollars in this neighborhood or in this state because it simply takes away from the demand that's out there," explained NationsBank spokesman Scott Screidon. "In other words, the $350 billion is a target goal, a floor not a ceiling. If there is a demand for more than $350 billion we will be glad to make those loans."

NationsBank's philosophy is to meet the demand in the community, fostering long-term relationships with local and national partners around the country. These partners include the Enterprise Foundation, National Council of La Raza, and perhaps eight to ten more groups, said Screidon.

"To my knowledge those groups never asked us for any specific agreement because they know how we work and they know how much money we lend in the communities. Each of us meets our goal to do community lending," Screidon noted. "What we don't think generally works is to make a specific agreement to a specific group when we don't really know what the market is demanding out there."

The point of the $350 billion program, which is expected to go into effect when the acquisition of BofA is completed, is not for NationsBank to meet the CRA loan requirements but to be the number one community development lender in the country, according to Screidon.

"NationsBank already has been rated 'outstanding' and so has Bank of America in meeting CRA requirements. What we want is for people in communities across the country to see NationsBank and Bank of America as somebody they can turn to, that we are the people who get things done in the community," Screidon said. "Nobody could come close to pledging $350 billion to community development lending."

Targeted to borrowers with incomes at or below 80 percent of the median, the massive $350 billion program is divided into four categories. It includes

Deborah Saweuyer-Parks

Panel 2

REMARKS PREPARED TO BE ENTERED INTO THE RECORD OF THE FEDERAL RESERVE BANK OF MINNEAPOLIS PUBLIC HEARING MINNEAPOLIS, MINNESOTA SEPTEMBER 17, 1998

Distinguished Directors of the Federal Reserve Bank of Minneapolis, good morning...

I am Deborah Saweuyer-Parks, CEO of the Oregon Corporation for Affordable Housing (OCAH) in Portland, Oregon. We are a nonprofit syndicator of federal Low-Income Housing Tax Credits, and invest exclusively in affordable multifamily housing.

I am here today to testify in support of the proposed merger between Norwest Corporation and Wells Fargo & Company. If you will permit, I would like to request your indulgence and share OCAH's story.

My remarks this morning are designed to illustrate what can be done when a local nonprofit corporation partners with a large financial institution new to the Oregon market. Specifically, I am talking about Wells Fargo & Company.

I founded the Oregon Corporation for Affordable Housing five and one half years ago. Our aim was to raise capital from Oregon's corporate and financial community and reinvest that capital in multifamily affordable housing throughout the State of Oregon. It was my hope to demonstrate that it was realistic to merge social objectives with business goals, and create an opportunity that was worthwhile for both the public and private sectors. Our economy was robust so we planned to help to eliminate a social need in Oregon, which was to finance a portion of then projected 50,000 affordable housing units necessary to house over 100,000 working poor and their families.

The vehicle I created was the Oregon Equity Fund, a nonprofit limited partnership designed to provide equity to developers of affordable housing. I then proceeded to raise $20 million for our first fund. We called it by the very technical name of "Fund I"

As the story goes, the first $18 million was reasonably secured, the last $2 million was obtained only after my Chairman, Mr. John R. Olsen, placed a call to the former Vice Chair of the then First Interstate Bank. I certainly understood following that call that firmly established relationships could be a key to success.

Since Fund I was so successful, we decided to try our luck again and Fund II was conceived. Raising equity this time was extremely difficult at best. Former Fund I participants either created their own $100 million plus funds or merged with other financial institutions.

Even the former CEO of First Interstate retreated from an earlier indication of an investment equal to the first one.

After some months past, I went to the newest bank town, Wells Fargo & Company. I spoke with the Executive Vice President and asked if the bank had an appetite for this type of affordable housing investment. She instantly said yes and added "by the time you return to your office (which is just across the street) I'll call your office with the name of the person you should call." True to her word, by the time I got across the street, she had already called and left a message to call Karen Wegman. I then left for a meeting and upon my return to my office, Bob Taylor of Wells Fargo called and arranged a meeting with me. Six weeks later, after a thorough due diligence by the bank, Oregon Equity Fund II had a new $4 million partner, Wells Fargo & Company.

One year later we decided to launch Fund III. By this time we had $37 million in corporate investments and provided 721 units in communities throughout the state. But it was not enough, our housing crisis continued to escalate. We aggressively moved forward with Fund III. After documenting the results from Fund II and showing the housing product in the portfolio, I again asked Wells Fargo & Company to invest. This time our request was for $10 million. They said yes and also agreed to make the partnership a $10 million dollar bridge loan.

For my Board, and those of us who manage the Fund, the level of commitment demonstrated to date by Wells Fargo & Company has been extraordinary. Our combined funds now stand at $63 million, $16 million of which came from Wells Fargo & Company and represents the largest investment in the Funds. We currently have approximately $8 million left and we expect to place the balance within six months.

Have we rid our state of its affordable housing crisis? No. But we have made unbelievable strides to house people in communities throughout the state. The following are a few examples of the results that we were able to achieve because of Wells Fargo & Company's investment:

- In Medford, a southern Oregon community, we invested in 80 townhome units comprised of 1, 2, 3 and 4 bedrooms, for families earning 60 percent of area median income. No affordable multifamily housing had been built in Medford for more than 20 years.

- In Ontario, located in the Eastern Oregon bordering Idaho, 40 units for farmworkers and their families were built. This project represents the first new construction in over 10 years and it is the most beautiful development in town.

- In Cannon Beach, on the Oregon coast, my personal favorite. This is a very affluent community and one that was extremely resistant to providing housing to "those people" who were employed as service workers in the town. Many of these workers commuted over 150 miles daily to their local jobs in shops or restaurants in town. This 4-plex and duplex community is in an absolutely gorgeous setting. There have been many instances of people mistaking this development as condos and inquiring about the price of purchasing one. Of course, we turn down all offers.

- Then there is Twelfth Avenue Terrace, 118 units for seniors located in downtown Portland. It is not just a place to call home, it is the embodiment of community and these formerly homeless seniors are thriving.

- The Bill Healy Family Center, our national award recipient in the Pacific Northwest, located in the central Oregon community of Bend. Wells Fargo & Company is also the construction lender on this one. Half of the units were set aside for formerly homeless families, all of whom were employed, living in their cars, vans, and shelters or with friends. It is a beauty and this project enjoyed overwhelming financial support from the local corporate community. Mt. Bachelor, Broken Top and others sponsor ski lift days and the "Jazz at Broken Top" as an annual fundraiser to help pay for on-site childcare and other services for families.

- In Eugene, located in the Mid Willamette Valley, are two affordable housing communities, Walnut Park and Willakenzie Townhomes. My Chairman loves to tell how he drove past Willakenzie Townhomes the morning of the opening celebration, because he could not believe this lovely gated development could be affordable housing. In this development, over 57 families are being served.

- McCoy Village is located in Portland's inner city and houses 55 individuals and families. This site had been vacant for more than 29 years, a true blight on the community. The site's condition was unspeakable. Now this project can honestly be deemed the jewel on Martin Luther King, Jr. Blvd.

The seven examples I have highlighted speak to the results that Wells Fargo & Company's capital produced and I could offer nine more examples, one of which is located in Washington state. The profound impact on communities large and small in Oregon, Washington and soon Idaho, show us how corporate dollars can produce immeasurable benefits to rural and urban communities and their residents. Decent, attractive, safe and sanitary affordable housing empowers the adult tenants and brings pride, not shame, to the faces of children.

Wells Fargo & Company has done so much for Oregon. They have proven their commitment to Oregon and throughout the Northwest in so many ways, even more than other banks with a longer history in the state. To cite a few examples:

* $600,000 for Portland Public Schools when the schools experienced a funding crisis due to property tax reforms;
* $100,000 to Umpqua Community Development Corporation in Roseburg;
* $416,000 to the United Way of Oregon;
* $100,000 to the Albina Community Bank, and Wells was the only financial institution to make such an investment in this bank which was established to serve a population formerly denied access to capital for homeownership or small business development;

* $100,000 to the High Desert Museum in Bend, also the location of the Bill Healy Center;
* $100,000 to Mercy Housing, located in Seattle;
* $50,000 to "Start Making A Reader Today" (SMART);
* $30,000 to Oregon Public Broadcasting;
* $15,000 for the Oregon Council for Hispanic Advancement;
* $15,000 for Farmworker Housing Development Corp. in Woodburn;
* $15,000 to the Oregon Shakespeare Festival in Ashland;
* $12,500 to the Confederated Tribes of Umatilla for their interpretive center;
* $5000 to the Boys and Girls Club in Medford for a summer camp for disadvantaged children.

For the record, it should be noted that I am not a bleeding heart liberal. In fact, some in my industry have referred to me as fiscally conservative -- all business and too corporate and insensitive. In some ways I concur with their sentiments, but would add that I have the best possible job. I can think of very few opportunities where I can utilize my finance skills and have the privilege of produce housing which we can all be proud. Quality of life and livable communities is the mantra the public hears. My staff, the Board and I are in the trenches working toward those goals.

I can say unequivocally that, OCAH could not have done its works without Wells Fargo & Company. Our expectation for the future, if the merger is approved, is that our partnership with the new bank will expand.

On OCAH's drawing board are projects that are mixed-income and mixed-use multifamily rental housing and single family housing for first-time homebuyers of modest means. These kinds of demonstration projects are not possible without committed corporate partners such as Wells Fargo & Company.

On behalf of my Board and staff we are bullish on the proposed merger between Norwest Corporation and Wells Fargo & Company. I regret that my talk did not include specifics about Norwest Corporation, but I will tell you that they have the first mortgage on our home.

In all sincerity I have heard about the good works Norwest Corporation has done from people in the field. And I am confident that the new entity that emerges from this merger will have a greater commitment to the people of Oregon and the Northwest.

With that I thank you for your indulgence and say it was my pleasure to come before this esteemed body.

Any questions…

KIRSTEN BANSEN
Panel 2

Public Testimony

Regarding the proposed merger between Norwest Corporation and Wells Fargo & Company

Minnesota Housing Partnership

9/17/98

The Minnesota Housing Partnership is a nonprofit, membership-based organization whose mission is to address the need for affordable housing existing throughout Minnesota. One of our major functions is to support the nonprofit housing development industry, particularly the work of nonprofit housing developers in rural parts of the state. It is on behalf of our member nonprofit housing groups that we address the topic of the proposed merger between Norwest Corporation and Wells Fargo & Company.

Before expressing our concerns related to the merger, we must make note of the value of Norwest Corporation to Minnesota nonprofits working in the field of affordable housing. Norwest has been a generous and consistent supporter of nonprofit developers and housing agencies in many Minnesota communities. For example:

- Norwest has committed five years of funding at an interest rate of one percent to the 27 Minnesota-based affiliates of Habitat for Humanity.
- Norwest was an initial sponsor and has been a constant supporter of the Home Ownership Center, the organization funding and assisting nonprofit housing counseling programs in the Twin Cities.
- Norwest has been a major contributor to the Twin Cities and Duluth programs of the Local Initiatives Support Corporation (LISC). LISC provides technical and financial support to Community Development Corporations operating in these cities. And

through LISC's affiliate the National Equity Fund, Norwest has invested $8 million in nonprofit sponsored low-income housing tax credit projects.

- Norwest was one of the founding members and is a continuing supporter of the Greater Minneapolis Housing Corporation, a nonprofit innovator of home owner assistance programs.
- And, Norwest has been a major contributor to nonprofit housing agencies in smaller communities, such as in Rochester, where it was the first significant funder of Community Housing Partnership, a development agency serving two southeastern Minnesota counties.

In addition to the direct financial support provided nonprofit housing agencies, Norwest indirectly supports the work of these agencies in two important ways. First, Norwest has been a major supplier of capital to the state housing finance agency whose programs are utilized by nonprofits across the state. Second and most importantly, Norwest through its many branches in Minnesota, particularly in smaller towns, provides a source of community leadership. Frequently, Norwest branch managers and loan officers contribute their financial expertise and advocate on behalf of community development projects, and thereby enable nonprofit agencies to make Minnesota communities more viable.

Indeed, Norwest has been a valuable partner with the nonprofit community development industry in Minnesota. However, it is because Norwest has been so significant to this industry in Minnesota that we ask for concrete assurance that the merged corporation, once headquartered in California, will not forget its reinvestment obligations in this state. We agree with Minnesota's U.S. Representative Bruce Vento that there is a risk that the bi-coastal concentrations of financial services may well lead to diminished community involvement and investment in the nation's heartland.

In a September 10 letter to the Federal Reserve Bank of San Francisco, Stanley Stroup, the Executive Vice President and General Counsel of Norwest Corporation, addressed many of our concerns. Mr. Stroup wrote that, post-merger, the strong ties to Minnesota will remain, branch locations will not be changed, and the bank will remain a member of the Des Moines Federal Home Loan Bank.

It is vital to Minnesota that the merged institution follow through on Mr. Stroup's assurances. In addition to what Mr. Stroup wrote, however, we believe that it is equally important that as part of this merger Wells/Norwest make a community investment pledge to Minnesota and other states in its service region similar to the multi-$billion commitment to California. Wells/Norwest should make parallel pledges to these states proportionate to the one made in California, based on relative amounts of deposits obtained by the bank from the respective states.

In conclusion, we appreciate what has been done and what has been promised by Norwest Corporation and Wells Fargo & Company; but we also believe that the risks to our state are high. Minnesota is losing one of its most important corporate headquarters. In addition to the general commitments made by these banks to Minnesota, Norwest/Wells should identify a dollar amount that they can commit that will enable Minnesota and like-states to meet their needs for community reinvestment.

Thank you for considering our comments.

"Bridging the Gap: The Marriage of High-Tech and High-Touch Banking"

Prepared Remarks Before the

Public Meeting Regarding the Proposed Merger
Of Norwest and Wells Fargo
Federal Reserve Bank of Minneapolis
Minneapolis, Minnesota

Presented Thursday, September 16, 1998

By:

John Bryant
Founder, Chairman
Chief Executive Officer
Operation HOPE, Inc.
Operation HOPE Banking Centers

Goodwill Ambassador to the United States of America
Partners for Development Initiative
United Nations Conference on Trade and Development

800 West Sixth Street, Suite 1200
Los Angeles, California 90017
213-891-2900 – Office
213-489-7511 – Facsimile
www.operationhope.org

"Bridging the Gap:
The Marriage of High-Tech and High-Touch Banking"

First and foremost, thank you all for inviting me here to provide testimony before you today at the Federal Reserve Bank of Minneapolis, on the occasion of the proposed merger by and between Norwest Corporation and Wells Fargo & Company, holders of national bank and, in some cases, state banking licenses, with respect to the proposed mergers' impact on the Community Reinvestment Act, otherwise known as CRA.

Allow me to begin my prepared remarks by reminding us all that CRA is not a government mandated corporate give away program, or that "minority thing" a company does, nor the "loss-leader" activity a financial institution engages in - in order to simply continue to conduct its normal or traditional business practices. As the Hon. Ellen Seidman, Director of the Office of Thrift Supervision, the Hon. Eugene A. Ludwig, Vice-Chairman of Bankers Trust and our former U.S. Comptroller of the Currency, as well as senior representatives of the Federal Reserve Bank system and the FDIC have noted, CRA simply means *"new markets."*

Former U.S. Comptroller Ludwig often referred to "the democratization of credit" in America as it relates to the historic evolution of credit availability, and access to credit in this country. In fact, in the year 1901, most middle-aged, middle income Caucasians - arguably the standard that modern day credit criteria has been fashioned around - *could not themselves obtain credit*; precisely because the only credit available in 1901 was a commercial credit. Continuing along this line of thought, one of the safest and most acceptable forms of credit collateral during this time was in fact inventory – one of the least perceived safe, or preferred forms of collateral, today. The point here is that CRA is not about some new form of social subsidy, but a serious new, substantial and permanent evolution in the democratization of credit process. Low to moderate income communities are growing segments of our larger national economy and community, and as such, should represent a substantial component of any bank's future business strategy.

Turn my attention to this new merger proposal, let me say that the company I know best here is Wells Fargo & Company, commonly referred to as Wells Fargo. It is of course no secret that Wells Fargo has moved aggressively away from the traditional branch network system that most of us grew up on, and for the most part are use to; and they have likewise moved towards a technology and information systems based approach to banking. It is also fairly common knowledge within the bank that I have on occasion "spared" with Wells Fargo officials, concerning the impact of this strategy on urban, inner-city and under-served communities. This said, oddly enough, from a business perspective, I happen to believe that the bank's overall strategy is a smart one. Branch banking, as we know it, is a memory of the past; ...but our communities, are not.

Wells Fargo's general success with this new approach to banking over the past few years is precisely why Wall Street investors love their stock. The downside to this general strategy unfortunately, is that relationship based communities were less than thrilled. Wall Street is a "left brain" thinker, and communities tend to be more contextual in their orientation – or what I call "right brain" thinkers. In short, communities were saying, "...we want high-touch too, Wells Fargo."

To the bank's credit, in time they began to realize that there was a true win/win business value that existed in retaining both a high-tech and a high-tech focus at the institution. Our recent $1.4 million partnership between Operation HOPE, Inc. and Wells Fargo, to build and operate our third Operation HOPE Banking Center, located in the low-income Watts/Willowbrook community of Greater Los Angeles, is in our opinion but one of the many examples of how the bank has successfully moved of late to "bridge this gap." This new Operation HOPE Banking Center, like the two currently operating in Black and Latino under-served communities of Los Angeles, will focus on <u>economic education, borrower readiness, and credit availability</u>; <u>in that order</u>. Our $32 million in performing loans and investment commitments, and over 20,000 adults and youth educated (for free) in the area of economic education and economic literacy, suggest that this is a strategy that works.

We are pleased that Wells Fargo was able to see the bigger picture, and then to adapt their business model to include a "make sense," outside viewpoint and perspective.

I also would like to note, for the record, that we do business with people, and not companies. And without a doubt, I know that one of the reasons that the bank decided to ultimately move on our proposal, and other good ones like it, was the organizational focus and leadership provided by the Wells Fargo Community Development Group, and the Wells Fargo Foundation. But saying this means nothing, without talking about a certain Ms. Karen Wegmann, or Tim Hanlon, who even serves on our Board of Directors at Operation HOPE, Inc., or Brenda Ross-Dulan and other good individuals there like Jonathan Weedman, that are all in the business of making things happen. Sure, we disagree on occasion, but we return each other's calls also. Our communities know these people, and more importantly, they know and understand our communities. Its called mutual respect.

And this, my final point, is I believe, a critical one. In principal the Norwest/Wells Fargo marriage should be a good and successful one. One that addresses the needs of served and under-served communities alike. After all, Norwest is best known for its successful "high touch," community banking approach to doing business, and Wells Fargo, as I have already noted, is an industry leader in information technology and electronic banking. High-tech, and high-touch should be possible. But the serious concern I have, once again, is strategy, approach, priorities and people.

With great respect, generalized strategies and approaches used successfully in the past by Norwest, possibly in the mid-west and other regions of this country, simply will not fly in California; which I might remind everyone is the largest banking market in the continental United States. Just like the City of Minneapolis, Minnesota requires that all new buildings in downtown Minneapolis connect to *neighboring buildings*, by way of a secondary enclosed walkway network called the Skyway, community development organizations in California and other cutting edge regions, have a different relationship with their banking partners.

As an example, in Greater Los Angeles alone you have a John Mack and the Los Angeles Urban League, with an annual operating budget of $18 million, or a Dr. Cecil "Chip" Murray and his 17,000 member First A.M.E. Church, with its 176 full-time employees, seven operating subsidiaries, and property ownership one block or more in each direction, leading from the church. Or take David Lizarraga of TELACU, a Latino non-profit/for-profit corporation with $200 million in annual revenues, or Bishop Charles E. Blake and his 18,000 member West Angeles Church of God in Christ, who is building a new $50 million cathedral in South Central Los Angeles, financed in part by Wells Fargo, which will in turn help to create yet another $100 million in local spin-off economic activity in and around the (inner-city) Crenshaw Corridor area. Or take, Operation HOPE, Inc., a growing six year-old non-profit organization with more than three quarters of a million dollars on deposit at any one time in local financial institutions. And these community development institutions are but a handful of those that makeup the Southern California landscape. I guarantee you they will not respond well if they are told that they no longer have access to a local, centralized decision making body, such as the Corporate Community Development Group and/or the Foundation, but must *now* talk to some local branch manager or community lending officer they don't know, and who at most, has limited organizational access and line authority.

In short, in California, as in other progressive regions of the country where this merger will have direct impact, you are dealing with sophisticated and visible community development institutions, and in most cases sophisticated leaders that run them. Individuals and institutions that believe passionately in the democratization of credit model. They *believe* also that CRA means new markets, and desire to work with a strong and credible banking partner that respects the work that they do in these emerging markets. An institution that views their organizational mission, and their mandate for community change, as significant, important and meaningful. In short, "they get it," and they are hoping that you do too.

And so, I stand before you today prepared to support the proposed merger between Norwest and Wells Fargo, with the proviso that the institution we ultimately end up with is an enhancement of the high-tech, high-touch model that Wells Fargo was beginning to build, and not simply yet another mega, one-size fits all banking conglomerate, insensitive to the needs of the served and under-served markets they have assumed responsibility to serve. Because, if the reality is the latter and not the former, as we would say where my mother and my father grew up, ... *"that dog, ...don't hunt."*

In closing, I suggest that the merged entity proceed with a combination of sensitively and common sense, monitor and review its outcomes regularly, and **stand prepared** to change and refine its business strategy and operating plan, if necessary.

Thank you.

John Bryant

Biography and Credentials

John Bryant, appointed August 25, 1998, by the United Nations Conference on Trade and Development (UNCTAD) as the **United Nations Goodwill Ambassador for the Partners for Development Initiative to the United States of America**, is the Founder, Chairman of the Board, and Chief Executive Officer of Operation HOPE, Inc., America's first non-profit investment banking organization. Totally committed to the social and economic revitalization of urban, inner-city and under-served communities, Operation HOPE, Inc. also serves as a growing national voice for minority and urban economic empowerment. Mr. Bryant is also Chairman and Chief Executive Officer of the growing network of Operation HOPE Banking Centers, which are for-profit subsidiaries of Operation HOPE, Inc., and an innovative new model for banking under-served communities.

On May 4, 1998, John Bryant became the first African-American in history to be **knighted by the House of Lippe and Germany nobility**. On this date in Munich, Germany, he was created a Knight Commander in the venerable House Order of Signum Fidei, founded in 1269, by H.S.H. Prince Friedrich Wilhelm Victor Alexander zur Lippe, head of the House of Lippe in Germany. Mr. Bryant was also selected December 5, 1994, by TIME Magazine as **"One of America's 50 Most Promising Leaders of the Future."**

Noteworthy as well, Mr. Bryant was selected, by Black Enterprise Magazine in August, 1995, as **"One of 25 Future Leaders to Watch,"** by Swing Magazine in January, 1996, as **"One of the 30 Most Powerful Twentysomethings in America,"** and by the Los Angeles Business Journal on March 18, 1996, as one their distinguished **"40 Under Forty,"** a list of top local business leaders. In May, 1997, Town & Country Magazine, the oldest published magazine in the United States, listed Mr. Bryant amongst 25 individuals in the country that represented for them **"The New Breed of Philanthropic Leaders."**

With respect to the TIME honor, Mr. Bryant joins a distinguished list of 50 young leaders under the age of 40, including Bill Gates, John F. Kennedy, Jr., and Governor of Indiana Evan Bayh, all of whom were chosen, in the words of TIME Magazine, *"for their significant social contributions, visionary entrepreneurial spirit and potential as future national leaders."* Former designees include Barbara Walters, U.S. Senators Sam Nunn and Ted Kennedy, and United States President Bill Clinton.

Mr. Bryant also serves as Chairman and Chief Executive Officer of the Bryant Group of Companies, Inc., a privately held business involved in investment banking and several business partnerships. Mr. Bryant serves on several corporate boards, including serving as a member of the Board of Directors and a member of the Audit Committee for **Southern Pacific Bank**, an FDIC insured financial institution with $1.8 billion in assets, and a former member of the Board of Directors for **3-Day Blinds, Inc.**, a major retailer and employer in the western United States. Mr. Bryant is an instructor for small business and entrepreneurship at UCLA Extension, Department of Business & Management.

Born February 6, 1966, and having established a solid track record of accomplishment, starting his first business at age 10, Mr. Bryant is today one of America's most celebrated young entrepreneurs. Mr. Bryant has received numerous awards and honors, including being cited by United States Presidents Ronald Reagan and George Bush for his outstanding business and community work, recognized twice as one of America's Top 100 Young Entrepreneurs; named one of California's Top 100 Business Leaders by *California Business Magazine*; and the recipient of the Reginald F. Lewis Entrepreneurship Award from the Howard University School of Business, the Multi-Cultural *Bridge Builder* Award from the Korean American Coalition, and the Life Enrichment Award from the Charles R. Drew University Mr. Bryant has also had the honor of serving as a United States delegate to Japan, China and Korea, on business and cultural exchanges. In 1994, Mr. Bryant was invited to participate in the 19th Japanese External Trade Organization, Export to Japan Program, as a guest of the Japanese Government. And in June of 1995, United States President Bill Clinton invited Mr. Bryant to be a panel participant in the White House Pacific Rim Economic Conference, held in Portland, Oregon. In 1997, Mr. Bryant was invited to participate as a delegate and panel participant in the IV African-African American Summit, focused on economics, health and education, and founded by Dr. Leon H. Sullivan, in Johannesburg, South Africa, Harare, Zimbabwe.

Viewing community service as important in his life, Mr. Bryant serves as Vice-Chairman of the Board for the California African-American Museum Foundation, the Board of Directors for Teach for America, a national non-profit organization, RLA (Rebuild LA), the Board of Trustees for First A.M.E. Church, Los Angeles, and the Executive Advisory Board for the FAME Renaissance Program (a micro-loan lender funded by the Disney Corporation.

Having gained national recognition as a leader, an expert on urban renewal, and someone to be counted on to deliver results, Mr. Bryant is a sought after guest speaker for major corporations and professional organizations, and serves as a resource to national and international media outlets, such as CNN. Mr. Bryant has been featured in several prestigious publications, including the *New York Times*, *Wall Street Journal* and the *Los Angeles Times*. In May 1997, Mr. Bryant was featured in the book *"Face Forward: Young African-American Male Images, In A Critical Age,"* and was one of three individuals from the book selected to be highlighted on *The Oprah Winfrey Show*, July 10, 1997.

In the words of U.S. Comptroller of the Currency, Hon. Eugene A. Ludwig, who is the nation's top banking regulator, "John Bryant is the *People's* entrepreneur..."

The Effect of Clearing the Largest Check

This is from a real statement of a Norwest customer. These were the only transactions during this period. It has been organized here according to date and Norwest's policy of clearing the largest check first. A customer's statements are usually not so easy to understand .

On April 30, four checks come in. By clearing the largest first (the $20.72), the three smaller chekcs bounce and the customer is charged $63 for three overdrafts. Note that the three smaller checks ($7.23, $6.15, and $6.35, total = $19.73) could have been paid from the $24.68 balance and left only the largest ($20.72) to bounce. Note also that the same day the customer is charged the $63, she has two SSI direct deposit checks entered, as she had regularly done.

DATE	TRANSACTION	AMOUNT	BALANCE
4/25/97	Beginning balance		$158.42
4/26/97	Check	$12.31	$146.11
4/29/97	Card Purchase	$13.41	$132.70
4/29/97	Check	$47.11	$ 85.59
4/29/97	Check	$20.74	$ 64.85
4/29/97	Check	$19.08	$ 45.77
4/29/97	Check	$12.52	$ 33.25
4/29/97	Check	$ 8.57	$ 24.68
** 4/30/97*	*Check*	*$20.72*	*$ 3.96*
** 4/30/97*	*Check*	*$ 7.23*	*- $ 3.27*
** 4/30/97*	*Check*	*$ 6.35*	*- $ 9.62*
** 4/30/97*	*Check*	*$ 6.15*	*- $ 15.77*
5/1/97	Overdraft Charge	$ 63.00	- $ 78.77
5/1/97	Direct Deposit -SSI	$470.00	$ 391.23
5/1/97	Direct Deposit - SSI	$470.00	$ 861.23
5/1/97	ATM w/draw	$ 20.00	$ 841.23

Robert Gnaizda
Panel 4

THE GREENLINING INSTITUTE

785 MARKET STREET, 3RD FLOOR SAN FRANCISCO, CA 94103-2003
PHONE: (415) 284-7200 FAX: (415) 284-7210 http//www.greenlining.org

August 27, 1998

Alan Greenspan
Chairman
Federal Reserve System
20th Street & C Street, NW
Washington, DC 20551

Alice M. Rivlin
Vice Chairperson - Governor
Roger W. Ferguson, Jr.
Governor
Edward M. Gramlich
Governor
Laurance H. Meyer
Governor
Robert deV. Frierson
Associate Secretary of the Board

WELLS FARGO/NORWEST MERGER: GREENLINING STRONGLY SUPPORTS CRA COMMITMENT

Dear Chairman Greenspan, Governors and Associate Secretary Mr. deV. Frierson:

Greenlining Institute has been active in CRA protests since 1981. We have carefully analyzed the new Wells Fargo CRA commitment of August 21, 1998 and have been auditing the 1995 Wells Fargo commitment since 1996.

We strongly support this CRA commitment. Because we have criticized America's largest CRA commitment and urged hearings (NationsBank/BofA), we thought it might be helpful for us to distinguish between the two pledges.

1. Unlike NationsBank's hollow pledge,[1] this is an enforceable pledge. The key community groups involved in developing the pledge will meet with the CEO on a semi-annual basis and will be given all necessary data in advance.

[1] Greenlining letter to Federal Reserve of July 28, 1998.

$180 billion for small business lending; $115 billion for affordable housing; $30 billion for general consumer lending (general purpose loans, auto loans, home equity loans); and $25 billion in loans to community development corporations, CDFIs and urban and rural economic development programs.

Bank Retaliates

NationsBank has not taken criticism of its CRA policy lightly, the Greenlining Institute reveals.

In an August 20 letter to member organizations, Greenlining officials reported NationsBank's retaliation against the *American Banker*, a daily newspaper serving the financial services industry, for a commentary it published on August 4.

Authors John Gamboa, executive director of the Greenlining Institute, and Mary Ann Mitchell, chairwoman of the National Black Business Council, criticized NationsBank's $350 billion program for its vagueness and urged it to follow the example set by Washington Mutual, Inc.

The Seattle-based thrift's acquisitions of American Savings Bank and Great Western Bank over the past two years have resulted in specific CRA commitments that have won the support of community groups.

Greenlining officials said NationsBank President Kenneth Lewis reacted angrily to the article and ordered all of NationsBank's approximately 250 subscriptions to the *American Banker* to be cancelled. They refer to an August 4 note allegedly written by Lewis in which he essentially ordered the cancellation.

Addressed to the "general bank management team," the note read: "I do not know if all of you read the *Comment* entitled *"NationsBank Could Learn A Lesson from Wamu"* in the *American Banker*. If you did, I am sure you are as offended and angry as I am about an industry newspaper doing such a thing. Given that we are focused on expense savings, couldn't we do without this newspaper?

I obviously think the answer is 'yes' and, therefore, I am canceling my subscription." the memo continues. "I think we should cancel all other subscriptions in the General Bank, including the support units. Please let me know if you feel differently. If I don't hear from you, I will assume you have taken the same action that I have."

The order was swiftly carried out, Greenlining officials said.

Screidon said he has no knowledge of the letter.

American Banker editor-in-chief Phil Roosevelt declined to comment. ❑

2. Unlike NationsBank, the headquarters of the new bank (including its CEO) will be located in the primary geographical area served.

3. Unlike NationsBank, this pledge is geographically specific.

4. Unlike NationsBank, this pledge had very substantial and widespread community input (240 groups) before being finalized.

5. Unlike NationsBank, this pledge is specific as to assisting the most underserved - for example, specific minority and low-income goals for business and home lending.

6. Unlike NationsBank, the philanthropic investment commitments are oriented toward the underserved (*"toward the barrio, not the ballet"*) and represent a substantial percent of pre-tax income.

7. Unlike NationsBank, CRA-related commitments have been made for women/minority owned contracts to small inner-city businesses and for the diversity goals Chairman Greenspan so eloquently supported during his Jan 16, 1998 diversity remarks on Wall Street.

8. Unlike NationsBank, Wells has had a policy of not investing abroad and instead, investing in the inner-city (*"Los Angeles, not Leningrad"*). In contrast, see, for example, BofA's 600 million dollars at-risk in Russia and 3.1 billion dollars at-risk in South Korea.

9. Unlike NationsBank, Wells has had a long history of securing community input and meeting longterm CRA commitments.

Please keep us informed if there is a public meeting and please put us on the list to receive all comments.

Sincerely,

John C. Gamboa
Executive Director

Robert Gnaizda
Policy Director and
General Counsel

cc: Julie Williams, U.S. Comptroller of the Currency
Karen Wegmann, Wells Fargo Bank

ADAM HOLDORF
Panel 5

WASHINGTON REINVESTMENT ALLIANCE
2407 1st Avenue, Suit: 200
Seattle, WA 98121-1311
phone: (206) 443-9935 x124 fax: (206) 443-985 | email: reinvest@wolfenet.com

Testimony before the Board of Gov rnors of the Federal Reserve
on the Proposed Merger between Wells Fargo and Norwest Corporation

Prepared Testimony of Ms. Sharon H. Lee
Executive Boardmember
Washington Reinvestment Alliance
(written statement)

Thursday, Sept. 17, 1998

SUMMARY OF TESTIMONY
The Washington Reinvestment Alliance (WRA) supports a conditional approval of acquisition of Wells Fargo and Co. by Norwest Corp., based on the unsatisfactory performance of Norwest's operating subsidiary, Norwest Mortgage, in meeting the needs of low-income homebuyers in Washington state. The acquisition should be approved conditional to the merged company seeking to resolve Norwest Mortgage's poor mortgage default record with a greater training and technical assistance commitment, and establish a target on single-family low- and moderate-income customers that reflects the combined banks enlarged market share.

TEXT OF TESTIMONY

Honorable Governors of the Federal Reserve:

The Washington Reinvestment Alliance (WRA) offers testimony regarding the merger of Wells Fargo and Norwest Mortgage. The WRA is concerned that Norwest's poor record of mortgage lending to low- and moderate-income communities within Washington state will result in this merger's negative effect on these communities.

Wells Fargo's presence in Washington has been marked by honest efforts to expand services to low- and moderate-income communities. In 1996, when Wells Fargo acquired the Washington branches of First Interstate Bank, they attempted too quickly to change the locally-based culture of First Interstate's lending and corporate giving arrangements. This rupture in corporate cultures, combined with mishaps in customer service related to the acquisition, caused Wells Fargo's new customers to withdraw twelve to fifteen percent of their deposits from the bank. Despite this loss in anticipated market share, the bank has made some progress in community reinvestment performance. Wells made contact with the WRA to discuss the merger's impact on community reinvestment in the state. In addition, Wells has made investments and contributions that First Interstate had previously avoided. The bank has concentrated on corporate giving and investments for community economic development, with such groups as Cascadia Revolving Loan Fund and Seattle Jobs Initiative benefiting from their investments program.

Norwest Mortgage's performance has not been so praiseworthy. While this operating subsidiary of Norwest Corp. enjoys the largest market share of any mortgage lender in Washington, it has made no special efforts to help low- and moderate-income communities. Besides a small grant for the homebuilding organization Habitat for Humanity, the company makes no contributions within the state. Unlike its mortgage branches in states with Norwest Bank branches, Norwest does not widely offer mortgage products to Washington borrowers that help the bank earn credit under the CRA. In 1997, the company made 50 percent more Downpayment Assistance Program (DAP) loans in South Dakota - where it originated at least six times fewer loans to low- and moderate-income borrowers - than in Washington. Low- and moderate-income borrowers in Washington could greatly benefit from a greater number of DAP loans.

Analysis conducted by the Fremont Public Association (FPA), a HUD-certified agency that provides mortgage default counseling based in Seattle, shows that Norwest's default rate is much higher than area lenders in proportion with its market share. In 1996, Washington Mutual originated 6.15 percent of HMDA-reported loans to low- and moderate-income census tracts in the Seattle-Bellevue-Everett metropolitan statistical area (MSA). Washington Mutual accounts for only 5.5% of FPA's client caseload, putting that bank nearly on par with its market share. Of Washington Mutual's troubled borrowers, the FPA was successful in helping these clients bring the loan current or negotiate a repayment 82 percent of the time. Norwest Mortgage, with a market share of five percent of loans originated to low- and moderate-income census tracts in the same area, accounted for ten percent of FPA's caseload. The FPA was successful in helping to save the home only 30 percent of the time. This data shows that Norwest's clients, at least in the Seattle area, run a higher risk of defaulting on their loans.

Norwest has also been a difficult lender to work with on servicing issues. In one instance, the FPA had a client with multiple health problems. She was forgetful and difficult to work with. Certain Norwest staff refused to take her calls, so the FPA stepped in to advocate on her behalf. FPA counselors had to speak with no less than six Norwest staff, and had to make no less than ten calls to sort out the issue. The end result was positive, but it was difficult the whole way through.

Norwest's inconsistent service is replicated on a statewide level. Norwest originated 2,223 FHA-insured mortgage loans in the Spokane jurisdiction in FY 1997, ranking second in the number of FHA loans made. Yet Norwest's default rate on these loans was higher than 12 of the 24 lenders surveyed. In Seattle, the record is worse: Norwest Mortgage ranked 34th out of 43 lenders in loss mitigation performance. The bank is the largest mortgage lender in the state, and it uses FHA insurance - public money provided by HUD - to cover its losses very frequently. Based on these facts, the WRA can only conclude that Norwest is using its giant market share and its plentiful supply of HUD-insured mortgages to originate loans without supporting its low- and moderate-income borrowers.

In sum, the WRA has indications that Norwest Mortgage has had a significant, negative impact on low- and moderate income communities protected under the Community Reinvestment Act. To ensure that mortgage lending becomes more supportive of the community in the wake of the merger, the WRA recommends the following measures be taken by the combined company:

- Lending officers employed at Norwest Mortgage's Washington state branches receive training to provide more customer-centered servicing of their loans, including specific training in preparing loss mitigation plans in cooperation with borrowers at risk of mortgage default.
- The combined company make a significant lending target on single-family home loans to low- and moderate-income individuals and census tracts and minority homebuyers. This commitment should anticipate the larger share of customers that currently receive home loans through Wells Fargo.
- The combined company contribute $1.25 million to home pre-purchase and mortgage default counseling agencies over the next five years.

Thank you for your kind consideration of these comments.

Sincerely,

Sharon H. Lee
for the Washington
Reinvestment Alliance

MARY TINGERTHAL
PANEL 6

Testimony Re: Merger of Norwest and Wells Fargo Banks
Mary Tingerthal, President and CEO
National Equity Fund, Inc.
September 17, 1998

Good afternoon. My name is Mary Tingerthal and I am here to give testimony regarding the merger of Norwest Bank and Wells Fargo Bank.

I am here as president and chief executive officer of the National Equity Fund, Inc., commonly referred to as NEF. In this position, I also am here speaking on behalf of the National Equity Fund's parent organization, the Local Initiatives Support Corporation, commonly referred to as LISC.

To understand the relationship of Norwest and Wells Fargo with LISC and NEF, let me first explain what LISC and NEF are.

LISC, the Local Initiatives Support Corporation, is the nation's largest community development intermediary and is a certified Community Development Financial Institution.

Since its founding 19 years ago, LISC has helped nearly 1,800 community development corporations in more than 100 cities, as well as rural communities across 39 states and Puerto Rico. In this work, LISC has attracted support from almost 2,000 donors and investors — including Norwest and Wells Fargo.

Through this support, LISC has raised $3.1 billion in grants, loans, and equity investments for community development corporations and leveraged an additional $3.5 billion in public and private support. These dollars have produced more than 80,000 affordable homes and nearly 12 million square feet of community facilities, commercial and industrial space.

These focused investments catalyzed the transformation of some of the most infamous neighborhoods in the country — extending from South Central Los Angeles to New York's South Bronx — into decent and desirable places to live. Norwest and Wells Fargo have been instrumental in their support of LISC in bringing about revitalized neighborhoods in the cities where they operate.

Both banks have been integral to the community development work of the National Equity Fund as well. NEF is the nation's largest nonprofit syndicator of the federal government's Low Income Housing Tax Credit program. NEF was founded in 1987 by the parent company, LISC.

For 11 years now, NEF has utilized the Tax Credit program to stimulate investment in affordable housing developments built and owned by nonprofit organizations, including community development corporations.

To date, NEF has raised nearly $2.4 billion from more than 140 investors. This action has generated the development of an estimated 44,000 rental homes targeted for struggling families, individuals with special needs, the elderly, and the homeless.

Because of their participation in the NEF investment program, Norwest and Wells Fargo have been key to helping provide housing for low income and special needs populations, and in bringing blighted neighborhoods back to life.

I can point to Norwest and Wells Fargo being instrumental in community development because of their historical core contributions to LISC and investments in NEF, as well as their long-term active involvement in local communities' working toward revitalization. "Financing" investments and providing the "people" leadership are two areas in which both banks excell.

Within the banking industry, Norwest and Wells Fargo have provided resources to the field of community development, and together have invested millions of dollars in poor communities across the country.

From 1989 through today in 1998, Norwest has invested $14,345,000 in LISC and NEF. This total includes $14,000,000 of NEFequity investments since 1990. This total also includes $345,000 in grants to LISC since 1989 which have supported six local LISC programs (Minneapolis, Duluth, Las Vegas, Milwaukee, Phoenix, and St. Paul).

From 1983 through today, Wells Fargo Bank has invested $120,162,700 in LISC and NEF. This total includes $117,200,000 of combined equity investments in NEF's National Fund ($42,000,000) and California Fund ($75,200,000) since 1987. This total also includes $2,962,700 of grants to LISC since 1983 which have supported seven local LISC programs (Bay Area, Houston, Las Vegas, Los Angeles, Phoenix, San Diego, and Puget Sound) as well as LISC's National Rural program.

The financial support of Norwest and Wells Fargo over the years has been matched with the "people leadership" as bank executives serve on advisory committees in eight LISC local program areas and the Rural LISC program area. Here are a few examples that demonstrate their commitment to community development.

- Both Norwest and Wells Fargo serve on the local advisory committee for the LISC Las Vegas, Nevada, office. This leadership is provided through bank executives Paul Kadavy, Norwest Nevada president, and Sam Culotta, Jr., Wells Fargo's vice president for community development. Both men also serve on the executive subcommittee and strategic planning subcommittee. Sam also serves on the Board of the North Las Vegas Neighborhood Housing Services.
  - Additional Norwest staff provide expertise to Las Vegas LISC by serving on the CDC capacity building subcommittee (Nancy

Hamilton, CRA officer) and the project review subcommittee (Rick Frank, commercial loan officer).

- Norwest sponsored a $200,000 FHLB of San Francisco (Federal Home Loan Bank of San Francisco) Affordable Housing Program award to the East Las Vegas Community Outreach Corporation for the 40 homeownership unit Mi Casa En El Sol project.
    - Norwest also has issued a $1 million revolving construction loan letter of intent for the project and is expected to provide approximately $2.6 million in homebuyer permanent mortgages. Two Norwest staffers participate in the project marketing committee.
- Wells Fargo Foundation provided $25,000 to Las Vegas LISC in its current fundraising campaign. Additionally, First Interstate Bank, which was purchased by Wells, provided $50,000 to Las Vegas LISC in a previous fundraising campaign.

- In Milwaukee, Wisconsin, J. Lanier Little, a Norwest bank regional president, has been a member of the local LISC advisory committee for over two years and serves as credit committee chairman. Lanny is active with NOHIM, an organization titled New Opportunities for Home Ownership in Milwaukee. This is a coalition of lenders and nonprofit home buyer counselor groups.

- In Houston, Texas, Wells Fargo actively works with the LISC local program as the bank's senior vice president, Effie Booker, is a member of the local advisory committee.

- Community development in California has benefited from Wells Fargo's "financial and people" leadership.
    - Since 1983, Wells Fargo has contributed a combined total of $1,446,000 in grants to LISC program areas in the Bay Area, Los Angeles, and San Diego. Since 1990, Wells Fargo's investments in

affordable housing through the California Equity Fund has totaled $75,200,000.

- Executive vice president for corporate community development Karen Wegmann has been instrumental in leading Wells Fargo to make these major LISC grants and investments in community development. Similarly, Tim Hanlon, vice president of corporate community development and head of the foundation, also has been instrumental in providing support to LISC efforts.
- Wells Fargo executives share their expertise through membership on local advisory committees of three LISC California program sites: vice president Mel Carriere is on the LISC San Francisco LAC; regional vice president Phyllis Klein is on the LISC Los Angeles LAC; and vice president for community development Robert Taylor is chair of the LISC San Diego LAC.
- Mr. Taylor recently encouraged Wells Fargo to make a long-term $1,000,000 zero percent loan (for the first 5 years; then a nominal 2% rate for the next 10 years) to the Phoenix LISC program.

   - In addition to Wells Fargo presence on these California LACs, and the Houston and Las Vegas LACs mentioned earlier, Wells Fargo executives also serve on LISC local advisory committees in the Puget Sound area and in Phoenix, as well as the Rural LISC program's LAC.

- Norwest has been a supporter of the LISC Duluth, Minnesota, program since the program's inception in 1997, having contributed to the program's original assessment and then having been one of the first five program funders.
   - Norwest has worked with LISC on the development of housing programs and neighborhood strategies. Currently, Norwest is serving on LISC's Employer Assisted Home Ownership Task Force, and is working with LISC in developing a new Single Family Purchase Rehab Program.
   - Also, Norwest has been involved with the Board of the Duluth Housing Trust Fund, Inc.; and has administered a locally held $4

million mortgage program that provides relaxed underwriting to help low income families gain home ownership (known as the CAMP program).

- In addition to housing, Norwest also has administered two loan funds through Lutheran Social Services which provide low-interest loans and credit to low-income households or to those who are working to move from welfare-to-work.

These are just a few examples of the active involvement Norwest and Wells Fargo have in LISC areas of community development. I hope this information is helpful, and I appreciate the opportunity to report on LISC and NEF's relationship with these banks.

Autumn J. Gold
Panel 6

NORWEST PUBLIC HEARING

I want to thank the Board of Governors for the opportunity to speak today. Atlantis Community Incorporated is a twenty-three-old Colorado not for profit corporation providing services to people with disabilities in Metropolitan Denver and when necessary throughout Colorado. Atlantis' services include: home health, housing, benefits advocacy, independent living skills training, basic education, and a home ownership counseling and education program. Atlantis is recognized nationally for its' work in disability rights and for creating new and innovative programs.

In nineteen ninety-two Atlantis Community Incorporated brought to Norwest Bank a unique concept that became the first home mortgage program for people with disabilities in America. In conjunction with Atlantis, Norwest created the Disability Community Home Mortgage Program (DCHOP). The DCHOP home mortgage program for people with disabilities was the first to offer an opportunity to participate in the American Dream, home ownership. Norwest at
Atlantis' direction developed a program that accepts alternative incomes such as; Social Security, Food Stamps, Tax Credits, and more. Higher debt to income ratios play a large part in the success of the program as well as reduced closing costs and only a two percent down payment.

The American Dream of owning your own home was just that, a dream for people with disabilities until Norwest introduced the DCHOP Program in nineteen ninety-three. Prior to the DCHOP Program people with disabilities and/or their families only choice was to rent an apartment or someone else's home. That apartment or home was most likely inaccessible too. With a population that is eighty percent unemployed and living on a fixed income from Social Security of seven hundred dollars a month or less had little chance to even dream of home ownership. The DCHOP Program offers more than just a dream, it offers but does not guarantee the reality of home ownership. People with disabilities still must qualify for home loans just as everyone else must. Norwest simply leveled the playing field.

Norwest's bold move to create the Disability Community Home Ownership Program when no other lending institution had the courage to take the first step must be applauded. Had not, Norwest taken that step people with disabilities still today would be excluded from the American Dream. Those first steps designed a program that proved to people with disabilities could be home owners without high foreclosure rates and without high delinquency rates using alternative using alternative forms of credit. The DCHOP Program encouraged US Banks' Disability Advantage Program because another lending institution had taken the initial risk.

Norwest success with the DCHOP Program brought Fannie Mae to Denver to learn about and to study its' workings. From that visit came Fannie Mae's Home Choice Program, sixteen states, fifty-million -dollar pilot program modeled after the DCHOP Program. Fannie Mae's pilot project and US Bank Disability Home Advantage Program validate Norwest's wisdom in nineteen ninety-two.

After five years of providing home ownership counseling and education to people with disabilities I have realized that these potential home buyers have the ability and the desire to be home owners. Atlantis' Home Ownership Program aspires to increase awareness and availability of home ownership opportunities for people with disabilities. Atlantis' commitment is to assist potential buyers in understanding the complex process by providing them with the information that along with their own determination will prepare them to become responsible home owners and improve their quality of life. My goal is to see people feel confident about the home buying process and comfortable as a homeowners armed with the knowledge and empowered to make important decisions to undertake the responsibility of home ownership. I personally believe in home ownership counseling/education partnered with the DCHOP Program Atlantis and Norwest have pioneered home ownership for individuals with disabilities.

It is Atlantis' hope that with the merger of Norwest and Wells Fargo that the commitment to the DCHOP Program not only continue but the size of the program increase to reflect the size of the merger. To date, Norwest has provided nine hundred and fifty-five mortgages to people with disabilities and/or families in Colorado valued in excess of sixty-four million dollars. Norwest has made it possible for people with disabilities to dream the impossible dream...
HOME OWNERSHIP!!!

Panel 6
Pete Garcia

[redacted]

CPLC Brief

Chicanos Por La Causa, Inc. has had an extensive partnership with Wells Fargo Bank and Norwest Bank. As a member of Norwest Banks Minority Advisory Council, we have provided input and set goals with John Campbell and top management on a number of key factors that affect our communities in Arizona. These include mortgages, affordable housing, small business lending, minority contracting/vendors. Our small business and SBA micro loan programs have received loan loss reserve funds from Norwest Bank and Wells Fargo Bank, which has helped us lend over $2,000,000 to over 200 small businesses in Arizona in three years. Norwest's $100,000 deposit and Wells Fargo's $100,000 deposit in Chicanos Por La Causa, Inc.'s Federal Credit Union has enabled us to lend over $1.7 million to 1600 members of our Credit Union, most of which are first time borrowers and mono-lingual Spanish speaking. Norwest's and Wells Fargo's investment in CPLC's small business incubator has started the opportunity for small businesses in South Central Phoenix to access affordable work space. A second business incubator in Phoenix is under construction and a rural small business incubator will go to construction in Nogales, Arizona in early 1999. Other investments/grants have targeted our special events and organizational capacity building in Phoenix and Tucson. Our affordable housing programs in Somerton, Nogales, Tucson, South Tucson, Guadalupe and Phoenix have also benefited via mortgages, write downs for closing cost, and funds

to make housing affordable. Investment of Norwest

Deino Cannez Norwest

staff as board members on our organization and our

subsidiary boards also contributes to a sound non-

profit sector.

Alonzo Morado
Edmundo Hidalgo
Karen Wagmann

Our expanding partnership with Wells Fargo

Bank has also been rewarding and in many instances

very creative and challenging. Our purchase of the

Wells Fargo Branch in South Central Phoenix enabled

ble our Federal Credit Union's space ,

maintain Wells Fargo's presence in the Grant Park area and provide small business incubator space for minority entrepreneurs. Wells Fargo bank's investment of $1,250,000 at 0% interest for 5 years, with ten additional years at 2% is beyond the cutting edge. This investment expands our ability to lend to micro borrowers, creates a "venture capital pool", a revolving line for new housing construction in Tucson(for our for-profit construction company/subsidiary) enables us to leverage $600,000 to build a new office building in Tucson and pay off an office complex mortgage in a small rural town in southwest Arizona that leases office space to the State of Arizona. Funding of special projects and community celebrations has made Wells Fargo a new power in the Arizona bank market. Grants to organizations involved in small business lending, social work, and arts, round out a true concept of partnering in our communities, not just taking our deposits. We would point to their exemplary record, staff involvement and outreach on how community reinvestment is truly done in America. Management of both the institutions still need to work on board membership, upper level executives are still lacking but through our on-going efforts these are problems we can solve together. Branching duplication can be solved through partnerships with non-profits to benefit the total community as was my first example with the Wells Fargo Branch in South Central Phoenix. Our community meetings with citizens, organizations and community leaders and the upcoming follow-up meetings statewide leaves us with very strong indicators that more progress will occur with the merged institution and we encourage your positive confirmation of this merger and invite you to visit and see community reinvestment at work in Arizona.

Thank you.

Panel 7

(DANA WISE United Steelworkers of America
1:30 panel)

My name is Dana Wise. I do bank research for the Strategic Projects Department of the United Steelworkers of America.

I am also a member of a community-based coalition of non-profit housing and community developers in New Mexico. And as part of that coalition, I was party to the development of a ~~com~~ $1.3 billion community lending initiative recently announced by Norwest and Wells Fargo.

The Steelworker's Union praises this and the recent CA commitment for increased lending to working families and their communities.

Wells Fargo has questioned our motives and involvement in pushing for this review of their treatment of working families and their communities. ~~The Union's response is that~~ Wells Fargo should not underestimate the Union's commitment to defend the interests and needs of its members, their families, and their communities.

The Steelworkers' union has more than 700,000 members nationwide. Our members are part of families, and these families are part of communities that pay taxes that support our country's financial system. Our members are also part of communities that make deposits at Wells Fargo. It is the union's duty to ensure that these resources are used in a manner that promotes decent, living wage jobs, affordable housing, and community economic development.

The union will continue to work hard to support the efforts of allies here in Minnesota, in Iowa, Wisconsin, Texas, Washington, and Los Angeles to improve the performance of Wells Fargo in serving the best interests of working families and their neighborhoods.

Last month, we published our research on the recent community lending performance of Wells Fargo. We have shared this research broadly with CRA advocates, local government officials, and the media.

The research on Wells Fargo showed a bank hungry for fees from retail consumers; a bank that was especially unfocused on serving the needs of its primary service area — especially low-income areas and rural areas; and a bank that promotes high-tech marketing over traditional banking, even when it appears that these methods make the bank less able to serve low-income and minority communities. (I am speaking here of Wells Fargo's public commitments that it is leaving rural communities; its heavy reliance on borrower-profiling databases for its small business lending; and its heavy reliance on the Internet for the delivery of financial services.)

Among our principal findings were:

* Over the past three years, following the take over of First Interstate by Wells Fargo, in a majority of cities and towns where Wells Fargo pursued its branch consolidation and re-structuring, these changes negatively affected low-income, Hispanic, and other minority communities

* Wells Fargo closed a disproportionate number of branches in non-metropolitan areas, and

* In ~~a majority~~ 70% of counties where Wells Fargo made small business loans, the Bank failed to match its competitors in its relative level of service to low-income communities.

~~In response~~, Wells Fargo's primary response ~~only~~ has been to question~~ed~~ the ~~union's right~~ appropriateness of a union ~~being~~ showing concer~~ned~~n about a banks' ~~community~~ lending to low + moderate-income families ~~performance~~. Predictably, Wells Fargo also challenged the study's methodology, ~~but it is clear from their response that they their own methodology~~ but it's clear from their response that they never bothered to read past the executive summary. The Union stands by the findings of its study ~~of the problems in Wells Fargo's community lending performance~~ and we ask that this document be included as part of the written record of this meeting.

Furthermore, we urge Wells Fargo to get to work with community-based fair lending and CRA coalitions in the 19 other states that will be impacted by this merger. ~~Until~~ Wells Fargo must agree to address the charges that the Bank's practices hurt the working families and ~~and~~ their communities. ~~in which it does business~~, The Union will join ~~continue to use~~ its resources with ~~and~~ those of its allies in the community development movement and those ~~in the~~ the 13.2 million-member AFL-CIO to bring Wells Fargo to justice. Until that happens ~~In response to our call~~, the AFL-CIO has asked its 73 international unions, their 30,000 local unions and individual members in every state to close any institutional or personal accounts they have with Wells Fargo. AFL-CIO President John Sweeney said, "Our resolve in this matter will send a clear signal not only to Wells Fargo, but to other banks that would use our own deposits against working families and our unions."

Panel 7

Inner City Press/Community on the Move
&
Inner City Public Interest Law Center

Headquarters Office
1919 Washington Avenue Bronx, NY 10457

TEL: (718) 716-3540 - FAX: (718) 716-3161 E-Mail: innercity1@aol.com

FACSIMILE TRANSMITTAL FORM

TO: JoAnne Lewellen and staff (see note below, thanks)

RE: TESTIMONY OF INNER CITY PRESS/COMMUNITY ON THE MOVE AND INNER CITY PUBLIC INTEREST LAW CENTER IN OPPOSITION TO THE APPLICATIONS OF NORWEST CORP TO ACQUIRE WELLS FARGO & ITS SUBSIDIARIES

FOR SEPTEMBER 17, 1998

FROM: Matthew Lee, Esq., Executive Director **DATE:** September 16-17, 1998

# of Pages: This transmittal sheet; 5-page testimony = 6

NOTE:

I have been unable to travel to Minneapolis on 9/17. Marv Kamp of the Wisconsin Rural Development Center has agreed to read the attached testimony into the record. I have e-mailed it to Marv in Wisconsin, but in case it did not reach him in time, could you please give a copy of this to Mr. Kamp (he will appear on your agenda) before 1:30 p.m. on 9/17?

Thank you very much.

--Matthew Lee

Inner City Press
Community on the Move
&
Inner City Public Interest Law Center

TESTIMONY OF MATTHEW LEE, INNER CITY PRESS/COMMUNITY ON THE MOVE AND INNER CITY PUBLIC INTEREST LAW CENTER IN OPPOSITION TO THE APPLICATIONS OF NORWEST CORPORATION TO ACQUIRE WELLS FARGO & ITS SUBSIDIARIES

FEDERAL RESERVE BANK OF MINNEAPOLIS

SEPTEMBER 17, 1998

Good afternoon, Ms. Smith and other members of the panel. This is the testimony of Matthew Lee, Executive Director of Inner City Press/Community on the Move and of the Inner City Public Interest Law Center (together, "ICP"), which Marv Kamp of the Wisconsin Rural Development Center has been kind enough to present. ICP on August 21 filed a protest to this application, based on Norwest's disparate lending record, particularly of its high interest rate, so-called "subprime" subsidiaries, and based on the Federal Reserve Board's withholding of all information about Norwest's divestiture proposal. The commitments that Wells Fargo has made in California does nothing to address these issues.

Norwest, the applicant here, is one of the largest mortgage lenders in the country. The disparities in its mortgage lending record are troubling, particularly but not only in the overlap markets. Some examples:

1919 Washington Avenue, Bronx, New York 10457 TEL: (718) 716-3540; FAX: (718) 716-3161

--In 1996, Norwest Bank Texas South, NA denied 46% of applications from Hispanics, and only 7% of applications from whites, for a denial rate disparity of 6.57-to-1.

--Norwest Bank Texas Midland, NA denied 61% of applications from Hispanics, and only 13% of applications from whites, for a denial rate disparity of 4.69 -to-1.

--Norwest Bank Tx Kelly Field denied 49% of applications from Hispanics, and only 14% of applications from whites, for a denial rate disparity of 3.5-to-1.

--Norwest Bank Tx San Antonio denied 50% of applications from African Americans, 43% of applications from Hispanics, and only 18% of applications from whites.

--Norwest Bank Texas, NA denied 46% of application from African Americans, 40% of applications from Hispanics, and only 19% of applications from whites.

--Norwest Bank Texas Waco, NA denied 60% of applications from Hispanics, and only 20% of applications from whites.

When ICP raised these Norwest issues in 1996, when Norwest was acquiring Prudential Home Mortgage, Norwest responded with a letter, dated April 30, 1996, to Mr. James Lyon of this Federal Reserve Bank of Minneapolis, in which Norwest acknowledged that, quote, "Norwest Mortgage's (NMI) record of minority lending is... below market averages in some markets... To address the needs of markets with high concentrations of minority populations, Norwest Mortgage has committed to hiring of Community Development loan officers to focus on the underserved communities... our plan for each of the markets is... New York: 74," unquote.

Here, however, was Norwest Mortgage's full year 1996 lending record in the New York City MSA:

	Originations	Market Share	Denials	Denial Rate	Disparity
Whites	1218	2.69%	291	17%	--
Blacks	120	1.03%	90	37%	2.18
Hisp.	95	1.65%	40	25%	1.47

In MSA for full-year 1996, Norwest Mortgage had more than twice the market share of loans to whites than to African Americans, as well as a denial rate disparity for African Americans significantly above the industry average in this MSA. It cannot be said that NMI's denial rate disparity is explained or justified by greater than average outreach to minorities, given the market share numbers. Question: did NMI ever take the steps it said it would in its April 30, 1996 letter to the Federal Reserve? Was this ever followed up on? Neither Norwest's Application, nor the Federal Reserve's questions to date, address this in any detail. Similarly, were Norwest's representations about improving Prudential Home Mortgage's lending disparities every followed up on? Our experience is: No.

Norwest Funding, Inc. nationwide in 1996 made 6,521 loans to whites, and only 228 loans to African Americans, and only 252 loans to Hispanics. In the NYC MSA in 1996, Norwest Funding made 101 loans to whites, only 10 loans to African Americans, and only 8 loans to Hispanics.

Meanwhile, in the predominantly minority South Bronx of New York City, Norwest has opened an office of its high interest rate Island Finance subsidiary. ICP members here have been informed that Norwest's Island

Finance office charges virtually all borrowers for personal loans 25% interest, the absolute maximum under New York usury prohibitions. Borrowers (virtually all of them protected classes) are charged 25% regardless of their credit histories.

Norwest is engaged in "subprime" lending nationwide. *See, for example,* Heather Timmons' article, Norwest Unit a Player in Subprime Lending; Wells at Home in Prime, in the American Banker of June 17, 1998: "Norwest Financial, with more than $9 billion of assets... is one of the largest bank-owned finance units, rivaled only by NationsCredit...". All of these issues should be inquired into, and acted on, by the Board in this proceeding. The Board increasingly refuses to consider, much less examine, finance company subsidiaries of BHCs, (mis-) using as a yardstick the reported assets of the finance company compared with the bank subsidiaries. That will no do, here: "**Norwest Financial**... pulled in $269 million of net earnings in 1996, **almost 20% of the parent companies earning for the year**." Same source, emphasis added. ICP is explicitly asking the FRB to view Norwest Financial in EARNINGS context, rather than simply by assets.

The public has also been denied access to information crucial to assessing and commenting on this proposal: Norwest has sought confidential treatment for all information specifying its divestiture proposal. The public has a right to review and comment on Norwest's actual proposal, including its divestiture proposal. ICP filed a Freedom of Information Act appeal on August 21, 1998; the information has yet to be released.

The choice of Minneapolis as the venue of this public meeting is difficult for ICP to understand, and appears inconsistent with several prior Board precedents. It would appears that the rationale for the selection of Minneapolis as the site of the public meeting is based on the fact that Norwest has to date been supervised by the FRB of Minneapolis. But Banc One has been supervised by the FRB of Cleveland, and the FRB held its Banc One-First Chicago public meeting in Chicago.

And so it might seem that the rationale is that Minneapolis would lose a BHC headquarters if this proposal were approved. But, if and when Banc One and First Chicago consummate their proposed merger, Columbus, Ohio will lose a BHC headquarters. Nevertheless, the Board held its Banc One-First Chicago public meeting in Chicago.

One solution would have been -- and still should be -- to hold more than one public meeting -- as was done on Wells Fargo-Interstate, for example, and on Fleet - Shawmut (public meetings in Boston, Hartford and Albany). The latter two of those three Fleet-Shamwut meeting show that the FRS is not constrained to only hold public meetings in cities where it has a Reserve Bank.

On the current record, this mega-merger proposal, which would expand Norwest's practices, could not legitimately be approved. There are other adverse issues, including Norwest's record in its existing states, ably raised by the Wisconsin Rural Development Center and others. For all the reasons stated, this proposed merger should be denied. Thank you for your attention; we will be submitting further written comments by September 24, 1998. Thank you.

Hello, I am Jasper Gallardo. I am here from Pueblo Co. on behalf of USWofAm, Local Union 3267. I appreciate the opportunity of testifying today. I would like to voice my objections to the Merger of Norwest & Wells Fargo & introduce you in a personal manner, to ~~[illegible]~~ my struggle, and ~~also~~ the personal nature in which my Union brother & sisters are being affected by the refusal of Oregon Steel Mill, to bargain in good faith with our Union and allowing us to return to work

A few months prior to CF&I forcing us out on strike, Oct 3, 1997 I purchased a small hotel in a town 35 miles west of Pueblo. I planned to refurbish it and have it ready to open by Dec 1997. The main purpose in undergoing this project was a means of supplementing what will be a meager retirement income. To get it up & running & well established before my retirement. The building now sits empty, except for one room in the back of the hotel. ~~That is where~~ that I occupy. Because of the mortgage payments on this empty building, I ~~am~~ am forced to live in extremely uncomfortable conditions, after 32 years with one company, I'm only one step above the homeless.

~~The first winter wasn't too bad. I w~~

Winter 1997 began with the ~~wait~~ strike Oct 3, 1997 and the ~~refusal of~~ denial of Unemployment Compensation. After being out of work a month 1/2, I accepted a position with a telemarketing firm where I earned a whopping $6.00 per hour. Working for this wage, I knew I could make the mortgage pmt, put gas in my car to drive the 35 miles back & forth to work, but all other expenses would have to be kept to a minimum

I knew I could not afford to fire up the boiler to this 6000 sq ft building so I attempted to survive the winter using 2 space heater and once a week, I would turn on the Confection oven in the "kitchen" & prepare enough food for an entire week, then just re heating in the microwave: all an attempt to keep my expenses down.

+ ~~I stayed at the telemarketing firm approx 6 months.~~ I worked on a ~~c/c line one duty was activating~~ cards I had so many calls

I thought I was home free. Thought I had made it through the winter with my space heaters when one night in late February I arrived home and, ~~it was~~ after dark ~~of course~~, when I opened the door I stepped in water up to my ankles. I thought I had all the pipes upstairs turned off and drained, but the old plumbing had played a terrible trick on me. Water was pouring through the ceiling in the lobby. Now I had more to do to the building and no money, no hope of being able to qualify for another loan to do any construction and no place to turn to.

Another winter is coming up and I am going to be in the same predicament that I was last year. No money to fire up the boiler, no way to get out of this situation that I am in. Eventhough interest rates have dropped to almost 2% below what my mortgage is set at, I can't qualify to refinance my loan which if I could, would drop my payments by quite a bit.

Many of my Union Brothers and Sisters are going through at least as desperate a situation as I am, and some have it much worse. One of our Union Brothers took his own life at the beginning of summer. That rocked all of us; thinking that we saw this Brother several times a week, and didn't realize what pain he was in. He had lost his wife to cancer 10 months earlier and that is when we worried about him. He was in his early middle years, had no children at home and his whole life evolved around his wife, but he made it through those months and now we lost him.

I know personally ~~of couples~~ at least four couples are going through a divorce ~~that~~ eventhough before this work stoppage, seemed to have a very stable marriages. Quite a few of our brothers and sisters have had to find work in other cities and are now trying to support two households on top of being separated from their families at least during the week and many of them are not close enough to come home on weekends.

This is but ~~There are so~~ a few of the many problems brought on by this Company's refusal to bargain in good faith and although the Company has suffered a tremendous loss and continues to lose money daily, much to our dismay, Wells Fargo Bank, and other smaller banks, continues to bankroll CF&I. The longer this practice continues we feel the longer CF&I will remain in a position to keep us off of our jobs. This is a Union town, the economy of this community was built around CF&I. ~~Many of~~ The local banks our local banks, worked with our union brothers and sisters on their personal loans or mortgage payments, allowing them to pay only the interest in some instances, and in others they giving them deferred payments. As far as I can determine, Norwest Bank did not offer any leniency, for any type of payments. A bank has an obligation to help the communities they move into. I cannot even imagine Wells Fargo being a part of this community after turning their backs on the union workers to help finance CF&I in their efforts to break our union, and what is worse is, eventhough they know how it is affecting our people, they continue this practice.

On behalf of the memberships of Locals 2102 and 3267 I want to thank you for listening to me and God Bless You.

Panel 7

REMARKS OF MARY ROSENTHAL

MINNESOTA STATE DIRECTOR, AFL-CIO

BOARD OF GOVERNORS OF THE FEDERAL RESERVE HEARING ON

THE WELLS-FARGO/NORWEST MERGER

Good ~~morning~~ afternoon, my name is Mary Rosenthal, I am the Minnesota State Director for the AFL-CIO. Thank you for this opportunity to testify. The AFL-CIO's member unions represent [400,000] thousand working people here in Minnesota, and hundreds of thousands more within Norwest's service area. This is a region of farms and small towns, highly vulnerable to capital draining by distant financial institutions.

The Wells-Fargo Norwest merger is the takeover of a regional giant with a poor record of serving working people by a giant national bank with a worse record. Wells-Fargo's merger with Norwest will pass control of our region's largest financial institution to a West Coast bank that by its nature and as a result of the business strategies it has chosen to pursue cannot be focused on the financial services needs of our communities.

Wells-Fargo is 181st out of the top 200 U.S. financial institutions in its

reinvestment rate in the primary service area communities from which it takes deposits. A study by our affiliate, the United Steelworkers of America, has shown that Wells Fargo's definition of its service areas in the Southwest has excluded lower income census tracts. Wells-Fargo's loan origination and management program is database and Internet driven, with a decreasing emphasis on loan officers who know the communities in which they lend.

On the consumer side, Wells-Fargo is a leader in charging high fees for basic banking services and in closing branches in low income communities.

Norwest's service area includes a variety of communities vulnerable to the withdrawal of financial services— large cities with substantial low and moderate income communities like Minneapolis-St. Paul and Denver, where Norwest's record has already been poor, smaller towns and rural areas dependent on agriculture that have been repeatedly devastated by commercial banks' withdrawal from the agricultural credit markets, and areas of extreme rural poverty like the Pine Ridge Indian Reservation in South Dakota. Norwest's record in these communities has already been the subject of prior protests by AFL-CIO affiliates to the Board of Governors

For all these communities, this merger promises more expensive and less accessible financial services. In fact, even before the merger has been approved, Norwest appears to be raising a variety of fees to match levels at Wells-Fargo. This merger also promises to create more towns like Pueblo, Colorado, where Wells-Fargo has financed a savage campaign to break the Steelworkers union at Oregon Steel— a campaign that has illegally denied a thousand people the middle class jobs that were a foundation of that community's economic strength. Wells-Fargo claims this is somehow not an issue affecting its treatment of its service area. We think it exemplifies Wells-Fargo's outright hostility to the needs of working families— as consumers of financial services and as contributors to the economic well-being of the bank's service area.

We oppose this merger because it will not benefit the working families of this region, and because we believe Wells-Fargo has not complied with the Community Reinvestment Act in its current service area.

Finally, we urge the Federal Reserve not to accept empty assurances from Wells Fargo. Wells-Fargo has a history of mischaracterizing the impact of its merger activity on its constituencies. When Wells-Fargo acquired First

Interstate it announced it would destroy "only" 7,200 jobs, and then after the deal was done Wells-Fargo said it would really be 10,000 jobs, and then it turned out it was really 14,000 jobs— almost twice what they told regulators and the public when they were getting approval for the merger.

The AFL-CIO would be pleased to work with the Federal Reserve in its further consideration of this merger to ensure the Community Investment Act is complied with and the interests of the working families in both banks' service areas are protected. Thank you.

Dana Wise
Panel 7

Shortchanging Our Neighborhoods

A Study of the Recent Community Lending Performance of Wells Fargo

The United Steelworkers of America, AFL-CIO CLC

Five Gateway Center

Pittsburgh, Pennsylvania 15222

August 1998

Acknowledgements

The United Steelworkers of America gratefully acknowledges the assistance of Dana Wise, who served as the principal author of this report.

Mr. Wise is a Doctoral Candidate in Economic Geography at Johns Hopkins University, who has written various articles and reports on community lending and economic and racial discrimination in mortgage lending for the Economic Policy Institute, the Albuquerque Community Reinvestment and Development Taskforce, *Shelterforce*, and *Planners Network*.

Questions, comments or requests for additional copies of this report may be directed to Cary Burnell, Technician, Pattern Bargaining and Strategic Projects Department, United Steelworkers of America, Five Gateway Center, Pittsburgh Pennsylvania 15222, 412-562-2420, email: cburnell@uswa.org.

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Executive Summary

The financial industry in the United States is undergoing enormous change. There were over 700 bank and thrift institutions mergers in 1997, according to the Federal Deposit Insurance Corporation (FDIC). During the last six months alone, four bank mega-mergers have been announced involving eight of the nation's largest financial institutions, including the recently proposed combination of Wells Fargo and Norwest

There is great concern that the changes underway in the financial services industry may be quite detrimental to working families, and to low-income and minority neighborhoods, making credit and services more difficult to access and expensive.

Among the largest bank mergers in the last several years was the merger of Wells Fargo with First Interstate Bancorp in April 1996. Wells Fargo's performance since its acquisition of First Interstate provides troubling evidence of Wells Fargo's lack of commitment to low and middle income families and minority communities. This is of particular concern given Wells Fargo's impending merger with Norwest.

As the Bank's own press release following the merger announcement said: "if the merger is approved, the resulting company would rank first in the number of financial services stores in the nation." One of the questions that must be addressed in the context of the merger is whether the proposed consolidation will lead to an extension of Wells Fargo's weak performance to an institution which will be the largest originator of home mortgages and the 7th largest bank in the United States, with $191 billion in assets and branches in 21 states.

This report looks at Wells Fargo's performance in the area of community lending and its compliance with the Community Reinvestment Act (CRA) over the period from 1996 to 1998. The CRA is the federal law which encourages banks and thrifts to help meet the credit needs of their entire communities, including low- and moderate-income neighborhoods, consistent with safe and sound lending practices.

An analysis of the information publicly available on Wells Fargo shows the following patterns of unequal services and lending:

- Wells Fargo closed or sold all of its branches in 129 localities following the 1996 take-over of First Interstate (the period between June 30, 1996 and March 27, 1998), resulting in declining services for low-income neighborhoods and rural communities;

- Wells Fargo ranked 181st out of the largest 200 lenders in its commitment to its CRA assessment areas (i.e. the communities from which it takes deposits). The Bank reported that only 68% of its small business loans and 81% of the dollar amount were within its assessment areas nationally.

- Wells Fargo failed to match its competitors in serving lower-income areas. The Bank's market share in higher-income census tracts was greater than its market share in lower-income census tracts in 69% of the counties where it made loans.

- Wells Fargo branch relocations reduced the level of service to "non-White" residents in 198 localities, compared to positive changes for "non-White" residents in just 179 localities. For Hispanics residents, the Bank's branch relocations resulted in reduced access to service in 200 localities, compared to improvements in just 175 localities;

- Wells Fargo increased its level of service to higher-income neighborhoods or reduced its level of service to lower-income neighborhoods, in 206 of 372 localities which exhibited changes;

- Wells Fargo's self-designated service area, the area for which the bank must report community lending data for its evaluation under the CRA, appears highly irregular.

- The apparently arbitrary exclusion of census tracts from its primary service area may signify that the Bank is excluding areas with lower incomes and a higher percentage of minority residents. These exclusions could lead to an inflated CRA evaluation if not corrected by examiners.

- While California provided 73% of Wells Fargo's total deposits in June 1997, the state received only 48% of the Bank's total number of small business and small farm loans in 1996.

Taken together, these findings raise important questions about Wells Fargo's compliance with the Community Reinvestment Act. Examiners who are currently evaluating the Bank's past performance—and considering its application to merge with Norwest —should intensify their oversight of the Bank's lending practices and branch closure history.

The findings also suggest that strengthened oversight and enforcement of the CRA will be necessary to ensure that people of color, low-income people and people living in rural areas have access to financial services.

According to the Public Interest Research Group's 1997 study of access to retail financial services, more than 12 million households in the U.S. cannot afford retail financial services. (Mierzwinski, 1997) Literally hundreds of banking studies have also showed large disparities in the rate of lending across social groups and geographies. (Federal Reserve Bank of Boston, 1989; Hula, 1991; O'BRIEN, 1998; Schlay, 1988; Thomas, 1998)

If these trends continue, the forces driving the consolidation and deregulation in the financial services industry will result in fewer and fewer Americans being able to obtain and afford retail financial services and credit.

Shortchanging Our Neighborhoods

The Recent Community Lending Performance of Wells Fargo Bank

Introduction

The financial industry in the United States is undergoing enormous change. There were over 700 bank and thrift institutions mergers in 1997, according to the Federal Deposit Insurance Corporation (FDIC). During the last six months alone, four bank mega-mergers have been announced involving Citicorp and Travelers Group, NationsBank and Bank of America, Banc One and First Chicago NBD, and Wells Fargo and Norwest

There is great concern that the changes underway in the financial services industry may make credit and services more difficult to access and expensive for working families, low-income neighborhoods, minority neighborhoods and rural areas.

According to the Public Interest Research Group's 1997 study of access to retail financial services, more than 12 million households in the U.S. already cannot afford retail financial services. (Mierzwinski, 1997) These numbers may increase with further consolidation in the banking industry.

Among the largest bank mergers in the last several years was the merger of Wells Fargo with First Interstate Bancorp in April 1996. Wells Fargo's performance since its acquisition of First Interstate provides troubling evidence of Wells Fargo's lack of commitment to low and middle income families and minority communities.

This is of particular concern given Wells Fargo's impending $31.4 billion merger with Norwest. If approved, the merger will create the nation's 7th largest bank, with $191 million in assets, 20 million customers, 90,000 employees, and 2,860 bank branches. Based on Wells Fargo's past performance, the merger may actually have a negative impact on services and the availability of credit to low-income and minority communities.

This report looks at Wells Fargo's performance in the area of community lending and its compliance with the Community Reinvestment Act (CRA) over the period from 1996 to 1998. The CRA is the federal law which encourages banks and thrifts to help meet the credit needs of their entire communities, including low- and moderate-income neighborhoods, consistent with safe and sound lending practices.

Brief Background on Wells Fargo

Wells Fargo: the 10th Largest Bank in the United States

At the end of 1997, Wells Fargo was the tenth largest bank in the United States, with approximately 10 million customers, $97.5 billion in assets and $65.7 billion in loans. The bank has 956 traditional branches, 523 in-store branches, 377 banking centers, and 4,400 ATM's in Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Texas, Utah and Washington.

In April 1996, Wells Fargo acquired First Interstate Bancorp for $11.3 billion. However, the Bank had enormous problems integrating First Interstate's operations and suffered a serious decline in its customer base, which the Bank has struggled to rebuild. In this drive, the Bank has suffered from poor employee relations, following management's pressure to make up for the bank's earlier customer losses by adopting a hard-sell approach to potential customers. (Cruz, 1998; Ferraro, 1997; Wahl, 1997)

While staffing levels were 16% below year-ago levels, helping to lower salary costs by $8 million during the third quarter of 1997, *these savings were more than offset by an increase in incentive compensation.* (Alex Brown, 1997)

Wells Fargo Increases Fees to Offset Losses from Merger

The Bank has compensated for the loss of its customer base following the well-publicized problems with its merger with First Interstate by raising its fees for retail services – despite the "efficiencies" promised by the merger. (1998c; Authers, 1998; Knight-Ridder Tribune Business News, 1998; San Francisco Chronicle; Schwanhausser, 1998; Wahl, 1997)

Credit card membership and other credit card fees grew by 96% to $227 million in 1997. Shared ATM network fees grew by 65% during the year to $168 million, and charges and fees on loans, which excludes yield-related loan fees, grew by 24%.

As a result, non-interest income (i.e. income from customer fees and surcharges) increased 66% in 1996 and 23% in 1997 to $2.7 billion. According to the Bank's annual report, "(a) significant portion of the increase was due to higher credit card and ATM fees reflecting an industry trend toward increased fees."(Wells Fargo, 1998)

Roughly 40% of Wells Fargo's total revenues are from non-interest income, compared to an average of 30% percent in the industry. This puts Wells significantly ahead of the trend toward profits from fee-based services.

Wells Fargo's Business Strategy Has Shifted Away from Customer Service to High Risk, High Return Credit Cards and Cost Cutting by Replacing Loan Officers with Computer-based Credit Scoring

According to Thomas Brown at Donaldson, Lufkin, & Jenrette, Wells' primary lending strategy has been to focus on higher risk loans, going after high-risk, high return credit card customers. The bank had "very high" loss rates. Wells' also offers pre-approved credit via the mail, which is essentially the same strategy applied to the small business market.(Streeter, 1998)

Wells Fargo has attempted to position itself as an aggressive, cost-cutting and technically efficient institution. "Bank mergers work in good part because they create huge, technologically driven savings in personnel costs. Wells has sought to adapt to the highly competitive financial services industry in part by attempting to replace people with computers." (Lubove, 1998)

Wells' fast-growing small business loan program is in part the product of sophisticated computer modeling of individuals most likely to be a "good credit risk." In so doing, Wells has sought to replace traditional loan officers with decisions made by a computer model of the borrower's credit behavior. Wells sees itself as a "pioneer" in "alternative delivery." (Alex Brown, 1997)

This emphasis on cost cutting, however, has also created customer relations problems for the Bank. While, "big institutions are certainly far more impersonal," Irvine Katz said in a recent report, "they're much more cost-driven, and many consumers get alienated by that." At the same time, however, "large-scale, global businesses (are) obviously well-served by this." (*Register Wire Service*, 1998)

Wells Fargo Branch Location Analysis

The Importance of Traditional Branches in Serving Community Needs

Following Wells Fargo's acquisition of First Interstate in 1996, the bank closed or sold 154 of its traditional "brick and mortar" branches in California and 175 in other states. An analysis using the best available data shows that these changes disparately impacted Hispanics, members of racial minority groups, and low-income people.

Surveys by the Federal Reserve and many industry observers point out the continuing importance of brick and mortar branches in providing the most complete range of services to customers. (Elliehausen & Wolken, 1992; Kwast, Starr-McCluer, & Wolken, 1997)

Although Wells Fargo has invested heavily in other banking "delivery systems" like ATMs, loans-by-mail, and its internet site, studies of consumer patterns show that access to loan officers, tellers, and customer service representatives are important to small business owners and other customers. (Avery, Bostic, Calem, & Canner, 1997; Avery, Bostic, Calem, & Canner, 1998) Branches, unlike ATMs, are fee-free. And a recent federal study showed that Internet use by black and Hispanic households was only 19%, less than half the rate of use by white households (41%).

These "alternative service delivery systems" are not likely to help the Bank meet the spirit of the CRA. (Bridis, 1998) Even Norwest Bank officials agree that Wells Fargo's nontraditional branches are poor channels for mortgage lending. As the senior vice president of Norwest Mortgage acknowledged: "It's hard to do a mortgage transaction when you're standing next to the frozen food aisle." (La Monica, 1997)

The Methodology Used to Measure the Effect of Wells Fargo Branch Changes

To measure the impact of changes in Wells Fargo bank branches, the addresses of more than 2,000 Wells Fargo branches over the period from June 30, 1996 through March 1998 were matched with demographic information from the 1990 Census.1

For each branch, census tract data were used to estimate the percent Hispanic population, the percent "non-White" population, and the average per capita income of the population within a two-mile radius of each branch. (Two miles was the median distance between households and their checking depository institutions according to the Survey of Consumer Finances. (Kwast et al., 1997, p. 20)) Next, these demographic profiles of the population within two miles of each branch were grouped by locality2 and an average was taken to get a benchmark—or index—for each locality.

In other words, the benchmark represents an average of the demographic profile for all of the branches in a locality for each year. For each locality, the benchmark average of the branch neighborhood profiles was then compared to the benchmark average for subsequent years. Changes in this index for a particular locality from one year to the next signifies changes in the location of branches in that locality. Changes result from branch closures, the movement of branches from one address to another, the opening of branches, and/ or any combination of the three.

Data Suggest Wells Fargo Branches Moved Away from Hispanic, Non-White, and Low-Income Neighborhoods

As summarized in the three tables that follow, the data show that in a disturbing number of localities, Wells Fargo branches appear to have moved away from "Non-White," Hispanic, or lower income neighborhoods. The tables group localities according to the "direction" of impacts of the Wells Fargo branch changes. Impacts are designated as "negative," "neutral," or "positive."

---

[1] See discussion of data sources below. Wells Fargo refused requests from the authors to provide an official list of branch addresses in a machine-readable format.

[2] "Locality" is the most local form of government jurisdiction—town, city, etc.

"Negative" changes were experienced in those localities in which Wells Fargo branches moved away from predominantly Hispanic, "Non-White", or low-income neighborhoods. This was either as a result of Wells closing branches in low-income or minority areas, and/or opening new ones in white or higher-income areas. This altered the overall demographic profile of neighborhoods served in a given locality.

Localities which saw no change in the demographic profile of neighborhoods containing Wells Fargo branches are designated as "neutral". "Positive" changes are attributed to those localities in which Wells Fargo branches on average moved to neighborhoods with a higher percentage of Hispanic, "Non-White," or lower-income people.

As Figure 1 shows, there were 19 more localities in which "Non-white" residents were adversely impacted than were benefited by Wells Fargo's branch relocations.

Figure 1 Number of Localities in Which Branch Relocations Resulted in a Change in the Percentage of Non-White Residents in the Branch Area, 1996-98

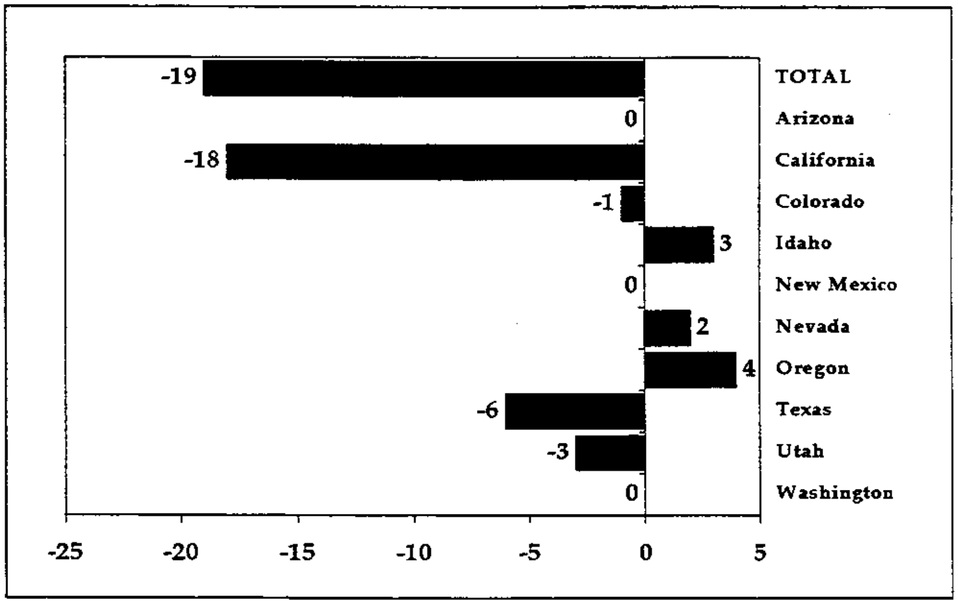


Table 1 presents the number of localities in each state and the "direction" of change in terms of neighborhoods served by Wells Fargo branches.

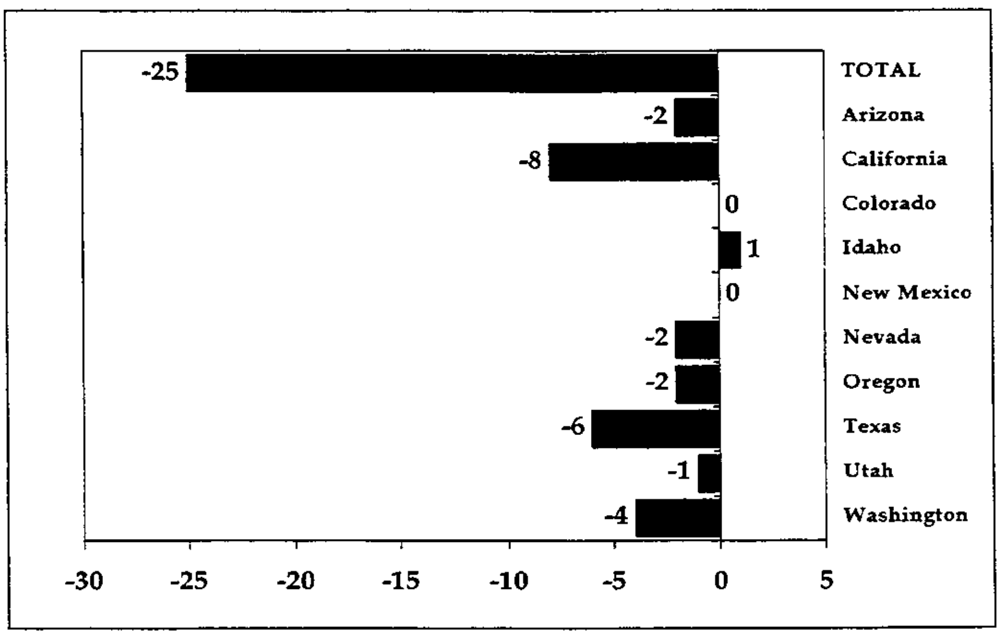
According to the data, Wells Fargo closed or sold all branches in 129 localities; and in 198 localities, Wells Fargo branches (and services) moved away from neighborhoods with a higher percentage of "Non-white" people. In other words, these branches served an increasingly White population. In 179 other localities, the data suggest that the level of service to "Non-white" racial groups increased.

Table 1 Number of Localities with Changes in Branch Demographic Indices, Non-White Residents as Percent of Total, 1996-1998

State	Number of Localities w/ Negative Changes	Number of Localities w/ No Changes	Number of Localities w/ Positive Changes	Net Number of Localities with Changes
AZ	14	6	14	0
CA	137	73	119	-18
CO	1	1		-1
ID	2	18	5	3
NM		1		0
NV	4	13	6	2
OR	10	44	14	4
TX	15	16	9	-6
UT	4	6	1	-3
WA	11	21	11	0
TOTAL	198	199	179	-19

Wells Fargo's branch changes also tended to negatively affect Hispanics in a majority of localities in the ten western states where Wells Fargo had its branches. As shown in Figure 2, there were 25 more localities in which Hispanic residents were adversely impacted than were benefited by Wells Fargo's branch relocactions.

Figure 2 Net Number of Localities in Which Branch Relocations Resulted in a Change in the Percentage of Hispanic Residents in the Branch Area, 1996-1998



This trend was evident in every state except New Mexico—where there were no branch closures—and Idaho. Overall, the percentage of Hispanics in the neighborhoods near branches fell in over 200 localities in which Wells Fargo closed, sold or relocated branches.

Table 2 Number of Localities with Changes in Branch Demographic Indices, Hispanic Residents as Percent of Total, 1996-1998

State	Number of Localities w/ Negative Changes	Number of Localities with No Changes	Number of Localities with Positive Changes	Net Number of Localities with Changes
AZ	15	6	13	-2
CA	132	73	124	-8
CO	1	1		
ID	3	18	4	1
NM		1		
NV	6	13	4	-2
OR	13	44	11	-2
TX	15	16	9	-6
UT	3	6	2	-1
WA	12	23	8	-4
TOTAL	200	201	175	-25

Wells Fargo branches, by and large, also moved away from lower-income neighborhoods. As shown in Figure 3, there were more instances than not where Wells Fargo's branches were relocated to areas with higher per capita income. This trend appeared strongest in California and Texas.

Figure 3 Net Number of Localities in Which Branch Relocations Resulted in a Change in the Per Capita Income of the Branch Area, 1996-1998

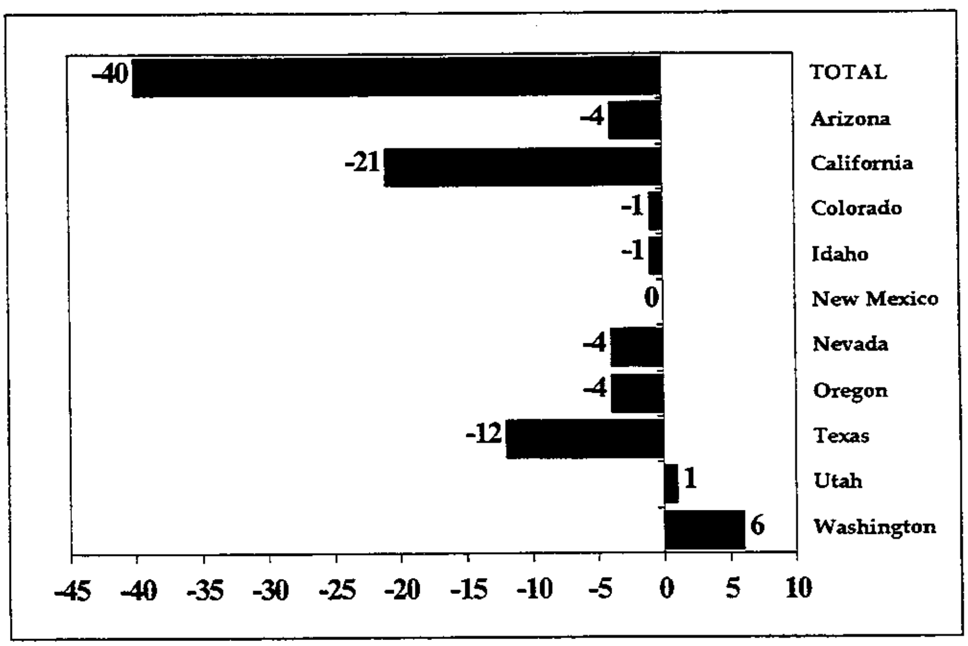


Table 3 Number of Localities with Changes in Branch Demographic Indices, Per Capital Income, 1996-98

State	Number of Localities With Negative Changes	Number of Localities With No Changes	Number of Localities With Positive Changes	Net Number of Localities with Changes
AZ	16	6	12	-4
CA	137	76	116	-21
CO	1	1		-1
ID	4	18	3	-1
NM		1		0
NV	7	13	3	-4
OR	14	44	10	-4
TX	18	16	6	-12
UT	2	6	3	1
WA	7	23	13	6
TOTAL	206	204	166	-40

In sum, the data suggest that Wells Fargo branch closings and openings on average tended to move the branches of the bank away from Hispanic and non-white neighborhoods and toward White and higher-income neighborhoods.

Impact of Wells Fargo Branch Relocations on Selected Localities

Wells Fargo's strategy of shifting branch locations is consistent with the long-range trend of banks to shut offices in low-income areas, even as the industry-wide total number of branches increases. (Avery et al., 1997/ p. 719-20) Selecting 25 localities as "worst-case" examples, the following table illustrates the changing demographics of the communities served by Wells Fargo's branches. In every one of the localities identified in the following table, the indices indicated a decline in the relative level of service to low-income neighborhoods, Hispanic neighborhoods, and 'minority' neighborhoods. The Bank either closed or sold branches in traditionally underserved neighborhoods, opened branches in neighborhoods with a lower percentage of these population groups, or shifted its branches toward higher-income, predominantly White neighborhoods.

For example, Wells Fargo reported a net gain in branches in Fort Worth and Dallas, Texas. But these new branches were in neighborhoods with higher incomes and lower minority and Hispanic populations than was the average for the Bank in those localities in previous years.

Table 4 Percent Change In Wells Fargo Branch Demographics By Locality

City & State	Percent Change in Hispanic Population	Percent Change in Non-white Population	Percent Change in Per-Capita Income
Indio, CA	-37.94%	-26.81%	67.90%
Tiburon, CA	-10.37%	-25.81%	111.25%
Banning, CA	-14.58%	-15.04%	26.49%
Fort Worth, TX	-5.57%	-14.66%	48.63%
Claremont, CA	-15.43%	-14.07%	46.87%
Glendale, AZ	-14.35%	-10.28%	18.26%
Alameda, CA	-7.51%	-10.03%	20.51%
Coronado, CA	-10.40%	-7.61%	13.94%
Santa Maria, CA	-9.19%	-7.53%	11.25%
Norwalk, CA	-4.27%	-7.16%	6.31%
Dallas, TX	-2.19%	-6.93%	8.85%
Merced, CA	-4.35%	-6.74%	9.21%
San Clemente, CA	-16.15%	-5.86%	27.90%
Marina Del Rey, CA	-5.31%	-5.49%	9.27%
Santa Clara, CA	-6.15%	-5.00%	5.67%
Canoga Park, CA	-4.17%	-4.24%	10.63%
Pittsburg, CA	-2.18%	-4.01%	2.67%
Fullerton, CA	-6.18%	-3.92%	10.70%
Philomath, OR	-1.87%	-3.92%	13.55%
Costa Mesa, CA	-1.86%	-3.84%	10.84%
Marble Falls, TX	-4.47%	-3.70%	18.50%
Peoria, AZ	-6.40%	-3.69%	36.98%
Phoenix, AZ	-4.03%	-2.98%	9.81%
Yuma, AZ	-5.50%	-2.77%	0.86%
Mesa, AZ	-2.88%	-2.74%	2.04%

The evidence suggests that Wells Fargo branch relocation strategy has not served members of "minority" groups and low-income people in these localities. These findings mirror the overall changes in the demographic profile of neighborhoods served by Wells Fargo branches as seen in the statewide summaries presented in Tables 1, 2, and 3.

Comparative Impacts of Wells Fargo's Branch Closings in Metropolitan and Nonmetropolitan Areas

A similar analysis shows that Wells Fargo is shifting service away from nonmetropolitan and rural areas – also traditionally underserved areas – as well. The Bank has publicly acknowledged this strategy. In one newspaper report announcing Wells Fargo's closure of a total of 14 branches in Washington, 26 in Oregon, 10 in Idaho and 22 in other Western rural areas, Wells Fargo spokesman Tom Unger explained that: 'Urban areas provide better growth prospects. We want to offer a complete network of services in our locations - but that was not possible in rural communities where there are simply not enough people." (Tucker, 1997)

The following table illustrates this trend, summarizing by state and by year, the location of Wells Fargo branches in metropolitan and nonmetropolitan areas. To measure the impact of branch closings in metropolitan versus non-metropolitan areas, each branch was matched to its respective "Metropolitan Area" boundaries as defined by the Office of Management and Budget. Branches were then grouped into two categories: "metropolitan" and "non-metropolitan," depending upon whether they were inside or outside metropolitan areas.

Branch data reported by Wells Fargo show a disproportionate decline in the relative share of branches in nonmetropolitan areas.

For example, in California, Wells Fargo closed or sold ten percent of its branches between June 30, 1996 and March 1998, but the decline in the number of branches was 36% in nonmetropolitan areas and only 9% in metro areas. In Nevada, this trend is even more stark: Wells Fargo increased its metropolitan branches by 29% while its nonmetropolitan branches declined by 5%.

Table 5 Changes in the Distribution of Wells Fargo Branches, Statewide and by Metropolitan and Non-Metropolitan Areas

State	Change in the Total Number of Branches	Change in Metropolitan Branches	Change in non-Metropolitan Branches
Arizona	24%	30%	5%
California	-10%	-9%	-36%
Colorado	50%	50%	0%
Idaho	0%	0%	0%
Nevada	20%	29%	-5%
New Mexico	0%	0%	0%
Oregon	-22%	-13%	-39%
Texas	17%	21%	-33%
Utah	-18%	0%	-67%
Washington	-57%	-53%	-81%

Wells Fargo's Performance in Meeting Credit Needs

Independent of the number and location of a bank's branches, the "bottom line" test of a bank's community lending performance is the level and pattern of its lending within its communities.

Under the CRA, regulators evaluate the overall performance of banks in making home mortgage, small business, small farm, and consumer loans based on the geographic distribution of loans to borrowers of different incomes. The so-called 'lending test' evaluates an institution's consumer lending portfolio, its mortgage lending, small business and small farm lending, lending for affordable housing and community development, and investments and other activities that might be argued to promote community development.

The test evaluates the geographic distribution of those loans, including the number and amount of loans to low-income areas; the characteristics of borrowers; the number and amount of community development loans; and, the use of innovative or flexible lending practices.

Notably absent from Wells Fargo's lending activities is home mortgage lending. The Bank left the home mortgage business in 1995, citing falling margins. The Bank continues to make home equity loans, which were not studied in this report.

In addition to the array of lending services offered, an institution's evaluation is to consider the relative volume of lending to its assessment area. An institution's lending patterns "should not exhibit conspicuous gaps," unless they can be explained by a lack of willing borrowers. (1995, 22165)

Wells Fargo's Self-Assigned Assessment Area is Highly Irregular, Appears to Arbitrarily Exclude Nearby Areas and Include Distant Ones, and May Overstate its Community Lending Performance

A bank's "focus on serving its local community" is measured by the institution's lending to its assessment area – the self-designated, geographic area which encompasses the location of an institution's branches, loan offices, and deposit-taking automated teller machines. (1995 CRA regulations, p. 22165, 22171)

The CRA regulations state that an assessment area "should include the geographies in which a bank has its offices and deposit-taking ATMs, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans." (page 22184)

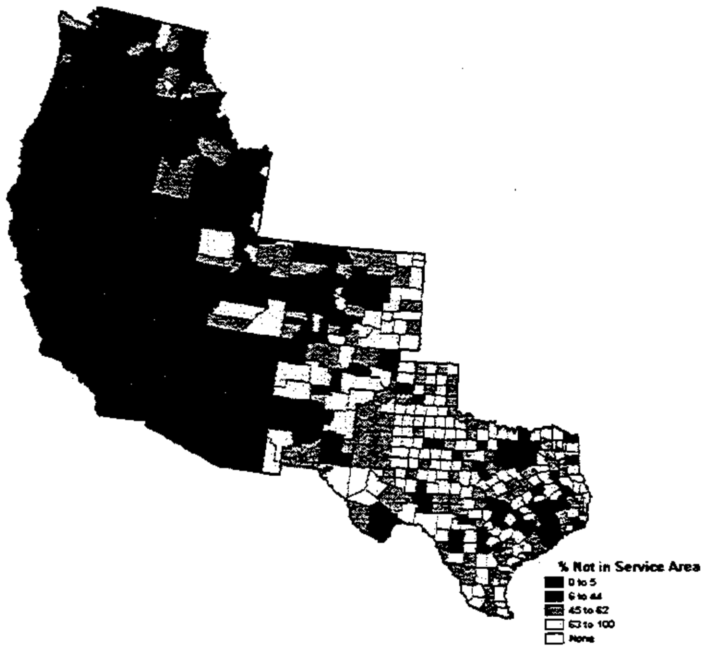
CRA regulations encourage institutions "to draw [their] assessment area broadly enough to allow the dispersion of [their] lending and the distribution of [their] loans among geographies of different income levels." (ibid.)

However, Wells Fargo's designated service area appears highly irregular. The apparently arbitrary exclusion of census tracts from its service area – including those within normal market areas of branches – may signify that the Bank is excluding communities with lower incomes and higher percent minority populations from its services areas.

Under the "lending test," an institution's lending pattern should not "exhibit conspicuous gaps that are not adequately explained by the 'performance context' – a hypothetically 'pure' business or market-driven decision." The law prohibits banks from "arbitrarily excluding low- or moderate-income geographies." (page 22171)

Wells Fargo identified 13,641 census tracts in ten western states as its primary service area. As the following map indicates, Wells Fargo designated all of California, Arizona, Nevada, and Oregon as within its primary service area. The Bank's coverage of census tracts in Washington, Idaho, Utah, Colorado, New Mexico, and Texas was less complete.

Figure 4 Percentage of Census Tracts in Wells Fargo's Service Area, by County



A principal question is whether this service area reflects the Bank's actual geography of deposit-taking facilities and lending or whether the designated service area "arbitrarily" excludes any geographies.

According to an October 1997 Federal Reserve paper, 75% of small businesses obtain their equipment loans within thirty-five miles of their business location. (Kwast et al., 1997) A similar percentage obtained its lines of credit within eleven miles of their lending institution. Ninety percent of all small businesses surveyed obtain their lines of credit at institutions within forty-five miles of their business and held deposit accounts at branches within fifteen miles of their location. Based on these findings, it is reasonable to question the exclusion of any census tract within thirty-five miles of a Wells Fargo branch from the Bank's assessment area.

There are many census tracts within thirty-five miles of a branch that are excluded from the Bank's self-designated service area—and there are many beyond thirty-five miles from any branch that are included in the Bank's service area. The following table reports the number of census tracts within a thirty-five-mile radius that are excluded from the Bank's reported service area.

Table 6 Tracts Adjacent To Branches But Excluded From Service Area

State	Nearby Tracts Not in Service Area
Colorado	27
Idaho	15
New Mexico	15
Texas	294
Utah	22
Washington	51

One effect of this exclusion is that the Bank's lending to small businesses and small farms in these census tracts is not reported in federal disclosure data and is not normally considered by regulators in evaluating a bank's CRA performance. If examiners do not correct the exclusion of these tracts from the Bank's designated service area, then they will be excluding lower-income tracts from the Bank's CRA performance evaluation, thus inflating the Bank's CRA rating.

This is significant because the roughly 400 census tracts that lie within thirty-five miles of a branch, but are excluded from the Bank's service area tended to be lower in income than areas the nearby tracts that were included in the Bank's designated service area.

In every state not served in its entirety by the Bank, the census tracts within thirty-five miles of branches but excluded from the service area tended to have lower incomes than those census tracts in the designated service area within the same thirty-five mile radius of a Wells Fargo branch.

Furthermore, in Idaho and New Mexico, these nearby tracts excluded from the service area had a higher percentage minority population.

The excluded census tracts as a group had a lower than average median family income when compared to the tracts within the service area in thirty-five counties out of a total of eighty-six where the Bank designated only a portion of tracts near branches. The excluded tracts had a higher than average percentage of minority residents when compared to those within the Bank's service area in thirty-eight counties.

Again, because the Bank excluded these tracts from its designated service area – and only the presence or absence of originations are reported at the census tract level – it is not possible to determine if the bank made any loans to small businesses or small farms in these tracts. If examiners do not correct the problem, the exclusion of these lower-income tracts from the Bank's CRA assessment area could lead to an inflated CRA evaluation.

Wells Fargo's Small Business and Small Farm Loans in 1995

Small-business lending is soaring, according to a recent Small Business Administration study—especially at the low end of the business revenue scale. "Banks are making it very easy to get credit," said Jere Glover, the agency's chief counsel for advocacy.

In the year ended last June 30, the latest period for which call-report data are available, the number of small-business bank loans with outstandings of less than $1 million jumped 23.6%, the SBA found. (American Banker, 1998) Bankers have become more accustomed to evaluating small-business loans, and have reduced the time it takes to win credit approval from two weeks to a few hours. These changes have spurred under-$100,000 lending, Mr. Glover said.

Wells has touted its growth in small business lending. According to the Bank's 1997 annual report, a combined sales strategy of direct mail solicitation and 140 commercial loan officers produced a growth in total loan outstandings of 20% during the year from $4.9 billion to $6.0 billion. Press reports have been equally approving: "From virtually nothing four years ago Wells Fargo's small business loans last year grew 22%, to $6 billion, spread among 300,000 borrowers. Work that once required thousands of clerks and loan officers can now be done by PCs equipped with . . . borrower profiling software." (Lubove, 1998)

Borrower profiling, also known as credit scoring, is a controversial method of reducing the costs of loan originations. While substituting computer algorithms for loan officers may be an effective strategy for big banks to cut costs, several studies suggest that these types of practices may not be favorable for small business in general.

In 1995, the National Federation of Independent Business found that 25% of small-business owners had been customers of a merged bank. Of these, 34 percent experienced some disadvantages. Just 7 percent said the merger was positive for their business. And 13 percent were so put out that they changed banks. Allen Berger of the Federal Reserve Board agrees that when larger banks merge, the result is generally fewer loans to small businesses. (1998d)

As the analysis below shows, Wells' high-tech marketing techniques did not serve low-income areas equally.

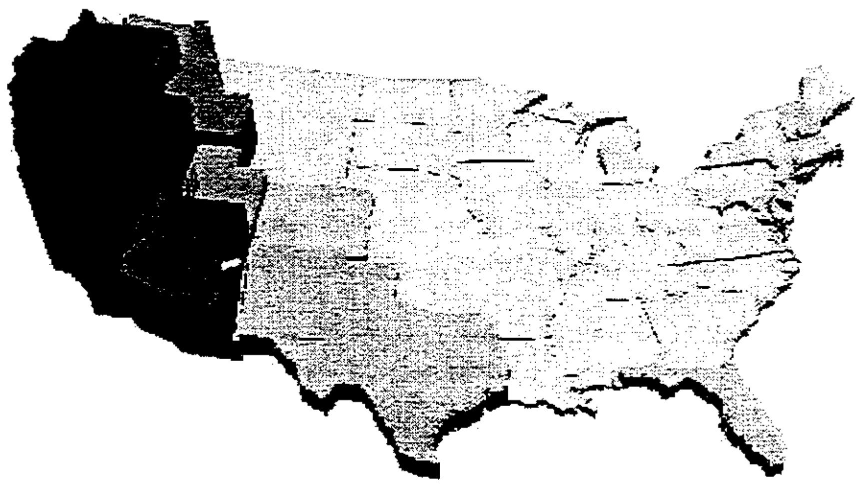
In 1996, Wells Fargo, NA ranked third nationally in the total number of small business loan originations and purchases. And it was nationally the number one lender in terms of the number of originations and purchases of small business loans between $100,000 and $250,000 and for small business loans in amounts greater than $250,000. But for loans of below $100,000, Wells Fargo ranked third nationally. And the data further show that in pursuing its place on the national scene, Wells Fargo may be neglecting the credit needs of its own service areas and low-income areas.

Wells Fargo's National Lending Strategy

Although Wells Fargo gets its deposits from localities in only ten western states, The Bank's small business lending is nationwide. In 1996, Wells Fargo reported originations and purchases of loans to small businesses in all fifty states and the District of Columbia.

The following map best presents this national pattern of lending. This map presents the number of small business originations as a rate to the number of small businesses in a state, as reported by the 1996 Census of county business patterns.

Figure 5 Wells Fargo's 1996 Small Business Loans Per 100 Small Businesses



As presented in Figure 2, Wells Fargo's lending rate to small businesses was highest in California (7.28 loans per 100 businesses), Nevada (5.23), Oregon (5.14) and Arizona (4.35). However, the Bank also reported large numbers of originations and loan purchases in Texas (6,468); New York State (4,168); Florida (3,941); and Washington State (3,818).

As the loan origination data show, the Bank is using cost-saving national marketing strategies – such as Internet applications, "credit scoring," and cold-contact letters – for its smaller business loan products. In the District of Columbia and forty other states, more than 99% of Wells Fargo's reported originations were below $100,000. These small business loans averaged about $25,000. The nine states where small business originations were not mainly limited to the $100,000 limit were in Wells Fargo's primary service area. The one state in the Bank's service area that was an exception to this pattern was New Mexico, where Wells Fargo originated only three small business or small farm loans in excess of $100,000.3

[3] See Table A2 in Appendix for a listing of Wells Fargo Small Business and Small Farm Lending for selected states.

Wells Fargo's high-tech approach to lending may make it less able to meet its obligations under the CRA. Wells' own lending data show that the Bank has not been successful in reaching lower-income areas. And although recent articles described a new $1 billion commitment by Wells to Black-owned small businesses, the only avenue reported was a web address. (Business Briefs, 1998) As federal data show large racial and income disparities in the access to computers and the Internet (Bridis, 1998; Kinney, 1995), it seems unlikely that this new commitment will assist Wells Fargo in complying with CRA.

Percentage of Wells Fargo's Lending within its Assessment Area

Wells Fargo's national strategy for small business lending also casts into doubt its commitment to its primary service areas: those communities from which it takes its deposits. In this respect, Wells Fargo ranks 181st out of the largest 200 lenders in its level of lending committed to its primary service areas. These top 200 lenders on average reinvested 84% of loans in their respective primary service areas, compared with Wells Fargo's reported 68% reinvestment.

The Bank did an especially poor job of focusing its lending in its assessment areas in Texas, Colorado, and New Mexico - where its assessment areas encompassed less than the entire state. As shown below, this pattern generally holds true regardless of the size of the loan.

Table 7 Wells Fargo Assessment Area Lending as Percent of its Total Lending

Name	Percent All Loans in Assessment Area	Percent All Loan Amounts in Assessment Area	Percent Small Loans in Assessment Area	Percent Mid-sized Loans in Assessment Area	Percent Larger Loans in Assessment Area
Washington	92.98%	95.27%	92.63%	97.83%	96.69%
Utah	92.93%	96.11%	92.48%	93.75%	100.00%
Idaho	88.48%	93.10%	87.72%	94.74%	97.30%
Texas	79.53%	87.04%	78.43%	96.88%	92.79%
Colorado	53.34%	67.23%	52.18%	87.50%	78.57%
New Mexico	17.58%	18.26%	17.45%	100.00%	NA

Overall, California was the main exporter of capital due to Wells Fargo's dispersed lending strategy. As the following table demonstrates, California supplied 73% of the Bank's deposits, but received only 49% of the total loans and 59% of the total dollar amount of small business lending by the Bank. Other net exporters were Nevada, Texas and Arizona.

Table 8 Distribution Of Wells Fargo's Deposits And Lending By State

State	Deposits ($1,000s) June 1997	Share of Deposits	Share of Loans	Share of Amount	Share of Mid-sized Loans	Share of Mid-sized Amount	Share of Large-sized Loans	Share of Large-sized Amount
Arizona	$4,809,164	6.50%	3.98%	4.21%	3.96%	3.98%	4.10%	4.26%
California	$54,167,898	73.23%	48.54%	58.83%	78.15%	78.38%	74.53%	72.75%
Idaho	$579,793	0.78%	1.00%	1.29%	1.81%	1.80%	1.46%	1.40%
Nevada	$2,683,773	3.63%	1.77%	1.90%	1.99%	2.04%	1.76%	1.84%
New Mexico	$86,409	0.12%	0.57%	0.32%	0.04%	0.04%	0.03%	0.02%
Oregon	$3,223,628	4.36%	4.53%	4.94%	4.94%	4.74%	5.07%	5.26%
Texas	$5,056,101	6.84%	5.81%	6.35%	4.60%	4.56%	6.31%	7.11%
Utah	$642,663	0.87%	0.87%	1.17%	1.10%	1.17%	1.46%	1.58%
Washington	$2,369,993	3.20%	3.51%	4.14%	3.27%	3.13%	5.04%	5.51%

Wells Fargo's Market Share by income level of Small Business and Small Farm Loans

As stated above, lending institutions have a basic obligation to help meet the credit needs of their community. The CRA obliges banks to ensure that their lending and services do not exclude geographies or population groups.

The following analysis compares Wells Fargo's lending with that of other institutions to traditionally underserved geographies and population groups. It uses the basic principle that good performance in serving an entire market area should be matched by a similar performance by that institution in reaching underserved communities. In other words, an bank's market share in traditionally underserved submarkets should match its market share in the market as a whole.

It is both a strength and a weakness of this analysis that institutions are compared to their peers for a measurement of their performance. A market share analysis like the following incorporates this shortcoming: if lenders are compared only to their peers, then the measure of their performance will be biased by the performance of the group as a whole. Readers should be aware of this shortcoming in the following analysis. Thus, if banks overall are underserving particular groups, then a single bank's lackluster performance will appear, subjectively, average.

By the same token, while an institution may claim that disparities in its lending across social categories are the result of market forces beyond its control, that argument is less successful when it can be shown that other lenders have found ways to better meet the credit needs of those markets.

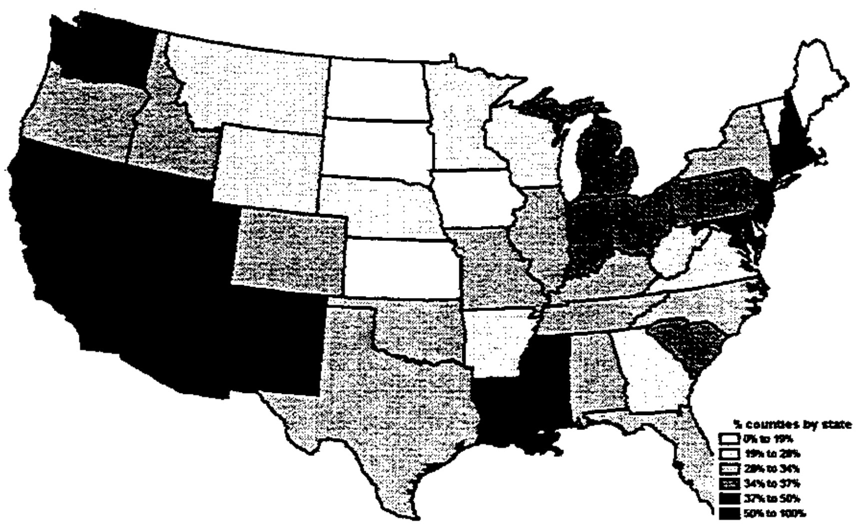
Areas with Abnormally Low Penetration by Wells Fargo

This section of the report discusses Wells Fargo's performance compared to other institutions in making small business and small farm loans to lower-income populations. In the following analysis, all lending was aggregated by categories of census tracts within a county—tracts with median family income below 80% of area median as 'lower-income' tracts and tracts with median family income greater than 80% of area median as 'higher-income' tract. Wells Fargo's performance, expressed as market share-in reaching those tracts with its loan products, was measured against the performance of other reporting lenders.

The data show that Wells Fargo failed to match its competitors in serving lower-income populations in 69% of the counties where it made loans. Thus, although the ability of a lender to reach traditionally underserved areas is at the core of the CRA, in the vast majority of counties, Wells Fargo failed to reach lower-income populations with its small business and small farm loans. In only five states—NM, NJ, CT, MA, AK—and the District of Columbia did the number of counties well-served by Wells Fargo exceed the number of counties in which the Bank failed to adequately serve lower-income areas.

In twenty-eight other states, the number of counties with underserved lower-income areas outnumbered the number of counties with well-served lower-income areas by a ratio of more than two to one. The following map describes this distribution of counties within the continental United States.

Figure 6 Areas Where Wells Fargo Serves Lower-Income Areas Relatively Better than Higher Income Areas, Percent of Counties with Lower Income Areas Better Served



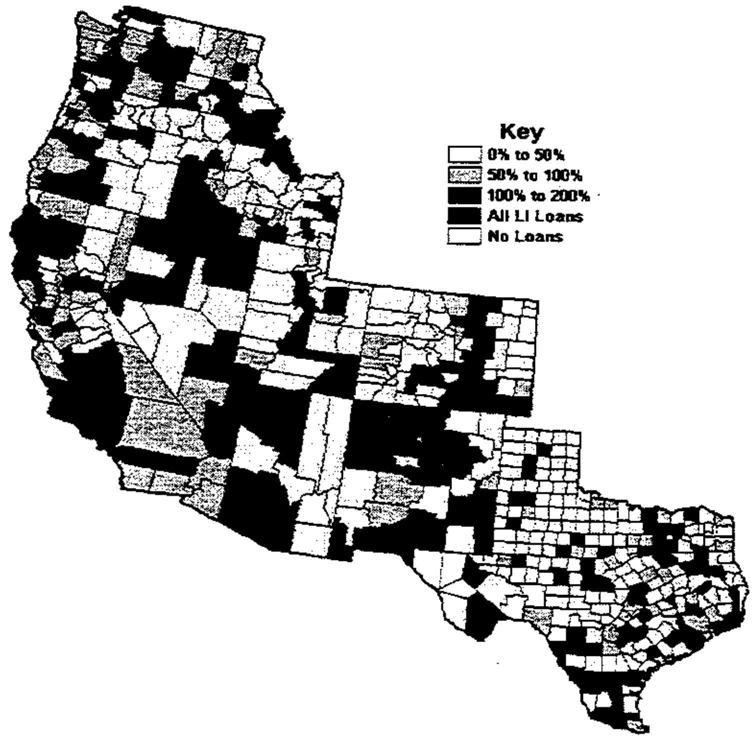
Although Wells Fargo's lower-income lending was somewhat stronger in its most important counties in terms of the number of originations, it did only a slightly better job overall of reaching lower-income populations in the ten western states from which it takes its deposits.4

Out of 514 counties where the Bank made small business or small farm loans in these ten western states, its market share in lower-income census tracts was lower

[4] See Table A3 in Appendix for a detailed breakdown of Wells Fargo's comparative market share by income level in its largest markets.

than its market share in higher-income census tracts in 327 counties (64%). Outside of these states, Wells Fargo's performance was even worse. The Bank's market share in lower-income tracts was lower than its market share in higher-income census tracts in 71% of the counties.

Figure 7 Wells Fargo's Market Share in Lower-Income Tracts as a Percent of its Market Share in Higher-Income Tracts



Conclusion

Like all lending institutions, Wells Fargo has a basic obligation to help meet the credit needs of its communities. The current wave of consolidation underway in the financial services industry makes it more important than ever to ensure that no neighborhoods or segments of the population are excluded from access to lending or financial services.

However, Wells Fargo's acquisition of First Interstate Bancorp, rather than enabling the Bank to improve its services and lending to traditionally underserved groups, appears to have made matters worse.

The data in this analysis suggest that in a majority of localities where the Bank had its branches, Wells Fargo branches actually moved away from "Non-White," Hispanic, or lower income neighborhoods and away from nonmetropolitan and rural areas.

In relative terms, Wells Fargo failed to match its competitors in serving lower-income populations in an astounding 69% of the counties where it made loans. There are also a number of questions raised by the irregularity of the Bank's self-designated service area, which may inaccurately portray the scope of its lending and may perhaps skew its CRA evaluation.

These findings raise questions about Wells Fargo's compliance with the Community Reinvestment Act and the adequacy of the Bank's much publicized "$45 billion" CRA commitment in relation to the communities in which it does business. Examiners who are currently evaluating the Bank's past performance—and considering its application to merge with Norwest Bancorp – should intensify their oversight of the Bank's lending and branch closures.

Finally, the findings also suggest that strengthened oversight and enforcement of the CRA will be necessary to ensure that people of color, low-income people and people living in rural areas have access to financial services.

Sources of Information

The statistical information used in this study is from several sources. These include the Bank's small business and small farm data reported under the CRA small business and small farm disclosure requirements, and OCC and CRA evaluations. The small business and small farm lending data are for 1996, which was the first and is currently the only year for which these data have been published by federal regulatory agencies. The branch location and deposit amounts data used in this report are from June 30, 1996 and June 30, 1997 FDIC reports. The list of current branches from the FDIC was current through March 1998. Census demographic data are from the 1990 Census. The location of small businesses is from the 1995 County Business Patterns report, also published by the Bureau of the Census.

The branch location analysis in this study compares branch demographic information from two different government databases and therefore should be used with care. One is the FDIC's "Institutions and Branch Office" database. Another is the "Summary of Deposits" database managed jointly by the FDIC and OTS. Unfortunately, there are very limited comprehensive, historical branch location data available to the public. The information in the different federal databases does not strictly coincide. Information about Wells Fargo branches in 1996 and 1997 came from the "Summary of Deposits" database, while the March 1998 data came from the "Institutions and Branch Offices" database. There may be some error in the findings due to this discrepancy in the data sources. (The Bank itself declined direct requests for its branch location data in a machine-readable format.)

According to the FDIC's annual Summary of Deposits, between June 30, 1996 and June 30, 1997, the number of depository branches at Wells Fargo decreased from 1,922 to 1,417, or a decline of 26 percent. Deposits in all Wells Fargo branches declined by $12 billion over that period, or 15%.

California had the largest number of branches closed or sold: 411 out of a total of 505 closed or sold during the year between June 1996 and 1997. The trends described in this report cover the period between June 1996 and March 1998.

Because the 1998 data more are comprehensive, the 1998 data should not underreport any branches in "minority" and lower-income neighborhoods. California and Washington together accounted for most of the decline in Bank deposits. Wells Fargo reported a $3.3 billion decline in California deposits (6% decline over the year) and a $3.6 billion decline (61%) in Washington. The California decline represented 27% of the corporate total, and the Washington decline in deposits was 29% of the loss that year. California contributes 79% of the deposits of the bank, and Washington contributes 3%. Eighty-one percent of the depository branches closed or sold by Wells Fargo between June 1996 and June 1997 were in California.

Definitions

Metropolitan Statistical Area

The general concept of a metropolitan area (MSA) is one of a large population nucleus, together with adjacent communities that have a high degree of economic and social integration with that nucleus. Some MSA's are defined around two or more nuclei.

The MSA classification is a statistical standard, developed for use by Federal agencies in the production, analysis, and publication of data on MSA's. The MSA's are designated and defined by the Federal Office of Management and Budget, following a set of official published standards. The Interagency Federal Executive Committee developed these standards on Metropolitan Statistical Areas, with the aim of producing definitions that are as consistent as possible for all MSA's nationwide.

Each MSA must contain either a place with a minimum population of 50,000 or a Census Bureau-defined urbanized area and a total MSA population of at least 100,000 (75,000 in New England). An MSA comprises one or more central counties. An MSA also may include one or more outlying counties that have close economic and social relationships with the central county. An outlying county must have a specified level of commuting to the central counties and also must meet certain standards regarding metropolitan character, such as population density, urban population, and population growth. The metropolitan and nonmetropolitan classification cuts across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and nonmetropolitan areas.

Census Tracts

Census tracts are small, relatively permanent statistical subdivisions of a county. Census tracts are delineated for all Metropolitan Statistical Areas (MSA's) and other densely populated counties by local census statistical areas committees following Census Bureau guidelines (more than 3,000 census tracts have been established in 221 counties outside MSA's). Census tracts usually have between 2,500 and 8,000 persons and, when first delineated, are designed to be homogeneous with respect to population characteristics, economic status, and living conditions. Census tracts do not cross county boundaries. The spatial size of census tracts varies widely depending on the density of settlement. Census tract boundaries are delineated with the intention of being maintained over a long time so that statistical comparisons can be made from census to census. However, physical changes in street patterns caused by highway construction, new development, etc., may require occasional revisions; census tracts occasionally are split due to large population growth, or combined as a result of substantial population decline.

Very low-income; Low-income; Moderate-income; and Upper-income

Income levels in this study are based on the 1990 census MSA median family income for activities in the state's metropolitan areas and on the 1990 statewide median family income for activities outside MSAs. Income levels reported with small business and small farm loans are provided by the Federal Financial Institutions Examination Council. For this study, very low-income is 50% or less of the area median family income; low-income is between 50% and 80% of the area median family income; moderate income is between 80% and 120% of the area median; and, upper income are those incomes beyond 120% of the area median. For the small business and small farm lending analysis, "lower-income" census tracts are those with incomes below 80% of the area median, and "higher-income" census tracts are those with income levels above 80% of the area median.

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Appendix

Table 9 Number of Localities with All Wells Fargo Branches Closed or Sold, 1996-98

State	All Branch(es) Closed or Sold
AZ	12
CA	68
CO	
ID	
NM	
NV	
OR	25
TX	5
UT	5
WA	14
TOTAL	129

Table 10 Statewide Small Business and Small Farm Lending by Wells Fargo in 1996

State	Loans	Amount ($1,000s)	Loans Under $100K	Loan Amount Under $100K	Loans to Businesses with Rev enues Under $1Million	Amount to Businesses with Rev enues Under $1Million	Number of Small Businesses in the State	Rate
California	53,606	$2,930,768	47,638	$1,153,33	40,944	$1,817,173	736,789	7.28
Texas	6,468	$327,259	6,036	$172,787	3,413	$128,077	436,830	1.48
Oregon	4,791	$232,842	4,449	$120,117	2,951	$104,513	93,254	5.14
Arizona	4,317	$200,128	4,042	$111,087	2,774	$94,221	99,304	4.35
New York	4,168	$115,169	4,168	$115,169	2,392	$57,732	465,599	0.90
Florida	3,941	$107,545	3,939	$106,977	2,215	$51,189	394,448	1.00
Washington	3,818	$202,253	3,529	$95,001	2,306	$93,646	151,609	2.52
New Jersey	1,988	$54,940	1,988	$54,940	1,164	$27,692	220,267	0.90
Nevada	1,938	$94,602	1,794	$49,569	1,234	$44,991	37,030	5.23
Pennsylvania	1,851	$47,002	1,851	$47,002	1,106	$24,716	282,835	0.65
Illinois	1,621	$41,613	1,620	$41,365	1,024	$23,615	292,665	0.55
Massachusetts	1,524	$41,698	1,523	$41,223	870	$20,325	159,747	0.95
Ohio	1,453	$36,426	1,452	$36,276	882	$19,222	262,790	0.55
Colorado	1,361	$54,644	1,309	$34,235	813	$26,951	117,838	1.15
Michigan	1,351	$34,183	1,351	$34,183	824	$17,826	224,963	0.60

Note: the small business and small farm lending rate is the number of Wells Fargo loans as a ratio to every one hundred businesses in a state.

Table 11 Wells Fargo's Comparative Market Share By Income Level In Its Biggest Markets

County	Loans	Amount ($1,000s)	Share of Loans in Lower-Income tracts	Share in Lower-Income tracts as Percent of share in Higher-Income tracts
LOS ANGELES CA	14,385	$755,807	17.33%	102.35%
ORANGE CA	5,796	$351,637	22.24%	111.26%
SAN DIEGO CA	4,596	$198,370	21.97%	97.81%
SANTA CLARA CA	3,667	$206,964	21.62%	87.02%
SAN FRANCISCO CA	3,069	$175,375	31.14%	100.61%
ALAMEDA CA	3,004	$231,156	28.84%	112.00%
MARICOPA AZ	2,729	$140,018	11.54%	104.22%
SACRAMENTO CA	2,197	$113,010	25.70%	94.71%
SAN MATEO CA	2,077	$111,003	28.32%	91.76%
HARRIS TX	2,056	$142,699	5.82%	92.84%
CONTRA COSTA CA	1,483	$76,735	22.17%	100.37%
KING WA	1,468	$85,014	7.34%	92.80%
RIVERSIDE CA	1,361	$69,741	16.92%	100.52%
SAN BERNARDINO CA	1,299	$72,667	15%	94.41%
MULTNOMAH OR	1,211	$73,012	13.46%	111.34%
VENTURA CA	1,095	$60,111	21.71%	111.55%
CLARK NV	1,030	$51,712	10.51%	96.71%
DALLAS TX	985	$46,893	5.17%	113.89%
FRESNO CA	955	$81,771	16.12%	100.86%
DADE FL	951	$27,178		
NEW YORK NY	942	$27,384		
KERN CA	914	$64,887	21.66%	109.32%
MARIN CA	811	$40,847	20.75%	85.92%
COOK IL	801	$20,701		
SONOMA CA	786	$43,007	17.70%	88.46%

Black State Employees Association of Texas Community Development Corporation, Inc.

SEPTEMBER 10, 1998

$1.5 BILLION
SOUTHERN DALLAS COMMITMENT ANNOUNCED BY
NINE MAJOR FINANCIAL INSTITUTIONS

CHASE BANK OF TEXAS, BANK UNITED, GUARANTY FEDERAL BANK, COMERICA BANK, SAVINGS OF AMERICA, WELLS FARGO, COMPASS BANK, BANK ONE TEXAS, NATIONSBANK (SEPERATE $500 MILLION COMMITMENT).
ALL NINE BANKS RECEIVED INVITATIONS TO MAKE THEIR PRESENTATION.

MEETING AGENDA:

1) MEETING CALLED TO ORDER/OPENING COMMENTS: DARREN L. REAGAN CHAIRMAN/CEO

2) INTRODUCTION OF GUESTS: DARREN L. REAGAN, CHAIRMAN/CEO

3) PURPOSE OF BRIEFING: ALLEN MCGILL, PRESIDENT.

4) BANK PRESENTATIONS: IN ORDER AS LISTED ABOVE.
AREAS OF SPECIAL INTEREST FOR DISCUSSION INCLUDE:

   A) THE BANK'S PLANS FOR MEETING AND/OR EXCEEDING ITS COMMITMENT.

   B) THE BANK'S CONTRIBUTION AND PARTICIPATION IN AN EQUITY FUND DESIGNATED FOR ECONOMIC DEVELOPMENT AND HOUSING PROJECTS IN SOUTHERN DALLAS.

   C) THE BANK PROVIDING PRE DEVELOPMENT FUNDING FOR ECONOMIC DEVELOPMENT AND HOUSING PROJECTS IN SOUTHERN DALLAS.

   * QUESTIONS, ANSWERS AND COMMENTS WILL BE TAKEN AFTER EACH INDIVIDUAL BANK PRESENTATION.

5) COMMUNITY ORGANIZATIONS PLANNED PROJECTS/ BUSINESS OWNERS PRESENTATIONS, AND OTHER COMMUNITY NEEDS ASSESSMENTS.

6) CLOSING COMMENTS/FOLLOW UP PLANS: DARREN L. REAGAN, CHAIRMAN/CEO AND ALLEN MCGILL, PRESIDENT.

Black State Employees Association of Texas Community Development Corporation, Inc.

THE FOLLOWING IS A LIST OF OTHER INVITED BANKS/FINANCIAL INSTITUTIONS WITH A PRESENCE AND/OR HAS EXPRESSED AN INTEREST IN DOING BUSINESS IN SOUTHERN DALLAS:

BANK OF AMERICA TEXAS- CONTACT: JIM RICHARDSON- (214) 758-4658

BANK OF THE SOUTHWEST- CONTACT: LONNIE GOODMAN- (214) 330-3800

FROST NATIONAL BANK- CONTACT: JIM JOHNSON- (214) 860-4901

NORTHERN TRUST BANK OF TEXAS- CONTACT: MARTY WEILAND- (214) 740-5837

WESTERN BANK & TRUST- CONTACT: MARK HALL- (972) 283-5000

DUNCANVILLE NATIONAL BANK- CONTACT: CHARLES ACTON- (972) 298-7260

STATE BANK OF TEXAS- CONTACT: CHAN PATEL- (972) 253-2000

BANK OF DESOTO- CONTACT: JIMMY MONKRES, JR.- (972) 780-7777

PROVIDENT BANK- CONTACT: FRITZ HEINKE- (972) 458-0500

MAINBANK- CONTACT: MIKE MONTGOMERY- (972) 617-7377

NORWEST BANK- CONTACT: JANA P. TEIS- (817) 347-8501

FIDELITY INVESTMENTS- CONTACT: DOUGLAS REED- (972) 584-7124

SWISS AVENUE BANK- CONTACT: CARL SCHIFFER- (214) 824-4760

CITY OF DALLAS

NEWS RELEASE

Sherrie C. Wilson • Public Information Officer • (214)670-3322 • Fax (214)670-0160

Eight Major Financial Institutions in Dallas Pledge $1 Billion for Southern Dallas

April 22, 1998

Eight major financial institutions in Dallas have jointly committed to lend $1 billion in Southern Dallas over the next five years. Building on their previous successful initiatives, and in recognition of the potential for development in the southern sector, these institutions have entered into this landmark agreement.

"I applaud the City of Dallas and these leading financial institutions for making such a serious commitment to Southern Dallas. This clearly demonstrates the importance and value of public/private partnerships in revitalizing our central cities," said Vice President Al Gore.

More

In addition, **Secretary of the Treasury Robert E. Rubin** said, "I congratulate the Dallas financial community for stepping up to this challenge. Access to capital is the lifeblood of communities. Working together, we can help to bring all Americans into the economic mainstream."

Today's signing evidences the ongoing efforts of the following financial institutions in the southern sector: **Bank One, Texas N.A.; Bank United; Chase Bank of Texas; Comerica Bank-Texas: Compass Bank of Texas; Guaranty Federal Bank: Savings of America. and Wells Fargo Bank (Texas).**

"All of Dallas will benefit from this investment in the revitalization and development of the southern sector," said U.S. **Senator Kay Bailey Hutchison.** "I commend the mayor and the financial institutions for creating this unique partnership. It is an outstanding example of local, private-public efforts that can make a difference."

"The major financial institutions of Dallas have stepped forward to play a significant role in carrying out the City's **Global Strategy for Expanding Development in Southern Dallas,**" said **Dallas Mayor Ron Kirk.** "Southern Dallas presents abundant growth opportunities with its large tracts of developable land, strong transportation infrastructure, and documented retail potential."

These financial institutions have recognized the opportunity to make money in Southern Dallas, and have positioned themselves to do so, he said.

With its large, diverse workforce, a crime rate that's lower than many U.S. cities, and incentives available through the state enterprise zones and federal Enterprise Community, Southern Dallas is poised for growth and development. "The opportunities I have encouraged over the years have come to fruition. I'm delighted that financial institutions see the value of investing in Southern Dallas. Both the financial institutions and the city of Dallas will realize great returns," said **U.S. Representative Eddie Bernice Johnson,** 30th District, Southern Dallas.

A Commitment to Southern Dallas

Recognizing the significant role the southern sector plays in the City of Dallas' economy, the City has commenced a Global Strategy for Expanding Development in Southern Dallas. The multi-faceted Global Strategy includes plans for workforce training/development, business development and job creation, with emphasis on industrial development; marketing of the unique advantages of the southern sector of the city; and strategies for retail and small business development. The City of Dallas is committed to carrying out this plan and is prepared to assign City staff and resources.

The undersigned financial institutions acknowledge the current efforts of the City and embrace the goals set forth in the City's Global Strategy for Expanding Development in Southern Dallas. These institutions also understand the key role they can play as one financing source for development in the southern sector. Using 1996 as a base year, these financial institutions have set forth within the context of safe and sound banking practices, a collective goal of increasing efforts which would result in the funding of $1 billion in loans in the southern sector of Dallas over five years.

Just as the City recognizes the financial institutions as key partners in the Strategy, the undersigned recognize the City's role in generating increased demand for development in the southern sector. In conjunction with the financial institutions' goals, the City will provide a forum for communication between the City, local corporate and business entities, financial institutions, non-profits and community groups. These linkages will allow the City to leverage its resources while stimulating opportunities for growth and investment in the southern sector of the city.

Executed this 22 day of April, 1998. ________________

City of Dallas

____________	____________	____________	____________
Bank One, Texas N.A.	*Bank United*	*Chase Bank of Texas*	*Comerica Bank - Texas*
____________	____________	____________	____________
Compass Bank of Texas	*Guaranty Federal Bank*	*Savings of America*	*Wells Fargo Bank (Texas)*

A Commitment to Southern Dallas

Bank	Signing Participant
Bank One, Texas N.A.	Larry Helm Chairman and CEO of Dallas Region
Bank United	Jeffrey S. Balentine Senior Vice President Community Reinvestment
Chase Bank of Texas	Martin S. Cox President
Comerica Bank	Jim Gwiadnia 969-6414 Senior Vice President-Community Banking
Compass Bank	Robert Sewell Vice Chairman
Guaranty Federal Bank, F.S.B. 360-1671	~~Tom Covert~~ Mark Crawford Chief Credit Officer
Savings of America	Patricia A. Vatali Vice President-Lending
Wells Fargo Bank (Texas)	Harold Steely Senior Vice President and Division Manager

Seperate + $500 million NationsBank - Tim Arnoult, Pres. Central & S.W. Region
stand alone commitment

Black State Employees Association of Texas Community Development Corporation, Inc.

August 31, 1998

Ms. Karen Alnes
Director of Community
Reinvestment Programs
Norwest Corporation
Norwest Center
6th & Marquette
Minneapolis, Minnesota 55479-1011
Via Fax (612)667-4947

Dear Karen;

On behalf of Darren, Lee Alcorn and other coalition members, we appreciated your attendance and participation in our community discussion concerning the potential affect the merger will have in this market and on community development projects in this area.

I was reassured that Norwest and Wells will do everything possible to maintain continuity of support and funding for our organizations and projects.

We welcome Norwest to Southern Dallas.

I hope you were able to *"see"* BSEAT's *"Hampton Road Vision"* after the quick tour.

Momentum for investment is building and interest is currently high in southern Dallas. This new found interest means higher prices for land and the possibility of unwanted development, in our neighborhoods, unless we are able to control key parcels of land.

In July 1998, the Wall Street Journal in its economic focus section described this new interest in southern Dallas, *"Development is progressing nonetheless. Builders are putting up moderately prices homes...A few intrepid investors are bargain-hunting for undeveloped land. Perhaps most telling, major grocery chains are returning to the area with large, well stocked stores".*

That story was followed by a four day series in the Dallas Morning News on economic development in southern Dallas. As a result, we expect the price of land to increase, therefore causing our projects to become more expensive to build and creating the risk BSEAT will not be able to develop the property in a timely manner.

To facilitate developing a comprehensive approach to Southern Dallas investment, BSEAT is hosting a forum with the nine financial institutions that announced a 1.5 billion commitment to southern Dallas to jointly plan a community investment program.

P.O. BOX 763773 - DALLAS, TEXAS 75376 - (214) 331-9903 - FAX (214) 331-9906

Norwest has been invited to attend the forum.

We will be seeking agreement on the following key elements of a comprehensive community investment program

- Bank's Community Development Corporation
- Community Development Financial Institutions
- Make a Difference Center
- Community Development Lending
- Housing Fund
- Child Care Center Development Loan Program
- Neighborhood Development Group
- Small Business Investment Company

We hope you will support this community investment program that is designed, *"to get at it."*

Specifically, we need Norwest's financial assistance to bring key parcels under our control and Norwest participation in BSEAT's pre-development and equity needs.

Additionally, we urge you to place our request for a branch in the West Cliff Shopping Plaza on the fast track and to give Ms. Gail Terrell a call at (214)374-5775 with some feedback as soon as possible.

I am looking forward to meeting your Texas team on September 2nd, and to getting your thoughts on the issues we have raised.

My number is (214)374-5775. Please call if I can provide you with any additional information.

Sincerely,

Allen

Allen McGill

Panel 8

Black State Employees Association of Texas, Inc.

DR. DARREN L. REAGAN
Chairman/CEO

ALLEN McGILL
President
Vice Chairman

GAIL TERRELL
Executive Secretary

LINDA WILKINS
Executive Treasurer

September 17, 1998

Federal Reserve Bank
of Minneapolis
90 Hennepin Avenue
Post Office Box 291
Minneapolis, Minnesota 55480-2091

Re: *Testimony, Norwest Corporation/Wells Fargo & Company Proposed Merger*

Good Afternoon. My name is Allen McGill, I am the President of the Black State Employees Association of Texas, Inc.(BSEAT). BSEAT's Chief Executive Officer, Mr. Darren Reagan will be testifying also.

BSEAT supports the planned merger between Norwest Corporation and Wells Fargo & Company.

BSEAT has had a long and valued relationship first, with Linnet Deily then with First Interstate (a Wells Fargo acquisition) and later with Karen Wegmann and Byron Reed of Wells Fargo.

During similar hearings and smaller group meetings, Wells Fargo assured the Association and its coalition members that it would honor and significantly expand any commitments made by First Interstate to organizations in the Texas market.

BSEAT was very concerned, as it is now, as to how the merger would affect existing branches and employees, particularly African American employees.

Of particular concern, was the branch in Southeast Oak Cliff, Dallas, Texas. In 1992, in an area 38 square miles, with a population of 108,000, 90% African American, with a medium income of $31,000, the community did not have a bank. BSEAT, lead by the efforts of Mr. Reagan, successfully sold the community as a profitable location.

Wells Fargo said the branch would not be closed...they have kept their word.

However, BSEAT is concerned about the investment and loan strategy for the Texas markets. BSEAT and its coalition partners have emphasized the need to create an investment and lending model that will address the capital needs in Texas low and moderate income neighborhoods.

During a series of public forums and small group meetings BSEAT and its coalition partners outlined the following elements of a comprehensive neighborhood investment plan:

A. *the creation of a bank community development corporation*

B. *set aside a percentage of earnings to invest in community development financial institutions*

C. *invest in a small business investment company*

D. *create a below market interest rate mortgage pool*

E. *create a commercial/retail equity fund*

F. *take the leadership in developing public and private local partnerships willing to provide technical assistance to developers of commercial/retail projects.*

BSEAT and its coalition partners strongly recommend the creation of a streamlined process for providing financial support for pre-development and equity needs.

The Federal Reserve System's own studies and our anecdotal experience indicate our neighborhoods will continue their marginal existence unless financial institutions and regulators are willing to direct funds into an organization's pre-development and equity needs.

The combined institutions indicated in its filing, a bank CDC will be formed. We urge the combined institutions to allocate a larger proportion of its initial funding, than presently indicated, to commercial/retail development. And particularly to funding equity and pre-development needs to support these projects.

P.O. Box 763773*Dallas, Texas 75376* (214) 339-7700*Fax (214) 339-7704

We appreciate this opportunity to address some of the Texas market community concerns as this merger is being considered.

Sincerely,

Allen McGill
President

Attachments:
August 31, 1998 letter to Karen Wegmann
August 31, 1998 letter to Karen Alnes
September 10, 1998 BSEAT Agenda from Public Forum

Black State Employees Association of Texas
Community Development Corporation, Inc.

August 31, 1998

Ms. Karen Wegmann
Executive Vice President
Wells Fargo Bank
394 Pacific Avenue
3rd Floor
San Francisco, California 94163
<u>**Via Fax (415)397-2987**</u>

Dear Karen;

On behalf of Darren, Lee Alcorn and other coalition members, we appreciated your attendance and participation in our community discussion of the potential affect the merger will have in this market and on our organizations' community development projects and funding.

We were reassured that continuity will be maintained with funding and projects as the merger progresses.

We were glad to show you BSEAT's *"Hampton Road Vision"*, the residential project is in the presentation stage, and as you know the retail center's loan closing should happen within 45 days. The project materials for both projects have been sent to Byron.

Karen, as the merger process unfolds, BSEAT is requesting your support for Phase II of it's *"Hampton Road Vision"*. Pre-development and equity funds are BSEAT's critical needs for the project. BSEAT has invited the nine banks that made the 1.5 billion dollar commitment to southern Dallas, to discuss plans for getting the dollars out on the street and to put our projects in the pipeline. Byron has indicated, he will be able to attend the forum representing the bank.

We will be encouraging the participating institutions to agree to some key elements of a comprehensive neighborhood investment plan. We believe those elements should include:

Bank's Community Development Corporation
Community Development Financial Institutions
Make a Difference Center
Community Development Lending
Housing Fund
Child Care Center Development Loan Program
Neighborhood Development Group
Small Business Investment Company

P.O. BOX 763773 - DALLAS, TEXAS 75376 - (214) 331-9903 - FAX (214) 331-9906

In addition, we have invited state and local public officials, neighborhood based organizations, business persons, and Jim Reid, Southern Dallas Development Corporation(SDDC) to participate in these discussions.

I thank you for giving Byron the support he needs, so that he was able to respond to our request to attend promptly. I am also requesting your support and the bank's investment in the neighborhood investment program. My number is (214)374-5775, if there is any additional I can provide.

Sincerely, .

Allen

Allen McGill

P.O. BOX 763773 - DALLAS, TEXAS 75376 - (214) 331-9903 - FAX (214) 331-9906

8. According to the application, a new national CDC will be created after the merger. Please describe this proposal in detail, including, but not limited to, whether this CDC will be a non-profit organization or a bank, when the CDC will be created and become operational, where it will be located, what its focus will be and in what markets it will operate.

The combined organization will seek to form a Community Development Corporation at the holding company level after the proposed merger is completed to engage in general community development activities. Although plans are not complete, as envisioned at this time, the CDC will be a for-profit subsidiary of the holding company. It will serve our banking markets in the 21 states where the combined company has depository institutions which are subject to CRA. We have not yet determined where the CDC will be located.

The proposed CDC will provide short- and longer- term financing for community development projects, such as 15-30 year financing for multi-family affordable housing, and other lending which is generally not within our local bank's scope. The CDC will also make community development investments in such instruments as Low Income Housing Tax Credits and purchase exempt housing debt instruments as well as invest in other secondary community development funds such as the National Equity Fund. The CDC will provide debt or equity financing for organizations engaged in community development activities, including constructing affordable housing, financing small and micro businesses, providing services to low- and moderate-income individuals and revitalizing low- and moderate-income communities.

The proposed CDC will purchase at fair market value the existing CRA loans and investments of the various entities of the combined company. The CDC will work to source, package and structure loans and investments. These loans and investments will be allocated, by geography, to the various bank entities for CRA examination purposes. The loan programs will be based on safe and sound lending practices, but will attempt to reach more potential borrowers by having the flexibility to develop innovative lending programs.

The proposed CDC will be created as soon as possible after the merger, with a plan to be operational by second quarter of 1999.

We believe the creation of a CDC will allow the bank to increase the amount of community development lending in all of its states, engage in innovative and flexible lending, develop new products, and work with affordable housing developers and technical assistance providers to increase market opportunities for all segments of our communities.

JIM WATT
PANEL 10

Good afternoon. Thank you very much for the opportunity to be here and express my views and those of Twin Cities Neighborhood Housing Services and our affiliated partners.

For more than 20 years, Twin Cities NHS has been Rebuilding the American Dream, one home at a time. We help low and moderate-income families purchase a home...by arranging financing for families who might not qualify or even know how to get conventional mortgages...by providing home-buyer education to more than 1,100 first-time home buyers in 1997 alone...and by rehabilitating decaying neighborhoods, resulting in revitalized communities.

Yearly, we also sponsor NeighborWorks Week. A community beautification program that brings more than 400 volunteers together in various inner-city neighborhoods to make their communities better places to live.

We couldn't do any of it without partners like Norwest Bank. Our relationship with them goes back 20 years. Norwest and its predecessors have been there since the beginning, working with us, assisting low and moderate-income families.

Norwest plays a significant role in our lending efforts within the inner city. We work together in true partnership to provide home ownership opportunities for families who might otherwise not qualify for conventional financing.

Norwest also supports us in the form of operating and program grants. They have already contributed more than $500,000 to Twin Cities NHS in operating grants alone.

They also support us with a variety of mortgage and rehab loan products, designed specifically for our constituents. These products are necessary for the success of our mission.

Knowing that grants and loans are decided upon on a regional and local basis, is very important to us. We have no concern that philanthropic decision-making will change with either their headquarters or their name. Norwest's corporate-citizen philosophy and the trust we have in them, based on our experience, and are enough for us to feel very comfortable with this merger.

Norwest executives sit on our various boards and get involved. The corporation itself supports employee volunteer efforts throughout the year, and is another sign of being a great corporate partner and meeting the additional needs of area non-profits.

To reiterate and conclude, we truly believe this merger with Wells Fargo will be a good thing. Bringing Norwest's corporate-citizen philosophy to the merged organization will enhance the cultural differences with Wells that have been talked about.

Because of the leadership roles that it looks like Norwest will be taking with the merger...because of the "Outstanding" CRA rating Norwest has maintained...because of the continuation of regional and local philanthropic decision-making...and because of our history with Norwest Corporation, we strongly support their merger.

LILY MENDOZA
PANEL 10

FIRST NATIONS DEVELOPMENT INSTITUTE
The Stores Building • 11917 Main Street • Fredericksburg, VA 22408
(540) 371-5615 • Fax (540) 371-3505

September 15, 1998

Mike Catches, Director
Rapid City Housing Coalition
2040 W. Main Street, Ste. 209
Rapid City, SD 57702
fax 605/341-9939

Dear Mr. Catches:

I am writing on behalf of First Nations Development Institute, to express support for the Rapid City Housing Coalition's challenge to the proposed merger of Norwest Corporation and Wells Fargo & Company. First Nations commends your efforts to bring about change in the way banks do business with Indian Country since this is vital to our ability to act as our own change agents in creating economic development opportunities and growth.

First Nations has also conducted research specific to the needs of Native communities in the Plains states for access to credit, investments and financial services. We have collected responses from 164 Native people from tribes, Native nonprofit organizations and groups from Minnesota, Montana, North Dakota, South Dakota, Wyoming, Nevada, Oregon, California and New Mexico. The findings of this research point to the wide gaps that exist between the needs of Native people for lending, credit and banking services and the actual financial and banking services that reach out and benefit Native people. Given the disparity that exists between the two, and based on our qualitative research findings, we are submitting testimony that recommends conditional approval of the merger. First Nations' approval is conditional on 1) an empirical comparative study of Norwest's loan denial rates to Natives 2) an examination of Wells Fargo's fair lending practices with regard to Native loan applicants and 3) a commitment to engage in a national dialogue with Native people to discuss establishment of an Indian Country specific lending agreement. However, given the weak home lending numbers evidenced in the Rapid City area, and based on the strength of the argument developed by the Coalition and your partners, we endorse your efforts to challenge this bank merger to improve opportunities for home lending and financing for Native people in South Dakota.

We all know from experience that a unified effort among Native people has the potential to spark change and eradicate institutional patterns of discrimination, improve poor and inadequate services and remove barriers to access. We know that better access to financial services in Indian Country has already been achieved by individual reservation communities through the Community Reinvestment Act, but we also know that much more must be done for all tribes and Native people. We, along with the Rapid City Housing Coalition, the Lakota Fund, UNITY and other Native partners, would like to see a specific commitment from Norwest and Wells Fargo that will spell out how the merged entity will serve Indian Country. It is critical for banks to establish working partnerships with tribal representatives in their area, thus we support the establishment of collaborative efforts to identify and address the unique lending, investment and development needs in Indian Country.

First Nations pledges our support to the Rapid City Housing Coalition, and its partners, in this endeavor to ensure that Native concerns are heard and that financial institutions are responsive to American Indian tribes and communities.

Sincerely,

Sherry Salway Black

Sherry Salway Black
Vice President

MR. GARY LOUDNER, FOUNDER/
PRESIDENT,
BLACK HILLS SATELLITE COMMUNICATIONS--NEWS OF SD
SNAIL MAIL: 2725 West Omaha St., Rapid City, SD 57702-8143-31
FAX: (please single page, 605-341-0675)

Wednesday, 3 September, 1998

(THIS STATEMENT GIVEN TO THE RAPID CITY HOUSING COALIATION)
LET IT BE KNOWN TO ALL MEN(PERSONS),

I, Mr. Gary L. Loudner, a current Norwest savings depositor(Account 0911--529151, Region Six, Mt. View), has been with Norwest for several years since 1993 and on two different occasions applied for credit and most recently a 'open** line of credit with Minneapolis based, Tires Plus. and was denied both times.

I am a 1/4 (Crow Creek) Sioux Indian gentleman and collects Social Security Disability benefits, monthly.

Gary

(**=several hundred dollars line of credit requested)
C/C Norwest Mountain View Manager Richard (?).
Pete Cappa, Rapid City Main Office Management,
Region Six Management Gary Olson, 101 N Phillips Ave.,
Kirk Dean, too! Sioux Falls, SD 57104

To whom this may concern: 9-10-98

My name is Karrie Wright. I am a Native American enrolled with the Rosebud Sioux Tribe in South Dakota.

I wasn't raised around my people or even in the state of South Dakota, because of the fact that my father was a Marine.

I am now happily married living in Rapid City, South Dakota with 3 children. Yet, I have never lived any place where I've experienced so much prejudism.

My husband + I decided to open a checking account with the Norwest Bank. There were times I would want to cash a check. They made me feel uncomfortable by asking questions such as, "Do you have an account with us", "Can I see some I.D" or "Do you know your account number?" This one time there was a lady that was so rude that she wouldn't even greet me or say good-bye!

Also, we applied for a $1000.00 loan with Norwest Bank. They made it sound like we would have a good chance of being approved, but we weren't. They said that it was because of our bad credit, but if they would of looked over our credit report, they would have found out that our debts don't exceed over $2000.00.

They could have asked us if we were consolidating our debts, which we are, and phoned up the company that we are working with.

Personally, it was a small loan to ask for. If we weren't able to pay them back, we wouldn't have applied for it in the first place.

Don't get me wrong. There are some people that work at the Norwest Bank that treat us polite, but the ones that are prejudiced are the ones that make the whole Norwest Bank look bad.

I do wish for the best that something can be resolved about those type of people.

We are still banking with Norwest because of the fact that our time is very little. My husband has a full time job during the day while I'm at home taking care of the house and three children that are 6 yrs, 3 yrs, & one newborn child. I am also taking night classes at the Oglala Lakota College full time.

It would be nice driving up or walking in to my bank not having to wonder if I'm going to have to speak up for myself or not.

Thank you for your consideration!

Sincerely,

Karrie Wright

September 15, 1998

To Whom It May Concern:

This is in regards to Norwest Bank and what I feel their policy to be.

In years past, I was a client and had loans, some with collateral, some with none, which I always paid back on time including each payment.

As years past I came to regard the service at Norwest less than comfortable. I began to feel as if I was a number and not a person.

The last time I tried to take out a loan, my past payment history wasn't even considered and I felt that I was not treated fairly.

I have also had dealings where I was given to understand that information that I received was suppose to have been kept confidential. I believed at that time that these dealings were not right, but could not be proven as it would have been considered "hearsay" by me and the persons involved would have denied it knowing that one of them would have lost his job.

I do not care to do business with someone I don't feel comfortable in trusting or with whom I feel is talking down to me or sees me as just another number.

Sincerely,

Kathleen Dupree

Kathleen Dupree

September 11, 1998

To Whom It May Concern:

M y Name is Doree Plume, I am a Native American Woman living in Rapid City, South Dakota. I have been banking with Norwest Bank since 1994 here in Rapid City. I requested a loan for a 1976 Chevrolet Caprice in 1994 and was denied due to my credit report. At the time of the request I had one item on my credit report in which I co-signed on a vehicle for an individual, the individual defaulted the loan and this remained on my credit history as bad credit.

I again requested a car loan in 1995 and in 1996 and was denied both times. I have been working for the same company during the requests for the loans; however, this was not taken into consideration.

At present my income is $24,000.00 (twenty four thousand a year), and despite my steady work history and my yearly salary I am still unable to obtain a loan through my bank. I have paid loans to private leading agencies and paid two vehicles off, despite my record of being on time with my debts and monthly bills it is not taken into consideration.

I personally believe that every effort to show good faith in my history of payments is futile. I requested yet another loan for consolidation of debts in 1998 and again denied. This will leave me no choice but to leave Norwest Bank and transfer to another local bank here in Rapid City.

Sincerely,

Doree P

Doree Plume
731 Gold Street
Rapid City, South Dakota 57701
(605) 355-9657

To Whom it may concern.
I am on welfare and get checks
every month, one month I had to
walk up to Norwest Bank it was
the only closiest bank and they
wanted to charge me $12.00 to cash
it please consider this. Amber E
Rapid, SD.

September 10, 1998

To Whom It May Concern:

My name is Stacey Red Willow, I am a member of the Oglala Sioux Tribe and live in Rapid City. My family opened an account with Norwest Bank, 825 St. Joseph St. in 1991. The services we received by the employees of the bank were unprofessional. They weren't helpful or willing to work with us. Due to the past experience, I have commented to friends and families on the bad services and would not recommend banking with Norwest.

Sincerely,

Stacey L. Red Willow

Stacey Red Willow

September 15, 1998

To Whom It May Concern:

This letter is with regards to Norwest Bank, their policies, and what I perceive to be their Customer Service relations.

I opened an account with Norwest Bank in April of 1997. To date I have never had an overdraft or any problems with my account. I moved back to Rapid City in November of 1997 keeping my account with Norwest. In Rapid City I frequent only one bank and every time I go in, I'm made to feel that first of all they don't believe me and second that my account is not that important simply because it isn't a large one (my perception).

I have also taken checks to deposit only, for my Grandmother in her account, and have been told that I wasn't aloud to deposit them. I don't understand this policy. It would seem to me that anyone should be able to deposit money if the deposit slip is filled out correctly, which it was. I understand not being able to write a check on her account, but I don't understand not being able to deposit money for her.

I am currently in the process of changing banks, as I do not care for the Customer Service relations I have encountered with Norwest Bank. I feel that they are prejudicial, not only toward race but also toward social status.

Sincerely,

Jennifer Dupree

Jennifer Dupree

Danielle Nugent
Panel II

TESTIMONY OF DANIELLE NUGENT
CHAIR, BOARD OF DIRECTORS
MINNESOTA PUBLIC INTEREST RESEARCH GROUP
Before the Federal Reserve Board, September 17, 1998
Minneapolis, MN

Thank you for allowing me time to testify in front of you today. My name is Danielle Nugent. I am a senior at the University of Minnesota-Duluth. I am also the Chair of the State Board of Directors for the Minnesota Public Interest Research Group(MPIRG). MPIRG is a student run and funded non partisan non profit. We work on consumer and environmental issues that students raise as concerns. I am here to represent the concerns of MPIRG, its State Board, as well as the organization's 45,000 student and community members.

Our concerns over the proposed merger of Wells-Fargo and Norwest include the decrease in competition within the Minnesota marketplace, the rise in banking fees that this merger could cause the consumer, especially in light of Wells Fargo's less consumer friendly fees schedule, and concern that this merger would move the headquarters of Norwest, making the bank less responsive to the Minnesota consumer.

I would first like to address my testimony to the lack of competition this merger will create. This lack of competition would mean that these ever growing and merging banks would be the only ones left for consumers. The Federal Deposit Insurance Corporation reports this trend is continuing at an even faster pace, showing 146 banks have been absorbed just in the first quarter of 1998 alone. The trend is the same in Minnesota.

Fewer banks mean fewer choices, and according to our research, higher fees. In our report last fall, The Big Fees Squeeze, we showed that the bigger the bank, the bigger the fee. For example, in Minnesota, the cost of maintaining a regular checking account is 46% higher at a large bank than a credit union, and 4% higher than a small bank. A "no frills" checking account at a big bank cost 54% more than a credit union, and 13% more than a small bank. Bank fees for overdrafts and ATM withdrawals were also on average higher at larger banks. Large banks are also more likely to charge these service fees, which impact low and fixed income consumers, such as students and seniors, especially hard.

On August 1, 1998, Norwest raised its fee for overdrafts from $21 to $25, almost a 20% increase. Is this because the new rate is comparable to the fees charged by Wells Fargo? Can we expect to see these type of fee increases and service cuts expand after the merger? Wells Fargo discontinued its free checking for seniors in the last year. Will we Minnesotans be seeing that here as well.

Finally we are concerned about this merger because it could cause a lack of responsiveness from the bank to Minnesota consumers. If this merger goes through, Norwest will be moving it's headquarters from Minnesota to San Francisco and we no longer will have the management here. Instead they will be on the other side of the country. How will the new entity stay in touch with Minnesota's needs? Instead of being a neighbor to Norwest, the consumer becomes another number on the computer screen at some far away headquarters.

As a student, and the leader of a student organization I must tell you that these mergers are not in our best interest. We do not have disposable income to spend on large fees and charges. We need access and affordability to financial services. We need banks that are responsive to our credit demands. Lower prices require competition, and we are concerned that by allowing more of the marketplace to be taken over by large banks, you are dooming us to a future where banking becomes a luxury only the rich can afford. If 2 or 3 large banks are allowed to become the consumers' only choice then what will stop them from adding service charges to every transaction, slowly taking the money from the people who need it the most. Low income individuals, senior citizens as well as students, will suffer. Please deny this merger. Give us a chance to not only have access to, but be ability to afford banking services. Thank You.

PANEL 12

ANOKA COUNTY ECONOMIC
DEVELOPMENT PARTNERSHIP

299 Coon Rapids Boulevard, Suite 12
Coon Rapids, Minnesota 55433
(612) 786-0869

September 17, 1998

Ms. JoAnne F. Lewellen
Assistant Vice President
Community Affairs Officer
Federal Reserve Bank of Minneapolis
90 Hennepin Avenue
P.O. Box 291
Minneapolis, MN 55480-0291

RE: Norwest Corporation/Wells Fargo & Company
Public Meeting Information

Dear Ms. Lewellen:

The purpose of this letter is to provide a brief written statement to supplement my spoken testimony. As Director of the Anoka County Economic Development Partnership (ACEDP), a 501 (c)3 non profit corporation that does economic development within the 21 community Anoka County area and President of the Anoka Sherburne County Capital Fund (ASCCF), a multi-bank, multi-investor, community development corporation (CDC) that makes equity investments in emerging technology based companies, I would like to go on record as stating that Norwest Bank Minnesota has played a key role in the success of both organizations. Besides having a Norwest representative lend time and expertise to the non profit organization the bank has always provided needed financial support as well. However, it is in the lead role that Norwest played in the formation of the ASCCF that has made the greatest impact on the economic base and job creation in both Anoka and Sherburne Counties.

Norwest took a lead role in establishing the foundation of the ASCCF by getting it designated by the Office of the Comptroller of the Currency as a bank CDC. Norwest was also the first federally chartered bank to invest in the ASCCF and is currently its largest investor. The ASCCF now has 22 investors including 10 banks and all major utility companies serving the Twin Cities. The State of Minnesota through its Department of Trade and Economic Development is the funds most recent investor. The fund has made 22 investments to date and created over 100 good paying jobs in the area with potential for hundreds more. Two business incubators along with participation from the Urban Initiative Fund and McKnight Foundation have provided even more resources to the effort.

On behalf of ACEDP and ASCCF I would like to personally thank Norwest for the major role it played in creating what the commissioner of the Minnesota Department of Trade and Economic Development called in a Minneapolis Star and Tribune article "a cutting edge approach to economic development".

Sincerely,

Roger C. Jensen

Roger A. Jensen
Executive Director

PANEL 12

MEDA

METROPOLITAN ECONOMIC DEVELOPMENT ASSOCIATION

SUITE 106, COMMERCE AT THE CROSSINGS
250 2ND AVENUE SOUTH
MINNEAPOLIS, MINNESOTA 55401

612 332-MEDA (6332)
Fax 612 317-1002

September 16, 1998

Ms. JoAnn Lewellen
Assistant Vice President, Community Affairs Officer
Federal Reserve Bank of Minneapolis
90 Hennepin Avenue
Post Office Box 291
Minneapolis, Minnesota 55480-0291

Re: Testimony at the Norwest Corporation /Wells Fargo & Company Public Meeting Information

Dear Ms. Lewellen:

My name is Warren McLean and I am the President and CEO of the Metropolitan Economic Development Association, commonly referred to as MEDA.

Thank you for giving me the opportunity to testify at this public meeting about MEDA's relationship with Norwest Corporation. For the benefit of the committee, MEDA is a private non-profit minority business development organization. We provide small business consulting, financing and sales development services to nearly 600 minority entrepreneurs each year. We have been in operation for nearly 27 years.

For the record, MEDA's relationship with Norwest has been outstanding.

First, Norwest Corporation and its CEO at the time, Phil Harris, was one of 4 individuals who helped start MEDA 27 years ago. An original founder and funder, Norwest remains a leading contributor to MEDA having contributed over $667,000 in operating funds alone since 1971.

In 1989, MEDA spun off a minority venture capital fund called Milestone Growth Fund. Norwest helped capitalize the fund by providing $200,000 in capital. In addition, I consulted regularly with Norwest Venture Capital staff for help in designing, developing and implementing the fund. Norwest Venture Capital President, Dan Haggerty, was one of Milestone Growth Fund's original board members.

Further, in 1995 MEDA established the MEDA Loan Program, a $5.3 million working capital fund for minority business. The fund is a collaboration of 6 banks, the McKnight Foundation and the State of Minnesota. The banks comprise a consortium and together they agreed to provide $3.3 million in loanable funds. Norwest Corporation was one of two banks that agreed to provide $1 million to the loan fund. Moreover, Wally Droegemueller, Norwest's Vice President and Deputy Senior Credit Officer, took the lead in determining the mechanics of the program. Wally helped develop the overall lending criteria. He also reviewed and tested the various lending scenarios. Wally crafted a design that was acceptable to all six banks. For Wally's efforts, he was selected MEDA Volunteer of the Year.

To Norwest Corporation's credit, they have remained vigorous supporters of the program. Either Tom Burke, Terri Banaszewski , or Laurie Paal have attended all the credit committee meetings since the program's inception in 1995. They also close and personally administrate each Norwest consortium loan.

In 1996, MEDA launched Vision 2000, a major expansion of our services. To achieve this expansion we asked several of our funders to double their financial support. Norwest was the first corporation to literally double its support which they did that year.

Norwest Corporation has also funded and provided training to MEDA clients. Jeff Judy one of Norwest's top internal trainers has conducted training sessions for MEDA clients on several occasions.

Jerry Gray, Norwest Executive Vice President, continues a long tradition of proactive board leadership. Jerry recently proposed a $10 million expansion to the MEDA Loan Program. Finally, Norwest Chairman and CEO Dick Kovacevich is a member of the MEDA Advisory board. He was the keynote speaker at MEDA's 1997 Annual Meeting and hosted 2 MEDA client lunches.

This concludes my remarks. Again thank you for the opportunity to provide testimony.

Sincerely,

Warren McLean

Warren McLean
President and CEO

EAST SIDE NEWS

Phalen Boulevard, the Essential Link

The Phalen Corridor Initiative is now focusing a tremendous amount of time and energy on constructing Phalen Boulevard, a new roadway to link the corridor's east and west ends. How will the proposed boulevard and redevelopment of the surrounding area become a reality?

First, Phalen Boulevard, the spine of the corridor's redevelopment, is recommended for $23.9 million in funding in the Mayor's 1998 Capital Improvement Budget. And the City has applied for $38 million in federal funding from the Intermodal Surface Transportation Efficiency Act (ISTEA). A decision on this application is expected in spring 1998. With these funds, the City will acquire right-of-way, clean polluted land, and begin roadway design, as soon as environmental analysis is finished and a road alignment has been selected.

Second, a new ambitious planning effort sponsored by the Phalen Corridor Initiative Steering Committee will answer questions about where and how physical change will occur along and near the proposed boulevard. This endeavor will take several months and involve key stakeholders in identifying redevelopment opportunities within the corridor. It will also create a framework for the physical design and economic performance of new development that reflects community and marketplace needs.

City Buys Phalen Shopping Center

Most developments turn wetlands into shopping centers. The Phalen Corridor Initiative is reversing that trend! It is turning a shopping center into a wetland.

In June, the City bought the majority (21.7 acres) of the Phalen Shopping Center site, Rose Avenue and Prosperity Avenue, with a $650,000 Metropolitan Council Livable Communities Grant. After demolition of vacant buildings in February 1998, nine acres will be restored to wetland, their original state. The rest of the property will be used for the realignment of Prosperity Avenue and other redevelopment. Jerry's NewMarket, a shopping center tenant for many years, purchased their present 4-acre site which they plan to renovate and a 3.5-acre site north of realigned Prosperity Avenue for additional commercial development to serve the neighborhood.

These purchases mean the transformation of the Phalen Corridor's east end is underway. Phalen Shopping Center, a nearly deserted shopping strip, has been a blight on the neighborhood for too long. Its demolition, will clear the way for the Ames Lake Wetland and other community projects that will strengthen the entire community. These improvements will bolster nearby commercial projects like the new Walgreens Drug Store and the Phalen Village Clinic at Maryland Avenue and Prosperity Avenue.

Meet the Staff

Phalen Corridor Initiative Staff, Curt Milburn, Project Director (right) and Jeremy Lenz, Project Assistant (left), work with over 60 partners to coordinate the complex work of the Phalen Corridor Initiative. In November along with ESABA, they moved to new quarters at 506 Kenny Road.

Corporations and Foundations Partner with the Phalen Corridor Initiative

Northwest Area Foundation awarded a $201,000 three-year grant to the Phalen Corridor Initiative recognizing the commitment and participation of over 60 groups and highlighting the project's vital importance to the East Side of Saint Paul.

Northern States Powers Company and **The Saint Paul Foundation** have also recently joined the corporate and philanthropic funders who support the Phalen Corridor Initiative. Other major funders are:

East Side Area Business Association
First Bank
Firstar Bank
Norwest Bank
St. Paul Companies
Stroh Brewery
3M

Stroh Closes East Side Plant

At the end of November, the Stroh Brewery shut down and 365 people lost their jobs.

In mid-November, to help workers who would be losing their jobs, the Minnesota Teamsters Service Bureau, the East Side Job Bank, and Merrick Community Center sponsored an East Side Job Fair for Stroh workers. At the same time, the Minnesota Department of Economic Security awarded a sizable Dislocated Worker grant to the Minnesota Teamsters Service Bureau to help re-employ those who lost their jobs. Impressed with the early outpouring of support, the Teamsters Bureau plans to work closely with the East Side community, especially the East Side Job Bank.

As for the Stroh site itself, Saint Paul Mayor Coleman and other concerned parties consider the Phalen Corridor Steering Committee the best community forum for determining the re-use of the property.

The plant closing was a call to action for all East Side employment and training services. It also makes one of Phalen Corridor Initiative's top priorities, industrial development that will bring jobs to the East Side, more important than ever.

East Side Workers Top Priority

As the Phalen Corridor Initiative works to reclaim industrial land and create jobs, its community partners are preparing East Side workers for the modern work place. One of these, the *East Side Job Bank* operated by Merrick Community Services, connects job seekers and East Side businesses. To take advantage of this resource, call Xavier Escobedo, 774-JOBS.

The Saint Paul Port Authority, another Phalen Corridor Initiative partner, also helps East Side workers find jobs. The *Employment Connection*, a customized job training program, helps businesses throughout Saint Paul develop programs for new employees. Over ten businesses, either located on the East Side or that employ Eastsiders, have received assistance. Since it began in 1996, the *Employment Connection* helped train over 200 employees. For more information, call Rick Polanski, 925-1524 or Larry Orcutt, 224-5686, ext. 216.

Success by Seventeen, a partnership program of the Phalen Corridor Initiative, the Saint Paul Department of Planning and Economic Development, the Saint Paul Port Authority, and the Saint Paul Public School District, provides both short and long-term school-to-work help for East Side youth. Working in schools with principals and teachers, staff create internships and guide connections between employers and educators. These direct working relationships make in-school instruction more applicable and up-to-date for students and give them actual work experiences through internships.

Up on the Rooftop

Look for the new billboard atop the East Side Team Police Headquarters at Minnehaha Street and Payne Avenue. It features an aerial photo of Williams Hill and directs calls to the Phalen Corridor Initiative Office, 772-6220, for general information and to the Saint Paul Port Authority, 224-5686, for inquiries on site availability in Williams Hill Business Center. Thanks to the Saint Paul Police Department and the Payne Arcade Area Business Association for their generous assistance.

PHALEN CORRIDOR INITIATIVE

STAFF
Curt Milburn
(612) 772-6220 Fax: 772-6262
E-mail: cmilburn@pioneerplanet.infi.net

PHALEN CORRIDOR INITIATIVE/ESABA OFFICES • 506 KENNY ROAD • SAINT PAUL, MINNESOTA 55101

A publication of the Phalen Corridor Initiative Steering Committee, January, 1998

Craig Johnson resigns from Phalen Corridor Initiative

by Amy Sherman

'In the course of the last several years, I have lived literally the Phalen Corridor Initiative. It was a really difficult think to do to resign from it.'

Craig Johnson

Due to a new job with Norwest Bank, Craig Johnson, chair of the Phalen Corridor Initiative, resigned from the initiative on Tuesday after participating since its inception three years ago.

Johnson will be replaced by John Kempe, an East Side attorney who joined the initiative six months ago.

After working as manager of Norwest's Phalen Park and Minnehaha branches for six years, Johnson is taking over as vice president of the bank's investment management and trust division, which is located in Wayzata. He will begin his new job before the end of the month.

"In the course of the last several years, I have lived literally the Phalen Corridor Initiative," said Johnson, who has served as chair for two years. "It was a really difficult thing to do to resign from it."

The Phalen Corridor Initiative is a community partnership working to create new jobs, retain existing businesses and cleanup polluted land. A major component of the project involves transforming an under-used polluted industrial corridor from the Interstate 35E and Interstate 94 junction to Lake Phalen.

Johnson was reluctant to tout his accomplishments as the chair, insisting that the success of the initiative lies with the entire team. "If I take credit for one thing, it's demonstrating how much more rapidly we move forward when we speak with a powerful voice."

Johnson has been active in lobbying Congress for funding to build Phalen Boulevard. During the past year, he has testified before Congress, asking for $38 million. The proposal has the backing of Congressmen Bruce Vento, an East Sider, and Jim Oberstar of Duluth, as well as U.S. Sens. Paul Wellstone and Rod Grams.

Although Johnson is heading to the western suburbs, he said he may not disappear from the East Side. Johnson, who grew up on the East Side but currently lives in Oakdale, said he may buy a home in the area. "Although I'll be working on the opposite end of the earth, there are reasons I want to stay over here," he said.

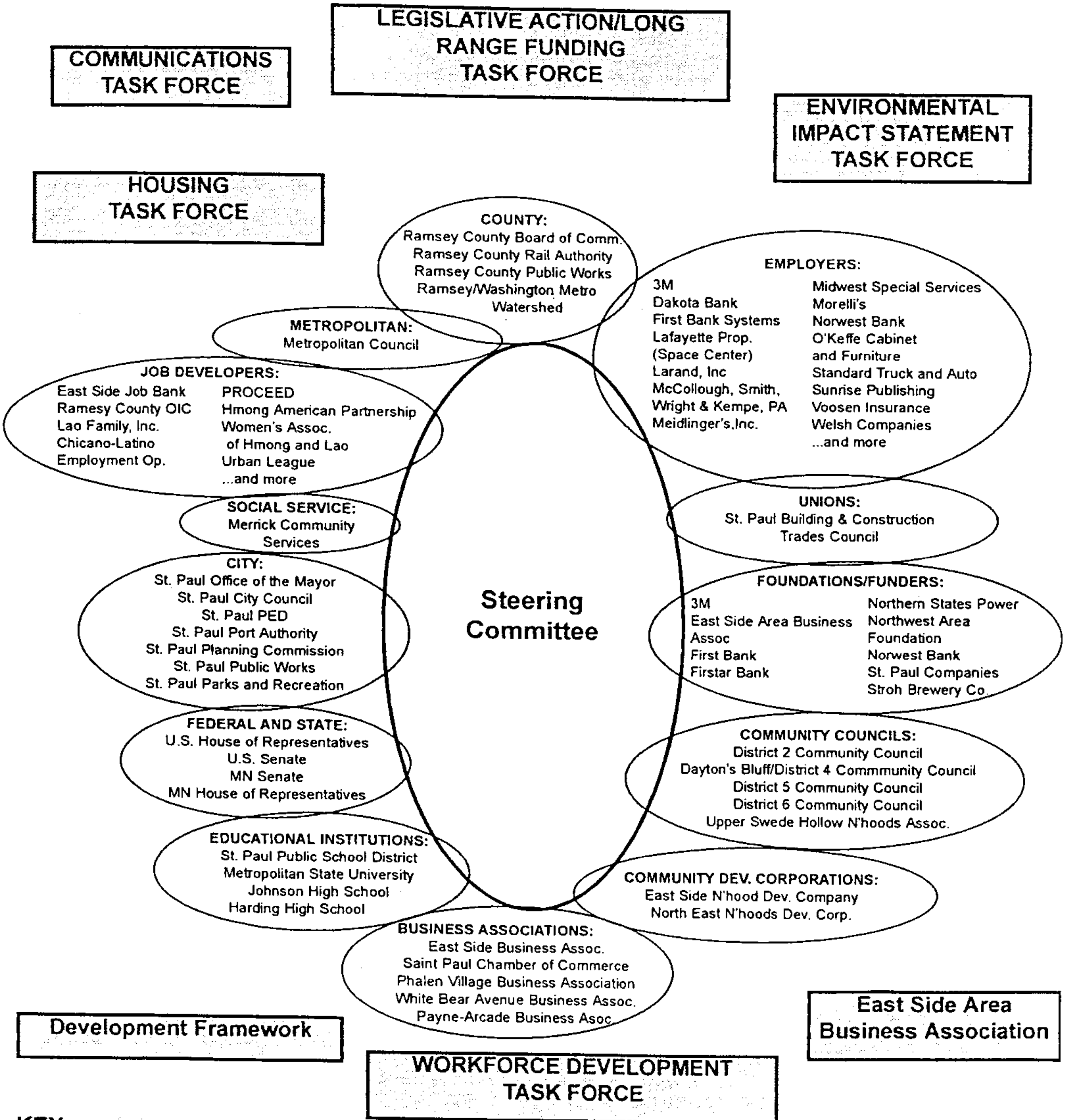
Johnson said he couldn't announce who will take over his current job at Norwest, which will be split into two positions. A manager may be hired at the Phalen Park office next week and at the Minnehaha office in two weeks.

He expressed confidence in Kempe as the new chair. Kempe is a partner at McCullough, Smith, Wright and Kempe, a law firm which specializes in personal injury and family law. He has worked with the firm located across from Lake Phalen on Parkway Drive since 1989. A former East Sider, Kempe moved to Mendota Heights five years ago.

The new chair is well-known in the business community, he is a past president of the Payne-Arcade Business Association, as well as vice president of the East Side Area Business Association.

Kempe says he has the diplomatic skills to balance the multiple interests in the Phalen Corridor Initiative. He described the initiative as more of a family than a partnership; just like a family, different players in the initiative at times disagree, but must reach a resolution.

PHALEN CORRIDOR INITIATIVE
Partners & Task Forces



KEY:
Partners
Task Forces

PHALEN CORRIDOR INITIATIVE
506 Kenny Road
Saint Paul, MN 55101
Curt Milburn, Project Director

FINANCE AND COMMERCE
SATURDAY, APRIL 18, 1998

Nation's only Hmong bank VP joins Norwest

Multicultural workforce brings diversity to customer service

BY ERIC SANDVE
F&C STAFF WRITER

Banker Kou Vang answers the phone with "hello," then begins speaking in Hmong to a customer.

Vang, the only Hmong bank vice president in the nation, works at the Norwest Bank of Minnesota's office on St. Paul's east side.

When he began there five years ago, he was the only Hmong employee at the branch. Now bank employees represent Hmong and several other cultures.

"I feel very fortunate to be in this position," he said.

Vang said being able to speak a client's language and understand their culture is important in the ethnically diverse neighborhood. Many of the residents are recent immigrants of varying ages.

"We establish a relationship with them before any bank. This is what we are building on," said Vang.

As a community leader, he gives seminars every year to educate and update people on banking and managing their finances.

He serves as president of the Hmong-American Mutual Association and as a board member on both the United Way and STAR program in St. Paul.

"I want people to know I'm not here just to do business but to help the people," said Vang.

Banking concepts are new to many Hmong immigrants. He said a lot of the immigrants don't know what checks are or what credit is.

Instead of savings accounts, many had kept their money under the mattress or buried it in the yard.

"It's very important as a financial consultant to teach them," said Vang.

In addition to savings and checking accounts, many of the customers need loans for cars, houses and starting up businesses.

He has helped people learn how to write checks and carefully use that privilege sensibly to earn and preserve good credit ratings. Vang also has helped people learn how to responsibly use credit cards.

Customers, many of whom hold entry-level jobs, also learn the importance of having savings accounts to cover unexpected expenses.

He said saving money is especially important for older people.

Vang said banks are very Westernized, which makes many immigrants uncomfortable. The east St. Paul branch has an unusually diverse staff.

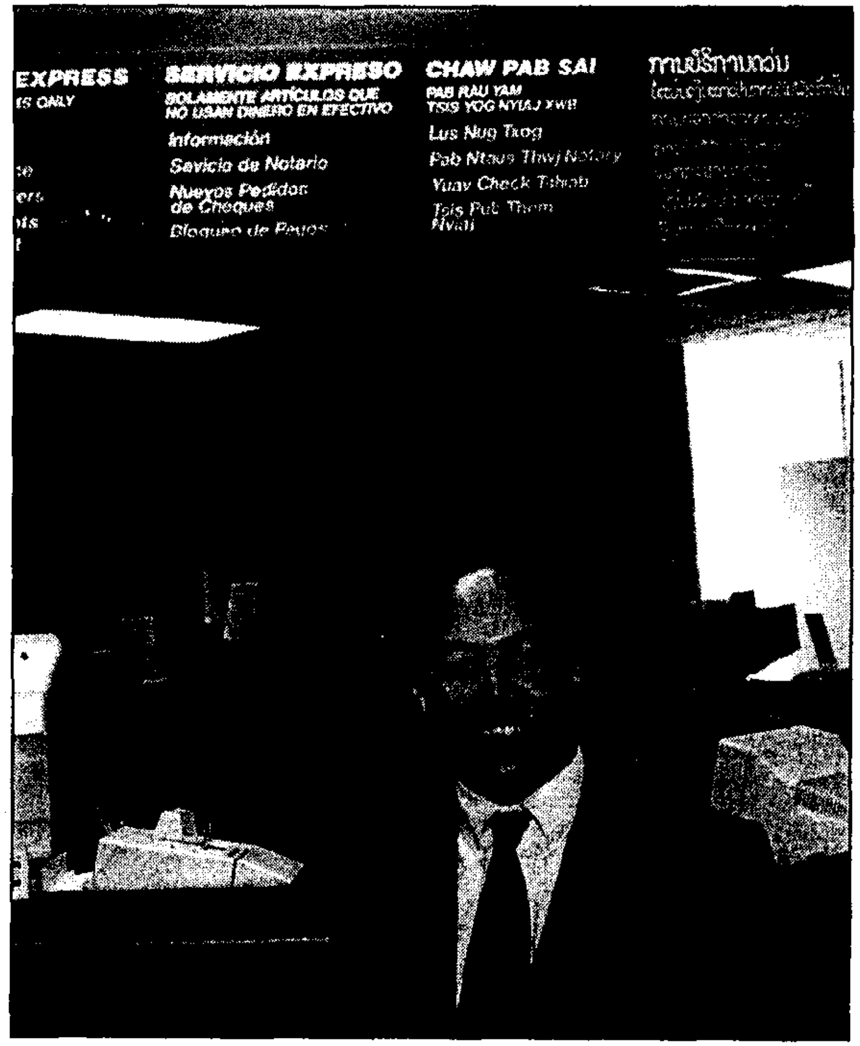


PHOTO BY ERIC SANDVE

Kou Vang, vice president and a managing officer at Norwest Bank's east St. Paul branch, is the nation's only Hmong bank vice president. He has helped bring banking to a diverse population by adding staff to represent many cultures and provide outreach to community members.

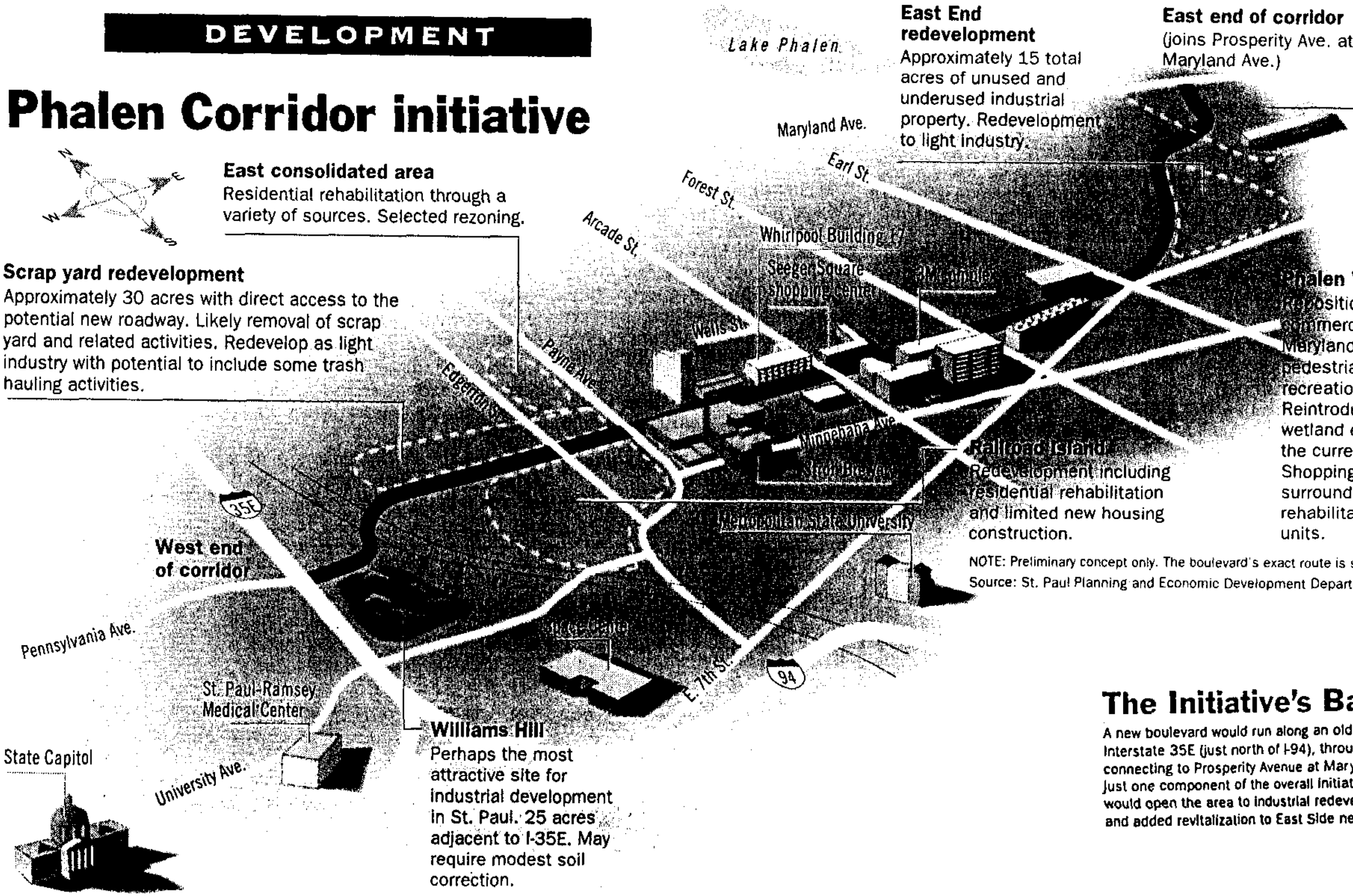
16TH
OCTOBER 1996
WEDNESDAY

SAINT PAUL PIONEER PRESS
METRO

D
SECTION
10 PAGES

DEVELOPMENT

Phalen Corridor initiative



East consolidated area
Residential rehabilitation through a variety of sources. Selected rezoning.

Scrap yard redevelopment
Approximately 30 acres with direct access to the potential new roadway. Likely removal of scrap yard and related activities. Redevelop as light industry with potential to include some trash hauling activities.

West end of corridor

Williams Hill
Perhaps the most attractive site for industrial development in St. Paul. 25 acres adjacent to I-35E. May require modest soil correction.

East End redevelopment
Approximately 15 total acres of unused and underused industrial property. Redevelopment to light industry.

East end of corridor
(joins Prosperity Ave. at Maryland Ave.)

Phalen Village area
Repositioning of existing commercial property to Maryland Avenue, with pedestrian, transit and recreational amenities. Reintroduction of a wetland extending into the current Phalen Shopping Center site surrounded by rehabilitated apartment units.

Railroad Island
Redevelopment including residential rehabilitation and limited new housing construction.

NOTE: Preliminary concept only. The boulevard's exact route is still to be determined.
Source: St. Paul Planning and Economic Development Department

The Initiative's Backbone

A new boulevard would run along an old railroad corridor from Interstate 35E (just north of I-94), through the East Side and connecting to Prosperity Avenue at Maryland Avenue. Although just one component of the overall initiative, the new road would open the area to industrial redevelopment, bringing jobs and added revitalization to East Side neighborhoods.

PANEL 12

Testimony
Norwest Bank Merger with Wells Fargo
Federal Reserve Bank
Minneapolis

Curt Milburn
Project Director, Phalen Corridor Initiative
Executive Director, East Side Area Business Association
506 Kenny Road
St. Paul MN 55101
651-772-6220
Fax 651-772-6262

It makes good business sense and common sense to help rebuild the inner city, and Norwest bank through its housing and lending programs continues to contribute to the urban revitalization of St. Paul. But that is a story best told by others. I feel compelled to give you some background about the community where I work and Norwest Bank's participation with that community.

The East Side of St. Paul, once a manufacturing powerhouse has lost 2500 jobs over the last thirty years. Today, certain areas of the East Side have as much at 17% unemployment.

Since the 1970's, companies like Whirlpool closed plants throwing hundreds out of work. Just last year, the Stroh brewery and Cannon Conveyor closed their doors with a loss of over 500 jobs.

There has been a number of dreams to redevelop the East Side over the years, but it wasn't until the City Parks Department brought together businesses and community members to give input on a proposed bike path that the spark of renewal caught hold.

The community responded with envisioning much more than just a bike way.

Craig Johnson, the branch manager of two Norwest Banks on the East Side volunteered to chair a comprehensive initiative the likes of which has never been tried in St. Paul before.

(see Craig article)

Craig was raised on the East Side and remembered it as a place of opportunity not despair. The Phalen Corridor Initiative is about reclaiming polluted lands called brownfields to attract manufacturing companies. It's about workforce development striving to get East Siders in the jobs we attract. It's about green space, with the nation's first project turning an abandoned shopping center back into the wetland it once was. It is also about building a road to get access to these community assets.

(see City Business Article & PCI Today)

On his own time, Craig led the initiative even flying to Washington to secure funding from the Federal Government to begin construction on the road.

But Norwest is not just one Banker. The East Side is changing and our Initiative reflects those changes. When Craig was promoted to a new position, Norwest had the foresight to replace him with the first Houng banker in the nation.

(see Kou article)

Kou Vang is the first Houng branch manager and bank Vice President in the US. The cash machine at the bank reads in English and Houng. A visit to that bank is like visiting the United Nations. African American, Latino, Houng and whites are not only customers but employees as well. I am proud to report that Kou has recently been made the Vice Chair of the Phalen Corridor Initiative, a position that leads directly to the position of the Chair of the project.

It is not just on the neighborhood level that Norwest has integrated itself with the community. Norwest has backed up this commitment with joining nine other community funders to support this Initiative. Also, Larry Haeg, a media relations expert with the bank has provided three media trainings for us. You must keep in mind that the Phalen Corridor Initiative is a collaboration of community members, business people, residents, and local officials, not slick P.R professionals. Most of us had rarely spoken with a newsperson, none the less had been confronted with the lens of a television camera. Larry helped us communicate our vision, a vision that has since captured the imagination of local and national leaders.

Joan Grzywinski, president and District Manager of Norwest sits on what we call our Advisory Committee. Along with our Mayor, Congressman and others, Joan helps chart our course, strongly stressing our use of the programs Norwest offers to inner-city residents.

Another community leader is Pat Donovan. Mr. Donovan is the Norwest Regional President and he acted as the Co-Chair of the City-Wide Community Development Agenda, Pat helped devise a blueprint of how a city can compassionately build its members and its institutions. Mr. Donovan continues to honor us and the employees of Norwest who work with us by siting the Phalen Corridor as

St. Paul's best example of comprehensive community development.

Without the commitment of Norwest Bank and its employees we would not have the success we have today. Our wetland project is underway, our first industrial park has three confirmed tenants bringing hundreds of jobs to the East Side, and the first funding for our roadway is in place.

Without the contribution of Norwest Bank in the futureI fear we may not realize our vision of rebuilding the East Side. We have been assured that their commitment will continue and we have never been misled by this institution or it's dedicated employees.

I thank you for this opportunity to talk about one of our community partners and I am free to answer any questions you might have.

ZULA YOUNG
PANEL 13

Rondo Community Land Trust

September 17, 1998

TO: JoAnne F. Lewellen, Assistant Vice President Community Affairs Officer
FROM: Zula Young, Vice President, Rondo Community Land Trust Board of Directors
RE: Testimony regarding Norwest Corporation/Wells Fargo and Company Proposed Merger.

My name is Zula Young; I live and work in St. Paul. I am the Vice President of the Rondo Community Land Trust (CLT) Board of Directors. I wish to thank the Federal Reserve Bank for the opportunity to speak to the proposed merger between Norwest Corporation and Wells Fargo and Company.

I am a single parent who has had the opportunity to purchase the first completed land trust house in St. Paul. I grew up in the neighborhood where my home is now located. I am very active within my community. I am also an organizer of the community garden program called SAGE, and also a member of the Summit-University Weed and Seed Program. I work as a para-professional in the public schools system within my community.

The land trust model is unique in that it limits the equity but provides long-term (99 years) affordable housing for low and moderate-income families.

Norwest Mortgage was willing to put the extra time in to understand how the land trust model works and the ability to make lending decisions here in the community. They have the ability to say yes to new ideas at the local level.

Norwest Mortgage had not done any land trust mortgages before mine, because of Rondo CLT and Norwest Mortgage; I may not have had the opportunity to own my own house.

The land trust model is fairly new to the Twin Cities and Minnesota. Norwest was the first and to date, the only mortgage company willing to take a chance with Rondo CLT and separating the land from the building and agreeing to the Groundlease document.

Our relationship with Norwest is built around the people we work with on a regular basis and affordable housing. Rondo CLT has developed a trusting, working relationship with these and other individuals at Norwest Corporation. We deal with:

Karl Schwichtenberg, Norwest Mortgage
Sally Berdt, Norwest Real Estate Management Services
Mary Gabler, Norwest Twin City Community Development and
Bill Canfield, Norwest Mortgage

Rondo would hope and expect the Norwest philosophy will continue that allows us to work with Karl, Sally, Mary and Bill after the merger. It is individual people within an already very large corporation that makes it work now. These are the people that make it work today and the same ones that will make it work in the future.

Norwest was willing to take a chance with the Rondo CLT Groundlease. We would hope the Norwest philosophy to continue that allows people within the Corporation to listen to new ideas such as land trusts and act on them at the local level.

While Rondo CLT is a small housing organization in St. Paul, we are providing affordable housing one house at a time, and so far Norwest has been there one mortgage at a time.

When the shortage of affordable housing is better understood at both the local and national level and there is more of a willingness to provide funds to build and renovate affordable housing, we will all increase our production levels. When that day comes, we would hope the Norwest philosophy of working with neighborhood housing organizations to be there with us.

We want to see Norwest Mortgage Inc. expand the use of the land trust and other affordable mortgages throughout the country.

We believe the Norwest philosophy of local decision-making and a regional approach will ensure that Rondo CLT will have the same working relationship we now have with Norwest. We would hope that as merger talks continue both here and in Washington D.C., that Norwest/Wells would commitment now to the following:

- A defined regional approach will be established throughout the country. A regional system that allows real decision-making within each area.

- Karl, Sally, Mary and Bill should keep their current phone numbers without an 800 prefix. While some departments of Norwest are currently centralized, every effort should be made that allows for decision-making at the local level.

- To continue to take risks, listen to the ideas within the low-income communities, because that is where the answers are to solving our housing shortage.

Thank you for your time.