Verne G. Istock
Testimony
Federal Reserve Bank
August 13, 1998

Thank you, and good morning. I'm Verne Istock, Chairman, President and CEO of First Chicago NBD, and with me today is John McCoy, Chairman and CEO of BANC ONE CORPORATION.

The banking business, even when you're talking about banks the size of the new BANK ONE, is an intensely local business. As with customers, you have to understand the needs of your communities, and then try to design solutions that will work.

This doesn't happen quickly or easily. It takes time, effort and commitment. It takes bankers who know their communities, who care, and who get involved.

At First Chicago NBD, we have had a long history of community commitment. Over time, we have built solid working relationships with organizations that know and understand their neighborhoods and who can partner with us to design products and programs that respond to community needs.

It's pretty obvious that we can't please everyone, but those organizations that have chosen to work with us have found us to be good partners. We've learned a lot from each other, and together we've achieved meaningful results.

Let me quote from a letter from Sokoni Karanja, president of the Centers for New Horizons here in Chicago that really captures that spirit. He writes, "This partnership, in my 30-plus years of community development experience, has been a unique one, for no other lending institution I have worked with over the years has demonstrated the capacity to first listen to the community, and then, find ways to make philanthropic as well as 'strictly business' investments that generate 'wins' to both the community and the bank."

There's a synergy between what we do that's "strictly business," as Dr. Karanja puts it, and what we do because these are the communities where we live, work and raise our families. We recently published a booklet titled "Your Community/Our Community" that highlights some of the ways in which First Chicago NBD supports its many communities, and I've submitted a copy for the record.

We are especially proud of our record of lending in our major urban markets, Chicago, Detroit and Indianapolis. In Chicago and Detroit, for example, we are by far the largest locally based small-business lender. In Indianapolis, we are the leading SBA lender, and we are the number-one participant in Capital Access programs in Michigan, Illinois and Indiana. We're also a leader in mortgage credit in all three markets.

First Chicago NBD has developed many innovative lending practices to serve the needs of all applicants. For example, we offer a number of flexible mortgage loan programs that include either down payment assistance or support for closing costs. Our "Community Pride" loan is targeted to households with less than 50 percent of median family income. This loan can be used for home improvements, new or used car financing, or as a home equity loan for any purpose, including business development and education.

Sometimes, traditional bank lending isn't enough. We have chartered community development corporations that can also make direct investments in community projects. In Detroit, for example, our CDC partnered with the City and a local hospital group to develop Virginia Park, a subdivision of new single family homes in the core city.

We have for 15 years been an active participant, and are the largest investor in Chicago's Community Investment Corporation, a non-profit mortgage banking organization that specializes in affordable housing development. In July, CIC announced a $500 million loan pool – the largest in the Midwest – including a $100 million "flex-fund," to finance deals that stretch the limits on what we can accomplish in distressed neighborhoods.

And we've been an important partner in the Indianapolis Neighborhood Housing Partnership, providing leadership in operating support and participation in affordable loan pools.

Microlending is an important tool to spur business development, and one we're using throughout our business areas. Through support of non-profit lending organizations, such as ACCION in Chicago, the Detroit Entrepreneurship Institute, the Lake County Small Business Center, and the Collier County Economic Development Council in Naples, Florida, First Chicago NBD is helping to strengthen our communities by giving entrepreneurs a start.

Education is an important priority for us, and we're particularly interested in programs that promote financial literacy. Through a program called "Credit: Tool or Trap?" NBD Bank in Michigan teaches high school, community college and adult education students about the power of using credit wisely. This program is offered in partnership with non-profit organizations and churches throughout the state.

We sponsor more than 130 in-school banks in Michigan, Indiana and Illinois, where grade-school students learn money management, math and employment skills.

The merger of First Chicago NBD and BANC ONE CORPORATION is a "merger of equals." Neither company is "taking over" the other by paying an extraordinary premium. We think that's important, because it means that we don't have to do the kinds of extraordinary cost-cutting that could damage our franchise, hurt our employees and compromise our ability to serve our communities. Certainly, there will be efficiencies, and, yes, we <u>will</u> reduce costs, but this merger is about growth.

And that growth benefits our customers, our employees and our communities as well as our shareholders. It promotes innovation – the creation of new and better products and services. It allows the creation of new jobs, including many at entry levels, and the opportunity for achievement and advancement. And growing earnings allow growing support of communities.

I know that when companies merge, communities always fear loss of support. We heard that concern when First Chicago and NBD merged three years ago. But, as the earnings of the combined First Chicago NBD Corporation have grown, so have our contributions to the civic, educational and cultural institutions of all our communities.

Whether it's lending, investment or philanthropy, it means being part of the community, being involved, knowing and understanding its needs, its hopes and its dreams – and being part of making it all happen.

And that's our goal for the new BANK ONE.

Now it's my pleasure to introduce my colleague, John McCoy.

JOHN B. McCOY TESTIMONY

Thank you, Verne. BANC ONE couldn't be more pleased to join with First Chicago NDB in creating the *new* BANC ONE. Verne has talked about some of the strengths of First Chicago and I would like to talk about a few of the great things BANC ONE will bring to the table. The first of these is our legacy of innovation. BANC ONE is an entrepreneurial company. Thirty-two years ago in 1966, we introduced the first credit card outside California and in 1971 we launched the first automatic teller machine in the nation. Eight years later, in 1979, we experimented with one of the first home banking systems. Today credit cards, ATMs and home banking are commonplace. BANC ONE's culture of innovation has created important new products and services in all lines of business including community reinvestment. Some of the CRA products may even seem commonplace today while other leading edge initiatives could become tomorrow's standard.

CRA at BANC ONE means business - it means designing products that meet the needs of our customers and constantly refining them to make them better - more affordable and more accessible while providing a fair return to the shareholder. Today, you will hear many success stories from our markets, where we continue to innovate, and also from our partners who are working with us to find new ways to finance affordable housing and small business. Our CRA record is one we are proud to stand on and I think you will agree that BANC ONE's entrepreneurial spirit has elevated this record to one of distinction.

I'd like to review just a few of our singular achievements. In 1987, BANC ONE was one of the first banks in the nation to finance a project utilizing low-income housing tax credits. Over the last eleven years we have refined our expertise in this area so that today we can deliver direct assistance to projects which could not otherwise be accomplished because of their size or complexity. These projects include the rehabilitation of a former crack house in Wheeling, West Virginia across the street from an elementary school. With BANC ONE's technical and investment support that crack house is now a three unit affordable housing project utilizing low income housing tax credits. This project may rank as the smallest tax credit deal in the country but to the kids and parents in Wheeling, its huge.

In Louisville, the City struggled for twenty years with a severely troubled HUD Section 8 project. After entering Louisville market in 1992, BANC ONE's community development team went to work with the City, HUD and a private developer to create a solution. The turning point was an $8.8 million bridge loan structured by BANC ONE and participated to more than thirteen lenders. Following our entry into Delaware, BANC ONE was approached to provide the expertise and financing for an affordable housing project serving low-income chronically mentally ill residents of Wilmington. This project is now underway.

In Colorado, BANC ONE resources are assisting the Southern Ute Indians in developing fifty single family homes which will be available on a lease-purchase basis to low income members of the tribe.

Elsewhere, our CDC designed a small loan program to provide long term fixed rate financing for small affordable multi-family projects but lacked a way to deliver the product efficiently. We teamed up with the Wisconsin Housing and Economic Development Authority and put together a partnership where WHEDA markets and underwrites the loans while BANC ONE's CDC provides the funding. Together, BANC ONE and WHEDA share the risk. Together we created a delivery system that is a win-win for BANC ONE and WHEDA. The people of Wisconsin are the beneficiaries. We are now exploring opportunities to take what we have developed in Wisconsin and roll it out in other Bank One states including Kentucky, Texas and Illinois.

In the small business arena, BANC ONE stepped forward to pilot the SBA's Fastrack and Micro-Loan programs. Today, BANC ONE is recognized as a national leader in both programs and has an established reputation as a leading micro-enterprise expert. BANC ONE is generating more SBA Micro-loans than any other bank in the nation and has established a network of micro-enterprise experts extending from Milwaukee all the way to Mexican border. Recently, these experts joined BANC ONE in Cleveland to help the City reinvent their local micro-lending program. In another first, BANC ONE is the lead investor in Capital Across America, the first small business investment company focused on providing capital to women-owned businesses.

There are two special ingredients in BANC ONE's recipe for a successful CRA program. One is knowledgeable employees who devote all of their time and expertise to designing sustainable and profitable solutions that meet community credit needs. The other is strong and respected local partners who are knowledgeable about their markets and share our commitment to sustainable solutions. At BANC ONE, community needs represent business opportunities and collaboration creates customers.

Finally, I would like to take a moment to address a concern which has been expressed by certain community groups during the comment period. As you know, BANC ONE has entered a partnership with HomeSide Lending to provide servicing for Banc One Mortgage Corporation loans. The servicing of our portfolio by HomeSide does not negatively impact BANC ONE's loan origination business. The new BANC ONE will continue to originate mortgage loans and I think it is important that this be <u>clearly understood</u>. In fact, we recently entered a new partnership with Self-Help to assist low income and minority home buyers in all of our bank markets. This new program is a joint initiative between Fannie Mae, the Ford Foundation and four lenders to generate 35,000 affordable mortgages over the next five years. This program is focused on serving home buyers who have difficulty meeting conventional lending standards because of inadequate savings or weaker credit. While HomeSide will service the loans, BANC ONE will be the originator.

We are excited about serving new markets - new places where the next CRA innovations may develop with new partners. We look forward to sharing our expertise and to learning from new partners in Chicago and Detroit.

Thank you.

Public Meeting:

First Chicago NBD & Banc One Merger

Remarks of:

Congresswoman Julia Carson, 10th District Indiana

For more information contact Steven Cook, (202) 226-7759, steve.cook@mail.house.gov

I listen with interest. I have another more painful side to tell of this latest story of merger mania.

I'm from Indianapolis. I serve in the Congress and on the Committee on Banking and Financial Services. I am Julia Carson.

I urge a conservative course--a careful investigation of the facts, the history and the harm.

They claim that mergers benefit companies, employees, and consumers, increasing competition. I favor growth but not at the cost of harm to the community and the people.

Indianapolis is where the two giant merger partners have perhaps the greatest business overlap, facing each other next to the Federal Courthouse, amassing $17.6 billion in assets between them.

Court is where this matter will end up if this process is not well and thoroughly conducted. There is a better way.

Our *Indianapolis Star* warns:

> "the most pressing concern. . . is customer service and cost. If history is any guide, the former will drop and the latter rise as banks become more monolithic."

Joining the *Star*, our Mayor, grassroots organizations, community groups, and activists from Indianapolis, and across the country, warn, too, because of the harms threatened. These voices cannot all be wrong.

The point of business is to 'beat the competition.' We believe that competition is healthy because it benefits the consumer. Our law--our public policy--encourage competition by legal protection: beating the competition is OK, but killing it is not.

Anti-trust law will make the superbank reduce its market share. Selling deposits, they say, will make the purchaser a new competitor. The requirement to slim down is powerful: branches will be closed;

operations consolidated.

Each bank now has 60 or more branches in Central Indiana. Banc One alone has 27 on the block. Each branch is a center of local commerce, competing with others. Closing cuts consumer choice. Merger will close competitive branches, neighborhood by neighborhood, as the new superbank makes the rational decision not to compete with itself. I doubt that the buyer bank will keep those branches going. The incentive is small: deposits are the most portable form of assets--real estate and bank worker--6000 in central Indiana--complicate the bottom line. This plan makes them expendable.

More harm is predicted by history: a *Wall Street Journal* analysis of the 5 largest bank acquisitions last year shows that small business lending fell 6% though business lending increased--less for beginning business. In Indianapolis we need more business formation, not less; small business opportunity based at home, growing over time into big business--work for our people.

Our law forbids mergers which substantially lessen competition unless those effects are clearly outweighed in the public interest by the probable effect of the transaction in serving the convenience and needs of the community. Our law is devoted to preservation--to conservation--of economic values vital to our way of life. Our people ask that the law be applied to save their jobs, their prosperity, our neighborhoods.

For American banking a great windfall approaches: printing and mailing of most government checks will end in 1999; these transfers will be made by electronic means, flowing billions through our banks.

For direct deposit, you need a bank account. To get one, you'll have to find a branch, harder and harder where I live. Fewer branches mean less access for a whole new throng of American consumers brought into the banking system by this way of the future. The longer it takes to cash a check, the more the money earns for the bank holding the funds.

Nationally we are at the door of a new era in competition; this merger threatens to slam doors firmly closed in Indianapolis just as they begin to crack open across the country.

My esteemed friend and colleague Congressman Danny Davis will tell you about the promise of development for the Congressional District he represents.

For Indianapolis, the view differs painfully. You will hear of complaints about bank behavior hurting those with low-incomes; about an investigation for lending discrimination against low-to-moderate income borrowers, Hispanics and blacks. I fear untold numbers of bank workers out of work, with more pain. Community Reinvestment Act assessments tell a sad tale.

Careful investigation will establish that competition is in danger in Indiana's Tenth District and I ask that such investigation be conducted.

These banks, good corporate citizens in many ways, now have an opportunity for truly creative citizenship.

Together, we must keep in mind the convenience of our people and the future of our city. In that process, I assure the parties of my willingness to help.

Our country deserves the greatest of care here. Most of all, the people of Indianapolis have a right to it. All will benefit if this work is well done. Many will suffer needlessly if it is not.

3

CITY OF MILWAUKEE

Annual Review of Lending Practices

of Financial Institutions

W. MARTIN MORICS
City Comptroller

March, 1998

REVIEW OF LENDING PRACTICES OF FINANCIAL INSTITUTIONS

I. INTRODUCTION

A. Common Council Resolution (#890493) created the City of Milwaukee's socially responsible investment program. The resolution directed the Comptroller to annually prepare a Financial Institution Lending Report. The resolution also directed that data on lending activities should be requested from each financial institution as these activities relate to the lending goals adopted by the Common Council[1]. This is the seventh such lending report issued by the Comptroller.

This Report focuses on lending in the City's Targeted Single Family Loan Program Area (TA). This area was chosen as a target because it has lower property values, houses lower income families, has less homeowners and a higher vacancy rate than the City as a whole.

1. This Report is based on the following data:

- 1990 through 1996 Home Mortgage Disclosure Act (HMDA) data.
- Data on financial institutions' branches.
- 1996 NOHIM Annual Report
- 1990 census data.
- 1994, 1995 and 1996 data from the Wisconsin Housing and Economic Development Authority (WHEDA).
- 1996 Community Reinvestment Act small business lending data.
- 1995 & 1995 Mortgage Insurance Companies of America's data.
- 1995 & 1995 hazard & fire insurance data from Wisconsin's Office of the Commissioner of Insurance.
- 1995, 1996 & 1997 lending data from the Department of City Development.

B. Data Limitations:

1. Residential Lending - One of the major limitations was the timeliness of HMDA data. HMDA data for 1996 is not available until September of 1997. Another drawback is that HMDA data excludes information on pooled funds established by multiple financial institutions or other special programs aimed at increasing TA, low income and minority lending. (Example: WHEDA Programs)

2. This Report includes non-refinancing residential loans originated where no race was indicated. In 1995 and 1996, no race was indicated on 1,217 residential loans (4.6% of metro area loans) and 1,665 HMDA residential loans (5.5% of metro area loans), respectively. The majority of the mortgages without race identified (55% in 1996) were home improvement loans. This may affect the minority and white percentage increases in lending shown in this Report. The high number of home

improvement loans where race is not available could have resulted from mail and phone applications for home improvement loans.

C. Refinancing Loan Data Excluded

This report excludes refinancing loans. This was done to prevent refinancing activity, which is driven by decreases in interest rate, from blurring the trends in new home ownership and home improvement loan activity. Within the Milwaukee Metropolitan Area, financial institutions originated 9,927 refinancing loans in 1995. Refinancing loans increased by over 200 percent to 20,274 in 1996. TA refinancing increased by 169 percent (408 in 1995; 691 in 1996). TA refinancing totaled 4.2 percent of the total metro area refinancing loans in 1995 and 3.4 percent of refinancing loans in 1996. Although metro area refinancing loans increased significantly between 1995 and 1996, this increase was smaller in the TA.

D. Hazard and Fire Insurance Data

The information was obtained from the Office of the Commissioner of Insurance and includes the Wisconsin Insurance Plan. Information on insurance renewals, non-renewals, and cancellations is not collected by the Insurance Commissioner's Office. Unlike HMDA data, which is available by census tract, insurance data is only available by zip code. Census Tracts do not directly match zip codes areas. For purposes of this report, only zip codes completely within the Target Areas are defined as TA zip codes.

E. Wisconsin Housing & Economic Development Authority (WHEDA)

WHEDA provided data on the HOME program, Home Improvement Loans program and Easy Closing (EZ) program. The requirements for loan applicants to qualify for WHEDA HOME program are shown in Note 3 on page 27. Like FHA and VA home improvement Loans, WHEDA home improvement loans are not reported separately in this report. Within the Milwaukee Metro Area, WHEDA made 37 home improvement loans in 1995 and 61 in 1996. Data on the EZ Closing program is shown on page 16.

F. Definition of Income Areas

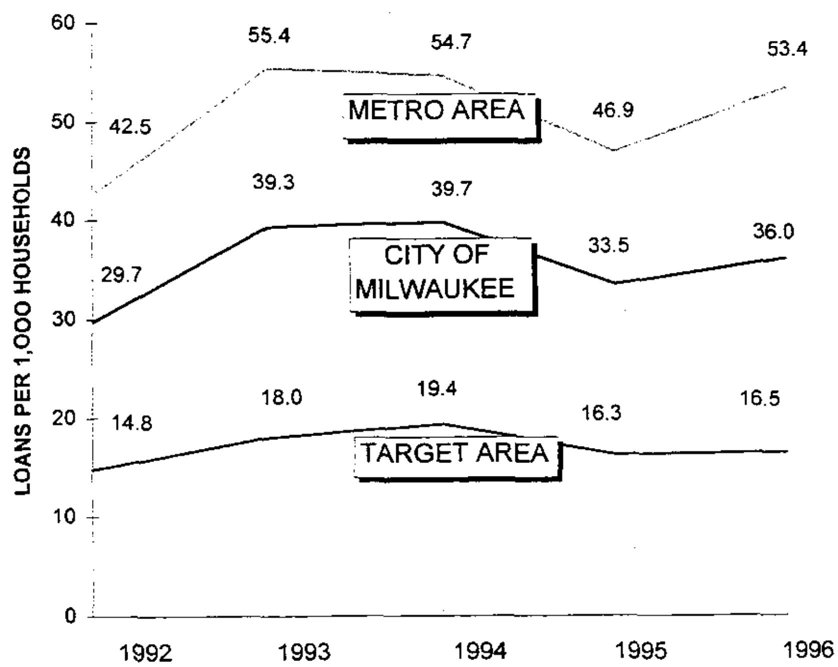
Low to Moderate Income Areas are defined as those census tracts in which median family income is less than 80% of the median family income of the metropolitan area. Middle Income Areas are those census tracts in which median family income is between 80% to 120% of the median family income of the metropolitan area, and Upper Income Areas include only census tracts with median family income exceeds 120% of the metropolitan area's median family income. The 1997 median family income for the Milwaukee Metro Area is $50,700. The Income of loan applicants within these income areas may differ from the income range of the area.

II. CONCLUSIONS -

1. **1996 TA per Household Residential Lending Remains Unchanged from 1995 While Lending in Other Areas of the Metro Area Increased.**

TA residential lending per household report by HMDA remain at about 16 loans per 1,000 households in 1996. However, Metro area lending per household increased by 14% (46.9 in 1995; 53.4 in 1996). Since 1992, on a per household basis, residential lending in the TA has consistently occurred at a rate approximately one-half of the citywide lending rate.

MILWAUKEE METRO AREA
HMDA DATA ONLY
RESIDENTIAL LOANS ORIGINATED IN 1995 & 1996
PER 1,000 HOUSEHOLDS
(Excludes refinancing Loans)
(Excludes WHEDA Loans)



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When Wisconsin Housing & Economic Development Authority (WHEDA) loans are included with HMDA reported data, the TA's share of Metro Area per household lending increased to 34% (18.9 in TA; 55.9 in Metro Area) from 31% (16.5 in TA; 53.4 in metro area) for 1996. This increase in TA per household lending resulted because WHEDA originates over 12% of its loans in the TA as compared to 3.5% on metro area lending reported by HMDA.

MILWAUKEE METRO AREA
HMDA & WHEDA DATA
RESIDENTIAL LOANS ORIGINATED IN 1995 & 1996
PER 1,000 HOUSEHOLDS
(Excludes refinancing Loans)

	1994	1995	1996
Milwaukee Metro Area	57.5	49.5	55.9
City of Milwaukee	44.8	38.3	40.0
Target Area	21.8	18.9	19.0

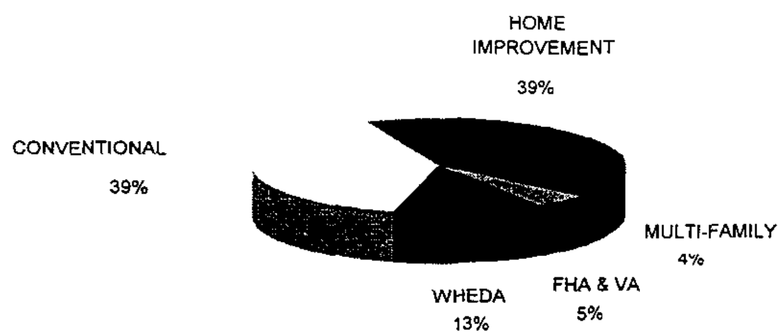
A lower lending rate in the TA is to be expected as home ownership is lower in the TA. In addition, as generally less affluent, TA households face greater financial obstacles such as inadequate income, insufficient employment history, credit history problems, etc., compared to loan applicants outside the TA. The extent of this lending disparity should be closely monitored since it is one of measures available to determine if financial institutions are meeting the credit needs of the TA.

2. **Home Improvement Loans Account for Almost 40% of Total TA Loans Compared to 29% for Metro Area Lending and 22% Nationwide.**

Home improvement loans are a vital capital need for TA residents and the neighborhoods in which they live. This is shown by the high percentage of home improvement loans in the TA.

Home Improvement loans account for 39% of TA lending compared to 22% nationwide.
The higher levels of home improvement loans in the TA may be in part due to the older housing stock within the TA when compared to the metro area and nation as a whole.

MILWAUKEE'S TARGET AREA
PERCENTAGE OF RESIDENTIAL LOANS ORIGINATED IN 1996
(Excludes refinancing Loans)



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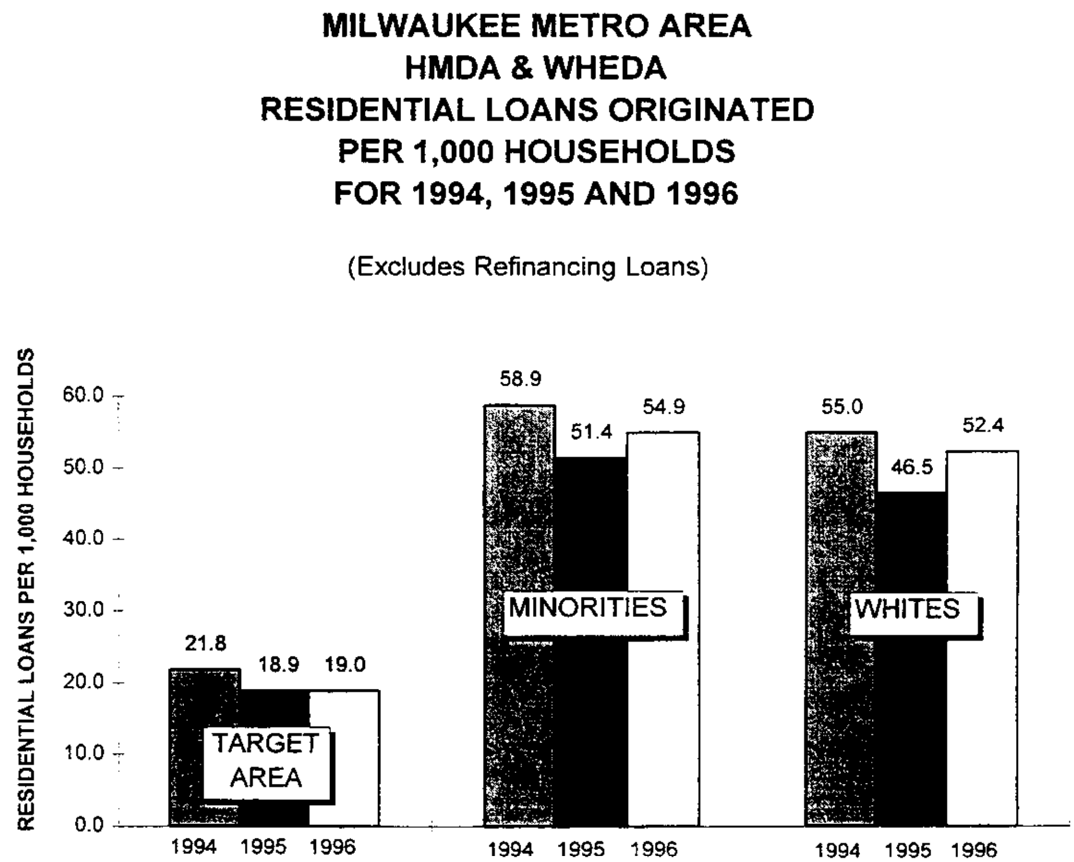
	TARGET AREA 1996	TARGET AREA 1996 PERCENT OF TOTAL	METRO AREA 1996	METRO AREA 1996 PERCENT OF TOTAL	NATIONAL TOTAL 1996	NATIONAL TOTAL 1996 PERCENT OF TOTAL
FHA & VA	55	4.6%	1,561	5.2%	880,240	17.8%
WHEDA HOME PROGRAM	155	13.1%	1,263	4.2%		
CONVENTIONAL	471	39.7%	18,210	60.6%	2,926,097	59.3%
HOME IMPROVEMENT	**458**	**38.6%**	**8,616**	**28.7%**	**1,105,799**	**22.4%**
MULTI-FAMILY	47	4.0%	383	1.3%	23,268	0.5%
TOTAL LENDING	1,186	100.0%	30,033	100.0%	4,935,404	100.0%

WHEDA HOME loan program makes up 13% of total TA lending and only 4% of Metro Area lending. This higher TA lending percent appears to be due to the special underwriting criteria that WHEDA uses to target low and moderate income loan applicants.

3. **Residential Lending for Minorities and Whites Increased While Lending Remained about the Same for TA Residents in 1996.**

Residential lending per 1,000 households increased by over 12% (46.5 in 1995; 52.4 in 1996) for whites and by almost 7% (51.4 in 1995; 54.9 in 1996) for minorities. However, TA lending remained about the same in both 1995 and 1996.



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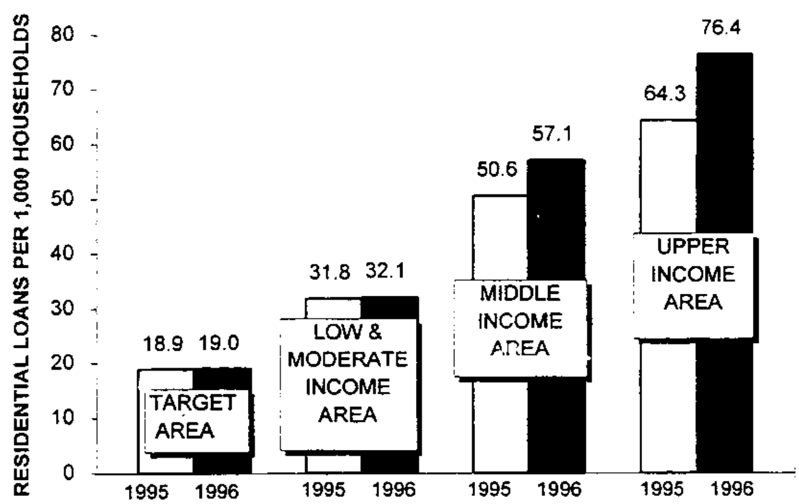
Based on this data, it appears that the **disparity in loan originations is more closely related to the location of the property than to the race of the applicant**. However, there remains significant racial disparity in loan denial rates. Denial rates are discussed later in this report.

4. **Low and Moderate Income Area Lending per Household is Less Than One-Half of Upper Income Areas.**

Another way to look at lending is by the characteristics of residents' income of an area. In fact, the Community Reinvestment Act focuses on area by requiring lenders to attempt to meet the financial needs of residents within low and moderate income areas.*

Lending in low and moderate income areas totals about 32 loans per 1,000 households compared to 76 loans per 1,000 households in upper income area. Although most of the TA is within the low and moderate income area, TA per household lending is about 60% of lending to low and moderate income areas. (19.0 in TA; 32.1 in low and moderate income areas).

MILWAUKEE METRO AREA
HMDA & WHEDA
RESIDENTIAL LOANS ORIGINATED IN 1995 & 1996
PER 1,000 HOUSEHOLDS
(Excludes refinancing Loans)



Ref: Graph-4a

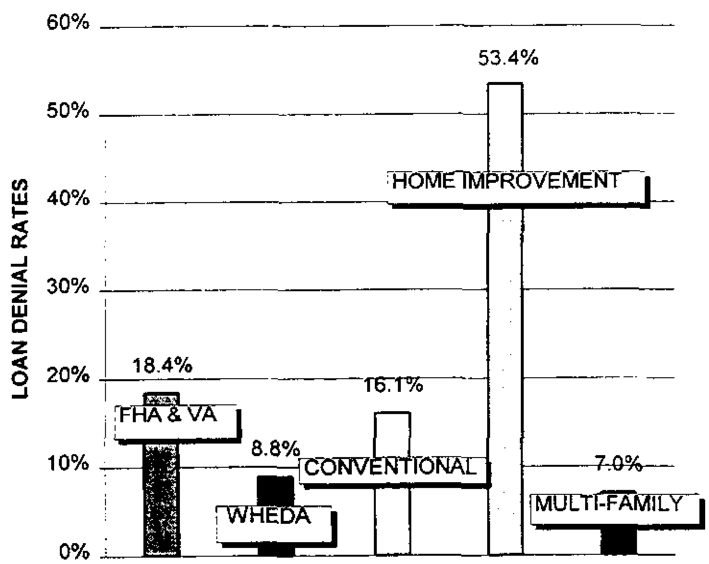
* The income characteristics of an area may not have any correlation to the income of any specific loan applicant living within that area. (Example: Upper and middle income applicants apply for loans in low income areas.)

5. <u>**Denial Rates for TA Home Improvement Rose to 53% in 1996, Increasing from 49% in 1995.**</u>

No progress has been made in reducing the high TA denial rate for home improvement loans. In fact, the percentage of TA applicants denied home improvement loans has steadily increased over the past few years. **The denial rate for TA home improvement loans is almost three times higher than the denial rate for TA conventional mortgage loan applicants. In fact, when home improvement loan applications are excluded, the loan denial rate in the TA drops dramatically - from 37% to 14%.**

MILWAUKEE'S TARGET AREA
1996 DENIAL RATES
BY TYPE OF LOANS

(Excludes Refinancing Loans)



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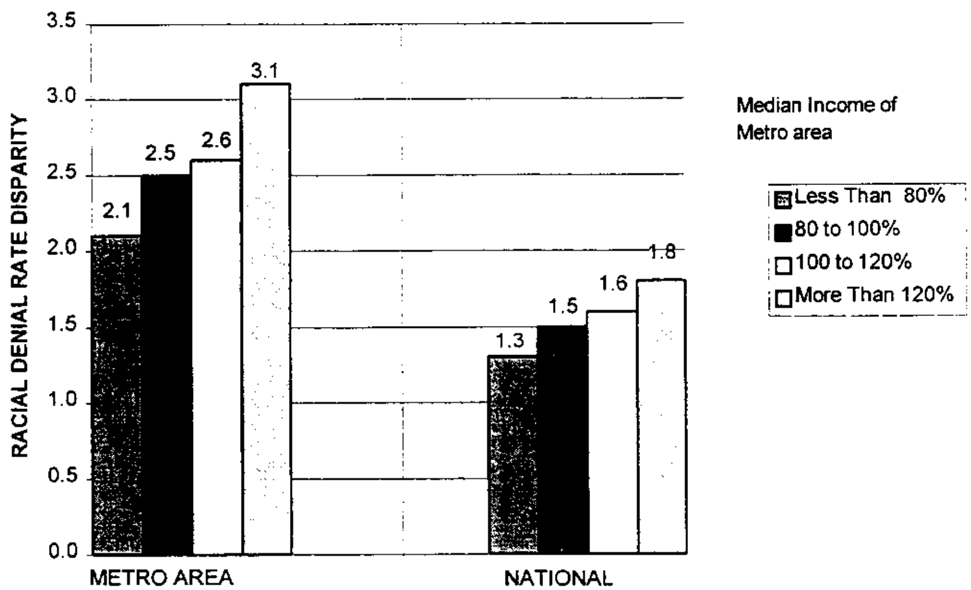
Since the applicant is already a homeowner and the lender is in most cases familiar with the applicant, one would expect home improvement loans to be among the lowest instead of the highest loan denial ratios. **Clearly, a larger portion of TA home owners needing home improvement financing are not able to acquire it.**

6. **Milwaukee Metro Area Racial Denial Rate Disparity Increases as Incomes Rise. Nationally, the Racial Denial Rate Disparity Also Increases for Higher Income Loan Applicants.**

In the Milwaukee Metro Area, the racial denial rate disparity between minority and white applicants rises from 2.1 for applicants with incomes under 80% of Metro area median income ($40,560) to 3.1 for applicants with incomes over 120% of Metro area median income ($60,840). Also, minority applicants with earnings over $60,840 are more likely to be denied a loan than those white applicants with incomes of $41,000.

MILWAUKEE METRO AREA VS. NATIONAL AVERAGE
HMDA DATA ONLY
1996 MINORITY/WHITE LOAN DENIAL RATIOS
BY MEDIAN INCOME OF METRO AREAS' LOAN APPLICANT

(Excludes Refinancing Loans)



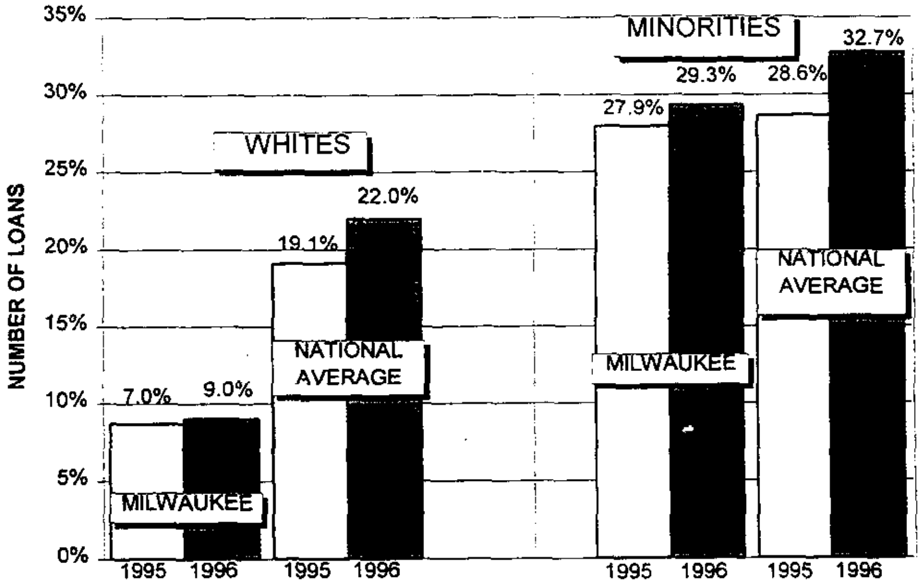
1997 Estimated Median Income of Milwaukee Metropolitan Area is $50,700.

Ref: Graph-8

The most recent data shows that of the fifty largest Metropolitan Areas, Milwaukee still leads the US with the highest racial denial rate disparity, and leads it by a significant margin. Currently, in the Milwaukee Metro Area, 9% of white loan applicants are denied loans while over 29% of minority loan applicants are denied. This means that minorities in the Milwaukee Metro Area are denied at a rate which is over three times (3.3X) that of whites. (See Appendix A). As in past Reports, it has been correctly stated that the extremely low white loan denial rates - the lowest of the 50 metro areas -rather than high minority denial rates, have driven this Area's highest loan denial disparity rate. In fact, Equifax Risk & Usage Forecast recently concluded that Milwaukee's general population had the least amount of average consumer debt among the 50 largest cities in the US.

NATIONAL AGGREGATE RESIDENTIAL LENDING
HMDA DATA ONLY
PERCENTAGE OF LOANS DENIED
MILWAUKEE METRO AREA VS. NATIONAL AVERAGE
FOR 1995 AND 1996

(Excludes Refinancing Loans)
(Excludes WHEDA Loans)



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The high rate of home improvement loan denials to minorities contribute heavily to Milwaukee's overall highest ranking. When metro area home improvement loan applications are removed, Milwaukee's minority-to-white loan denial ratio drops from 3.3 to 2.5. This 2.5 denial ratio remains the highest of the 50 largest metro areas with 13.1% of Milwaukee Metro minorities' loan applications (excluding home improvement applications) denied. However, **this 13.1% of minority loan applications denied in Milwaukee is the SEVENTH LOWEST denial rate among the nation's 50 largest metro areas.** Clearly, the high rate of minority home improvement loan applications heavily influences Milwaukee's overall poor loan performance compared to other metro areas.

Another meaningful perspective on Milwaukee's high minority-to-white loan denial ratio can be gained by looking at the trend in this ratio since 1980. Milwaukee's racial loan denial rate disparity was not always so high. Since 1982 this Metro Area loan denial rate disparity between whites and minorities has nearly doubled from 1.7 to its current 3.3 rate in 1996, with the greatest increase in the mid to late 1980s. The question then becomes, 'What happened in this period when the rate at which our area's minority loan applicants were denied doubled when compared to white applicant denials?'.

Census data does provide some insight. During the 1980's this area's economy withstood a major restructuring from one driven by large manufacturers to one in which financial and other service industries predominated. While manufacturing value added actually increased from its pre-1980 values as time passed in the Milwaukee Metro area, much of the manufacturing process was automated, resulting in a loss of over 33,000 area manufacturing jobs. Apparently, this economic restructuring had a disproportionate impact on area minorities. During the 1980-90 decade Milwaukee's minority unemployment rate increased from 14% to 18% while the white unemployment rate held steady at 5%. The growing unemployment gap between Milwaukee's white and minority populations clearly contributed to its growing racial loan denial disparity. The wide economic disparity between minorities and whites in Milwaukee has also often been stated in previous Reports and in many other sources. This helps explain why minority loan denial rates are not also proportionally lower in Metro Milwaukee.

In addition, census data also shows that the incidence of single parent heads of household in Milwaukee became an increasingly more typical structure for minority families during the 1980-90 decade than for white families. During this period, the percentage of single parent heads of household for Milwaukee minorities increased from 46% to 53%, while white single parent heads of household also grew, but from a much lower base (16% to 19%). Many families, especially those of moderate income, require two incomes to purchase a home. A second income also provides for additional security in the event one wage earner becomes disabled or is temporarily unemployed. Without the economic benefit of a second income, by 1990 over one half of minority households faced a significant barrier to home ownership.

While probably unrelated to Milwaukee's racial loan disparity ranking, credit scoring is another factor which may have induced higher loan denial rates in both Milwaukee and nationwide in recent years. Credit scoring and other risk based models have increasingly been used to determine the credit worthiness of a loan applicant. While credit scoring makes it faster and less expensive to evaluate credit history, critics say that this method can be exceedingly arbitrary, without adequate consideration of the special credit circumstances of many low and moderate income applicants.

7. <u>The Recent Bank Mergers have Reduced the Number of Available Branches in the TA.</u>

Since 1996, four bank branches within the Target Area closed while only two bank branches were opened (see table below). This has resulted in the total number of stand-alone financial institutions' service branches available in the TA to decrease from 31 to 29.

TARGET AREA
FINANCIAL INSTITUTIONS' BRANCHES
OPENED/CLOSED IN 1996 and 1997

New Branches	
1996	
North Milwaukee State Bank	1620 W. Wells St.
North Shore Bank	1900 N. Martin Luther King Drive
1997	
None	
Closed Branch	
1996	
Firstar Bank Milwaukee	4025 N. Teutonia Ave.
Badger Bank	20th & Fond du Lac Ave.
1997	
Securty Bank	184 W Wisconsin Ave.
Security Bank	1839 N Martin L. King Drive

The reduction in the number of independent bank branches in the TA may impact the availability of credit to TA residents. The future availability of branch banks within the TA is somewhat uncertain. The recent trend toward bank mergers with resulting staff and service cutbacks may continue to reduce the number of available branches in the TA in the future years.

8. **While Lending in the Target Area Remains Low, Some Area Financial Institutions Consistently Provide More Loans in the TA than Others.**

Based on 1996 and 1997 HMDA and WHEDA data, a significant variance exists between financial institution lending activity within the TA as shown in the following tables. This table included forty-three lenders with branch's offices in or around Milwaukee and are ranked based on the percentage of 1996 TA lending. Information on the dollar amount of TA lending and percentage of lending to minorities and TA residents is included in Appendix B (pages 29-44) of this report. Appendix B includes additional lending data on all lenders with offices in the metro area and 20 or more loan originations.

MILWAUKEE METROPOLITAN AREA
HMDA & WHEDA DATA
PERCENTAGE OF RESIDENTIAL LENDING
TO THE TARGET AREA
RANKED BY PERCENTAGE OF 1996 LENDING IN THE TA

Over $15 Million in Residential Loans
(Excludes Refinancing Loans)
Loans Originated

FINANCIAL INSTITUTION	1995 Total Loans	1996 Total Loans	1995 Target Area	1996 Target Area
Bank One, Milwaukee, NA (1)	**2,015**	**1,836**	**6.3%**	**6.8%**
St. Francis Bank, FSB	**944**	**1,262**	**9.9%**	**6.0%**
The Equitable Bank, S.S.B.	**658**	**646**	**4.9%**	**5.7%**
Firstar Bank of Milwaukee	**1,644**	**1,672**	**6.3%**	**5.6%**
Security Bank, S.S.B.	**1,040**	**1,515**	**5.1%**	**5.6%**
Martime Savings Bank	296	242	3.0%	5.4%
Mitchell Savings Bank, S.A.	114	316	9.6%	5.4%
North Shore Bank, FSB	650	863	3.2%	5.1%
Wauwatosa Savings Bank	621	665	4.2%	4.7%
First Financial Bank, FSB	1,466	1,197	4.6%	4.5%
Mutual Savings Bank of Wisconsin, S.A.	574	590	3.0%	3.6%
M & I Bank, Marshall & Ilsley Corp. (2)	2,046	1,923	5.6%	3.6%
Tri City National Bank	225	390	6.2%	2.8%
Norwest Bank Wisconsin (3)	631	931	5.9%	2.6%
Guaranty Bank, S.S.B. (5)	972	1,334	2.9%	2.3%
Universal Savings Bank, S.A. (7)	300	679	5.0%	1.8%
West Allis Savings Bank, S.A.	308	281	1.9%	1.4%
Associated Bank (6)	800	691	3.4%	1.3%
Wisconsin Mortgage Corporation	992	925	1.1%	1.1%
South Milwaukee Savings Bank	106	213	0.9%	0.9%
Great Midwest Bank, S.S.B.	325	388	0.6%	0.8%
Total Metro Area	**24,987**	**30,033**	**4.0%**	**3.9%**

HMDA & WHEDA DATA
PERCENTAGE OF RESIDENTIAL LENDING
TO THE TARGET AREA
RANKED BY PERCENTAGE OF 1996 LENDING IN THE TA

Under $15 Million in Residential Loans
(Excludes Refinancing Loans)
Loans Originated

FINANCIAL INSTITUTION	1995 Total Loans	1996 Total Loans	1995 Target Area	1996 Target Area
Liberty Bank	**67**	**66**	**32.8%**	**25.8%**
North Milwaukee State Bank	**23**	**24**	**4.3%**	**25.0%**
Reliance Savings Bank	**24**	**12**	**4.2%**	**16.7%**
Park Bank	**99**	**53**	**17.2%**	**15.1%**
Bay View Federal Savings & Loan Ass	**25**	**30**	**8.0%**	**13.3%**
Advantage Credit Union	**54**	**38**	**13.0%**	**13.2%**
Milwaukee Metropoltan Credit Union	61	64	8.2%	12.5%
State Financial Bank	145	164	6.9%	11.6%
TCF Bank	348	188	4.9%	10.6%
Mitchell Bank	30	21	13.3%	9.5%
Columbia Savings & Loan Association	28	33	25.0%	9.1%
Layton State Bank	16	23	12.5%	8.7%
Continental Savings Bank, S.A.	99	111	10.1%	8.1%
Milwaukee Western Bank	31	38	6.5%	7.9%
Kilbourn State Bank	150	64	3.3%	7.8%
State Central Credit Union	97	73	7.2%	6.8%
First Bank (N.A.) Milwaukee (4)	240	108	7.1%	5.6%
Marquette Saving Banks, S.A.	39	24	12.8%	4.2%
Lincoln Savings Bank	48	59	4.2%	3.4%
Guardian Credit Union	157	299	5.1%	3.0%
Fleet Mortgage Corp.	101	96	2.0%	2.1%
Lincoln State Bank	29	44	13.8%	0.0%
Total Metro Area	**24,987**	**30,033**	**4.0%**	**3.9%**

Notes: 1) Includes Banc One Mortgage Corporation and Banc One Financial Services; 2) Includes M&I Mortgage and M&I Northern; 3) Includes Norwest Mortgage, Inc.; 4) Includes FBS Mortgage Corporation; 5) Includes Shelter Mortgage & Guaranty Mortgage: 6) Includes Associated Mortgage, Inc.; 7) Includes Universal Mortgage Corporation

The majority of lending institutions in Milwaukee are relatively small and have developed a limited service area. Many of these institutions have therefore focused residential mortgage lending on a nearby geographic service area which largely or totally exclude the TA. In addition, certain larger institutions serving the entire metro area have done limited residential lending in TA census tracts. However, large or small, <u>the Community Reinvestment Act challenges all regulated institutions to help meet the vital need for residential loans to those located in the central city</u>.

9. The City, WHEDA & NOHIM Offer Programs Aimed at Low Income and Central City Loan Applicants.

CITY OF MILWAUKEE

The Department of City Development (DCD) offers home repair and home rehabilitation loans to City of Milwaukee homeowners as well as investor-owners. The purpose of the loan programs is to assist citizens in obtaining money necessary to repair or rehabilitate existing housing stock.

Accordingly, the **Home Rehabilitation and Greenline Programs** offered by DCD are designed to make low-interest loans to assist homeowners in making improvements on their homes. In addition, technical assistance is provided to help homeowners with this process. In 1997, homeowners with incomes below 80% of the median income ($50,700) accounted for the majority of loans originated under these programs.

LENDING ACTIVITY FOR SELECTED DEPARTMENT OF CITY DEVELOPMENT LENDING PROGRAMS

	1995		1996		1997	
	Number of Loans	Amount of Loans	Number of Loans	Amount of Loans	Number of Loans	Amount of Loans
OWNER-OCCUPIED LENDING						
Home Rehabilitation Loan	147	$1,619,017	143	$1,572,941	132	$1,790,429
Greenline	—	—	50	$257,438	53	$261,369
INVESTOR-OWNER LENDING						
Rental Rehabilitation	51	$705,835	48	$548,740	72	$856,296
Buy In Your Neighborhood	6	$34,200	7	$60,800	21	$186,920

DCD also has home rehabilitation as well as financing programs for the "owner-investor". **The Rental Rehabilitation Program** makes forgivable matching loans to responsible landlords who, in turn, must agree to keep rents affordable to low and moderate income families. The "**Buy in Your Neighborhood Program** works with local lenders to help homeowners invest in their neighborhoods by providing financing for investment properties near their homes. In 1997, almost half of these loans were made to low income owner-investor loan applicant.

In total, participation by Milwaukee residents in all four DCD programs increased by 12% in 1997 (1996: 248 to 1997: 278), with the loan volume increasing by almost 29% (1996: $2.4 million; 1997: $3 million). Since the target citizenry are those who meet Housing and Urban Development (HUD) income criteria and/or reside within an area that includes TA, these programs offered by DCD are vital to the sustained improvement of Milwaukee's Neighborhoods.

WHEDA EZ CLOSING PROGRAM

A loan applicant who is eligible for WHEDA HOME loan program with income less than $35,000 may also be eligible for Easy Close (EZ) Program. This program provides deferred loans of up to $1,000 for individuals needing assistance with home mortgage closing costs. EZ loans are for up to five years and carry the same interest rate as HOME loans.

MILWAUKEE METRO AREA
WHEDA EZ CLOSING PROGRAM

	1995	1996
Total Loans	75	269
% to Minorities	78.7%	67.7%
% to TA	30.7%	21.6%

NEW OPPORTUNITIES FOR HOMEOWNERSHP INITITIATIVE IN MILWAUKEE

New Opportunities For Homeownership Initiative in Milwaukee (NOHIM) comprises financial institutions, community groups that provide homebuyer counseling and the City of Milwaukee. NOHIM's mission is to increase home ownership for low and moderate income families. NOHIM provides a mutually beneficial partnership which allows financial institutions and homebuyer counseling agencies to enter into loan packaging, referral and service arrangements. NOHIM also provides training and outreach designed to help its members improve their ability to provide financing for low income Milwaukee homebuyers.

NOHIM increased pre-purchasing counseling in Milwaukee by over 7% (1,819 in 1995; 1,955 in 1996). Loans closed through NOHIM also increased slightly to 389 in 1996 from 380 in 1995.

NOHIM HOMEBUYER COUNSELING
ACTIVITY SUMMARY
1991 THRU 1996

YEAR	PRE-PURCHASE COUNSELING	NUMBER OF MORTGAGES CLOSED	AMOUNT OF MORTGAGES CLOSED (in millions)
1991	742	103	$ 3.9
1992	874	175	5.8
1993	1,182	239	8.0
1994	1,217	254	10.0
1995	1,819	380	15.9
1996	1,955	389	17.8

10. <u>Like Residential Lending, a Significant Disparity Exists Between Lenders in Business Loans to Low and Moderate Income Areas.</u>

This marks the first year that business data was collected by the Federal Institutions Examinations Council.

In 1996, 15,796 business loans was issued in the Milwaukee Metro Area. Of this total, 1,886 or 12%, was issued in the low to moderate income areas. The TA business loans, on the other hand, are 6.7% of metro area loans. This compares favorably to TA residential lending of 3.9% of metro area loans.

MILWAUKEE METRO AREA
PERCENTAGE OF BUSINESS LOANS ORIGINATED IN 1996
BY INCOME OF AREA

Ref: Graph-11

	METRO AREA 1996	1996 PERCENT OF TOTAL
LOW & MODERATE INCOME AREAS	1,886	12.0%
MIDDLE INCOME AREAS	7,902	50.0%
UPPER INCOME AREAS	5,991	37.9%
TOTAL BUSINESS LENDING*	15,796	
TA BUSINESS LOANS	1,023	6.7%

* Income Area not available for 17 loans (0.1%).

Based on 1996 data, a significant variance exists between financial institution business lending activity within low-to moderate income areas, as shown in the table below. This table includes twenty-three lenders with branch's offices in or around Milwaukee.

MILWAUKEE METROPOLITAN AREA
PERCENTAGE OF BUSINESS LENDING
TO THE LOW & MODERATE INCOME AREAS

Over $5 Million in Business Loans
(Excludes Refinancing Loans)

FINANCIAL INSTITUTION	Loans Originated *1996* Total Loans	*1996* Low Income Areas Loans	*1996* Moderate Income Income Areas	*1996* Low & Moderate Income Areas
First Bank (N.A.)	**357**	**50**	**27**	**21.6%**
Norwest Bank Wisconsin	**233**	**22**	**26**	**20.6%**
Park Bank	**492**	**46**	**49**	**19.3%**
Heritage Bank & Trust	**93**	**4**	**13**	**18.3%**
M & I Bank, Marshall & Ilsley Corp.	**1,609**	**109**	**184**	**18.2%**
Firstar Bank Milwaukee	1,035	68	91	15.4%
American Express	1,369	73	126	14.5%
Tri City National Bank	340	12	35	13.8%
Security Bank S.S.B.	89	6	5	12.4%
Associated Bank Milwaukee	944	73	42	12.2%
M & I Bank, Northern Bank	1,098	48	69	10.7%
Bank One, West Bend	1,580	108	58	10.5%
Firstar Bank Wisconsin	280	4	25	10.4%
TCF Bank Wisconsin FSB	82	3	5	9.8%
Bank Wisconsin	334	30	-	9.0%
American National Bank & Trust	64	1	4	7.8%
Mutual Savings Bank	76	2	3	6.6%
M & I Bank of Menomonee Falls	541	20	12	5.9%
Waukeska State Bank	712	1	38	5.5%
M & I Lake Country Bank	1,316	16	16	2.4%
National Exchange Bank & Trust	45	-	1	2.2%
1st Source Bank	87	-	1	1.1%
M & I First National Bank	618	-	-	0.0%
Total Metro Area	**15,799**	**842**	**1,044**	**11.9%**

11. Mortgage Insurance Policies Issued by Private Mortgage Insurers in the TA Decreased By 25%.

In 1996, only 165 mortgage insurance policies were issued in the TA compared to 219 issued last year. This represents a decrease of over 25 percent between 1995 and 1996. This is especially significant since there was relatively no change in TA lending during this time period.

GE Capital Mortgage Insurance Corp. is the leading insurer of conventional mortgages in the TA with 93 policies issued in 1996. The following table ranks MICA (Mortgage Insurance Corporation of America) mortgage insurance companies by the percentage of Milwaukee metro area mortgage insurance policies issued in the Target Area.

MILWAUKEE METROPOLITAN AREA
PERCENTAGE OF INSURED CONVENTIONAL
RESIDENTIAL MORTGAGES
IN THE TARGET AREA

(Excludes Refinancing Loans)

MORTGAGE INSURANCE CORPORATION	1996 Total Loans	1996 Target Loans	1996 Target Area
GE Capital Mortgage Insurance	1,386	93	6.7%
PMI Mortgage Insurance Co.	163	7	4.3%
Republic Mortgage Insurance	131	4	3.1%
Commonwealth Mortgage	88	2	2.3%
Mortgage Guaranty Insurance	2,169	46	2.1%
United Guaranty Corporation	844	11	1.3%
Amerin Guaranty Insurance	162	2	1.2%
Triad Guaranty Insurance	5	0	0.0%
Total -1996	4,948	165	**3.3%**
Total -1995	5,797	219	**3.8%**

The availability of mortgage insurance for home buyers with small down payments impacts financial institutions' ability to make conventional mortgages to such applicants. In 1996, 37 percent of TA conventional mortgages are insured by mortgage insurance companies compared to about half of TA mortgages in 1995.

Although denial rates increased for residential loan applicants, the denial rates reported by mortgage insurance corporations declined between 1995 and 1996 for both whites and minorities. Mortgage insurance companies denied minority mortgage insurance applications 2.5 times as often as applicants by whites within the Milwaukee Metro Area. The table below shows the mortgage insurance denial rates for MICA members.

MILWAUKEE METROPOLITAN AREA
PERCENTAGE OF INSURED CONVENTIONAL
RESIDENTIAL MORTGAGES
FOR 1996

(Excludes Refinancing Loans)

MORTGAGE INSURANCE CORPORATION	Disparity	White Denial Rates	Minority Denial Rates
Triad Guaranty Insurance	-	-	-
GE Capital Mortgage Insurance	1.1	1.8%	2.1%
Commonwealth Mortgage	3.7	8.6%	32.1%
Amerin Guaranty Insurance	-	16.7%	-
Mortgage Guaranty Insurance	2.8	3.9%	10.8%
Republic Mortgage Insurance	5.1	1.1%	5.6%
PMI Mortgage Insurance Co.	3.2	3.9%	12.5%
United Guaranty Corporation	5.8	2.2%	12.6%
Metro Area Total - 1996	2.5	**3.0%**	**7.6%**
Metro Area Total - 1995	**2.5**	**3.4%**	**8.6%**

12. **Wisconsin Insurance Plan, Insurer of Homeowners that are Otherwise Deemed Uninsurable by Private Insurers, was the Leading Issuer of Hazard & Fire Insurance Policies Within the TA in 1996.**

Of the 123,586 insurance policies issued within the Milwaukee Metro Area in 1996, 4,325 or 3.5% of these policies were issued in the TA. The Wisconsin Insurance Plan (WIP) issued 37.4% (881 policies) of its policies in the TA, whereas American Family Mutual Insurance Co., the largest Metro Area insurer issued only 1.7% (837 policies) of its policies in the TA.

MILWAUKEE METRO AREA
HAZARD, FIRE & RENTER'S INSURANCE POLICIES
BY PERCENTAGE OF POLICIES IN TA ZIP CODES
FOR 1995 AND 1996

INSURER	1995 Total Policies	1995 Target Area	1996 Total Policies	1996 Target Area
Wisconsin Insurance Plan (WIP)	2,725	39.0%	2,353	37.4%
State Farm General	3,840	14.0%	3,466	14.6%
Allstate Insurance	3,047	9.1%	3,020	9.1%
Germantown Mutual	3,763	9.1%	3,461	9.0%
Milwaukee Mutual	2,563	8.0%	2,200	8.1%
Wisconsin Mutual	872	4.9%	902	5.3%
West Bend Mutual	3,228	4.1%	3,319	4.4%
Wilson Mutual	-		26	3.8%
General Casualty	3,828	3.5%	3,732	3.7%
Auto Owners	54	0.0%	60	3.3%
Heritage Mutual	9,468	3.0%	8,637	3.2%
Prudential Prop & Cas	2,520	2.3%	2,242	2.6%
Secura Insurance	2,772	2.3%	2,352	2.4%
State Farm Fire & Cas	11,331	1.8%	11,178	2.0%
Sentry Insurance	3,759	1.9%	3,966	1.9%
Fire Insurance Exchange	3,856	1.6%	3,749	1.8%
Badger Mutual	-		7,140	1.7%
American Family Mutual	50,572	1.6%	49,767	1.7%
Rural Mutual	404	2.2%	371	1.6%
Economy Preferred	2,345	1.1%	2,489	1.3%
Integrity Mutual	947	1.2%	765	1.0%
Milwaukee Guardian	3,520	0.9%	6,377	1.0%
Regent Insurance	1,945	1.0%	2,014	0.8%
TOTAL	117,359	3.7%	123,586	3.5%

The Target Area includes the following zip codes: 53203, 53205, 53206, and 53223.

In order to obtain homeowner's or fire insurance under the WIP, the applicant must have been denied coverage by other licensed insurers. WIP insurance is a more expensive insurance. As a result, in many TA homeowners pay higher premiums than those charged by other insurers for a similar insurance coverage.

III. RECOMMENDATIONS

Below is the status of recommendations contained in prior lending reports including additional recommendations relating to an addressing questions on disparity issues, reporting of low and moderate income areas, and the availability of FHA insurance to homebuyers.

1. **The City Should Investigate the High Loan Denial Rates for Home Improvement Loans in the TA.**

TA denial rates for home improvement loans have been on the rise for the past five years, up from 42 percent in 1992 to 53 percent in 1996. The loan applicant's unfavorable credit history is the single-most reason for these high loan denial rates. Since home improvement loans make up almost 40% of total TA lending and are vital to the sustained renewal of TA neighborhoods, financial institutions should closely examine the specific underwriting criteria as they relate to potential TA customers.

Further action is needed on this recommendation. This recommendation was made in the 1993 Lending Report. Until additional emphasis is place on the problems on Home Improvement denial, the credit needs of the central city will continue to be undeserved. Possibly, the Fair Lending Coalition or an appropriate financial institution trade association can analyze the high home improvement loan denial rate in the TA, and suggest practical ways to reduce the rate of loan denials.

2. **The City, Financial Institutions and Involved Community Groups Need to Examine the High Minority Loan Denial Rate Due to the Credit History of the Loan Applicant.**

Credit history problems continue to remain the major reported barrier to home ownership or home improvement for minorities in the metro area. In 1996, 20 percent of the loan denials for minorities were based on credit history, an increase of 18% from 1995, compared to 4 percent for whites. Until this issue is successfully addressed, Milwaukee will continue to have one of the highest racial disparity rates in the country.

Further action is still needed on this recommendation. Presently, no survey and/or analysis has been conducted to determine the most effective counseling approaches among the existing financial institutions and community agencies efforts at mortgage/credit counseling. Such a survey is again recommended. The objective would be to determine what efforts work best and why.

3. **<u>The Closing and Opening of Financial Institutions Branches in the TA Will Need to be Monitored</u>. - Being Implemented by the Comptroller.**

With the recent trend of bank mergers, it is crucial that future lending reports continue to monitor the closing and opening of Financial Institutions Branches within the TA. Clearly, the availability of Financial Institutions within the TA is vital for the community's residential lending needs.

The Comptroller's Annual Lending report will continue to disclose the number of financial institution branches within the TA, and the major reasons for changes which do occur. This adequately addresses this recommendation.

4. **<u>The Availability of Mortgage Insurance to TA Loan Applicants Needs to be Reviewed to Determine the Impact on TA Lending.</u>**

In 1996, about one-third of TA conventional mortgages were insured by mortgage insurance companies compared to almost half of TA mortgages in 1995. This was about a 30% <u>decrease</u> in the number of mortgage insurance policies issued compared to a 7% <u>increase</u> in the number of TA mortgage loans originated during the same time period.

Mortgage insurance policies are critical for those homebuyers with small down payments, as it impacts the financial institution's ability to make conventional mortgages to such applicants. The ideas and suggestions of MICA (Mortgage Insurance Corporation of America) should be sought to increase the availability of affordable housing loans to TA residents.

To the extent possible, future lending reports will continue to review the availability of mortgage insurance.

5. **<u>The Availability of Hazard and Fire Insurance Needs to be Monitored.</u>**

In 1995, American Family Mutual Insurance Company settled a lawsuit on alleged discrimination (redlining). Results of the settlement included a provision that $5 million be provided to injured individuals and $9.5 million provided for community-based organizations.

As the leading insurer of total insurance policies within the City of Milwaukee, American Family issued a total of 837 TA hazard and fire insurance policies in 1996. On the other hand, Wisconsin Insurance Plan, who insures homeowners deemed uninsurable by private insurers, issued 2,353 such policies during in 1996.

This year's Report addresses this issue. The availability of property insurance to TA homeowners needs to be monitored for all major insurers, as it is necessary for home ownership, and the potential for redlining still exists. To the extent possible, we will continue to address this issue in future reports.

6. **There is a Need for Expanded Credit Counseling Services Particularly for Potential Home Improvement Loan Applications to Reduce the Denial Rates for Home Improvement Loans.**

With the introduction of credit scoring and loan risk models by Fannie Mae and Freddie Mac in 1996, and the conventional loan denial rates on the rise, the pre-mortgage counseling services provided by credit counseling agencies play a key role in assisting prospective first time homebuyers in various aspects of the homebuying process.

However, counseling services need to be expanded to include home improvement loan applicants, especially since denial rates for these loans appear to increase each year (See recommendation #1). With the additional counseling services, the home improvement loan denials for TA residents could decrease resulting in an improvement in the central city's housing stock.

Further action is still needed on this recommendation.

New Recommendations:

7. **The Lending Community - Financial Institutions , NOHIM, Community Groups like the Fair Lending Coalition - Need to Respond to Questions Raised by Denial Rate Disparities.**

For the .past several years, the Lending Report has shown data which has consistently disclosed the raised the following questions:

- How can Milwaukee lose its first place ranking for the highest racial denial rate disparity among the nation's 50 largest areas?
- How can the high denial rates for home improvement loans within the TA be lowered?
- How can the increase in racial denial rate disparity as incomes rise among metro area residents be changed?

The lending community should make a concerted effort in 1998 to address these questions related to the TA lending problems and racial disparity in Milwaukee, particularly those related to home improvement loan denials.

8. **<u>In Future Years, the Lending Report will Focus on Expanding its Coverage to Include Data on Low- and Moderate-Income Areas in the City of Milwaukee.</u>**

The Federal Community Reinvestment Act (CRA) focuses on meeting the credit needs on low and moderate income areas. Data on business lending by financial institution is only available by income area. Financial institutions have expressed a concern that the Lending Report's focus on the TA misses the importance of lending in low and moderate income areas immediately outside the TA.

However, this Report shows lending in the TA is significantly less than lending to low and moderate income areas. There continues to be a need to focus on the TA. Future Lending reports will include data on both the TA and low to moderate income area. Further, the Comptroller recommends that the comparison of individual financial institutions be changed to the percentage of lending in low and moderate income area instead of the percentage of lending in the TA.

9. **<u>The City Should Request Data from the Federal Housing Administration for Review of the Availability of their Mortgage Insurance for the Milwaukee Metro Area Residents.</u>**

In addition to private mortgage insurers, the Federal Housing Administration (FHA) also provides mortgage insurance for those prospective home buyers who do not have the downpayment required for conventional mortgages. FHA-insured loans tend to have more flexible requirements for credit ratings and allows the borrower to carry more debt than usually permitted by most private mortgage insurers. However, only 5.2% of the Metro Area loans are FHA or VA loan compared to 18% nationwide.

Financial institutions need to identify ways to make FHA loans more attractive to Milwaukee central city homebuyers. Once these enhancements are identified, the City should work with HUD and our Federal representatives to enacted any changes that made FHA loans more attractive to Milwaukee homebuyers.

NOTES

1. The Common Council goals for the City of Milwaukee's Socially Responsible Investment Program.

A. Liquidity, safety and competitive returns on investments.

B. Increasing the amount and percentage of home mortgages made by financial institutions to city minority residents.

C. Increasing the amount and percentage of home mortgages made by financial institutions to city residents in census tracts identified as eligible for the Targeted Area Single Family Mortgage Loan Program.

D. Increasing employment opportunities for minority residents.

E. Increasing the amount of money available for small business loans in the Targeted Area Single Family Mortgage Loan Program area.

F. Increasing the amount of money available for student loans to residents of the Targeted Area Single Family Mortgage Loan Program area.

G. Increasing commitment by financial institutions to provide free technical assistance to potential home buyers and small business owners through existing home buying clinics and business incubators.

2. The TA used in this Report was the City's Targeted Single Family Loan Program area and includes census tracts which meet each of the following four criteria: (See list of census tracts on page 45 and map on page 46).

A. The median assessed property value of one- and 2-family dwellings in the area is less than or equal to 80% of the median assessed property value of one- and 2-family dwellings in the City of Milwaukee.

B. The median family income of the area is less than or equal to 80% of the median family income of the City of Milwaukee.

C. The proportion of owner-occupied dwellings in the area are less than or equal to 80% of the proportion of owner-occupied dwellings in the City of Milwaukee.

D. The vacancy rate of dwellings in the area is greater than or equal to 120% of the vacancy rate of dwellings in the City of Milwaukee.

NOTES (Continued)

3. WHEDA HOME program requirements:

Following is the criteria used by the Wisconsin Housing and Economic Development Authority to determine eligibility for each of the housing programs mentioned in this report:

Home Ownership Mortgage Loan Program (HOME)

The HOME program provides first mortgage loans to low- and moderate-income households in Wisconsin.

The borrower's income may not:

- Exceed 100% of county median income for households of one or two persons and 110% of county median income for households of three or more persons in non-metropolitan areas;

- In metropolitan counties, exceed 90% of the statewide metropolitan median income for households of one or two persons, and 100% for households of three or more persons;

- In designated "target areas", exceed 120% of county median income for households of one or two persons and 140% of county median income for households of three or more persons.

Some other program requirements include the following:

- Loan amounts may not exceed the lesser of 95% of the purchase price or 95% of the appraised value of the property (90% for a duplex or condominium).
- The borrower must not have owned a home in the previous three years;
- The property must be either a duplex, a three- or four-unit at least five years old, a single-family home or a condominium unit;
- The property must be used as the principal residence of the borrower;
- A minimum 3% down payment on single family homes is required, with 10% required on three- and four-units;
- Loans may not be used for refinancing purposes, except for major rehabilitation loans.

Home Improvement Loan Program

This program is designed to provide below market rate loans to low- to moderate-income households to repair their homes or to improve their homes' energy efficiency. To be eligible for this program the following criteria must be met:

- Annual household income limit under the program is 100% of the county median income for one- to two-person households and 115% for households of 3 persons or more.
- Properties must be residential structures containing four or fewer dwelling units and must have been first occupied as a residence at least 10 years prior to receipt of loan
- The borrower is required to be both the owner and the occupant of the property
- Mobile homes and properties to be used in a trade or business are ineligible

HOME Easy Close Program

This program provides a deferred loan of up to $1,000 for individuals needing assistance with home mortgage closing costs. An individual is eligible if their income does not exceed $35,000 and is eligible for a HOME loan.

APPENDIX A

FIFTY LARGEST METROPOLITAN AREAS
PERCENTAGE OF LOANS DENIED
(EXCLUDES REFINANCING LOANS)

	1996 Denial Rate Disparity	1996 White Denial Rates	1996 Minority Denial Rates	1995 Denial Rate Disparity	1995 White Denial Rates	1995 Minority Denial Rates
MILWAUKEE, WI	3.3	9.0%	29.3%	3.2	8.7%	27.9%
DAYTON-SPRINGFIELD, OH	2.4	14.1%	33.8%	2.4	11.6%	27.9%
BUFFALO, NY	2.4	16.9%	40.1%	2.5	13.8%	34.3%
CLEVELAND, OH	2.3	13.4%	30.3%	2.2	10.9%	24.3%
PHILADELPHIA, PA-NJ	2.2	14.1%	31.5%	2.2	12.5%	27.1%
NEW ORLEANS, LA	2.0	15.0%	30.1%	1.9	13.6%	25.3%
CHICAGO,IL	2.0	9.4%	18.4%	2.1	8.2%	17.3%
KANSAS CITY, MO-KS	1.9	12.2%	23.7%	1.9	12.6%	23.7%
MEMPHIS, TN-AR-MS	1.9	12.9%	24.0%	2.0	11.6%	22.6%
NEWARK, NJ	1.8	10.7%	19.8%	1.8	10.9%	19.8%
BALTIMORE, MD	1.8	11.6%	21.0%	2.0	10.0%	19.9%
EL PASO, TX	1.8	17.1%	30.8%	2.0	14.0%	28.6%
ROCHESTER, NY	1.8	17.1%	30.1%	1.6	16.9%	27.0%
INDIANAPOLIS, IN	1.8	17.8%	31.3%	1.9	14.3%	27.0%
LOUISVILLE, KY-IN	1.7	16.5%	28.3%	1.8	13.9%	25.5%
BOSTON, MA	1.7	9.6%	16.4%	1.7	9.1%	15.1%
WASHINGTON, DC-MD-VA	1.7	10.9%	18.5%	1.9	9.6%	18.2%
CINCINNATI, OH-KY-IN	1.7	16.9%	28.4%	1.7	14.4%	24.5%
PITTSBURGH, PA	1.7	17.8%	29.9%	1.9	15.2%	29.6%
NASSAU-SUFFOLK, NY	1.7	12.1%	20.2%	1.7	10.5%	17.6%
MINNEAPOLIS-ST. PAUL, MN-WI	1.6	11.1%	18.2%	1.8	10.0%	17.6%
DETROIT, MI	1.6	19.3%	31.6%	1.7	14.9%	26.1%
COLUMBUS, OH	1.6	14.4%	23.5%	1.9	11.9%	22.2%
BERGEN-PASSAIC, NJ	1.6	11.6%	18.7%	1.6	11.2%	18.1%
ST. LOUIS, MO-IL	1.6	18.8%	29.7%	1.7	17.5%	29.2%
NORFOLK-VIRGINIA BEACH-NEWPORT NEWS, VA	1.6	15.4%	24.1%	1.6	15.1%	24.1%
MIDDLESEX-SOMERSET-HUNTERDON, NJ	1.5	9.5%	14.7%	1.6	8.9%	14.5%
DENVER, CO	1.5	12.8%	19.5%	1.5	12.3%	19.1%
SAN ANTONIO, TX	1.5	25.8%	39.3%	1.6	21.9%	34.1%
CHARLOTTE-GASTONIA-ROCK HILL, NC-SC	1.5	21.8%	33.1%	1.6	17.8%	27.6%
DALLAS, TX	1.5	20.7%	31.2%	1.5	19.5%	29.8%
PHOENIX, AZ	1.5	16.6%	25.0%	1.4	16.5%	23.6%
ATLANTA, GA	1.5	13.9%	20.8%	1.5	12.3%	18.9%
NEW YORK, NY	1.5	13.8%	20.3%	1.4	11.9%	16.6%
NATIONAL AGGREGATES	1.5	**22.0%**	**32.7%**	**1.5**	**19.1%**	**28.6%**
OAKLAND, CA	1.4	13.0%	18.5%	1.4	12.2%	17.5%
SAN FRANCISCO, CA	1.4	13.9%	19.6%	1.4	12.4%	17.6%
HOUSTON, TX	1.4	24.5%	33.8%	1.5	20.5%	30.6%
TAMPA-ST. PETERSBURG-CLEARWATER, FL	1.4	18.1%	25.0%	1.4	15.7%	21.7%
BIRMINGHAM, AL	1.3	23.2%	31.1%	1.3	20.9%	26.6%
SAN JOSE, CA	1.3	14.4%	19.1%	1.4	12.2%	17.1%
SALT LAKE CITY-OGDEN, UT	1.3	13.4%	17.6%	1.4	12.3%	17.2%
FORT WORTH-ARLINGTON, TX	1.3	14.7%	19.0%	1.3	23.0%	29.3%
PORTLAND, OR	1.3	15.8%	20.3%	1.3	15.6%	20.1%
SEATTLE, WA	1.3	13.0%	16.7%	1.3	12.2%	15.7%
FORT LAUDERDALE-HOLLYWOOD-POMPANO BEACH	1.3	26.1%	33.0%	1.4	13.0%	17.6%
SACRAMENTO, CA	1.2	13.2%	16.2%	1.4	11.4%	15.6%
SAN DIEGO, CA	1.2	16.3%	20.0%	1.2	14.7%	17.7%
MIAMI-HIALEAH, FL	1.1	16.9%	19.0%	1.0	15.8%	15.5%
LOS ANGELES-LONG BEACH, CA	1.1	18.6%	20.5%	1.2	16.8%	19.5%
RIVERSIDE-SAN BERNARDINO, CA	1.1	16.4%	17.8%	1.1	16.6%	18.3%

APPENDIX B

The percentages of lending to minorities includes refinancing loans. The percentages of lending to the Target Area (TA) excludes refinancing loans. Appendix B includes lenders with branch offices in the Milwaukee metro area and twenty or more residential loans closed.

AB Credit Union

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $34,000 (7 Loans);
1996 - $26,000 (5 Loans);
Percentage of Minorities Residential Lending - Minorities: 1995 - 9.7%; 1996 - 11.7%
Percentage of Residential Lending - Target Area: 1995 - 8.4%; 1996 - 6.0%

AccuBanc Mortgage

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0; 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 0%; 1996 - 3.9%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;

Advanta Conduit Services

TA HMDA Residential Lending (Includes Refinancing Loans): 1996 - $0;
Percentage of Residential Lending - Minorities: 1996 - 0%;
Percentage of Residential Lending - Target Area: 1996 - 0%;

Advantage Credit Union

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $61,000 (8 Loans);
1996 - $48,000 (5 Loans);
Percentage of Residential Lending - Minorities: 1995 - 0%; 1996 - 0%;
Percentage of Residential Lending - Target Area: 1995 - 13.0%; 1996 - 13.2%;

Allco Credit Union

TA HMDA Residential Lending (Includes Refinancing Loans): 1996 - $0;
Percentage of Residential Lending - Minorities: 1996 - 7.9%;
Percentage of Residential Lending - Target Area: 1996 - 0%;

Appletree Credit Union

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0; 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 16.7%; 1996 - 6.0%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;

Associated Bank - Milwaukee

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $344,000 (4 Loans);
1996 - $428,000 (4 Loans);
TA WHEDA HOME Loans: 1995 - $0; 1996 $31,000 (1 Loans);
Percentage of Residential Lending - Minorities: 1995 - 4.7%; 1996 - 8.4%;
Percentage of Residential Lending - Target Area: 1995 - 1.9%; 1996 - 2.6%;
Percentage & Amount of Low & Moderate Income Area Business Loans 1996 -12.2%, $13.3 million (115 Loans);

Associated Mortgage Inc.

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $328,000 (6 Loans);
1996 - $241,000 (3 Loans);
TA WHEDA HOME Loans: 1995 - $1.2 million (22 Loans); 1996 $108,000 (4 Loans);
Percentage of Residential Lending - Minorities: 1995 - 8.2%; 1996 - 7.9%;
Percentage of Residential Lending - Target Area: 1995 - 3.7%; 1996 - 1.0%;

APPENDIX B

The percentages of lending to minorities includes refinancing loans. The percentages of lending to the Target Area (TA) excludes refinancing loans. Appendix B includes lenders with branch offices in the Milwaukee metro area and twenty or more residential loans closed.

Aurora Credit Union
TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$25,000 (1 Loans) ; 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 2.2%; 1996 - 3.2%;
Percentage of Residential Lending - Target Area: 1995 - 2.2%; 1996 - 0%;

Banc One Financial Services
TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $233,000 (12 Loans);
1996 - $349,000 (16 Loans);
Percentage of Residential Lending - Minorities: 1995 - 27.0%; 1996 - 32.2%;
Percentage of Residential Lending - Target Area: 1995 - 25.9%; 1996 - 22.6%;

Banc One Mortgage Corporate
TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $449,000 (13 Loans);
1996 - $388,000 (8 Loans);
TA WHEDA HOME Loans: 1995 - $56,000 (2 Loans); 1996 $81,000 (2 Loans);
Percentage of Residential Lending - Minorities: 1995 - 15.7%; 1996 - 12.6%;
Percentage of Residential Lending - Target Area: 1995 - 4.4%; 1996 - 2.7%;

Bank One, Wisconsin
TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $3 million (129 Loans);
1996 - $2.9 million (210 Loans);
Percentage of Residential Lending - Minorities: 1995 - 15.4%; 1996 - 9.8%;
Percentage of Residential Lending - Target Area: 1995 - 6.4%; 1996 - 7.0%;

Bank Wisconsin
TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0 ; 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 0%; 1996 - 4.2%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;
Percentage & Amount of Low & Moderate Income Area Business Loans 1996 - 9.0%, $1,835,000 (30 Loans);

Bay View Federal S/L
TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $ 83,000 (4 Loans);
1996 - $640,000 (4 Loans);
Percentage of Residential Lending - Minorities: 1995 - 5.0%; 1996 - 6.7%;
Percentage of Residential Lending - Target Area: 1995 - 8.0%; 1996 - 13.3%;

BNC Mortgage
TA HMDA Residential Lending (Includes Refinancing Loans): 1996 - $276,000 (9 Loans);
Percentage of Residential Lending - Minorities: 1996 - 36.9%;
Percentage of Residential Lending - Target Area: 1996 - 10.0%;

Brewery Credit Union
TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $70,000 (3 Loans);
1996 - $45,000 (4 Loans);
Percentage of Residential Lending - Minorities: 1995 - 42.1%; 1996 - 44.0%;
Percentage of Residential Lending - Target Area: 1995 - 14.3%; 1996 - 18.2%;

APPENDIX B

The percentages of lending to minorities includes refinancing loans. The percentages of lending to the Target Area (TA) excludes refinancing loans. Appendix B includes lenders with branch offices in the Milwaukee metro area and twenty or more residential loans closed.

Central States Mortgage Co.

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $794,000 (14 Loans);
1996 - $1.2 million (15 Loans);
Percentage of Residential Lending - Minorities: 1995 - 0%; 1996 - 12.2%;
Percentage of Residential Lending - Target Area: 1995 - 4.0%; 1996 - 3.5%;

Chase Manhattan Mortgage

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$185,000 (3 Loans); 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 4.9%; 1996 - 8.6%;
Percentage of Residential Lending - Target Area: 1995 - 7.0%; 1996 - 0%;

City First Credit Union

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0 ; 1996 - $12,000 (1 Loans);
Percentage of Residential Lending - Minorities: 1995 - 0%; 1996 - 7.9%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 4.2%;

City Scape Corporation

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0; 1996 - $87,000 (3 Loans);
Percentage of Residential Lending - Minorities: 1995 - 0%; 1996 - 16.0%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 11.1%;

Citizens Bank of Mukwonago

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0; 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 1.4%; 1996 - 0.4%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;

Columbia Savings & Loans

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $158,000 (7 Loans);
1996 - $101,000 (5 Loans);
Percentage of Residential Lending - Minorities: 1995 - 100.0%; 1996 - 97.7%;
Percentage of Residential Lending - Target Area: 1995 - 25.0%; 1996 - 9.1%;

Comcor Mortgage Corp.

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$33,000 (1 Loans); 1996 - $0;
TA WHEDA HOME Loans: 1995 - $0; 1996 $32,000 (1 Loans);
Percentage of Residential Lending - Minorities: 1995 - 5.1%; 1996 - 4.2%;
Percentage of Residential Lending - Target Area: 1995 - 0.5%; 1996 - 0.5%;

Community Bank of Grafton

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0 ; 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 9.5%; 1996 - 11.4%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;

APPENDIX B

The percentages of lending to minorities includes refinancing loans. The percentages of lending to the Target excludes refinancing loans. Appendix B includes lenders with branch offices in the Milwaukee metro area an(more residential loans closed.

Continental Savings Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $356,000 (9 Loans);
1996 - $326,000 (10 Loans);
TA WHEDA HOME Loans: 1995 - $99,000 (2 Loans); 1996 $0;
Percentage of Residential Lending - Minorities: 1995 - 10.6%; 1996 - 14.0%;
Percentage of Residential Lending - Target Area: 1995 - 10.1%; 1996 - 8.1%;

CornerStone Credit Union

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $52,000 (2 Loans);
1996 - $57,000 (2 Loans);
Percentage of Residential Lending - Minorities: 1995 - 0%; 1996 - 6.5%;
Percentage of Residential Lending - Target Area: 1995 - 5.0%; 1996 - 5.0%;

Countrywide Funding Corp.

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$812,000 (25 Loans); 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 12.8%; 1996 - 9.5%;
Percentage of Residential Lending - Target Area: 1995 - 2.8%; 1996 - 0.0%;

Crossland Mortgage Corp.

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $169,000 (2 Loans);
1996 - $ 77,000 (2 Loans);
Percentage of Residential Lending - Minorities: 1995 - 15.1%; 1996 - 22.5%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 4.0%;

CTX Mortgage Company

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $446,000 (12 Loans);
1996 - $565,000 (16 Loans);
Percentage of Residential Lending - Minorities: 1995 - 28.2%; 1996 - 42.5%;
Percentage of Residential Lending - Target Area: 1995 - 8.6%; 1996 - 6.2%;

Deposit Guaranty Mortgage

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $185,000 (2 Loans);
1996 - $398,000 (6 Loans);
Percentage of Residential Lending - Minorities: 1995 - 3.4%; 1996 3.9%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 1.7%;

Educators Credit Union

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $206,000 (6 Loans);
1996 - $179,000 (5 Loans);
TA WHEDA HOME Loans: 1995 - $41,000 (1 Loans); 1996 $104,000 (3 Loans);
Percentage of Residential Lending - Minorities: 1995 - 19.2%; 1996 - 15.2 %;
Percentage of Residential Lending - Target Area: 1995 - 7.1%; 1996 - 8.5%;

EquiCredit Corp. of America

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0; 1996 - $328,000 (10 Loans);
Percentage of Residential Lending - Minorities: 1995 - 10.0%; 1996 - 21.9%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 7.7%;

APPENDIX B

The percentages of lending to minorities includes refinancing loans. The percentages of lending to the Target Area (TA) excludes refinancing loans. Appendix B includes lenders with branch offices in the Milwaukee metro area and twenty or more residential loans closed.

FBS Mortgage Corporation

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $388,000 (10 Loans);
1996 - $193,000 (3 Loans);
TA WHEDA HOME Loans: 1995 - $220,000 (4 Loans); 1996 $37,000 (2 Loans);
Percentage of Residential Lending - Minorities: 1995 - 17.0%; 1996 - 47.4%;
Percentage of Residential Lending - Target Area: 1995 - 7.8%; 1996 - 19.2%;

Fidelity Mortgage

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0 ; 1996 - $280,000 (9 Loans);
Percentage of Residential Lending - Minorities: 1995 - 0%; 1996 - 24.1%;
Percentage of Residential Lending - Target Area: 1995 -0%; 1996 - 11.5%;

First Bank (N.A.) Milwaukee

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $240,000 (4 Loans);
1996 - $15,000 (1 Loans);
Percentage of Residential Lending - Minorities: 1995 - 8.9%; 1996 - 10.3%;
Percentage of Residential Lending - Target Area: 1995 - 5.4%; 1996 - 1.2%;
Percentage & Amount of Low & Moderate Income Area Business Loans 1996 - 21.6%, $14,166,000 (77 Loans);

First Bank of Oconomowoc

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0; 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 0%; 1996 - 1.6%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;

First Chicago NBD Mortgage

TA HMDA Residential Lending (Includes Refinancing Loans): 1996 - $0;
Percentage of Residential Lending - Minorities: 1996 - 6.5%;
Percentage of Residential Lending - Target Area: 1996 - 0%;

First Financial Bank F.S.B.

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $4.8 million (130 Loans);
1996 - $6.9 million (193 Loans);
TA WHEDA HOME Loans: 1995 - $240,000 (8 Loans); 1996 $602,000 (15 Loans);
Percentage of Residential Lending - Minorities: 1995 - 11.6%; 1996 - 11.6%;
Percentage of Residential Lending - Target Area: 1995 - 4.6%; 1996 - 4.5%;
Percentage & Amount of Low & Moderate Income Area Business Loans 1996 - 20.8%, $81,000 (10 Loans);

First FSB of Wisconsin

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $ 29,000 (1 Loans);
1996 - $193,000 (3 Loans);
Percentage of Residential Lending - Minorities: 1995 - 2.7%; 1996 - 0%;
Percentage of Residential Lending - Target Area: 1995 - 3.6%; 1996 - 15.0%;

First NationWide Mortgage

TA HMDA Residential Lending (Includes Refinancing Loans): 1995- $146,000 (1 Loans);
1996 - $190,000 (3 Loans);
Percentage of Residential Lending - Minorities: 1995 - 20.0%; 1996 - 16.7%;
Percentage of Residential Lending - Target Area: 1995 - 16.7%; 1996 - 22.2%;

APPENDIX B

The percentages of lending to minorities includes refinancing loans. The percentages of lending to the Target Area (TA) excludes refinancing loans. Appendix B includes lenders with branch offices in the Milwaukee metro area and twenty or more residential loans closed.

First National Bank - Hartford

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $0; 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 0%; 1996 - 0%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;

First Service Credit Union

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $650,000 (26 Loans);
1996 - $105,000 (7 Loans);
Percentage of Residential Lending - Minorities: 1995 - 13.7%; 1996 - 17.5%;
Percentage of Residential Lending - Target Area: 1995 - 12.1%; 1996 - 15.4%;

First Union Home Equity Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $650,000 (26 Loans);
1996 - $198,000 (8 Loans);
Percentage of Residential Lending - Minorities: 1995 - 3.2%; 1996 - 0%;
Percentage of Residential Lending - Target Area: 1995 - 6.5%; 1996 - 0%;

Firstar Bank of Milwaukee

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $2.4 million (105 Loans);
1996 - $2.8 million (97 Loans);
TA WHEDA HOME Loans: 1995 - $247,000 (6 Loans); 1996 $182,000 (6 Loans);
Percentage of Residential Lending - Minorities: 1995 - 15.6%; 1996 - 13.9%;
Percentage of Residential Lending - Target Area: 1995 - 6.3%; 1996 - 5.6%;
Percentage & Amount of Low & Moderate Income Area Business Loans 1996 - 15.4%, $18.6 million (159 Loans);

First Plus Financial Inc.

TA HMDA Residential Lending (Includes Refinancing Loans): 1996 - $0;
Percentage of Residential Lending - Minorities: 1996 - 14.4%;
Percentage of Residential Lending - Target Area: 1996 - 0%;

Fleet Mortgage

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $362,000 (13 Loans);
1996 - $437,000 (13 Loans);
TA WHEDA HOME Loans: 1995 - $0; 1996 $29,000 (1 Loans);
Percentage of Residential Lending - Minorities: 1995 - 22.1%; 1996 - 19.7%;
Percentage of Residential Lending - Target Area: 1995 - 2.0%; 1996 - 2.1%;

Ford Consumer Finance Co.

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $1.1 million (33 Loans);
1996 - $3.5 million (98 Loans);
Percentage of Residential Lending - Minorities: 1995 - 35.5%; 1996 - 29.5%;
Percentage of Residential Lending - Target Area: 1995 - 15.9%; 1996 - 21.8%;

APPENDIX B

The percentages of lending to minorities includes refinancing loans. The percentages of lending to the Target Area (TA) excludes refinancing loans. Appendix B includes lenders with branch offices in the Milwaukee metro area and twenty or more residential loans closed.

GE Capital Mortgage

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $0 ; 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 5.9%; 1996 - 0%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;

Glacier Hills Credit Union

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $0; 1996 - $0;
Percentage of 1995 MSA Residential Lending - Minorities: - 8.9%; 1996 - 0%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;

GMAC Mortgage Corporation

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $96,000 (2 Loans);
1996 - $38,000 (1 Loans);
Percentage of Residential Lending - Minorities: 1995 - 32.3%; 1996 - 19.0%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;

GN Mortgage

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $0 ; 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 0%; 1996 - 2.6%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;

Grafton State Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $0; 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 0%; 1996 - 1.6%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;

Great Midwest Bank S.S.B.

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $108,000 (2 Loans);
1996 - $132,000 (3 Loans);
TA WHEDA HOME Loans: 1995 - $0; 1996 - $59,000 (1 Loans);
Percentage of Residential Lending - Minorities: 1995 - 8.1%; 1996 - 6.4%;
Percentage of Residential Lending - Target Area: 1995 - 0.6%; 1996 - 0.8%;

Great Western Mortgage

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $0 1996 - $138,000 (3 Loans);
Percentage of Residential Lending - Minorities: 1995 - 0%; 1996 - 4.8%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 10.3%;

Green Tree Financial

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $ 60,000 (7 Loans);
1996 - $179,000 (13 Loans);
Percentage of Residential Lending - Minorities: 1995 - 11.4%; 1996 - 13.1%;
Percentage of Residential Lending - Target Area: 1995 - 5.2%; 1996 - 6.9%;

APPENDIX B

The percentages of lending to minorities includes refinancing loans. The percentages of lending to the Target Area (TA) excludes refinancing loans. Appendix B includes lenders with branch offices in the Milwaukee metro area and twenty or more residential loans closed.

Guaranty Bank S.S.B-

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $113,000 (7 Loans);
1996 - $516,000 (20 Loans);
Percentage of Residential Lending - Minorities: 1995 - 11.6%; 1996 - 14.8%;
Percentage of Residential Lending - Target Area: 1995 - 4.1%; 1996 - 3.8%;

Guaranty Mortgage

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $1.5 million (25 Loans);
1996 - $1.3 million (25 Loans);
Percentage of Residential Lending - Minorities: 1995 - 22.5%; 1996 - 17.2%;
Percentage of Residential Lending - Target Area: 1995 - 2.7%; 1996 - 2.0%;

Guardian Credit Union

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $177,000 (7 Loans);
1996 - $226,000 (11 Loans);
TA WHEDA HOME Loans: 1995 - $56,000 (1 Loans); 1996 $0;
Percentage of Residential Lending - Minorities: 1995 - 13.1%; 1996 - 5.4%;
Percentage of Residential Lending - Target Area: 1995 - 5.1%; 1996 - 3.0%;

Hartford Savings Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $0; 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 1.6%; 1996 - 1.3%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;

Heritage Bank & Trust

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $34,000 (1 Loans); 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 10.2%; 1996 - 2.2%;
Percentage of Residential Lending - Target Area: 1995 -2.6%; 1996 - 0%;
Percentage & Amount of Low & Moderate Income Area Business Loans 1996 - 18.3%, $2,856,000 (17 Loans);

IBM Mid America Employees

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $0 ; 1996 - $22,000 (1 Loans);
Percentage of Residential Lending - Minorities: 1995 - 4.3%; 1996 - 0%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 3.6%;

Ixonia State Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $0 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 0%; 1996 - 4.8%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;

Kilbourn State Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $208,000 (5 Loans);
1996 - $144,000 (5 Loans);
Percentage of Residential Lending - Minorities: 1995 - 5.5%; 1996 - 9.1%;
Percentage of Residential Lending - Target Area: 1995 - 3. 3 %; 1996 - 7.8%;

Knutson Mortgage Corp.

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $206,000 (2 Loans); 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 7.1%; 1996 - 5.2%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;

APPENDIX B

The percentages of lending to minorities includes refinancing loans. The percentages of lending to the Target Area (TA) excludes refinancing loans. Appendix B includes lenders with branch offices in the Milwaukee metro area and twenty or more residential loans closed.

Ladish Community Credit Union

TA HMDA Residential Lending (Includes Refinancing Loans): 1996 - $8,000 (2 Loans);
Percentage of Residential Lending - Minorities: 1996 - 0%;
Percentage of Residential Lending - Target Area: 1996 - 7.4%;

Landmark Credit Union

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $ 88,000 (2 Loans);
1996 - $398,000 (5 Loans);
TA WHEDA HOME Loans: 1995 - $60,000 (1 Loans); 1996 $83,000 (2 Loans);
Percentage of Residential Lending - Minorities: 1995 - 1.5%; 1996 - 5.7%;
Percentage of Residential Lending - Target Area: 1995 - 1.1%; 1996 - 1.2%;

Layton State Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $12,000 (2 Loans);
1996 - $116,000 (2 Loans);
Percentage of Residential Lending - Minorities: 1995 - 9.1%; 1996 - 7.1%;
Percentage of Residential Lending - Target Area: 1995 - 12.5%; 1996 - 8.7%;

Liberty Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $287,000 (24 Loans);
1996 - $622,000 (20 Loans);
Percentage of Residential Lending - Minorities: 1995 - 63.0%; 1996 - 55.6%;
Percentage of Residential Lending - Target Area: 1995 - 32.8%; 1996 - 25.8%;

Lincoln Savings Bank S.A.

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $ 45,000 (2 Loans);
1996 - $206,000 (2 Loans);
Percentage of Residential Lending - Minorities: 1995 - 8.8%; 1996- 4.8%;
Percentage of Residential Lending - Target Area: 1995 - 4.2%; 1996 - 3.4%;

Lincoln State Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $211,000 (5 Loans); 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 5.9%; 1996 - 10.5%;
Percentage of Residential Lending - Target Area: 1995 - 13.8%; 1996 - 0%;

M & I Bank, SSB

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0; 1996 - $138,000 (2 Loans);
Percentage of Residential Lending - Minorities: 1995 - 5.0%; 1996 - 11.4%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 7.1%;

M & I Menomonee Falls

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$52,000 (3 Loans); 1996 - $0;
TA WHEDA HOME Loans: 1995 - $80,000 (1 Loans); 1996 $0;
Percentage of Residential Lending - Minorities: 1995 - 1.4%; 1996 - 3.5%;
Percentage of Residential Lending - Target Area: 1995 - 2.0%; 1996 - 0%;
Percentage & Amount of Low & Moderate Income Area Business Loans 1996 - 5.9%, $3,983,000 (32 Loans)

APPENDIX B

The percentages of lending to minorities includes refinancing loans. The percentages of lending to the Target Area (TA) excludes refinancing loans. Appendix B includes lenders with branch offices in the Milwaukee metro area and twenty or more residential loans closed.

M & I First National Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0; 1996 - $0;
TA WHEDA HOME Loans: 1995 - $93,000 (1 Loans); 1996 $0;
Percentage of Residential Lending - Minorities: 1995 - 0%; 1996 - 0.6%;
Percentage of Residential Lending - Target Area: 1995 - 0.7%; 1996 - 0%;
Percentage & Amount of Low & Moderate Income Area Business Loans 1996 - 0.0%;

M & I Lake Country Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $84,000 (2 Loans);
1996 - $68,000 (1 Loans);
Percentage of Residential Lending - Minorities: 1995 - 2.0%; 1996 - 3.9%;
Percentage of Residential Lending - Target Area: 1995 - 0.8%; 1996 - 0.6%;
Percentage & Amount of Low & Moderate Income Area Business Loans 1996 - 2.4%, $2,744,000 (32 Loans);

M & I Marshall & Ilsley Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $880,000 (64 Loans);
1996 - $926,000 (40 Loans);
TA WHEDA HOME Loans: 1995 - $1.4 million (44 Loans); 1996 $58,000 (2 Loans);
Percentage of Residential Lending - Minorities: 1995 - 17.5%; 1996 - 13.5 %;
Percentage of Residential Lending - Target Area: 1995 - 6.7%; 1996 - 3.9%;
Percentage & Amount of Low & Moderate Income Area Business Loans 1996 - 18.2%, $41,576,000 (293 Loans);

M & I Mortgage Corp.

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $645,000 (11 Loans);
1996 - $208,000 (8 Loans);
TA WHEDA HOME Loans: 1995 - $0; 1996 $58,000 (2 Loans);
Percentage of Residential Lending - Minorities: 1995 - 7.1%; 1996 - 8.7%;
Percentage of Residential Lending - Target Area: 1995 - 0.7%; 1996 - 1.2%;

M & I Northern Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $403,000 (10 Loans);
1996 - $114,000 (6 Loans);
TA WHEDA HOME Loans: 1995 - $62,000 (2 Loans); 1996 $125,000 (2 Loans);
Percentage of Residential Lending - Minorities: 1995 - 51.5%; 1996 - 31.0%;
Percentage of Residential Lending - Target Area: 1995 - 9.1%; 1996 - 10.3%;
Percentage & Amount of Low & Moderate Income Area Business Loans 1996 - 10.7%, $16.,8 million (117 Loans);

Maritime Savings Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $559,000 (11 Loans);
1996 - $432,000 (12 Loans);
TA WHEDA HOME Loans: 1995 - $41,000 (1 Loans); 1996 $52,000 (1 Loans);
Percentage of Residential Lending - Minorities: 1995 - 7.4%; 1996 - 5.0%;
Percentage of Residential Lending - Target Area: 1995 - 3.0%; 1996 - 5.4%;

Marquette Savings Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $263,000 (7 Loans);
1996 - $ 74,000 (2 Loans);
Percentage of Residential Lending - Minorities: 1995 - 9.1%; 1996 - 0%;
Percentage of Residential Lending - Target Area: 1995 - 12.8%; 1996 - 4.2%;

APPENDIX B

The percentages of lending to minorities includes refinancing loans. The percentages of lending to the Target Area (TA) excludes refinancing loans. Appendix B includes lenders with branch offices in the Milwaukee metro area and twenty or more residential loans closed.

Mellon Mortgage
TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0 ; 1996 - $184,000 (3 Loans);
Percentage of Residential Lending - Minorities: 1995 - 0%; 1996 - 16.1%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 2.2%;

Milwaukee Metropolitan Credit Union (MMCU)
TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $ 42,000 (5 Loans);
1996 - $136,000 (11 Loans);
Percentage of Residential Lending - Minorities: 1995 - 17.3%; 1996 - 30.8%;
Percentage of Residential Lending - Target Area: 1995 - 8.2%; 1996 - 12.5%;

Milwaukee Western Bank
TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $ 74,000 (4 Loans);
1996 - $412,000 (6 Loans);
Percentage of Residential Lending - Minorities: 1995 - 18.7%; 1996 - 27.8%;
Percentage of Residential Lending - Target Area: 1995 - 6.5%; 1996 - 7.9%;

Mitchell Bank
TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$861,000 (5 Loans);
1996 - $ 44,000 (3 Loans);
Percentage of Residential Lending - Minorities: 1995 - 25.6%; 1996 - 27.6%;
Percentage of Residential Lending - Target Area: 1995 - 13.3%; 1996 - 9.5%;

Mitchell Savings Bank, S.A.
TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $ 40,000 (3 Loans);
1996 - $404,000 (10 Loans);
TA WHEDA HOME Loans: 1995 - $312,000 (9 Loans); 1996 $397,000 (10 Loans);
Percentage of Residential Lending - Minorities: 1995 - 16.2%; 1996 - 10.3%;
Percentage of Residential Lending - Target Area: 1995 - 9.6%; 1996 - 5.4%;

Mortgage America
TA HMDA Residential Lending (Includes Refinancing Loans): 1995- $245,000 (9 Loans);
1996 - $28,000 (1 Loans);
Percentage of Residential Lending - Minorities: 1995 - 20.3%; 1996 - 23.8%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;

Mutual Savings Bank
TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $505,000 (19 Loans);
1996 - $1.2 million (20 Loans);
TA WHEDA HOME Loans: 1995 - $0; 1996 $18,000 (1 Loans);
Percentage of Residential Lending - Minorities: 1995 - 13.9%; 1996 - 12.7%;
Percentage of Residential Lending - Target Area: 1995 - 3.0%; 1996 - 3.6%;
Percentage & Amount of Low & Moderate Income Area Business Loans 1996 - 6.6%, $195,000 (5 Loans);

National City Mortgage
TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0 ; 1996 - $554,000 (5 Loans);
Percentage of Residential Lending - Minorities: 1995 - 16.7%; 1996 - 7.7%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 2.2%;

APPENDIX B

The percentages of lending to minorities includes refinancing loans. The percentages of lending to the Target Area (TA) excludes refinancing loans. Appendix B includes lenders with branch offices in the Milwaukee metro area and twenty or more residential loans closed.

National Exchange Bank & Trust

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0; 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 0%; 1996 - 0%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;
Percentage & Amount of Low & Moderate Income Area Business Loans 1996 - 2.2%, $10,000 (1 Loans);

North American Mortgage Corp.

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $ 32,000 (1 Loans);
1996 - $342,000 (4 Loans);
TA WHEDA HOME Loans: 1995 - $0; 1996 $68,000 (1 Loans);
Percentage of Residential Lending - Minorities: 1995 - 21.1%; 1996 - 11.3%;
Percentage of Residential Lending - Target Area: 1995 - 1.3%; 1996 - 1.5%;

North Milwaukee State Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $ 91,000 (4 Loans);
1996 - $268,000 (12 Loans);
Percentage of Residential Lending - Minorities: 1995 - 90.9%; 1996 - 53.8%;
Percentage of Residential Lending - Target Area: 1995 - 4.3%; 1996 - 25.0%;

North Shore Bank, F.S.B.

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $363,000 (13 Loans);
1996 - $1.3 million (36 Loans);
TA WHEDA HOME Loans: 1995 - $223,000 (8 Loans); 1996 $823,000 (26 Loans);
Percentage of Residential Lending - Minorities: 1995 - 16.7%; 1996 - 11.6%;
Percentage of Residential Lending - Target Area: 1995 - 3.2%; 1996 - 5.1%;

Norwest Bank WI

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $828,000 (36 Loans);
1996 - $514,000 (22 Loans);
Percentage of Residential Lending - Minorities: 1995 - 47.2%; 1996 - 9.6%;
Percentage of Residential Lending - Target Area: 1995 -13.6%; 1996 - 5.8%;
Percentage & Amount of Low & Moderate Income Area Business Loans 1996 - 20.6%, $5.2 million (48 Loans);

Norwest Mortgage, Inc.

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $254,000 (4 Loans);
1996 - $1.3 million (20 Loans);
TA WHEDA HOME Loans: 1995 - $161,000 (5 Loans); 1996 $141,000 (3 Loans);
Percentage of Residential Lending - Minorities: 1995 - 14.7%; 1996 - 11.7%;
Percentage of Residential Lending - Target Area: - 1995 - 1.9%; 1996 - 1.8%;

Old Kent Mortgage Company

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$80,000 (1 Loans) ; 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 9.5%; 1996 - 0%;
Percentage of Residential Lending - Target Area: 1995 - 2.9%; 1996 - 0%;

Option One Mortgage

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0; 1996 - $218,000 (10 Loans);
Percentage of Residential Lending - Minorities: 1995 - 22.6%; 1996 - 29.5%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 15.2%;

APPENDIX B

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Ozaukee Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0; 1996 - $184,000 (4 Loans);
Percentage of Residential Lending - Minorities: 1995 - 1.5%; 1996 - 2.0%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0.6%;

Park Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $1.9 million (44 Loans);
1996 - $3.1 million (16 Loans);
Percentage of Residential Lending - Minorities: 1995 - 9.7%; 1996 - 12.5%;
Percentage of Residential Lending - Target Area: 1995 - 17.2%; 1996 - 15.1%;
Percentage & Amount of Low & Moderate Income Area Business Loans 1996 - 19.3%, $12,961,000 (95 Loans);

PHH U.S. Mortgage Corporation

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $136,000 (2 Loans);
1996 - $240,000 (2 Loans);
Percentage of Residential Lending - Minorities: 1995 - 2.1%; 1996 - 6.4%;
Percentage of Residential Lending - Target Area: 1995 - 1.2%; 1996 - 0.8%;

PNC Mortgage Corp. of America

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $36,000 (1 Loans);
1996 - $70,000 (2 Loans);
Percentage of Residential Lending - Minorities: 1995 - 7.0%; 1996 - 7.6%;
Percentage of Residential Lending - Target Area: 1995 - 0.5%; 1996 - 0.6%;

Port Washington State Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0; 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 2.9%; 1996 - 1.6%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;

Prudential Home Mortgage

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0; 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 9.5%; 1996 - 3.6%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;

Pulte Mortgage

TA HMDA Residential Lending (Includes Refinancing Loans): 1996 - $0;
Percentage of Residential Lending - Minorities: 1996 - 9.1%;
Percentage of Residential Lending - Target Area: 1996 - 0%;

Quality Mortgage

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0; 1996 - $304,000 (12 Loans);
Percentage of Residential Lending - Minorities: 1995 - 22.2%; 1996 - 47.6%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 24.0%;

Reliance Savings Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$ 7,000 (1 Loans);
1996 - $154,000 (4 Loans);
Percentage of Residential Lending - Minorities: 1995 - 3.8%; 1996 - 0%;
Percentage of Residential Lending - Target Area: 1995 - 4.2%; 1996 - 16.7%;

APPENDIX B

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ReliaStar Mortgage
TA HMDA Residential Lending (Includes Refinancing Loans): 1996 - $352,000 (2 Loans);
Percentage of Residential Lending - Minorities: 1996 - 5.1%;
Percentage of Residential Lending - Target Area: 1996 - 1.9%;

Residential Money Centers
TA HMDA Residential Lending (Includes Refinancing Loans): 1996 - $104,000 (4 Loans);
Percentage of Residential Lending - 1996 - 11.4%;
Percentage of Residential Lending - 1996 - 40.0%;

Resource Bancshares Mortgage
TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0; 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 1.4%; 1996 - 5.5%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;

St. Francis Bank, F.S.B.
TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $1.5 million (73 Loans);
1996 - $2.1 million (72 Loans);
TA WHEDA HOME Loans: 1995 - $733,000 (23 Loans); 1996 $442,000 (13 Loans);
Percentage of Residential Lending - Minorities: 1995 - 26.7%; 1996 - 19.0%;
Percentage of Residential Lending - Target Area: 1995 - 9.9%; 1996 - 6.0%;
Percentage & Amount of Low & Moderate Income Area Business Loans 1996 - 2.9%, $91,000 (2 Loans);

Security Bank, S.S.B.
TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $ 7.3 million (91 Loans);
1996 - $19.8 million (156 Loans);
TA WHEDA HOME Loans: 1995 - $151,000 (3 Loans); 1996 - $245,000 (7 Loans);
Percentage of Residential Lending - Minorities: 1995 - 11.9%; 1996 - 12.7%;
Percentage of Residential Lending - Target Area: 1995 - 5.1%; 1996 -5.6%;
Percentage & Amount of Low & Moderate Income Area Business Loans 1996 - 12.4%, $2,149,000 (11 Loans);

South Milwaukee Savings Bank
TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$ 48,000 (1 Loans);
1996 - $126,000 (3 Loans);
Percentage of Residential Lending - Minorities: 1995 - 6.4%; 1996 - 3.8%;
Percentage of Residential Lending - Target Area: 1995 - 0.9%; 1996 - 0.9%;

State Bank of Newburg
TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0; 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 0%; 1996 - 0%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;

State Central Credit Union
TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $36,000 (7 Loans);
1996 - $28,000 (5 Loans);
Percentage of Residential Lending - Minorities: 1995 - 8.2%; 1996 - 12.3%;
Percentage of Residential Lending - Target Area: 1995 - 7.2%; 1996 - 6.8%;

APPENDIX B

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State Financial Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $568,000 (11 Loans);
1996 - $836,000 (23 Loans);
Percentage of Residential Lending - Minorities: 1995 - 17.4%; 1996 - 21.7%;
Percentage of Residential Lending - Target Area: 1995 - 6.9%; 1996 - 11.6%;

TCF Bank Wisconsin FSB

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $504,000 (21 Loans);
1996 - $521,000 (23 Loans);
TA WHEDA HOME Loans: 1995 - $0; 1996 $558,000 (9 Loans);
Percentage of Residential Lending - Minorities: 1995 - 23.3%; 1996 - 26.8%;
Percentage of Residential Lending - Target Area: 1995 - 4.9%; 1996 - 10.6%;
Percentage & Amount of Low & Moderate Income Area Business Loans 1996 - 9.8%, $3,394,000 (8 Loans);

The Money Store

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $651,000 (18 Loans);
1996 - $1.5 million (59 Loans);
Percentage of Residential Lending - Minorities: 1995 - 38.9%; 1996 - 27.9%;
Percentage of Residential Lending - Target Area: 1995 - 8.3%; 1996 - 12.0%;

The Equitable Bank, F.S.B.

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $1.8 million (33 Loans);
1996 - $9.6 million (40 Loans);
TA WHEDA HOME Loans: 1995 - $82,000 (2 Loans); 1996 $164,000 (5 Loans);
Percentage of Residential Lending - Minorities: 1995 - 11.2%; 1996 - 13.2%;
Percentage of Residential Lending - Target Area: 1995 - 4.9%; 1996 - 5.7%;

Transamerica Financial Services

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $110,000 (13 Loans);
1996 - $ 24,000 (3 Loans);
Percentage of Residential Lending - Minorities: 1995 - 41.3%; 1996 - 43.8%;
Percentage of Residential Lending - Target Area: 1995 - 15.8%; 1996 - 7.7%;

Tri City National Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $336,000 (14 Loans);
1996 - $639,000 (15 Loans);
TA WHEDA HOME Loans: 1995 - $122,000 (3 Loans); 1996 $15,000 (1 Loans);
Percentage of Residential Lending - Minorities: 1995 - 11.4%; 1996 - 10.0%;
Percentage of Residential Lending - Target Area: 1995 - 6.2%; 1996 - 2.8%;
Percentage & Amount of Low & Moderate Income Area Business Loans 1996 - 13.8%, $2.3 million (47 Loans);

Trustcorp Mortgage Company

TA HMDA Residential Lending (Includes Refinancing Loans): 1995-$0; 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 4.7%; 1996 - 3.3%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;

United Companies Lending Corp.

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $264,000 (10 Loans);
1996 - $102,000 (5 Loans);
Percentage of Residential Lending - Minorities: 1995 - 77.8%; 1996 - 62.8%;
Percentage of Residential Lending - Target Area: 1995 - 5.6%; 1996 - 3.1%;

APPENDIX B

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Universal Mortgage

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $412,000 (9 Loans);
1996 - $663,000 (14 Loans);
TA WHEDA HOME Loans: 1995 - $33,000 (1 Loans); 1996 $29,000 (1 Loans);
Percentage of Residential Lending - Minorities: 1995 - 22.0%; 1996 - 13.8%;
Percentage of Residential Lending - Target Area: 1995 - 3.1%; 1996 - 2.6%;

Universal Savings Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $216,000 (8 Loans);
1996 - $215,000 (7 Loans);
TA WHEDA HOME Loans: 1995 - $48,000 (1 Loans); 1996 $23,000 (1 Loans);
Percentage of Residential Lending - Minorities: 1995 - 15.6%; 1996 - 9.5%;
Percentage of Residential Lending - Target Area: 1995 - 10.5%; 1996 - 1.1%;

University of Wisconsin Credit Union

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $0 ; 1996 - $0;
Percentage of Residential Lending - Minorities: 1995 - 25.0%; 1996 - 14.7%;
Percentage of Residential Lending - Target Area: 1995 - 0%; 1996 - 0%;

Waukesha State Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $111,000 (5 Loans);
1996 - $ 49,000 (3 Loans);
Percentage of Residential Lending - Minorities: 1995 - 7.1%; 1996 - 5.4%;
Percentage of Residential Lending - Target Area: 1995 - 2.0%; 1996 - 0.9%;
Percentage & Amount of Low & Moderate Income Area Business Loans 1996 - 5.5%, $1,431,000 (39 Loans);

Wauwatosa Savings Bank

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $2.6 million (33 Loans);
1996 - $6.3 million (34 Loans);
Percentage of Residential Lending - Minorities: 1995 - 7.3%; 1996 - 7.0%;
Percentage of Residential Lending - Target Area: 1995 - 4.2%; 1996 - 4.7%;
Percentage & Amount of Low & Moderate Income Area Business Loans 1996 - 44.4%, $1,336,000 (16 Loans);

West Allis Savings Bank, S.A.

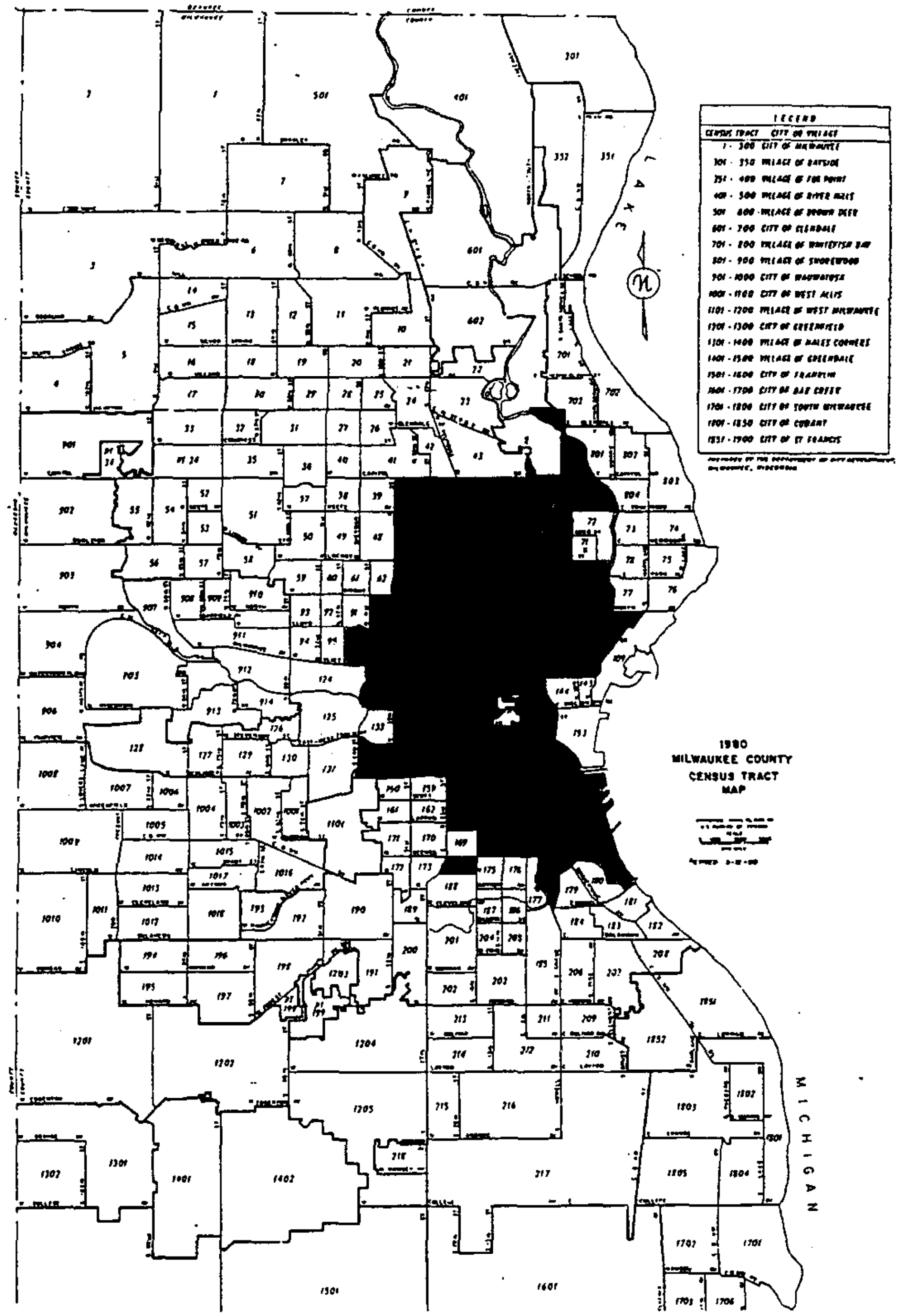
TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $520,000 (6 Loans);
1996 - $574,000 (13 Loans);
Percentage of Residential Lending - Minorities: 1995 - 4.9%; 1996 - 4.9%;
Percentage of Residential Lending - Target Area: 1995 - 1.9%; 1996 - 1.4%;

Wisconsin Mortgage Corp.

TA HMDA Residential Lending (Includes Refinancing Loans): 1995 - $525,000 (10 Loans);
1996 - $332,000 (6 Loans);
TA WHEDA HOME Loans: 1995 - $92,000 (1 Loans); 1996 $201,000 (4 Loans);
Percentage of Residential Lending - Minorities: 1995 - 10.4%; 1996 - 11.2%;
Percentage of Residential Lending - Target Area: 1995 - 1.1%; 1996 - 1.1%;

CENSUS TRACTS IN CITY TARGET AREA

44	45	46	47	63	64	65	66	67
68	69	70	79	80	81	82	83	84
85	86	87	88	89	90	96	97	98
99	100	101	102	103	104	105	106	107
108	110	111	112	113	114	115	116	117
118	119	120	121	122	123	132	134	135
136	137	138	139	140	141	142	145	146
147	148	149	150	152	154	155	156	157
158	163	164	165	166	167	168	174	178


1980
MILWAUKEE COUNTY
CENSUS TRACT
MAP
LAKE
MICHIGAN

Good morning. I want to begin by thanking the Federal Reserve for holding these hearings. As I will document in my testimony, the issues before us are critical to the well being of this community and many others around the country.

We need to guarantee that the merger before us meets the criteria of protecting workers, minorities, consumers, depositors, businesses, non-profits and other partners in community development.

We have set our public policy on bank mergers based on some painful historical lessons, and as the result of some laxness in our past attention to developments in the financial sector. These decisions, once taken, cannot be undone.

In his classic 1946 film *It's a Wonderful Life* Frank Capra laid before us two fundamental questions which have resonated with great empathy with the American Public. Capra asks us to ponder the role of the community bank and the community banker in the life of the community. And, Capra asks us to think about the nature of history and the highly divergent paths which history can take, to be changed for better or worse by the actions of ordinary men and women.

Those are precisely the questions we face in these hearings this morning. It is not my intent or desire to romanticize the state of community banking in Chicago.

However, the relations between Chicago's First National Bank and Chicago's extraordinarily rich economic, social and cultural life have developed over many years and as the result of the efforts of many individuals and institutions.

We simply cannot afford to throw away or, through our inaction, allow years of community/bank relationships to dissipate.

In response to those who say the mythical unregulated market is best arbiter economic structures, I would assert that lack of control of markets brought us the ubiquitous crack salesman, one in seven children without health insurance, a mountain of garbage in Lawndale and the lamentable need, in this day and age, for a task force on sweat shops in Chicago.

I would urge that the Federal Reserve consider the impact of this merger on the health of the financial industry and I am certain you are making a careful analysis of that aspect. But this morning I would like to suggest that the health of the financial industry is inseparable from the financial health of the broader community.

It follows logically that we should strive to understand the impact of this merger on the larger community and weigh that impact against any benefits which may accrue. As a minimum we should consider structuring the merger to minimize negative impacts on the broader community.

I would hope that the Fed consider, attempt to quantify, and take into account these concerns:

- **The number of jobs which may be lost, especially those back office jobs which may be accessible to welfare-to-work program participants. The loss of jobs seems, without specific guarantees to the contrary, likely, with the main loss concentrated in entry level jobs.**

- **The amount of CIC lending and community development investment with community partners – the agreements with the Chicago CRA coalition could serve as a model for all markets served by the merged companies. Certainly such agreements would go far in stabilizing the process of community reinvestment. Lack of such agreements would certainly threaten the process of reinvestment both in their direct impact and as a negative signal to other investors and institutions.**

- **The impact on minority lending, both the availability of loans and any disproportion in the rates at which loans are offered. Serious questions have been raised regarding the Bank One record in minority lending in communities such as Denver and Milwaukee. From a community perspective, First Chicago's strong commitment to retail mortgage lending, including lending in minority and disinvested communities should be protected and expanded to the entire area served by the new merged companies. One would suggest that such commitments or agreements should become a standard for all bank merger applications and that regulators insist upon detailed agreement as a regular part of the merger process.**

- **First Chicago has pro-actively taken the initiative in renewing and extending partnership agreements with community groups. Some reports indicate that Bank One has not followed suit in other communities. The seriousness of this lack of agreement was recently underscored by Chairman Greenspan statement that CRA agreements will not be recognized or enforced by the Federal Reserve. Clearly the good will of the parties, and their willingness to enter freely into agreements and partnerships with community groups is a bell weather of future cooperation.**

- **First Chicago's senior management team is the repository of one of the most extensive and critical institutional memories in the financial community. We are**

deeply concerned that, unless concrete steps are taken to protect and pass along that memory, Chicago will be forced to spend significant resources in reinventing the wheel, sometimes at great human cost. Unless specific steps are taken to ensure that key First Chicago personnel with the experience, knowledge and sensitivity in community development are retained and given the authority to continue their work, much of what has been accomplished is placed in peril.

- **As any Chicagoan will tell you, local concern over the cost of ATM transactions, and the perception, real or not, of reduction of service due to lack of access to human tellers reached enormous proportions over the last year or two. Will the merger result in reduced competition and less attention to customer service, especially for seniors and those living in communities with few banking facilities? First Chicago has committed to opening four full-service branches in low-income neighborhoods. The durability and impact of this commitment would be reinforced with similar commitments throughout the service area.**

In Frank Capra's world good always triumphs, the innocent are protected and, in the grand conflict between narrow interests and the welfare of the community and the nation we are assured of the outcome before the lights go down.

We have no such assurances in real life. However, we take note of another important lesson of *Wonderful Life.*

Ultimately, the fate of any community rests on the determination and actions of its people. We trust that you will accept and act upon the testimony offered here today in that spirit. Thank you.

Testimony of Denver City Councilman Hiawatha Davis, Jr.
3542 York St.
Denver, CO 80205 Phone - (303) 298-7641

Submitted to the Federal Reserve Board
8/13/98

Good morning, I am Denver City Councilman Hiawatha Davis, Jr. I represent Denver's City Council District 8, a predominantly low to moderate income and minority district. This council district is in the center city and it is being impacted by a dramatic economic surge, and a population increase that has contributed to increasing rents and a virtual loss of low to moderate income housing choices.

As rents increase, moderate income families would do better if they could purchase a home before they are completely priced out of the city. Rental opportunities and home ownership opportunities are shrinking to the point of crisis.

Yes, Denver is in the midst of an upscale housing boom with downtown loft projects and middle income housing developments springing up all over the city. Denver is also in the midst of its worst crisis in terms of affordable, low and moderately priced housing. There is very little capital being made available for low to moderate income home buyers, and not much being made available to non-profit developers of low and moderately priced housing. If trends continue, this crisis will only get worse.

I am here today to ask for your help getting Bank One to live up to the principles articulated in the Community Reinvestment Act as it pertains to Denver.

Prior to the close of initial comments on this merger, I was joined by 10 of my 13 colleagues on City Council, Denver's Congresswoman, 3 Colorado State Representatives and a State Senator, all of whom were concerned about Bank One's discriminatory lending practices toward minorities, especially in the area of home mortgages. We all requested an extension to the comment period which we thank the Federal Reserve Board for granting, and requested a public hearing in Denver. While we are disappointed a hearing in Denver could not be accommodated, I am honored to be here today to testify on the merger between Bank One and First Chicago/NBD. This merger is of no small matter to my community and constituents -- the new entity will be the biggest bank in between the Appalachians and the Rockies, serving millions of consumers who will be directly affected by the way it does business.

And if the way it is conducting its business currently is any guide, Bank One needs to significantly change its approach to lower income and minority communities. Its record of providing mortgage financing in Denver has been appalling. In 1995, Bank One made 12 mortgage loans to African Americans and Latinos. In 1996, it made none. It took no applications from Latinos or African Americans in 1996 either.

As I mentioned earlier, I represent a predominantly minority district. I have plenty of constituents struggling with high rent, struggling to get ahead, who want to achieve the American dream of becoming homeowners. But that dream won't be achieved with any help from Bank One. They could not find a single minority in the city of Denver in 1996 to even take an application for a mortgage from. Something is wrong. And unless Bank One makes some commitments to change this record, when my constituents ask me where to go about becoming homeowners, I'll have to say not at Bank One.

This lack of service to the minority community in Denver is outrageous. Latinos make up 23% of the population in Denver and African Americans account for 12.8% of the population. To ignore over one out of three consumers in the Denver area is unconscionable.

Access to credit is essential to breaking the cycle of poverty. Home ownership is the best route to building wealth and achieving the American dream. One of the most important measurements of an institution's commitment to move American families to self sufficiency and economic stability is the entrance into home ownership. Renters have greater difficulty accumulating and maintaining wealth than homeowners. Particularly for African Americans, home ownership is the bellweather for wealth. According to the Department for Housing and Urban Development, African American renters have a net worth of $500 on average, while African American homeowners have a net worth of more than $48,000.

Bank One's failure to provide this needed credit demonstrates its disregard for Denver's minority communities and consumers. The vast bulk of Bank One's mortgages went to the wealthiest and whitest Denver neighborhoods. 42% of its mortgages were made in census tracts where the population was more than 90% white. An additional 41% of its home purchase mortgages were made to neighborhoods where whites made up between 75% and 90% of the population. Only one of its loans, under 2%, went to a census tract where minorities were more than half the population in 1996. And that loan was not even made to a Latino or African American, since we know that no applications were taken from this population in '96.

Bank One has a comparable disregard for low-income communities. In 1995, more than one third of those under 50% of the median income were rejected for home mortgages -- more than three times the rate of applicants earning over 120% of the area median income. In 1996, it took more than 80% percent fewer applications from low-income people. Just 4, or less than 7%, of its mortgage loans went to neighborhoods with incomes below 50% of the area median income.

Additionally, Bank One has so far refused to make a lending commitment for the Denver area. It pledged $4 billion for Chicago and $3 billion for Detroit but not one penny for Denver. If it made the comparable commitment for Denver that it made in Detroit, based on deposit base, Bank One would have to invest over $800 million in Denver. That would be a huge influx of needed capital into Denver's economy and would make a significant difference in the economic future of the city. It is money that could be spent on urban renewal, affordable housing, small business lending that provides employment, and countless other alternatives that could finance the expansion of opportunity in Denver. Instead, Bank One offers the city nothing.

It isn't that no one has asked either. Community groups and elected officials have approached Bank One and solicited its cooperation. Bank One is uninterested in coordinating its efforts with folks in Denver. This merger is making Bank One a powerful player in the midwest, but Bank One is offering consumers and communities essentially nothing. It indicates that it is pulling out of the home mortgage business and focusing on credit cards and loans to businesses. This is unacceptable.

Bank One does have a branch in my district. Its disturbing to me that this institution seems fine taking the money of people of color in Denver, but is unwilling to give anything back. It makes me sad to think of minority constituents of mine depositing their hard earned money in that Bank One branch in my district, some of them trying to save to buy a home, and knowing that Bank One could not find one of them worthy of a mortgage in 1996.

The Federal Reserve should prohibit this merger unless Bank One changes the way it does business in minority communities. It cannot be allowed to ignore the need for mortgage credit in our cities. It must demonstrate a commitment to minority and low-income areas, where access to credit is desperately needed. Bank One should not be given a free ride, with greater access to new markets, without any consideration of its record. It is time to hold the financial world accountable, and require it to meet the needs of all of America, not just the affluent white suburbs.

Testimony of Ralph Smithers
Executive Assistant to Mayor Lashutka

Good morning, my name is Ralph Smithers and I am Executive Assistant to Gregory Lashutka, Mayor of Columbus. I am here today at the request of Mayor Lashutka who is traveling in Europe and unable to present this testimony in person.

As you know, the merger of Banc One and First Chicago is a bittersweet development for the people of Columbus. On one hand, it signifies that our hometown bank has truly become a national company. But, on the other hand, its decision to relocate its corporate headquarters from Columbus to Chicago is difficult for us to accept. Perhaps an apt analogy would be one of a parent who has proudly watched their child grow up but sad to see the child leave home to go out into the world.

But in a sense this is different. Banc One is growing up but not really leaving us. Banc One employs more than ten thousand in Columbus and following the merger that number is not expected to diminish. In fact, the continued prosperity of the company will likely cause an increase in employment in the Columbus market. Many of Banc One's significant businesses, including their Retail Banking and computer operations center, will remain in Columbus.

Along with these important lines of business, many people will also remain. The people of Banc One are leaders. They have made important contributions to the development of Columbus starting with the Chairman, John B. McCoy, who has chaired one of the City's most significant urban renewal programs in our history - the Capital South Community Urban Redevelopment Corporation. Mr. McCoy has committed to Mayor Lashutka that he will continue on in his capacity as Chairman of Capital South and other Banc One officers will also continue to serve in leadership roles for our riverfront development, our chamber of commerce, the City's neighborhood development loan committee, the Columbus Compact and Fannie Mae's Columbus Partnership Office and many other initiatives which are important to our community.

The people of Banc One volunteer to help children with their school work, they provide help to the homeless and food to the needy. They are actively engaged in supporting quality health care in our community and have consistently set the pace for one of the most successful United Way organizations in America.

Perhaps less well known are the many unsung personal contributions made by employees of Banc One who, as they have prospered on an individuals basis, have provided significant support to the Columbus Foundation. The Columbus Foundation is today one of the largest community foundations in America - the generous contributions from people who work for companies like Banc One have made this possible.

With respect to economic and community development, Banc One has been a reliable partner as long as I can remember - and I've been around for more than Thirty ~~twenty~~ years. When the City undertook a large and risky central city redevelopment project in the seventies, Banc One stepped forward to help with the financing. When the federal government threatened to pull its financial support, Bank One lenders flew to Washington to change their minds. When the City of Columbus decided to launch a major public-private partnership with the Enterprise Foundation to promote home ownership and foster community-based development, Banc One stepped out in front with both its human and financial capital. During the last five or so years, Banc One has financed more than 1,200 units of affordable rental housing in the City of Columbus, including two major YMCA and YWCA single room occupancy projects and the first redevelopment of a public housing project in the state. Last year alone, Bank One made more than 12,000 loans to consumers residing in low and moderate income neighborhoods of the Columbus area and financed $162 million in small business loans to more than 1,800 small business owners.

Recently, a group of neighborhood representatives wanted to undertake a comprehensive revitalization of their community. They went to Banc One for help in getting started. Banc One's staff took the group to other markets where they had participated in similar initiatives. I accompanied the group to Indianapolis to study how projects were started. The one thing we learned is that partnership is the foundation of community development and that partnerships are built on local resources and local commitment. No two cities are the same and the beauty of a company like Banc One is that it has the local capital - financial, human, technical, and philanthropic - and the autonomy to commit to worthy local endeavors.

There are some folks who think this merger will cause Banc One to turn its back on the Columbus community or who think that the commitment of its people will somehow diminish if the corporate headquarters leaves the City. But I don't think this merger is about creating something less or dismantling the culture that made Banc One a great institution. I have seen what Banc One has accomplished in other markets and their commitment to the community is no less ~~in Dallas~~ today than it will be in Columbus tomorrow.

We look forward to your approval of this merger and to a bright future with a strong company. We are proud to be a Banc One community and look forward to working together in the days to come to address the needs of our common constituencies. Thank you.

COALITION OF NEIGHBORHOODS

6566 MONTGOMERY ROAD ■ CINCINNATI, OHIO 45213 ■ 513•531•2676

Testimony of

Morris Williams, Associate Director

Coalition of Neighborhoods, Cincinnati, Ohio

Submitted to the

Federal Reserve Bank of Chicago

Concerning the Merger of

Banc One Corporation, Columbus, Ohio

and

First Chicago NBD, Chicago, Illinois

August 13, 1998

COALITION OF NEIGHBORHOODS
6566 MONTGOMERY ROAD■CINCINNATI, OHIO 45213■513•531•2676

Testimony of
Morris Williams, Associate Director
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Submitted to the
Federal Reserve Bank of Chicago
Concerning the Merger of
Banc One Corporation, Columbus, Ohio
and
First Chicago NBD, Chicago, Illinois
August 13, 1998

Madam Chairperson Dolores Smith, Director, Division of Consumer and Community Affairs, Board of Governors, FRS, and other distinguished members of the Federal Reserve Bank. The Coalition of Neighborhoods (Coalition or CN) is a non-profit coalition of six racially and economically integrated communities. The Coalition, in keeping with our mission to maintain, expand, and promote healthy, integrated communities, have trained our leadership to integrate the compliance requirements of HMDA, CRA, ECOA, RESPA, EEO, and the Fair Housing Act. It is our belief that the Federal Reserve System which has contributed significantly to the establishment of these laws and regulations, must now contribute more significantly to their enforcement.

The Coalition stands behind all of the statements in our July 13, 1998 challenge of this merger. Banc One's July 22, 1998 response to our challenge, specifically Appendix B, C, and D may have some slightly different numbers than we submitted, but the conclusions are the same. Their weak mortgage loan production is not responsive to the need of a 38% home ownership rate in Cincinnati. The unresponsive business lending speaks for itself, but I have attached to this testimony a couple of antidotal situations (see Attachment #2) that we believe illuminate what some black and white businesses from minority census tracts experienced with Bank One Cincinnati. We believe that a public hearing at the Cincinnati Federal Reserve Bank, comparison of the 1996 and 1997 HMDA data, and a residential mortgage and business loan file review will support what we have alleged. Our challenge, and the bank's responses, adequately describes a "needs to improve" performance based on our prospective of the lack of innovation, no complexities solved, and the unresponsiveness of Banc One Corporation relative to the overall needs in the Cincinnati area (see Attachment #I: Overall Needs-Community Banking Program, CBP).

This hearing today, and the subsequent merger decision has more to do with the credibility of the regulatory agencies, than that of the two banks involved. Renowned HMDA, CRA and financial industry experts from all over the country, in independent assessments of Banc One's performance, have concluded that the bank's approval and denial patterns in black, Hispanic, and LMI census tracts suggest violation of fair lending and consumer protection laws, and therefore, non-compliance with CRA. And, First Chicago NBD's 1996 HMDA data shows that the bank only originated a total of 29 loans in MSA 1640, all 29 went to white borrowers.

We find it odd that as the government, regulatory and financial industries move to implement direct deposit programs under the EFT "99," that Banc One would close one of only three branches it has in Cincinnati's black communities, thereby reducing access. Given Banc One's history, we are compelled to believe that once the merger with First Chicago NBD is approved, this pattern of branch closures within communities of color will continue. The Roselawn branch closure also reduced competition, which may lead to over pricing of loans and services by the one remaining bank in that community. We also find it odd that the OCC nor the Federal Reserve found issue with the isolated North Fairmount branch location, and the fact that it has no ATM or drive through window. How does this decision meet the "convenience and needs of that community? Or even nearby communities?

Bank One's extremely poor record in the appointment of blacks to its board, to "officers" positions, and its poor record in procurement of services from black providers in comparison to whites, especially in the area of marketing and advertisement was ignored on the basis that they don't fall under CRA. This is a form of unsophisticated denial, and a sense of certainty that the Federal Reserve won't integrate the analyses of these concepts in context to their relationship to discriminatory lending. Our 25 years of experience in matters of race lead us to strongly believe that a mentality and culture that refuses to properly serve blacks in the areas above, will have no problem in rationalizing away the indications of underserving and discrimination. In addition, you cannot penetrate a market if you don't advertise through it, and to it. Since Banc One does very little in this area, the low number of black applications to Banc One from black borrowers is the result.

Finally, with respect to partnership, we know that many NDC/CDC type organizations have and will provide honest testimony as to how Banc One partnered with them to achieve certain projects, but projects should not substitute for a broader economic development strategy and plan to address comprehensive reinvestment needs.

Banc One has a business plan, with a budget. The Federal Reserve is deeply involved in development of its Year 2000 Plan, and the budget to get it done. Given this insight, we encourage the Federal Reserve to "push the envelope" on performance and partnerships by giving the proposed Banc One/First Chicago NBD merger a conditional approval, until "market level" negotiated agreements, similar to the agreement between First Chicago NBD and the Chicago CRA Coalition have been established, with budgets.

Thank you very much for giving me an opportunity to express our opinion on this proposed merger.

ATTACHMENT #1

COMMUNITY BANKING PROGRAM

COALITION OF NEIGHBORHOODS
6566 MONTGOMERY ROAD ■ CINCINNATI, OHIO 45213 ■ 513•531•2676

COMMUNITY BANKING PROGRAM

The objective of the Coalition's Community Banking Program is to increase fair and equal access to capital, credit, and banking services. In as much as the Coalition promotes integrated living, we encourage each lending institution to diversify by race and gender throughout its structure and in its programming.

A. Access to Capital

When individuals and businesses have fair and equal access to business opportunities, the capital they earn will afford them checking, savings, and investment accounts with local banks, and will reduce the need for unnecessary loans. There are a variety of methods from which individuals and businesses access capital from lenders other than loans, for example:

1. Board members - The Coalition recommends a minimum of three blacks and three women (6) seats on every board.

2. Executive and Senior Management - These groups should, at minimum, reflect the population where the lender is located.

3. Employees and Consultants - Affirmative Action goals and guidelines should be established and enforced.

4. Contractors, Vendors and Suppliers - A Minority Supplier Program should be in place and enforced.

All of the above categories represent capital opportunities.

B. **Access to Credit**

Many individuals, communities and/or census tracts in communities have been denied credit because of their race, their gender, and/or the race or gender composition of the area for which a loan was designated. The Coalition believes there is great benefit for the lender and the total community when written agreements are made in the following areas:

1. Loan Commitments - Each lender should commit to a five year plan with yearly objectives of dollar amounts and/or number of loans they plan to originate or purchase, i.e.,
   - Single family
   - Multi-family
   - Home improvement
   - Commercial
   - Small and medium size businesses ($500 and up)
     - start-up loans
     - operating loans
     - expansion loans
     - lines of credit
   - Neighborhood Business district development

2. Loan Criteria - Lenders have broad discretion as to whether they will make allowances and/or give waivers that can make the difference in whether a loan is made or denied. Following are some of the most critical areas:
   - credit history
   - interest rates
   - down payments
   - points
   - lender fees
   - PMI
   - property appraisal

3. <u>Credit Needs Assessment</u> - Although lenders administer de-centralized needs assessments, loans made from this method generally do not have an "up grade" impact on communities or their business districts. The Coalition proposes <u>concentrated needs assessments</u> and an <u>aggressive loan rejection review process.</u>

C. **<u>Banking Services</u>** - Low to moderate income communities and especially those that are black are usually the areas where bank and S&L branches are <u>not</u> located. Check Cashing businesses represent one indicator that banks are not providing a needed service, and that residents are paying a high price simply to cash their checks.

Only one of six Coalition Communities have bank branches (Society and Fifth/Third) and no S&L branches. As our member communities of 60,000 residents are moderate to middle income, homeowner communities, with eight of the main traffic arteries (Reading Rd., Dana Ave., Montgomery Rd., Gilbert Ave., Paddock Rd., Seymour Ave., Madison Rd., and Red Bank Rd.) running through them, there should be at least two bank branches and two ATMs in each community.

In addition, all payroll and/or government checks should be accepted by all lenders for a nominal fee, certainly below the 4% to 10% fee required by some Check Cashing outlets.

D. **<u>General Philanthropic Giving</u>**

A review of the grants given by most lenders uncovered scant contributions of $100 to $2000 given the Black and/or female based organizations and/or events. Larger grants were almost always awarded to organizations serving the predominately white community. The Coalition proposes a modification of this pattern.

ATTACHMENT #2

ANECDOTAL SITUATIONS

Spencer R. Konicov
4000 Winding Way Cincinnati OH 45229-1919 (513) 221-2567

Monday August 10, 1998

Morris William's

In September of 1997 I approached Bank One on Reading Rd. to arrange for an irrevocable letter of credit to be submitted to Miami University for the satisfaction of state requirements to do contact work. At the time I submitted the request I stated that I was interested in setting up a business relationship at the bank because the bank was in my neighborhood. I offered as a guarantee of my financial stability to deposit securities with the bank. At the time I applied the securities where in the name of a trust and the business of the trust was winding down. I explained to the branch manager that the securities were to be transferred into my name shortly and that I was leaving him the certificates as proof of their existence.

Bank one took over two months of asking for and receiving additional documentation to give me the decision that the letter of credit could only be issued to me out of an Arizona Office. I said I was only interested in doing business in my neighborhood or my city and withdrew my request.

I took the same request later to North Side Bank and they issued me a letter in seven days.

Sincerely ,

Spencer R. Konicov

TEL: Aug 12,98 10:23 No.001 P.01

G.C. Pace Construction

3964 Lowry Ave Cincinnati, Ohio 45229-1310 (513) 861-4811

TUESDAY, AUGUST 11, 1998

MR. MICHAEL VEA, PRES.
BANK ONE

MR. VEA:

PLEASE ALLOW ME TO EXPRESS MY CONCERNS BASED ON PERSONAL EXPERIENCE WITH BANK ONE, READING ROAD-ROSELAWN BRANCH. DURING SEPTEMBER, 1997 A BUSINESS ASSOCIATE (SPENCER KONICOV) AGREED TO PROVIDE CLASS A STOCK SECURITY FOR COLLATERAL TO OBTAIN A LINE OF CREDIT AND AN IRREVOCABLE LETTER OF CREDIT.

THIS CREDIT WAS NEEDED TO DEVELOPE AND EXECUTE A CONTRACTUAL AGREEMENT WITH MIAMI UNIVERSITY. OUR CONTACT PERSON WITH BANK ONE WAS MR. CHRISTOPHER McGRAW. AFTER COMMUNICATING WITH MR. McGRAW AND PROVIDING AN ARRAY OF INFORMATION AND DOCUMENTATION FOR SEVERAL MONTH WE WERE TOLD THAT THE CREDIT WAS DENIED BECAUSE OF CHARACTER. I ASKED MR. McGRAW WHAT DID HE MEAN. HE COULDN'T TELL ME ANY MORE.

IN DECEMBER, 1997 WE TOOK THE SAME INFORMATION TO NORTHSIDE BANK. IN THE INITIAL MEETING WE WERE ASSURED THEY COULD GIVE US THE CREDIT. WITHIN ONE WEEK EVERYTHING WAS SET-UP.

THE TIME THAT LAPSED WHILE BANK ONE JERKED US AROUND HAS COST US IN EXCESS OF THIRY-THOUSAND DOLLAR OF LOSS AND/OR DELAY REVENUES.

SINCERELY,

CLIFFORD PHILLIPS

cc: MORRIS WILLIAMS
JOHN B. McCOY
SPENCER KONICOV

ATTACHMENT #3

MINORITY LENDING LAG ARTICLE
AMERICAN BANKER NEWSLETTER
AUGUST 7, 1998

Dems Hit Regulators re 97 HMDA & CRA
Date: 8/7/98 3:02:35 PM Eastern Daylight Time
From:
To:

Friday, August 7, 1998 (American Banker)

Democrats Hit Regulators For Minority Lending Lag

WASHINGTON - Seizing on the latest loan-discrimination data, Democratic lawmakers on Thursday demanded that regulators increase enforcement of community reinvestment and fair-lending laws. "At a time when the economy is roaring and interest rates are at a 20-year low you would expect lending to soar to minorities," said Rep. Joseph P. Kennedy 2d, D-Mass. "But it just isn't so."

Data released Thursday under the Home Mortgage Disclosure Act showed that growth in lending to minorities and low-income borrowers has slowed considerably from the double-digit percentages recorded earlier this decade. Rejection rates for blacks and Hispanics hit all-time highs. "This is the latest picture of discrimination," said Rep. Maxine Waters, D-Calif. "The fact that 98% of banks score satisfactory or better [on Community Reinvestment Act exams] does not square with this data." To press their point, 10 Democratic lawmakers sent a letter to the four banking and thrift regulators complaining of lax CRA enforcement.

"CRA plays a critical role in holding federally insured financial institutions accountable in meeting the credit needs of their communities, including low- and moderate-income communities," they wrote. "But CRA can only be effective in this critical role if CRA exams unfailingly signal [sic] out institutions that are not doing a good job of meeting such credit needs."

Bankers and regulators, however, said Community Reinvestment Act enforcement is quite rigorous. "I have just gotten through an exam by the Office of the Comptroller of the Currency, and let me tell you, the regulators are in full enforcement mode," said Agnes Bundy Scanlan, senior vice president for community reinvestment at Fleet Financial Group. "We spent thousands of hours on this with the regulators." Ronald F. Bieker, deputy director for compliance and consumer affairs at the Federal Deposit Insurance Corp., said the public needs to look at all the data, not just rejection rates and year-to-year fluctuations. The slowdown in lending "is a concern to us," he said. "But you have to look at other factors as well. Over the last five years, loans to blacks and Hispanics have grown at twice the rate for whites."

Ellen S. Seidman, director of the Office of Thrift Supervision, agreed that the data contains positive news. "Lending rates to minorities continue to increase, and at rates higher than for whites," she said. "The same is true for low-income. Lending to them increased at a rate higher than for higher-income" borrowers.

Rep. Maurice Hinchey placed part of the blame on Republican lawmakers, who have been trying to roll back CRA requirements. "We have a political problem," the New York Democrat said.

"Republicans are aggressively attacking this program." A Republican House Banking Committee official said efforts to exempt small banks from CRA will not reduce lending. "What we need is a workable CRA that targets people who need loans," the official said.

As reported Thursday in American Banker, the Home Mortgage Disclosure data for 1997 indicated a pronounced slowing in loan growth to blacks, Hispanics, Native Americans, and low-income consumers. Lending to blacks and Hispanics rose 4%, while loans to Native Americans fell 1%. In 1996, loans to Hispanics and Native Americans increased 13.4% and 11.4%, respectively, while loans to blacks rose by a similarly weak 3.1%. Whites experienced a 2% increase last year, off from an 8.1% rise in 1996. But their total of three million loans was about six times more than all other racial and ethnic groups combined. For conventional mortgages, the changes were even more anemic. Lending fell 2.6% for Hispanics and 1% for Native Americans, while rising 2.6% for blacks. For government-backed loans, growth was 11.2% for Hispanics and 5.5% for blacks, while Native Americans were off 1.7%.

The data showed that minorities continue to be rejected for loans about twice as often as whites. The greatest disparities were for those earning more than 120% of the median local income. Blacks in this income range were rejected 21.7% of the time, almost two and a half times more often than similar white applicants. Blacks earning 50% of the median local income, by contrast, were only 1.2 times more likely to be rejected than similar white applicants.

ATTACHMENT #4

MORTGAGE LENDING, RACE, AND LENDER EMPLOYMENT:
Does Anybody Who Works Here Look Like Me?

Gregory D. Squires / Sunwoong Kim / Peter Minarik

NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

MORTGAGE LENDING, RACE, AND LENDER EMPLOYMENT:

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Abstract

Debates over discrimination in mortgage lending have been contentious for decades. While evidence of discrimination has grown, lenders and regulatory agencies have also become more aggressive in responding to lending bias in recent year. One issue that is often raised, but on which there is little research, is the impact of the racial composition of the work force of financial institutions on loans to minority applicants. Using a data set on banks and thrifts in the Milwaukee metropolitan area, this study finds that the likelihood of a black applicant being approved increases as the proportion of black employees increases controlling on several applicant and institutional characteristics that influence loan review process. The effect of black professionals with thrift institutions is particularly significant. Specific research and public policy implications are suggested. Research on additional institutions in other communities and, where data are available, on more precise occupations and for other minority groups are next steps. But regulatory agencies could immediately begin to incorporate affirmative action and related issues in their enforcement activities and lenders could benefit from more aggressive voluntary affirmative action efforts.

MORTGAGE LENDING, RACE, AND LENDER EMPLOYMENT:

Does Anybody Who Works Here Look Like Me?

The charge of racial discrimination and redlining by mortgage lenders has generated contentious debate for decades. In recent years, the debate has intensified and become more complex. Today more lenders acknowledge the existence of a problem than they did just a few years ago while community groups that have most vigorously charged discrimination are working with financial institutions to implement reinvestment programs. While many continue to debate whether or not there is a problem, the discussion appears to be focusing more on why racial lending patterns are manifested and what can be done to reduce the significance of race in mortgage lending. One issue that is frequently raised, but on which there is little systematic information, is the impact of employment patterns of mortgage lending institutions on their lending practices. This study addresses the question of whether of not there is a relationship between minority employment and approval of minority loan applications.

Historically, explicit utilization of race has been endorsed and openly practiced in property appraisal, mortgage lending and insurance underwriting, and real estate sales practices, in both the public and private sectors (Jackson 1985; Massey and Denton 1993). If the overt utilization of race has faded in recent years, it has not disappeared and many traditional industry practices that may not be motivated by racial animus still exert an adverse racial effect. In the area of mortgage lending similarly qualified minorities are more likely to be rejected than whites with identical qualifications (in terms of their financial standing and the characteristics of the properties under consideration) and lenders more readily extend credit to borrowers in predominantly white areas than those in non-white neighborhoods even after borrower and property characteristics are taken into consideration ("Discrimination in Housing and Mortgage Markets" 1992; Munnell et. al. 1992; Bradbury et. al. 1989). And while the law has shifted in recent decades from a posture of endorsing discrimination to one of prohibiting the practice (most notably through the Federal Fair Housing Act, Equal Credit Opportunity Act, Home Mortgage Disclosure Act, and Community Reinvestment Act) enforcement has been grudging, at best (Dane 1989).

During the nineties lenders and realtors have begun to more openly acknowledge a problem, with the prodding of many community based organizations and civil rights groups. Tim Elverman, Vice-President of Government Relations for Bank One in Milwaukee credited neighborhood groups and the law when he stated in 1990, "Community based organizations helped us understand how to market ourselves better and understand the market and programs that might have to be developed to meet the needs in the inner city....Without the law, the bank would never have done these things." (Squires 1992:1, 22).

Debates persist over whether or not there is a problem of racial discrimination, but there is also far more discussion today over what steps can be taken by lenders, regulators, and community groups to solve recognized credit availability problems. At a 1992 conference on housing discrimination research sponsored by the Federal National Mortgage Association (Fannie Mae--a federally chartered investor in home mortgages), the group's chief executive officer stated, "The papers presented today make clear that discrimination continues to limit access to housing and mortgage credit for many citizens. The challenge now facing the housing community is to fashion solutions that remedy these disturbing findings." (Fannie Mae 1992). Early in 1994, Fannie Mae announced a 1 trillion dollar loan commitment to low and moderate income borrowers amounting to approximately half of the organization's new business for the rest of the decade. This program will also include grants to community organization, opening of 25 new offices in central cities, reduced closing costs, and increases employment opportunities for racial minorities (Vise and Crenshaw 1994).

In January of 1994, President Clinton created the President's Fair Housing Council, consisting of the Secretaries of eleven federal agencies and the leadership of four federal financial regulatory agencies, to strengthen and more effectively coordinate their efforts to affirmatively further fair housing, including fair lending activity (Executive Order 12892, 1994). Two months later the principle federal financial regulatory agencies and fair housing enforcement agencies signed a "Policy Statement on Discrimination in Lending" in which they pledged a more effective, collaborative approach to combat bias in home mortgage finance ("Policy Statement on Discrimination in Lending" 1994).

Many factors are identified as causes of racial disparities in mortgage lending markets. Income and related financial differences explain part of the racial gap. But it is also recognized that some underwriting practices on the part of lenders, private mortgage insurers, and the secondary mortgage market (institutions that purchase mortgage loans from loan originators, a practice that is much more common today than when the Fair Housing Act was passed in 1968) often adversely affect racial minorities. Subjective and arbitrary implementation of those rules, including selective utilization of race-neutral standards, frequently results in discriminatory loan patterns. Where lenders choose to open or close branch offices can also have adverse effects ("Discrimination in the Housing and Mortgage Markets 1992"; Squires 1992).

One issue that is frequently acknowledged as part of the problem, but for which no systematic evidence is available, is employment practices of lending institutions. The relatively low number of racial minorities employed, particularly in professional and managerial position, is often pointed to as one of the reasons for the low levels of lending to minorities. There is anecdotal evidence that racial minorities often feel intimidated when they walk into a financial institution and do not see anyone working there "who looks like me." In addition to the research evidence that minority loan applications are treated differently, there is anecdotal evidence that applications brought in by non-white loan officers are scrutinized more carefully by underwriters. Consequently, in recent years, reinvestment agreements signed by lenders with community organizations frequently included affirmative action commitments to increase the representation of minority employees (National Training and Information Center 1991; National Community Reinvestment Coalition 1994).

This study represents the first effort to systematically explore the relationship between minority employment and lending to minority borrowers. The key questions are the following. Do lenders who employ more racial minorities approve a larger proportion of applications they receive from minority borrowers and are those lenders more likely to approve an application from an individual minority borrower than do institutions that employ relatively few racial minorities? If so, do these relationships hold after taking into consideration relevant risk factors (e.g. income of applicant, condition of property) and structural characteristics of financial institutions (e.g. bank or thrift, size of institution).

Because housing and mortgage markets are primarily local markets (Shlay et. al. 1992), this study will focus on one metropolitan area. Lenders are regulated primarily by federal agencies and they do operate in an increasingly global economic environment. Also, secondary mortgage market institutions that operate nationally are assuming greater importance each year. But the formulation of underwriting policies, decisions to accept or reject an application, and marketing and outreach efforts, are conducted primarily at the local level in response to local conditions. The case to be examined below is Milwaukee, Wisconsin. For several reasons the Milwaukee metropolitan area is an appropriate location. Organizing around redlining issues dates back at least to the mid 1970s in Milwaukee. During the 1980s Milwaukee had the largest racial gap in mortgage lending rejection rates of all major metropolitan areas in the nation. Blacks were four times as likely to be rejected for mortgage loans as whites in Milwaukee compared to a nationwide ratio of two to one. And the disparity persists in the early 1990s. Many partnerships for reinvestment have been formed among lenders and community organizations in Milwaukee, encouraged by a variety of local and state government actions. In most cases, the agreements call for affirmative action in employment as well as lending by the financial institutions (Dedman 1989; Glabere 1992). In many ways, Milwaukee reflects the national debate over racially discriminatory practices in the United States.

Methodology

Three data sets will be utilized. First, 1990 EEO-1 reports for Milwaukee area commercial banks and thrifts will provide detailed data on the total number of employees and the racial composition of employees in each of eight major occupational classifications. Private sector employers with 100 or more employees, employers with 50 or more employees who are government contractors or a depository of government funds, and institutions that issue U.S. Savings Bonds are required to submit an EEO-1 form each year to the U.S. Equal Employment Opportunity Commission.[1] EEO-1 data were obtained for 21 banks and 13 thrifts providing home mortgages in the Milwaukee metropolitan area. The lenders in this data set accounted for 68.4% of all publicly reported mortgage loans in the Milwaukee metropolitan area in 1990.

EEO data do not distinguish officials, professionals, managers, sales positions, and technicians by specific job title. This precluded, therefore, analysis of loan approvals by specific occupational title, like "loan officer" or "underwriter." As a proxy, officials, managers, professionals, and technicians were grouped together as "professionals/administrators" and used to estimate the racial composition of employees engaged in the loan approval process. Statistics generated from the EEO data included percent of black employees at each individual institution and the percent of black professional/administrators as defined above.

The second data set is the Home Mortgage Disclosure Act (HMDA) report which commercial banks, savings and loan association, mutual savings bank, credit unions, and mortgage banks are required to submit annually to their federal financial regulatory agency (i.e. Federal Reserve Board, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, or Office of Thrift Supervision) and make available to the general public. This report provides several pieces of information for each mortgage application filed with the institution including the type (e.g. home purchase, home

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1 The EEO-1 data were obtained under a cooperative agreement between the U.S. Commission on Civil Rights and the Equal Employment Opportunity Commission. All reports and information from individual reports is confidential, as required by Section 709(e) of Title VII. To insure confidentiality, only employment ratios are reported (aggregate totals are withheld) and the order of institutions on all lists are random.

improvement, multi-family, FHA/VA) and the dollar amount of the loan; the income, race,[2] and gender of the applicant; the census tract of the property; and the disposition of the application (e.g. accepted or rejected).[3]

The 1990 HMDA data set for the Milwaukee metropolitan area comprised 35,422 loan applications. Applications for owner-occupied home purchases numbered 22,691, 64.1% of the total. Altogether 14,473 of these applications were either approved or denied with 13,919 of them being from either blacks or whites. This study was limited to those applications by blacks and whites for owner-occupied home purchases that were either approved or denied. The 34 lenders generated 9,338 mortgage loan applications from blacks and whites for owner-occupied home purchases for which there was an approval or denial. This is 67.1% of all such loan applications in the Milwaukee metropolitan area in 1990.

Finally, as the HMDA data includes the census tract in which the property is located, we are able to merge information from the 1990 Census of Population and Housing into the dataset. The Census data provide useful information on the neighborhood characteristics in which the property is located. Given the importance of neighborhood quality in home values, it would be an important determinant for mortgage loan approval.

In order to examine the effect of minority employment on minority mortgage loans, we conduct two sets of analysis. First, simple correlations and other descriptive statistics are presented that reveal an association between minority employment and the dependent variables. Second, logit analysis using the disposition of the individual loan application as a dependent variable is used to examine the relation between the

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[2] The eight race and ethnicity categories in the HMDA data are (1) American Indian or Alaskan Native, (2) Asian or Pacific Islander, (3) Black, (4) Hispanic, (5) White, (6) Other, (7) Information not provided, and (8) Not applicable.

[3] Loan applications can be (1) approved, (2) approved but not accepted by the applicant, (3) denied, (4) withdrawn by the applicant, (5) closed for incompleteness, or (6) purchased by the financial institution.

likelihood of an individual applicant receiving mortgage loan approval and black employment controlling for applicant's socio-economic characteristics, loan amount, neighborhood quality, and lender characteristics.

Findings

Preliminary Analysis: Black employment and black mortgage loan approval varied among institutions. Banks and thrifts in the sample varied in their proportions of black employment, mortgage loan applications from blacks, and loan approval rates for black borrowers. As a group, banks had higher black employment than thrifts; but black application rates for mortgage loans and black approval rates for mortgages were higher at the thrifts.

Black employment ratios ranged from 0% to 18.1% with a mean of 6.8%. For black professional/administrator ratios, the range was 0% to 6.0% with an average of 1.6%. Black employment rates at the 21 banks in the sample varied from 0% to 18.1%, with the industry-wide average being 6.2%. Aggregating employment among all banks in the sample, the banking industry had a workforce that was 10.3% black. Black employment at the 13 thrifts ranged from 0% to 15.0%, with an average black employment rate of 5.9%. The combined industry-wide average of all blacks in the thrift workforce was 6.2%. Four banks and one thrift had no black employees. Five banks and one thrift had only one black employee each.

The proportion of all mortgage loan applications from blacks among all lenders varied from 0% to 20.8% with an average of 6.3%. Among home mortgage applications from only blacks and whites that were approved or denied, 6.3% of the applicants at banks were black, whereas 8.8% of the applicants at thrifts were black. Black borrowers at thrifts received mortgage loans at a 73.4% rate, but blacks applying at banks were approved only 65.5% of the time. The loan approval rate for whites was virtually identical for both types of lenders; banks approved mortgage applications from whites at a 92.3% rate, while thrifts approved mortgage applications from whites at 92.9% rate.

Table 1

Racial Composition of Mortgage Loan Applications to Banks and Thrifts in 1990 from Sample Data

	Banks			
	Loan Application	Percent	Approved	Percent
blacks	226	6.4	148	65.5
whites	3292	93.6	3045	92.5
total	3518	100	3193	90.9

	Thrifts			
	Loan Application	Percent	Approved	Percent
blacks	512	8.8	376	73.4
whites	5303	91.2	4926	92.9
total	5815	100	5302	91.2

Black application rates and total black employment ratios were positively correlated [$\rho = 0.55$]. A positive correlation also existed between black application rates and a lender's approval rate for blacks [$\rho = 0.49$]. More significantly, minority employment appears to be associated with lending to minority borrowers. There is a positive correlation between levels of black employment and a lender's loan approval rate for blacks [$\rho = 0.39$]. Further, the lenders in the sample with above average levels of black employment average a 68.6 percent approval rate for mortgage loan applications received from blacks compared to 40.4 percent for those with below average black employment. The question that arises, therefore, is whether or not this relationship holds after controlling on key applicant, neighborhood, and institutional characteristics.

Table 2

Black Employment Rates, Black Administrator Rates, Black Application Rates, and Loan Approval Rates for Blacks by Bank*

bank	black emp rates	black prof/admin rates	black application rates	black approval rates
1	8.33	0	4.38	50.00
2	8.80	2.70	5.10	90.00
3	0	0	0	-
4	3.60	0	2.38	100.00
5	7.70	4.00	11.79	73.80
6	0.6	0	0.6	0
7	14.86	1.89	3.45	50.00
8	14.22	3.4	12.97	79.66
9	0	0	0	-
10	11.60	5.99	9.8	39.29
11	8.72	2.00	4.44	50.00
12	10.38	0	0	-
13	8.97	4.44	6.74	66.67
14	1.28	0	4.17	100.00
15	1.42	0	0	-
16	0	0	0	-
17	2.17	0	0	-
18	0	0	0	-
19	1.72	0	3.33	0
20	7.14	0	9.83	100.00
21	18.05	0	7.14	100.00

* The listing of banks in Table 2 has been randomly generated from the original list of banks. This is to protect the confidentiality of an individual bank's statistics.

Table 3

Black Employment Rates, Black Administrator Rates, Black Application Rates, and Loan Approval Rates for Blacks by Thrift*

thrift	black emp rates	black prof/admin rates	black application rates	black approval rates
1	0.53	0	5.83	71.42
2	5.74	1.92	1.35	100.00
3	4.19	1.17	7.16	70.30
4	0.00	0	2.30	100.00
5	15.00	0	12.16	59.26
6	9.09	2.50	2.38	100.00
7	3.18	0	4.30	76.19
8	1.80	3.57	1.46	66.67
9	6.91	2.98	14.77	88.98
10	9.86	2.61	7.51	72.41
11	5.31	0	7.86	65.51
12	5.55	0	11.35	51.92
13	10.38	3.52	20.82	77.91

* The listing of thrifts in Table 3 has been randomly generated from the original list of thrifts. This is to protect the confidentiality of an individual thrift's statistics.

Logit Analysis: Binary choice model of logit analysis is utilized in order to examine the effect of lender employment on the disposition of individual mortgage loan applications. The dependent variable of the logit model is whether or not the mortgage application is approved by the lender (APPROVE = 1 when the loan application is approved and 0 when it is rejected). The independent variables include characteristics of the financial institution including the minority employment variables, characteristics of the applicant, and characteristics of the property.

The key minority employment variables of lenders were (1) the ratio of black employees in the total workforce at the institution (BLKRATIO), and (2) the ratio of blacks in professional or administrative positions (BLADRAT). Other lending institution characteristics included size measured in terms of number of employees (EMP), the number of home mortgage applications (HOMELOAN), and type of institution (INST). Institution type referred to whether the lender is a commercial bank or thrift such as savings and loans associations or mutual savings bank (INST = 0 for commercial banks and 1 for thrifts). For applicant characteristics, applicant race (RACE = 1 for black and 0 for white), annual income of the applicant (INCOME) and mortgage loan amount (LOANAMT) were considered. As a control for the neighborhood characteristics, median home value of the census tract in which the property is located (CTVALUE) was also included in the model as an independent variable.

The results of the logit estimation are reported in Table 4. Various interaction terms with the race variable (RACE) were included in the estimated model to test the hypothesis that black applicants are treated differently from white applicants. Also due to several structural distinctions between commercial banks and thrifts, several interaction terms with the institution type (INST) are included.

The results generally confirms the hypothesis that institutional characteristics as well as the characteristics of the applicant and the property are important determinants of the loan approval. All the variables that represent applicant characteristics turned out to be significant. Applicant income is statistically significant at 0.1 percent level, and has the expected sign. In other words, the higher the income, the more likely the loan will be approved. The amount of the loan is significant at the 5 percent level, and also has the expected sign meaning that applications for smaller amounts are more likely to be approved. The race the of the applicant turned out to be significant at the 0.1 percent level indicating that minority applicants have a lower likelihood of getting the loan approved. The interaction term between RACE and INCOME is significant with a positive coefficient indicating that higher income for blacks increases the approval rate more than it does for whites. The neighborhood characteristic also turned out to be significant at the 0.1 percent level indicating that applications for loans on properties in higher valued neighborhoods are more likely to be approved. The type of institution (INST) turned out to be significant at the 0.1 percent level. This result suggests that mortgage loans are more likely to be approved by a thrift than by a bank, everything else being equal.

Table 4

Estimated Logit Model of Home Mortgage
Application Approval

Dependent variable: APPROVE (1 if the loan approved, 0 if not approved)
Mean of the dependent variable: 0.909

Variable	Coefficient	t-ratio	Mean
Constant	2.00	9.451***	
EMP	0.657E-03	4.616***	477.58
HOMELOAN	- 0.245E-02	- 2.949***	554.25
BLADRAT	0.249E-01	0.481	2.1107
BLKRATIO	- 0.406E-01	- 1.799	7.255
INST	- 0.784	- 3.575***	0.62306
INCOME	0.110E-01	4.908***	51.158
LOANAMT	- 0.196E-02	- 1.957*	75.107
RACE	- 2.02	- 6.273***	0.0791
CTVALUE	0.105 E-04	5.941***	82488
RACE*BLADRAT	- 0.100	- 1.119	
RACE*BLKRATIO	0.501E-02	1.345	
RACE*INCOME	0.127E-01	2.098*	
INST*EMP	- 0.185E-02	- 5.153***	
INST*HOMELOAN	0.354E-02	4.109***	
INST*BLADRAT	0.201	3.137***	
INST*BLKRATIO	- 0.282E-01	- 1.080	
RACE*INST*BLADRAT	0.242	2.041*	
RACE*INST*BLKRATIO	- 0.206E-02	- 0.053	

Number of Observation: 9333
Log-Likelihood - 2523.5

Constrained Log-Likelihood (no RACE effect) - 2,590.5
Constrained Log-Likelihood (no INST effect) - 2,560.6

*** significant at .001
** significant at .01
* significant at .05

It is important to note that many interaction terms with INST were significant. The interaction term between INST and EMP and the term between INST and HOMELOAN are significant at the 0.1 percent level indicating that banks and thrifts behave very differently in the mortgage lending market. More specifically, holding everything else constant the loan approval rate of a larger bank is higher than a smaller bank, whereas it is higher for a smaller thrift. Similarly, a bank with a smaller number of mortgage loan applications has a higher approval rate, whereas a thrift with a larger number of applications has a higher approval rate.

The interaction terms between INST and the racial composition of lenders also reveal substantial differences between the types of lenders. The interaction term between INST and BLADRAT turned out to be significant at the 0.1 percent level indicating that the effect of BLADRAT on the approval rate is stronger with thrifts than with banks. Moreover, the interaction term with RACE, INST, and BLADRAT was significant at the 5 percent significance level indicating that the effect is stronger for blacks that whites. In other words the likelihood that a loan application will be approved is higher in those institutions where black professional employment is relatively larger, and this relationship holds after controlling on several socio-economic characteristics of borrowers and neighborhoods in which properties are located. The relationship is stronger with thrifts than with banks. Most importantly, it is stronger for blacks than for whites. Given the larger role of thrifts than commercial banks in mortgage lending, the findings pertaining to thrifts may be the most significant.

Contrary to the strong results relating to BLADRAT (proportion of black administrative and professional employees), the variable BLKRATIO (the proportion of all black employees) including all its interaction terms with INST and/or RACE turned out to be insignificant. Given the fact that BLKRATIO includes all employees such as clerical, janitorial and other low level positions, it is not surprising to find out that BLKRATIO does not affect the likelihood of loan approval.

Using the base model, we conducted two nested hypothesis using likelihood ratio tests. The first null hypothesis is that blacks and whites have the same likelihood of mortgage loan approval. The hypothesis is rejected at the significance level of 1 percent, as the test statistic, 2*(2,590.5 - 2,523.5) = 134, is greater than the critical value of χ^2 (6 degrees of freedom) = 16.81. The second null hypothesis is that banks and thrifts have the same likelihood of approving an application. This hypothesis is also rejected as the test statistic, 2*(2,560.6 - 2,523.5) = 74.2 is greater than the critical value of χ^2 (7 degrees of freedom) = 18.48.

On average, blacks and white have quite different characteristics in terms of income, amount of the loan, and the neighborhood in which the property is located. Table 5 shows the racial difference of the two groups. Similarly, banks and thrifts also have different characteristics. Moreover, these two types of institutions are subject to different sets of government regulations. Table 6 shows the average characteristics of lending institution weighted by the number of loans made to them.

Table 5

Average Chracteristics of Applicants by Race

	INCOME ($)	LOANAMT ($)	CTVALUE ($)
White	52,674	77,841	85,575
Black	33,496	43,271	46,533

Table 6

Average Chracteristics of Lending Institution by Type

	EMP	HOMELOAN	BLADRAT (%)	BLKRATIO (%)
Bank	664.77	332.54	2.62	9.08
Thrift	364.33	688.38	1.80	6.15

The estimated model is used to calculate the likelihood of approval of a mortgage loan submitted to two types of lenders. In order to highlight the difference, we chose two different sets of applicant characteristics: those of an average white applicant (i.e., an applicant with the mean value for whites on each variable) and an average black applicant. These calculations are shown in Table 7. The base case refers to our data set. The model predicts that the average white will have 93.3% approval rate when submitting an application to an average bank (i.e., a bank with mean values for each variable), and 94.5% when applying to an average thrift. The average black, has a substantially lower approval rate. The average black approval rate is 66.6% for the average bank and 77.6% for the average thrift. However, part of these discrepancies can be accounted for by the socio economic differences of the two racial groups. The bottom four figures control for these differences. If a black applicant has the same income, applies for the same amount of the loan, for a home in the same neighborhood as the average white applicant, the approval rate would be 80.4% for the average bank and 91.7 per cent for the average thrift. These rates are substantially lower than 93.5% and 95.4% for the average white. Similarly, if a white applicant has the same characteristics as the average black, the approval rate will be 89.2% for the average bank and 92.5% for the average thrift. These figures are substantially greater than the comparable numbers of 64.9% and 83.4% for blacks.

Table 7

Estimated Probabilities of the Approval Rate (in per cent)

	Base case	1% point increase in BLADRAT	1% point increase in BLKRATIO
Avg. white at avg. bank	93.4	93.5	93.1
Avg. white at avg. thrift	94.5	95.4	94.1
Avg. black at avg. bank	66.6	64.9	66.8
Avg. black at avg. thrift	77.6	83.4	77.3
Black equal to avg. white at avg. bank	81.6	80.4	81.7
Black equal to avg. white at avg. thrift	88.5	91.7	88.3
White equal to avg. black at avg. bank	89.0	89.2	88.6
White equal to avg. black at avg. thrift	90.8	92.5	90.2

The next columns in Table 7 represent the estimated approval rates if the percentage of the black administrative/professional employment (BLADRAT) and black employment (BLKRATIO) were to increase by one percentage point. The first observation of this thought experiment is that the increase in BLKRATIO will not yield any significant changes, whereas the increase in BLADRAT will. The second result is that the change is much larger for thrifts. For example, if the BLADRAT increases from the current average of 1.8% to 2.8% in the thrift industry, the approval rate of the average black will increase from 77.6% to 83.4%.

In this sample 70.0% of mortgage loan applications from blacks and 62.3% of applications from blacks and whites were made at thrift institutions. Thrifts, of course, focus more exclusively on mortgage lending than do commercial banks which are involved in a variety of commercial and consumer as well as residential lending and investment activities. Therefore, a higher proportion of thrift employees and particularly professional employees, are involved in the mortgage lending process than is the case with commercial banks. The evidence from this study strongly suggests that the proportion of black professional/administrators in thrift institutions significantly affects the probability of loan approval for black applicants.

In summary, the basic finding of this study is that racial composition of the workforce matters. As the proportion of black employees of a mortgage lender increases the likelihood that an application from a black borrower will be approved also increases. Particularly significant is the ratio of black professionals with thrift institutions. This relationship persists even after controlling on several applicant and lender characteristics that influence the loan review process. These preliminary findings indicate the need for further research but they also reveal directions for public policy.

Research and Policy Implications

The association between minority employment and minority lending found in this study strongly suggests the need for further research. Despite the limitations of the data sets utilized in this study, these findings also suggest directions for policy that need not await further research.

A critical research question is the impact of minority employment in more detailed occupational classifications. Loan officers and underwriters are in particularly important positions to determine lending patterns. But top management and boards of directors may also have significant influence. Analysis of minority representation in these positions would be particularly useful. This research, of course, would require voluntary cooperation of lenders themselves or the assistance of financial regulatory agencies. Such information is not available in any public data source.

Another clear research need is replication of this study for additional cities. Cities where the racial composition or levels of segregation differ may exhibit different relationships between employment and lending patterns. City size, region of the country, number of financial institutions, and other factors may change the association between employment and lending. Perhaps more important, where similar patterns are found the responses by lenders, public officials, community groups, and others will be more substantial in those communities than is likely to be the case if only one city is examined. It is simply too easy to dismiss as irrelevant for a given city, the research findings from a case study of another community.

The impact of the employment of other protected groups remains unadvised. Employment levels for Hispanics, Asians, and other minorities, for women, and minority women may influence lending to these groups. These issues need to be subject to empirical investigation.

A related research need is employment practices of other financial institutions that directly impact on mortgage lending. Real estate agents, property insurers, private mortgage insurers, and secondary mortgage market institutions which purchase most of the loans originated by lenders are some of those actors for whom little is known about employment practices.

Another direction for future research is the effect of variables not included in this study. For example, the number of branch offices and whether any are located in the central city, the types of loans (e.g. conventional or government insured , single family or multi-family, home purchase or home improvement), local economic conditions (e.g. unemployment rates, number of housing starts), relationships among lenders and other providers of housing services (e.g. real estate agents, insurers, mortgage investors), and other factors which affect lending practices may also affect the relationship between employment and lending.

But there are policy implication which need not await further research. First, these findings reinforce the wisdom of those community groups that have negotiated affirmative action commitments in CRA agreements with local lenders. Second, and more importantly, these findings suggest the need to revise the regulations federal financial regulatory agencies have developed to enforce the Community Reinvestment

Act (CRA). Under the CRA federally regulated lenders have a continuing and affirmative obligation to assess and be responsive to the credit needs of their entire service areas, including low- and moderate-income neighborhoods. Regulated financial institutions are evaluated in terms of their lending, investment, and related services. Based on this evaluation lenders receive one of four ratings: (1) outstanding; (2) satisfactory; (3) needs improvement; or (4) substantial noncompliance. Minority employment and affirmative action should be included as an additional assessment factor in these evaluations and ratings. And data on minority employment by occupational classifications should be included among the information lenders are required to make available to the public.

Many lenders are depositories of federal and other public funds. Most if not all lenders offer credit products and savings accounts that are federally insured. Several of these institutions are federal contractors and subject to Executive Order 11246 which requires affirmative action by most private businesses that contract with federal agencies to provide goods and services. Given the significance of credit availability for urban redevelopment and the linkage between employment and lending, the U.S. Equal Employment Opportunity Commission (EEOC) and the Office of Federal Contract Compliance Programs (OFCCP-a division of the U.S. Department of Labor) should give greater priority to lending institutions in their monitoring and enforcement activities.[4]

Finally many lenders stand to gain by voluntarily implementing more effective affirmative action plans to increase their employment of racial minorities. Good business that is missed today, either because of bias by a predominantly white workforce or the hesitancy of qualified borrowers to enter an institution where nobody looks like them, can become profitable loans tomorrow if more minority employees (particularly at the

[4] The EEOC is charged with enforcing Title VII of the Civil Rights Act of 1964 prohibiting employment discrimination and the OFCCP enforces Executive Order 11246, the two major federal anti-discrimination rules in the area of employment.

professional level) are successfully recruited and retained. As the ABA Banking Journal editor concluded, "banks may take some comfort from the fact that sincere efforts to eliminate bias are the right thing to do. further, done properly they will prove to be good for business" (Streeter, 1993 : 19).

These actions would constitute a significant beginning in efforts to positively address the linkage between minority employment and minority lending. Further research, no doubt, would reveal additional steps that could be taken.

The Future of Redlining and Reinvestment

Urban problems generally and discriminatory credit problems in particular have received more attention in recent years than at any time since the Kerner Commission issued its warning that "To continue present policies is to make permanent the division of our country into two societies; one, largely Negro and poor, located in the central cities; the other, predominantly white and affluent, located in the suburbs and in outlying areas" (National Advisory Commission on Civil Disorders 1968: 22). Persistent levels of segregation, increasing central city poverty amidst growing suburban affluence, and heightened racial tension and conflict indicate that the warnings of the Kerner Commission are coming true (Massey and Denton 1993; Jaynes and Williams 1989; North Carolina Law Review 1993). Lending practices are a vital part of this process.

If redlining and discriminatory credit practices have become less explicit and overt in recent decades, they clearly have not disappeared. One dimension of this complex discriminatory process that has received little attention is the employment practices of lenders and their implications for lending in urban communities. Yet this is one of, unfortunately, many issues that needs to be addressed in order to reverse the process of disinvestment into one of reinvestment.

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CANDO

Chicago Association of
Neighborhood Development Organizations

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Testimony for Federal Reserve Board Hearing on Proposed First Chicago/NBD and BancOne Merger by Ted Wysocki, Executive Director, CANDO August 13, 1998

In 1977, over twenty years ago, I introduced a community lending resolution at that year's shareholders' meeting of the First National Bank of Chicago. The resolution, based on the bank's poor performance documented by the first year of Home Mortgage Disclosure Act data, was defeated by 98% of the shareholders. This exemplified the corporate arrogance that required Congress to pass the Community Reinvestment Act (CRA) that same year.

Now over twenty years and three First Chicago mergers later, we are here to discuss the need for continued regulatory vigilance and community advocacy on behalf of neighborhood reinvestment in an era of financial modernization and merger mania. I am also here to testify on the strength of bank partnerships that have grown as a result of CRA and are now providing access to affordable credit and financial services to revitalize local communities.

At the end of 1983, First National Bank of Chicago applied to acquire American National Bank as it's self-proclaimed intent to be the premier bank in the Midwest. I staffed those CRA negotiations which led at the time to the largest CRA lending agreement of $100 million over five years. This commitment was renewed in 1989 for another $225 million in lending. In 1990, a five-year evaluation of Chicago's lending programs concluded:

> "The fundamental test of the success of neighborhood lending programs – and of investment in general – is whether lenders, community groups and community-based development organizations can develop and *implement* loan programs *together* in partnership." *[emphasis added]*

From my years of experience, the key element to fostering and furthering partnerships is regular monitoring and reviewing of progress so that continued dialogue can lead to further product innovation and market penetration. The key for both sides is learning to deal.

One example of product development through working with First Chicago is the financing of mixed-use real estate. Chicago's neighborhoods are built around main streets with block after block of properties with apartments above storefronts. In 1983, no lender offered conventional financing for such properties. At the urging of CANDO, First Chicago was the first lender to offer twenty-year fully amortized mortgages for the purchase and rehab of mixed-use real estate.

In 1995, with the merger of First Chicago and NBD, this Neighborhood Lending Program was renegotiated. As part of a new commitment of $2 billion in community lending, First Chicago agreed to do a pilot program of 10% down for owner-occupied mixed-use buildings with less than ten units. Now as part of our recent agreement, they have made this program an on-going loan product and are willing to pilot a low-down payment mortgage for owner-occupant commercial real estate. This new commitment will promote a wide range of local ownership and extend investment opportunities to a whole other generation of businesses.

This community credit need is being addressed by the private market, because the bank was willing to sit down and jointly hammer out the design of this loan product. It has turned out to be good business for the bank and good reinvestment for the community. It is a clear example of the value of CRA agreements.

There are many others like investing in micro-lending programs. CANDO's *Self-Employment Loan Fund* uses below-market investments to provide capital for borrowers, who for a variety of collateral or credit history reasons are not yet conventionally bankable.

In the face of today's proposed merger, the Woodstock Institute conducted "market share" analysis and established aggressive goals for small business lending over the next six years, which will bring such lending in low- and moderate-income areas to parity with lending in middle and upper-income areas.

This is not just about fair lending; it's about revitalizing the economy of distressed neighborhoods. This is about building assets and creating jobs. This is about assuring that monetary policies benefit all Americans.

The purpose of my observations is to make this final point: the Federal Reserve Board should exercise its regulatory authority to assure that BancOne adopts the First Chicago/NBD approach to community reinvestment throughout its service area. The corporate arrogance of refusing to negotiate CRA agreements, whether in Indiana or Ohio in this case, or in the case of NationsBank's merger with Bank America, should be **unacceptable** as a matter of Federal Reserve Board policy.

I endorse the agreement that we have reached with First Chicago/NBD and I am pleased that BancOne is willing to honor it. But I am disappointed that BancOne is unwilling to engage themselves in designing similar agreements for their other markets.

As vice-chair of the Bank Regulation Committee of the Federal Reserve Board's Consumer Advisory Council, I challenge the Federal Reserve to **only consider conditional approvals** of this and other mega-mergers -- conditioned on *parity* in market share goals for *specific* geographical markets. Let the market work but use your regulatory authority to assure that it works in *every* market.

Woodstock Institute

SERVING THE COMMUNITY
TWENTY-FIVE YEARS

Information packet

Chicago CRA Coalition – First Chicago/Banc One Community Reinvestment Plan

Includes:

- Statement on the proposed merger, 8/13/98 - Malcolm Bush, Woodstock Institute
- Chicago CRA Coalition press release
- Community Reinvestment Agreement between First Chicago/Banc One and the Chicago CRA Coalition

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Woodstock Institute

Statement on the Proposed Merger of First Chicago NBD and Banc One

Malcolm Bush, President, Woodstock Institute

August 13, 1998
Federal Reserve Bank of Chicago

I am speaking on behalf of the Woodstock Institute, a nonprofit that promotes reinvestment and economic development in lower-income communities, and as a member of the Chicago CRA Coalition. I am also a director of the National Community Reinvestment Coalition.

The proposed merger of two large companies that would together constitute the largest bank in the Midwest raises serious concerns for residents of lower-income communities and the organizations that work with them. The Community Reinvestment Act, in its 21 year history, has been much more honored in the breach than in the observance, a fact that has contributed to the economic decline of huge areas of urban, small town, and rural America. In the last few years, however, because of a variety of pressures and opportunities the Act has produced very important improvements in home-lending to lower-income and minority borrowers and communities.

In Chicago, in many ways the home-town of community reinvestment activity, one of those pressures and opportunities has been the practice, dating from 1983, of community organizations requesting and persuading banks, small and large, to commit to significant community reinvestment goals for specific periods of time, and then monitoring the banks' progress toward those goals on a regular basis.

On the announcement of this proposed merger the Chicago CRA Coalition, which Woodstock Institute convenes, entered a dialogue with the bank to set new CRA commitments in the Chicago region for the new bank. We believe that, if implemented, the provisions of this CRA agreement will constitute a good CRA program for the new bank in the Chicago region by improving the bank's record in lending, investments, and services to the benefit of the region's lower-income communities. My colleagues from the Chicago CRA coalition on this panel will speak to some of the details of the agreement.

In my view the highlights of the agreement include the following items.

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The bank committed to small business and home loan goals based on a measure of its size and market presence, namely a specific ratio of its market share in lower-income communities to its market share in other communities. These ratios to be achieved at stated rates from 1999 are 1.10 for home loans and 1.15 for small business loans.

The bank committed to open four full-service branches in lower-income neighborhoods. These neighborhoods are seriously underbranched on a per capita basis compared to other neighborhoods.

The bank committed to a high level feasibility study of an affordable retail banking account for lower-income households which currently do not have a banking relationship, with the goal of establishing such an account.

The CEOs of both banks personally assured the Coalition that the new bank will have a vigorous home mortgage operation in all its markets.

The agreement will be monitored, like other Chicago area CRA agreements in regular meetings.

Unfortunately Banc One has not negotiated similar agreements in its current markets, which leaves it without a detailed and adequate CRA plan. Absent such an agreement we do not understand how the Federal Reserve Board can evaluate whether the merged institution will meet the convenience and needs of its communities. We note that the recent spate of so-called mega commitments by such institutions as NationsBank, Bank America, Travelers and Citicorp raise precisely the same problem. In the case of both mergers more than half the dollar commitments were for products not targeted to lower-income communities, and the commitments were not broken down by market area nor established with reference to such concrete, objective measures as market share ratios.

The First Chicago/NBD agreement contains community reinvestment details that should be standard for all bank applications and the bank regulators should demand such details as a matter of course. It also contains, in our opinion, commitments that reflect the size of the bank and that will promote significant, safe and sound community reinvestment in the region's lower-income communities.

Chicago CRA Coalition

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JULY 13, 1998

FOR IMMEDIATE RELEASE

FOR MORE INFORMATION CONTACT: **Malcolm Bush**
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Chicago CRA Coalition Reaches Major Community Reinvestment Agreement with First Chicago/ Banc One

Chicago area communities will get $4.1 billion in housing and small business lending over the next six years as a result of an agreement announced today between First Chicago and a coalition of community groups. That figure includes a 40 percent increase in home and small business loans. The numbers are based on the standard that the bank's efforts in lower-income communities should match and even exceed its efforts in middle- and upper-income communities.

The agreement between the bank and the Chicago CRA Coalition, representing over 100 groups will mean almost $700 million a year in loans to Chicago-area low- and moderate income communities noted Malcolm Bush, President of the Woodstock Institute which convened the coalition. "This agreement is especially good news for small business people in lower-income communities, and anyone who cares about the economic future of our region," said Ted Wysocki Executive Director of the Chicago Association of Community Development Organizations (CANDO). "The agreement represents significant increases in home-mortgage lending and in multi-family lending which is critical for lower-income families who face housing crisis of enormous proportions" commented Kevin Jackson, executive director of the Chicago Rehab Network.

The agreement comes as merger arrangements proceed between Chicago's largest bank and Banc One of Columbus, Ohio. The federal Community Reinvestment Act (CRA) requires banks to serve low- and moderate-income communities, and bank regulators review CRA achievements prior to agreeing to a merger. "This agreement is different from other recent CRA commitments because the dollar goals are all dedicated to lower-income households and communities, because the agreement has a precise breakdown of the total dollar amounts, and because it has been generated by community leaders," said Bush.

The agreement includes:

* Increasing home loans by 19 percent in the first two years and by 40 percent by year five (cumulative total of 36,000 loans). Loan goals are broken down by home purchase, refinance, home improvement and multi-family loans.

-more-

* Increasing small business loans by 13 percent in first two years and by 41 percent by year six (cumulative total of 5,200 loans). Loans to businesses with less than $1 million in sales will increase by 34 percent in the first two years and by 68 percent by year six.

* Reversing Bank One's decision to downgrade its mortgage company activities. The new Company will offer its full range of mortgage products in every market.

* Opening four full service bank branches (free-standing branches or Dominick branches) in four years in lower-income communities.

* Increasing the bank's downpayment assistance program from $100,000 to $900,000 to help lower-income households purchase their first home.

* Establishing, for the first time, a floor on contributions to community development groups and building in annual yearly increases.

Verne Istock, the CEO of First Chicago/NBD, and Chairperson designate of the new bank, has also committed in writing to a high-level feasibility study with the goal of establishing an "access" account for people who currently do not use or do not qualify for a regular checking account. Istock's counterpart from Banc One, John McCoy, who will become CEO of the new bank, has personally pledged to honor this agreement. This agreement also honors the spirit of close relationships between First Chicago and Chicago area community groups that date to the signing of the first CRA agreement for $100 million with First Chicago in 1984. The coalition hopes that this agreement will encourage banks in other cities to work with community organizations on similarly targeted CRA goals, said Marva Williams, Senior Project Director at Woodstock Institute.

The Chicago CRA coalition, which is convened by the Woodstock Institute, is a coalition of over 100 organizations promoting community reinvestment throughout the Chicago metro area.

The Woodstock Institute, now in its 25th year, promotes access to capital and credit and encourages economic development in lower-income communities through applied research and public education.

Other Contacts:

Home Lending: Joyce Probst, Chicago Rehab Network, (312) 663-3936
Small Business Lending and Economic Development: Ted Wysocki, Chicago Association of Neighborhood Development Organizations, (312) 939-7171; Tony Hernandez, Greater North Pulaski CDC, (773) 384-7074.
Bank Services: Esperanza Caraballo Latinos United Community Housing Association, (773) 276-5338; Dory Rand, Poverty Law Project, (312) 263-3830.
Investments: Calvin Holmes, Chicago Community Loan Fund, (312) 922-1350
Persons with Disabilities: Karen Tamley, Access Living of Metropolitan Chicago, (312) 216-5900
Cook County: Yevette Newton, Cook County Department of Economic Development (312) 795-8980.
Community Organizing: Bob Vandrasek, South Austin Coalition Community Council, (773) 287-4556

####

Chicago CRA
Coalition

August 6, 1998

Verne G. Istock
Chairman, President and CEO
Chicago NBD Corporation
One First National Plaza
Chicago, IL 60670-4000

Dear Verne:

On behalf of the Chicago CRA Coalition, we endorse the attached six-year reinvestment agreement that will be implemented upon the merger of First Chicago NBD and Banc One. We are pleased with the goals developed as a result of these negotiations, which will greatly enhance lending, services and investments in lower-income and minority communities in the Chicago region. In particular, we are pleased to note that mortgage lending activities will be maintained. The negotiations were a model of how large banks should relate to community development organizations, and we regret that Banc One has not conducted similar conversations in its current markets.

Thank you for this opportunity. We look forward to working with you.

Sincerely,

Chicago CRA Steering Committee:

Malcolm Bush, Woodstock Institute

Esperanza Caraballo, LUCHA

Tony Hernandez, Greater North Pulaski DC

Yevette Newton, CEDA

Joyce Probst, Rehab Network

Dory Rand, Poverty Law Project of the National Clearinghouse for Legal Services

Ted Wysocki, CANDO

Karen Tamley, Access Living

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VERNE G. ISTOCK
Chairman, President and
Chief Executive Officer

July 29, 1998

Mr. Malcolm Bush
The Chicago CRA Coalition
c/o The Woodstock Institute
407 South Dearborn
Suite # 550
Chicago, IL 60605

Dear Malcolm:

I am pleased to transmit a copy of the community reinvestment programs and activities which we plan to implement following the completion of the merger between First Chicago NBD Corporation and Banc One Corporation.

The discussions we have had over the past three months have been both challenging and enlightening to the team from First Chicago NBD and Banc One. We are proud of the result, and hope the Coalition members are as pleased as we are. I think we both have learned from each other during the discussions, and will be stronger partners moving forward as a result of the time we have spent together.

John McCoy and I are looking forward to building a new corporation, and helping to strengthen all the communities in which we operate. We look forward to working with you.

Cordially,

Vern

CRA Coalition Goals	*First Chicago-Banc One Plan*

Housing Task Force Issues

Single Family Mortgage Lending

Market Share Increase bank lending to low- and moderate-income ("LMI") people and areas, including expansion into un- and underserved markets.	• The Bank concurs with a goal of reaching a cumulative metropolitan six county area total of 35,879 LMI residential HMDA loans by the end of the year 2004 (attachment breaks down totals by year and product.) • Progress will be measured by number of loans, percentage increase and market share. • Generally, lending in low- and moderate-income areas should be commensurate with lending increases to low-and moderate-income people over all. (Sub-prime lending should not be included in these increases.) • The bank will work with community organizations to determine underserved markets, and ways to penetrate these markets. • The bank will participate in the design and development of an analysis of credit and service needs in LMI communities, and will contribute to its implementation.
Credit Scoring Ensure that increased use of credit scoring does not become a barrier to accessing credit for people with non-traditional or problematic credit histories.	• Applicants with marginal credit scores will be offered another loan product, and denied applicants will be given information on homeownership counseling programs. • The bank will continue second reviews of all low/mod applications, as well as second reviews of all minority loans which are received. • The bank's Community Outreach and Education Division (COED) will work with the Credit Counseling Services of Chicago on credit repair workshops.
Other Reduce inappropriate subprime lending	• After the merger, the bank will conduct credit analysis on all subprime applicants and refer them to appropriate loan product.
Increase Downpayment Assistance ("DPA") Pool	• The bank will increase the DPA pilot to $150,000/yr. for 6 years, with $1,500 per borrower. 1/3 of these funds will be set aside for borrowers below 60% of median income, with the remainder for those at 80%; areas will include EZ, City EC, and all low/mod tracts in South Suburban Cook County. • Within the Downpayment assistance program, $2,500 will be offered for people with disabilities, with no geographic limits on the home purchase, and income eligibility extended up to 100% of median. • The geography and subsidy amounts are open to annual adjustment at the suggestion of the bank or the Neighborhood Lending Review Board.

Multifamily Lending

Lending Renew and increase the Neighborhood Lending Program	• Targets for multifamily lending are found in attachment. • The activities of the Neighborhood Lending Program will be continued. • 1998 Goal - $65 million in loans closed, 1999 goal - 7.5% increase to $70 million.
Encourage mixed-income development	• The bank concurs with the importance of mixed-income development including rental and for-sale units, and will encourage proposals for these.
Housing Policy Partner with City of Chicago to preserve affordable housing stock and expand home ownership opportunities	• The bank will continue to partner with the City of Chicago and community organizations in projects that support the goals of the new 5-year Department of Housing Affordable Housing Plan. • They will partner with the Chicago Rehab Network to identify methods to finance low income housing as described in the City's 5 Year Plan, such as: family housing prioritization; preservation; Section 8 & public housing; and, capacity of non-profits.

CRA Coalition Goals	*First Chicago-Banc One Plan*

Economic Development Task Force Issues

Small Business

Lending Increase bank lending to small businesses in low- and moderate-income areas.	• The bank concurs with a goal of reaching a cumulative metropolitan six county area total of 5,190 LMI small business loans by the end of the year 2004 (attachment breaks out totals by year and loans to very small businesses.) • The bank will continue to report small business lending to Neighborhood Review Board. • The bank agrees to approach DCCA (with CRA Coalition members) for higher matching levels in order to market CAP to small firms in minority communities, if and where necessary. • The bank will increase the number of affordable lines of credit for working capital that address customers rejected on the basis of current underwriting criteria. • The bank introduced a small business credit card in the fall of 1997, and will monitor the progress of this product. The bank will increase the marketing of this product in LMI communities. • For interested community organizations, the bank will partner on credit repair programs. • The bank is investigating the listing of a technical assistance organization name and contact on all rejection letters.
Technical Assistance Increase Technical Assistance ("T.A.") to low- and moderate- income commercial areas in under-served neighborhoods	• The bank will work with community organizations and an appropriate T.A. organization toward increasing T.A. , esp. accounting, bookkeeping, computer systems in LMI communities. • The bank will increase its funding of such activities by 10% for each of the next two years, and agree to evaluate results regularly.
More flexible underwriting	• The bank will extend the owner-occupied mixed-use pilot program established in 1996, and will explore expanding it to include commercial industrial properties contingent upon the continued performance of the portfolio.

Services Task Force Issues

Establish and market lifeline accounts	• The bank will convene a group to study the feasibility of offering an Access Account, with the goal of implementing this account. The study will be completed by November 30, 1998. (Attached letter from Chairman Istock describes more on this.) • The bank will monitor and review EFT guidelines when published this summer for the development of an EFT account. • The bank will increase marketing of lifeline accounts to unbanked individuals including EFT and/or EBT recipients. The bank will ensure that this issue is discussed at the Chicago Clearinghouse. • The bank will increase marketing of these accounts through various means and will consider contracts or grants with community organizations.
Increase financial literacy training	• The bank will allocate $50,000/year for financial literacy training through internal staff resources, workshops, publication of marketing and other materials, and /or grants to qualified organizations. • This program will be evaluated every two years, with consideration of renewal for another two years at the same level.

Branch Network

Increase the number of full-service bank branches in under-served communities	• The bank will open two new Dominick's full-service supermarket branches in low/mod areas in 1998 and 1999. • The bank will open, in addition, two new full-service branches in low/mod areas in the next four years.

CRA Coalition Goals	*First Chicago-Banc One Plan*

Investments and Grants Issues

Community Development Investments

CRA Coalition Goals	First Chicago-Banc One Plan
Establish a base for yearly increases of community development investments and grants, including bank CDC and equity investments in CDFIs.	• The bank will establish the combined 1998 totals of Banc One and First Chicago NBD as a baseline year for community development grants for the new corporation, and will increase such grants in the Chicago area by 5% annually for the next two years. The program will then be evaluated, with the goal of extending these increases for an additional two years. • The bank will set a goal of $16 million in funding commitments of the Bank CDC for 1998. • The bank will provide $500,000 over three years in long-term, below market equity equivalent investments or similar instruments, at which time the program will be evaluated, with consideration for renewal for an additional three years at the same level. • The bank will work with Chicago CDFIs on the development of credit enhancement/letter of credit pools.

Housing Education and Counseling

- The bank will continue to support homeownership education and counseling programs, particularly in low- and moderate-income areas.
- If there is demand for education on reverse equity mortgages, the bank will work with organizations on its development.

Other Issues

Evaluation/Monitoring:	• The bank will continue the quarterly meetings of the Neighborhood Lending Review Board
Vendor procurement:	• The bank will maintain its Supplier Diversity Program.

CRA Coalition Goals	First Chicago-Banc One Plan

Additional Issues of Agreement

Housing Task Force Issues

Mortgages for People with Disabilities

- The Community Pride Loan will be aggressively marketed to people with disabilities.
- The bank will work with community organizations serving people with disabilities to develop and market products or programs for people with disabilities.

Single Family

- The bank will explore models of purchase-rehab including Fannie Mae HomeStyle product..
- The bank will continue to invest in the NHS Family Housing Fund.

Multi-Family Pilot

- The bank will continue the multi-family pilot program, and review changes to make the program more effective.

Technical Assistance

- The bank will conduct semi-annual packager training, and for community organizations that are interested in co-hosting, will continue real estate development and investment training programs.

Economic Development Task Force Issues

Credit Scoring

- The bank will continue to review rejected loans for inclusion in the CAP or SBA programs, and with community organizations, will undertake a study of the ability of micro lending organizations to take on larger loans, and their ability to offer lines of credit.

Neighborhood Lending Program

- The bank will retain qualified staff.
- The Neighborhood Lending Program and CDC will continue to target community development deals: grocery stores, child care, health care

Marketing

- The bank will expand efforts to increase marketing of mixed-use and commercial real estate products in low-mod areas, esp to brokers, particularly where CDC and market opportunities exist.

Technical Assistance

- The bank will sponsor workshops, based on demand for ownership/management classes.

Issues for later discussion

Housing Task Force Issues

CRA Coalition Goals	*Current Bank Response*
Cash Flow Pilot Program • 500 loans in two years Program institutionalized if performance acceptable. • Eligible borrowers: high ratios with no significant change in housing costs. • Also referred to housing counseling agency once found eligible. • Underwrite based on past housing payments adjusting for utility costs and taxes. • 2-4 units building: apply rental income minus standard vacancy rate directly to mortgage payment.. • Coalition will work with Bank to identify a secondary market purchaser of loans.	• The bank will continue working with borrowers who have high ratios, but are already paying a high percentage of income on housing costs in rent payments. • The bank will distribute written information on loan counseling programs. • The bank will continue flexible underwriting on these applications. • The bank will continue to work with FNMAE and other secondary market players for the sale of these loans.
Mortgages for People with Disabilities • Purchase and purchase/rehab pilot project, 2 years, targeting low- and moderate-income people with disabilities; 20 loans in 1st year, 30 loans in 2nd year. • Use cash flow product described above or other flexible underwriting. • Explore appraisal gap subsidy with DOH or other sources. • Explore interest rate buydown or other subsidy with DOH or other sources. • Explore rehab of mixed use commercial property into accessible residential units	• The bank will provide targeted downpayment assistance (see main agreement). • The bank will market the Community Pride Loan (see above).
Support CRA and HMDA extensions	

Economic Development Task Force Issues

Credit Scoring

Monitor applicants turned down due to credit scoring

Lending

Help bond neighborhood-appropriate TIFs

Encourage bank lending up to regulatory limits in targeted communities.

Services Task Force Issues

IDA

- Provide matching funds for demonstration program;
- Tie IDA with recruitment of new Bank customers

Residential Lending Six Year Goals First Chicago NBD Crop. - Bank One, Combined (including mortgage companies) (a) Increases in LMI Lending and Cumulative Lending Volumes to Reach LMI - MUI Lending Goals Metropolitan Six County Area (b)								
	YEARS							
	1996	1999	2000	2001	2002	2003	2004	CUMULATIVE
Home Purchase								
Number of LMI home purchase loans in 1996	1,263							
Required number of LMI home purchase loans to reach LMI- MUI goal		1,450	1,540	1,618	1,695	1,770	1,770	9,843
Required increase in number of LMI over 1996 level		187	277	355	432	507	507	2,265
Required percent increase over 1996 level		15%	22%	28%	34%	40%	40%	
Home Improvement								
Number of LMI home improvement loans in 1996	1,204							
Required number of LMI home improvement to reach LMI- MUI goal		1,250	1,300	1,365	1,440	1,500	1500	8,355
Required increase in number of LMI loans over 1996 level		46	96	161	236	296	296	1,131
Required percent increase over 1996 level		4%	8%	13%	20%	25%	25%	
Refinance (1 - 4 units)								
Number of LMI home refinance loans in 1996	2,090							
Required number of LMI home refinance loans to reach LMI- MUI goal		2,575	2,700	2,825	3,000	3,135	3135	17,370
Required increase in number of LMI loans over 1996 level		485	610	735	910	1,045	1,045	4,830
Required percent increase over 1996 level		23%	29%	35%	44%	50%	50%	
Multi Family								
Number of LMI** multi family loans in 1996	45							
Required number of LMI multi family loans to reach LMI- MUI goal		46	48	51	54	56	56	311
Required increase in number of LMI loans over 1996 level		1	3	6	9	11	11	41
Required percent increase over 1996 level		2%	7%	13%	20%	24%	24%	
Total Residential (HMDA only)								
Number of LMI loans in 1996	4,602							
Required number of LMI loans to reach LMI- MUI goal		5,321	5,588	5,859	6,189	6,461	6,461	35,879
Required increase in number of LMI loans over 1996 level		719	986	1,257	1,587	1,859	1,859	8,267
Required percent increase over 1996 level		16%	21%	27%	34%	40%	40%	
(a) ANB, FNBC, FCNBD Mtg. Co., Bank One Chicago, N.A. and Bank One Mortgage Co. combined.								
(b) Cook, DuPage, Kane, Lake, McHenry and Will Counties								

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Small Business Lending Six Year Goals

First Chicago NBD Corp. - Bank One, Combined (a)

Increases in LMI Lending and Cumulative Lending Volumes to Reach LMI - MUI Lending Goals

Metropolitan Six County Area (b)

	YEARS							
	1996	1999	2000	2001	2002	2003	2004	CUMULATIVE
All Small Business Loans								
Number of LMI loans in 1996	688							
Required number of LMI loans to reach LMI- MUI goal		760	800	845	885	930	970	5,190
Required increase in number of LMI loans over 1996 level		72	112	157	197	242	282	1,062
Required percent increase over 1996 level		10%	16%	23%	29%	35%	41%	
Loans to Very Small Businessess (<=$1,000,000 in sales)								
Number of LMI loans to very small businesses in 1996	196							
Required number of LMI loans to reach LMI- MUI goal		255	270	285	300	315	330	1,755
Required increase in number of LMI loans over 1996 level		59	74	89	104	119	134	579
Required percent increase over 1996 level		30%	38%	45%	53%	61%	68%	

(a) ANB, FNBC, Bank One Chicago, N.A., and Bank One Dayton, N.A.

(b) Cook, DuPage, Kane, Lake, McHenry and Will Counties

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CORPORATION

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Chicago, Illinois 60670-0554
Telephone: (312) 732-4000

VERNE G. ISTOCK
Chairman, President and
Chief Executive Officer

July 3, 1998

Mr. Malcolm Bush
Chicago CRA Coalition
c/o The Woodstock Institute
407 South Dearborn
Suite 550
Chicago, IL 60605

Dear Malcolm,

I have been reflecting on our discussion last week related to the issue of what we might call an "access account" for individuals with limited or poor credit histories, or limited experience in dealing with banks.

It is clear to me that it would be beneficial to the community to provide an alternative to currency exchanges, and to encourage people to establish relationships with banks. Because of the importance of this issue, I have decided to assign the task to senior staff in our retail deposit product, branch delivery and legal departments to undertake a thorough feasibility study of establishing a pilot roll-out of an "access account", and to report directly to me on the findings.

I am aware that the Chicago CRA Coalition has requested that we commit to a product, and I wanted you to know why we cannot do that at this time with the information we have available. There are bank regulations (Regs B, CC and E, for instance) which would impact our ability to offer a product which is both reasonably priced and meets a substantial number of the policy goals which we would like to achieve. How to place certain individuals - and not others - into this account is a concern of mine, as are the requirements for monthly statements and the timely release of uncleared deposits, which is a major cause of fraud. I do not think these concerns are insurmountable, but they do illustrate why the issue needs more definition before we may be able to institute this product.

Your input on these issues, as well as examples of other successful models, would be very helpful to us in this endeavor. I have asked Mary Decker and Ed Jacob to coordinate your involvement in this process, which I have asked to begin within thirty days.

Please thank the Coalition again for all their insights and specifically for bringing this issue to my attention.

Cordially,

Vern

Chicago CRA Coalition

Background and Summary for Negotiations with First Chicago/Banc One

The Chicago CRA Coalition is an association of community organizations and other non-profits that use CRA to promote community development investments, services and lending by financial institution in minority and low- and moderate-income communities and to low- and moderate-income persons.

Term of agreement:
Six years, 1999-2004 inclusive.

Major Goals of the CRA Coalition:

1. To increase First Chicago/Banc One residential and small business lending to low- and moderate income persons and in low-moderate income and minority communities in the Chicago MSA .
2. To provide adequate financial services (branch networks, ATMs, life-line accounts) to low- and moderate income persons and in low- and moderate-income and minority communities.
3. To increase grants and investments in community development organizations and other non-profits relative to the increase in lending of the new bank.
4. To decrease predatory residential, consumer and small business lending.
5. To increase small business technical assistance and consumer credit counseling/repair services.

Definitions

Low-income: areas or people with incomes of 50% of the median or less.
Moderate-income: areas or people with incomes of 80% of the median or less.
Small businesses: loans of $1million or less.
Very small businesses: businesses with annual sales of $1 million or less.
Market share ratio: a measure of bank lending performance where the lender's share of business to low- and moderate-income areas/people is compared to its share of business to middle- and upper-income areas/people. A ratio of less than 1.0 means that the lender serves low- and moderate-income areas at a lower rate than it serves middle- and upper-income areas.

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Statement by Kevin Jackson, Chicago Rehab Network to Federal Reserve Bank of Chicago on First Chicago/Banc One Merger

August 13, 1998

Good morning, Ms. Smith. My name is Kevin Jackson, I am the Executive Director of the Chicago Rehab Network, a 20 year old coalition of 43 non-profit housing development organizations in Chicago. We are a member of the Steering Committee of the CRA Coalition and the Chair of the Housing Taskforce.

Financial institution's responsiveness to individuals and families in local neighborhoods is at the heart of the importance of the Community Reinvestment Act. Recognition of this is clear from the proceedings today. Public involvement in the decisions that impact communities, regions and the country is fundamental to the democratic process and ultimately, despite its difficulties a good thing. We congratulate the Federal Reserve Bank for calling this hearing and acknowledge the importance of the people assembled to participate. We also congratulate ACORN on helping to create the momentum that resulted in this hearing. And finally we congratulate First Chicago NBD on demonstrating the utility and possibility of CRA agreements that mean good business for the institution and communities.

The Chicago Rehab Network has a long history with the First National Bank of Chicago. In 1984, when First Chicago acquired American National Bank, we were part of the coalition that negotiated the first Neighborhood Lending Agreement. Since then we have sat on the quarterly Review Board, packaged hundreds of multi-family loans, and provided detailed input on community credit needs. When First Chicago merged with NBD three years ago we were part of the CRA Coalition that negotiated a detailed CRA Agreement.

As I stated in my opening, CRA is vital. The process that led to our present CRA Agreement occurred because CRA strengthens our government's mediating role between the private sector and the common good. The CRA agreement reached by the CRA Coalition in the proposed merger of First Chicago NBD and Banc One is a model for CRA agreements in both it's process and substance. After the merger was announced, the CRA Coalition moved quickly to hold a public meeting and then had Taskforce meetings to gather substantive input from community organizations throughout the region. The Housing Taskforce met three times to develop the initial set of negotiation items. We then met many times with First Chicago NBD and Banc One staff from the highest levels on down.

For the first time in CRA negotiations we were able to use a market share analysis to develop mortgage lending targets. As a result, over the next six years First Chicago NBD has committed to increasing their residential lending by more than 8,200 loans over current lending levels. In 1995 First Chicago established a $100,000 Downpayment Pool for homebuyers in Chicago's Empowerment Zones, with this Agreement the Pool has been increased to $900,000 and extended to more low and moderate income areas.

In discussing credit needs with organizations in Chicago there was a sense that, particularly in this time of megamergers and predatory lending, simply establishing lending targets is barely adequate. Without a thorough analysis of the credit needs of low and moderate income communities and individuals on which to base lending targets, there will continue to be unmet needs and borrowers who are forced to get inferior, high cost credit products. First Chicago NBD has committed to participate in the design and development of an analysis of credit and service needs in low and moderate income communities and to contribute to its implementation. They further agreed to work with CRN to expand the impact of the City of Chicago Department of Housing's second 5 year Affordable Housing Plan approved by the City Council in July.

We were particularly concerned to read in the merger application that Banc One had discontinued it's mortgage lending business except for the convenience of its customers and its CRA division. We believe that mortgage lending at all income levels is the foundation of community development and a bank's investment in a community. After discussion with both bank's CEOs and many of the senior staff, the bank announced that, through their best practices evaluation of the bank's business, they would resume full mortgage lending throughout the Banc One system. This is one of two system-wide commitment we received from Banc One, the second is that the bank will conduct a credit analysis on all applicants to the subprime lending unit and refer them to appropriate loan products.

The process I have described created a CRA Agreement that is responsive to the service and credit needs of low and moderate income communities, businesses and households in Chicago. With this Agreement we have a solid foundation to build on for the next six years. The same type of commitment must be made to low and moderate income people and communities throughout the Banc One system.

In the end the communities in which the members of the Chicago Rehab Network operate are not unlike communities throughout this country, struggling to build better neighborhoods through affordable housing and economic development, and fighting the growing tide of economic disparity. Our mission at CRN, to promote community development without displacement in our communities, requires us to stand in solidarity with communities across this country in their relationship to financial institutions. We believe that First Chicago NBD's leadership here should be replicated throughout the country and we call on the Federal Reserve Board to ensure that the same type of commitment is made to all low and moderate income people.

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FEDERAL RESERVE BANK OF CHICAGO

THURSDAY, AUGUST 13, 1998

"TESTIMONY OF MARK MCDANIEL REGARDING PROPOSED MERGER OF BANC ONE CORPORATION COLUMBIA, OHIO AND FIRST CHICAGO/NBD CORPORATION, CHICAGO, ILLINOIS"

6

Good Morning. I am Mark McDaniel and I am the President of the Michigan Capital Fund for Housing. The Capital Fund is a non profit housing corporation that was founded in 1993 for the purpose of raising and providing investment equity to create affordable housing in Michigan. The Funds mission in providing equity is to invest in projects that meet at least one of the following criteria:

1. Locate in a distressed community which includes rural areas
2. Smaller size projects
3. Non profit involvement as sponsors
4. Serving special needs populations

With that mission the Fund has raised and invested over 80 million of equity since 1993 creating over 2,000 units of affordable housing. Through our relationship with the Enterprise Social Investment Corporation, the Enterprise Foundation, and our financial institution investors the Fund now offers a multitude of financial resources to the development community in Michigan. This includes permanent debt financing, construction lending, technical assistance, predevelopment loans and grants, and charitable activities contributions. As a result of our growth and structure we have come to understand the banking industry intimately.

I am here today to tell you very simply that the merger between Banc One and First Chicago/NBD is the best news we've had in a long time. I know this is good news because this is the first time that a merger has gotten the bankers on our board grumbling. This is indicative that Banc One will be very competitive and push the other banks to become more aggressive and innovative than they're use to; in my view, that is what Banc One is bringing to Michigan and that is good.

Based on my 21 years of experience in planning, housing development, and community development, I am convinced that Banc One has a social and financial commitment to revitalizing and supporting community investment and development throughout its market area. This is true in our case even when they weren't in the Michigan market. In the formative stages of the Fund, Joe Hagan the President of the Banc One CDC, was advising us on structuring the Fund and selecting board members. They have provided me with input whenever I've been faced with complex issues which I have found very unusual when compared with other banks.

Banc One has invested $125 million is several national equity funds managed by Enterprise. They have invested $20 million in funds managed by the Ohio Capital Corporation for Housing. In addition Banc One is providing bridge financing to Ohio Capital. Their commitment to the Illinois, Chicago, Cleveland, Delaware, Texas, and Milwaukee Equity Fund has been similar.

There are some who will say, "so what". Tell that to the single mother living in a transitional housing development who, without Banc One's and others investments, would still be suffering the beatings of an abusive boyfriend or be out on the street with no where to go. The same mother who has got her life together because of this housing opportunity and is now ready to move into a Habitat for Humanity home. Tell that to the senior citizen in Cleveland who was living as a hostage in her home in a crime ridden neighborhood, who as a result of a Banc One investment, was able to move into a new safe and secure senior community. She now has a quality of life in her golden years that she never thought she would have. And finally, tell that to the young couple with little ones who where forced to live in a slumlord owned house with no security, broken plumbing and windows, and lack of adequate heat who, with the help of Banc One's investment in a national fund, was able to find safe and decent housing to raise their family in. There are thousands of stories like this.

NBD is represented on our Board of Directors and has as compared to other financial institutions in Michigan, been a significant but smaller player. We appreciate the support and effort they have put into the Fund. But we see this merger moving them to the forefront of community investment in Michigan. The first signs of this came within two weeks of the announced merger with a series of inquiries and meetings with Banc One personnel and the Fund to discuss how Banc One can provide their resources through the Fund. We are already working with Banc One Capital Corporation on a construction loan and co-investment for a senior citizen development in Adrian, Michigan. There has never been a single bank merger in Michigan where the lead bank has taken the time or made the effort to discuss with the Fund or others how they can best get involved in community development in the state. Banc One is the first to do this and we appreciate that and believe it is the indicative of how Banc One will be committed to working in Michigan.

In closing the Michigan Capital Fund is excited and supportive of the proposed merger between Banc One and First Chicago/NBD. We are looking forward to Banc One being one of our major investors and supporters. This merger will not only be good for the Fund but most importantly for the less fortunate residents in Michigan who need affordable housing.

Thank you for your time and I look forward to this great marriage to be consummated soon.

Statement regarding the proposed merger of Banc One and First Chicago NBD

by Dory Rand, Staff Attorney
Poverty Law Project of the National Clearinghouse for Legal Services

August 13, 1998 public hearing
at the Federal Reserve Bank of Chicago

The National Clearinghouse for Legal Services is a nonprofit organization based in Chicago that represents tens of thousands of low-income persons regarding welfare and housing policy issues through its Poverty Law Project and provides support to the poverty law community and others through its web site, print publications, library, and training and information services.

As a staff attorney with the Poverty Law Project and editor of its monthly newsletter, ILLINOIS WELFARE NEWS, I have monitored the development and implementation of new programs for electronic delivery of government benefits, including EBT and EFT. Illinois Link is the Illinois Electronic Benefit Transfer program for delivery of cash and food benefits to low-income people. EFT is the federal Electronic Funds Transfer program for delivery of federal payments such as Social Security, Supplemental Security Income (SSI), Veterans' benefits and Railroad Retirement benefits.

These EBT and EFT programs produce tremendous cost savings for the federal and state governments and help to reduce misuse of benefits, while providing some security and convenience advantages to recipients. The advantages of electronic delivery of benefits could be multiplied if recipients were to have their cash benefits directly deposited into bank accounts. For example,

- Funds deposited in a bank account enjoy the federal consumer protections of Regulation E (which limits liability for losses from fraudulent use to $50 in most cases); EBT funds have no such protection.
- Funds deposited in a bank account are insured by the Federal Deposit Insurance Corporation (FDIC), a U.S. government agency; EBT funds have no such protection.

- Persons who deposit their government benefits or employment checks in a checking account can use checks to pay their bills; persons without checking accounts often pay high fees for money orders.
- Persons with bank accounts can use banks as references for landlords, telephone companies, and utilities companies; persons without bank accounts cannot use banks as references.
- Persons who deposit their money in interest-bearing accounts can increase their assets.
- Persons who establish a good relationship with a bank may later build on that relationship when requesting a home mortgage, a car loan, a small business loan, or investment in their communities.

Despite the many advantages of using bank accounts, most state welfare recipients and SSI recipients, as well as many working poor individuals who do not receive public benefits, have no bank accounts. Instead, they continue to rely on costly check cashers to handle their cash transactions. And they have no place to accumulate savings for education, a down payment on a home, or a car.

There are a number of reasons why many low-income individuals do not have bank accounts, including the lack of bank branches in low-income communities, the lack of free or low-cost accounts, and the lack of financial literacy in many communities. Bank policies requiring screening of applicants' credit histories further limit access to bank accounts.

Banks can and should play a major role in helping to address these problems. Banks must expand access to mainstream financial services by

- establishing more full-service branches and ATMs in underserved low-income communities;
- conducting and funding financial literacy and credit counseling programs; and
- developing and marketing free and low-cost checking and savings accounts that are not subject to credit screening.

To that end, I participated as a member of the Chicago CRA Coalition Steering Committee in negotiations that lead to the recent CRA agreement with First Chicago NBD and Banc One. I am particularly pleased that the banks agreed to:

1. open at least four new bank branches in low- and moderate-income communities;
2. allocate $50,000 per year to conduct and/or fund financial literacy training; and
3. conduct a feasibility study by November 30 of this year, with the goal of implementing a free or low-cost "access" account for individuals with limited or poor credit histories, or limited experience in dealing with banks.

First Chicago Chairman, President and Chief Executive Officer Verne G. Istock sent a letter to the Chicago CRA Coalition stating his recognition of the need for such access accounts, his personal commitment to developing an account that will serve that need, and his willingness to work with the Chicago CRA Coalition on this important issue. I appreciate First Chicago's commitment and look forward to working with the new bank on these financial services issues.

I must add, however, that I am very troubled by Banc One's failure to negotiate with community groups in its other markets. If the new bank is to serve the convenience and needs of the communities in which it conducts business, it must negotiate in good faith and enter into similar CRA agreements with community-based organizations in *all* of its markets.

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Testimony to the Federal Reserve Board regarding proposed Banc One Corporation and First Chicago NBD Corporation merger
Jerome Odom, Organization of the NorthEast
August 12, 1998

DRAFT

Thank you for the opportunity to testify. My name is Jerome Odom and I am a member of the Organization of the NorthEast. I am also the President of the LakeView Towers Residents Association, which is working to purchase our 500 unit HUD-subsidized building in Uptown.

The Organization of the NorthEast (ONE), founded in 1974, is an organization of sixty dues-paying member institutions in the Uptown and Edgewater communities in Chicago. The mission of ONE is to "build and sustain a successful multi-ethnic, mixed-economic community in Uptown and Edgewater." To this end, ONE has enjoyed a close working relationship with First Chicago NBD.

(STUFF ABOUT THE NEIGHBORHOOD)

First Chicago has been a member organization of the Organization of the NorthEast for the past nine years. Currently First Chicago invests greatly in these two communities -both financially and by fostering close working relationships with many local organizations to support housing development, small business development, and industrial retention. Several years ago First Chicago NBD and three other banks created a commercial loan program to provide below market financing to commercial credit borrowers as a way to enhance small business development and job creation in the area.

First Chicago NBD and Banc One recently committed to a new CRA agreement with ONE and six other community organizations through the National Training and Information Center. The agreement, which constitutes a nearly $4 billion ten-year investment for all of Chicago with targets for investments in specific communities. This commitment is for single family housing, multifamily housing, small business development, marketing and services. It provides for a

O.N.E

bank representative to work closely with each of the six community areas to target this agreement to neighborhood needs. This agreement builds on First Chicago's history of being a strong presence in this community.

The Organization of the NorthEast has no prior experience working with Banc One, but view their commitment to this CRA agreement and their willingness to continue the great work that First Chicago has done here in Chicago a positive sign. We look forward to working with Banc One/ First Chicago to fully utilize the opportunities created by the agreement. We support this merger with the confidence that there is genuine commitment to this agreement and the hope that similar commitments will be made for the rest of Banc One and First Chicago's market.

(7)

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August 13, 1998

To: Federal Reserve Bank of Chicago
230 S. LaSalle
Chicago, IL

From: Cora Morris

I am Cora Morris, the owner of Greek Grandeur in Champaign, Illinois. Greek Grandeur, established in December of 1991, is a retail and embroidery business that specializes in paraphernalia for fraternal organizations and logos for businesses. I am here today on behalf of African American small business owners for which Bank One has assisted with business loans.

I am only one of many African American business owners who have experienced great difficulty with not only starting a business, but staying in business. It was very difficult to obtain financial assistance in order to stay in business. I went to four different financial institutions within my community in order to obtain a small business loan and was denied. Finally, I met with a loan officer at Bank One who reviewed my business plan and discussed criteria for meeting qualifications for small business loans. Through this process I gained valuable information.

Bank One helped me when no one else would. They were flexible and understanding with payment arrangements. Thus, due to their willingness to give me a chance, the Greek Grandeur was able to expand and now has a web page on the World Wide Web.

I would also like to add, that there are other African Americans within our community that was able to go to Bank One for help. In 1996, my mother relocated to Champaign - Urbana. Bank One assisted her and my sister with their home mortgage loan. They too had visited other financial institutions prior to Bank One and was denied.

In closing, Bank One has been an asset to my community through their relationship and assistance to the African Americans. My experience with this organization has been beneficial, valuable, and a great pleasure.

Cora Morris, Owner

See our Showroom

NTIC National Training and Information Center
810 N. Milwaukee Ave. □ Chicago, Illinois 60622-4103 □ (312) 243-3035

Testimony Submitted to the Federal Reserve Bank of Chicago

Public Meeting Regarding the Proposed Merger of
Banc One Corporation and First Chicago NBD Corporation

August 13, 1998

Liz Ryan
National Training and Information Center

I would like to thank the board for this opportunity to testify. The National Training and Information Center is a resource center that has been working with grassroots community based organizations for over 25 years. Throughout our history we have assisted literally hundreds of community groups enter into partnerships with banks to better their neighborhoods. Billions of dollars have gone for single family housing, small business, and multi-family lending through these agreements.

NTIC itself has been directly involved in several Community Reinvestment partnerships in the city of Chicago, one of the most successful with 1st Chicago, NBD. Through three renewals and fourteen years, NTIC, with other non-profits in the city, has forged innovative programs and lending products to better serve the credit needs of the city. A critical component to this agreement have been the quarterly review board meetings, a process engaged in by the bank and the participating non-profits. The open lines of communication have enabled the members to establish a real level of accountability and has paved the way for true problem solving. The firm commitment of First Chicago and Banc One to continue on with the review board process after the proposed merger is a major reason for NTIC's support of the proposed merger.

Recently, in the context of the merger, NTIC and six neighborhood organizations have entered into a new, ten year reinvestment agreement with Banc One and First Chicago. This nearly $4 billion commitment is for the city of Chicago as a whole but also contains a specifically targeted program dedicated to getting loans out the doors of the bank and into communities. The bank has committed to working closely with NTIC and the initial six grassroots organizations to get this $4 billion out into the neighborhoods. Specifically, the bank will dedicate liaisons and loan officers who will be meeting regularly with the neighborhood residents. The bank has committed to having loan officers and/or interpreters that reflect the communities and has agreed to an oversight committee of all of the partners in the agreement. The initial six groups are Blocks Together, Brighton Park Neighborhood Council, Organization of the NorthEast, Nobel Neighbors, Northwest Neighborhood Federation, and South Austin Coalition Community Council.

As a basis for comparison, the recent nation wide pledge of $350 billion made by NationsBank and Bank of America would, in addition to falling short of their current levels of lending, comprise only 23% of their residential lending. Conversely, the Chicago commitment made by Banc One and First Chicago will comprise a full 46% of their residential lending. Instead of an empty promise and sound bites, First Chicago and BancOne have made a commitment of substance. We will, of course, keep the Board apprised of the progress on this commitment and will lodge a protest if the commitments made by First Chicago and BancOne are not fulfilled.

With the assumption that the banks will be faithful in fulfilling the commitments they have made, NTIC supports the merger of these institutions. We are hopeful that the good experiences we have had with First Chicago in the past and renewed the commitments to serve Chicago will extend to the entire Banc One and First Chicago's market.

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ORGANIZATION OF THE NORTHEAST

5121 North Clark Street Chicago, Illinois 60640 773-769-3232 Fax: 773-769-0729

Testimony to the Federal Reserve Board regarding proposed Banc One Corporation and First Chicago NBD Corporation merger

Jerome Odom, Organization of the NorthEast

August 12, 1998

Thank you for the opportunity to testify. My name is Jerome Odom and I am a member of the Organization of the NorthEast. I am also the President of the LakeView Towers Residents Association, which is working to purchase our 500 unit HUD-subsidized building in Uptown.

The Organization of the NorthEast (ONE), founded in 1974, is an organization of sixty dues-paying member institutions in the Uptown and Edgewater communities in Chicago. The mission of ONE is to "build and sustain a successful multi-ethnic, mixed-economic community in Uptown and Edgewater." To this end, ONE has enjoyed a close working relationship with First Chicago NBD.

First Chicago has been a member organization of the Organization of the NorthEast for the past nine years. Currently First Chicago invests greatly in these two communities -both financially and by fostering close working relationships with many local organizations to support housing development, small business development, and industrial retention. Several years ago First Chicago NBD and three other banks created a commercial loan program to provide below market financing to commercial credit borrowers as a way to enhance small business development and job creation in the area.

First Chicago NBD and Banc One recently committed to a new CRA agreement with ONE and six other community organizations through the National Training and Information Center. The agreement, which constitutes a nearly $4 billion ten-year investment for all of Chicago with targets for investments in specific communities. This commitment is for single family housing, multifamily housing, small business development, marketing and services. It provides for a bank representative to work closely with each of the six community areas to target this agreement to neighborhood needs. This agreement builds on First Chicago's history of being a strong presence in this community.

One but view their commitment to this CRA agreement and their willingness to continue the great work that First Chicago has done here in Chicago a positive sign. We look forward to working with Banc One/ First Chicago to fully utilize the opportunities created by the agreement. We support this merger with the confidence that there is genuine commitment to this agreement and the hope that similar commitments will be made for the rest of Banc One and First Chicago's market.

My name is Raymond Schmidt. I am the Executive Director of a nonprofit corporation in Milwaukee, WI, called Select Milwaukee. The organization was formed in 1991 and is dedicated to promoting, supporting and facilitating affordable homeownership in city of Milwaukee neighborhoods through collaboration with the nonprofit, private and public sectors. Select Milwaukee provides direct services to prospective home buyers, urban market training and other services to mortgage lenders and real estate professionals, produces neighborhood marketing events and has developed and administers for several Milwaukee employers their employer assisted homeownership and walk to work programs.

My brief comments today reflect our organization's valued and long-standing relationship with Bank One WI. And it is based on that relationship that I extend Select Milwaukee's support of Banc One Corporation's proposed acquisition of First Chicago NBD.

As noted, collaboration is a major piece of just about all of our efforts at Select Milwaukee. Most of us in this line of work have the chance to meet with and enlist the support of many different businesses, institutions and organizations. Over the past several years, Select Milwaukee has developed relationships on a number of levels with several mortgage lenders. During that time, we have had numerous opportunities to work directly with Bank One, Wisconsin and to observe its affordable lending and other community development efforts. Our experiences with the bank compel me to unequivocally state that Bank One is among Milwaukee's most thoughtful, savvy, and committed affordable housing financial institutions and an important corporate partner in many other endeavors.

Bank One, Wisconsin is clearly distinguished among most lenders in Milwaukee by its thoughtful, serious approach to collaboration with our organization and our colleagues in

Milwaukee in a variety of ventures. I am being quite candid when I suggest that unlike some institutions, the bank does not embarrass itself or offend organizations like ours by merely "talking a good game," glad-handing, or with product or service gimmickry. For us, Bank One is the respected and valued corporate citizen it is because of a corporate philosophy. It is a philosophy that is no doubt also responsible for the highly competent and diverse staff with which we have had the pleasure to work over the years.

From my vantage point, there is perhaps no more significant example of Bank One's commitment to affordable lending here than the leadership, dedication and financial support extended to the launch of New Opportunities for Homeownership in Milwaukee (NOHIM). A nationally recognized affordable homeownership coalition, NOHIM's 55 members represent Milwaukee area banks, thrifts, credit unions, mortgage insurance firms, community-based home buyer counseling organizations, the City of Milwaukee and the Wisconsin Housing and Economic Development Authority. NOHIM has dramatically increased homeownership opportunities for modest income Milwaukee families, with nearly 2,000 new homeowners and over $85 million in mortgage loans since its creation in 1991. NOHIM annually generates from mortgage lenders over $100,000 support for home buyer counseling and loan packaging services, offers exclusive proprietary participation for lender members in a variety of lending initiatives and provides affordable homeownership training for the membership. This year NOHIM received from HUD a Gunther Award and was recognized in 1996 as one of the first local partnerships in the National Partners in Homeownership Campaign. I am convinced that Bank One's leadership and significant financial and staff support that nurtured NOHIM in its early days is largely responsible for Milwaukee's national renown and successes in affordable lending.

Select Milwaukee has garnered the frequent support of Bank One for neighborhood marketing and homeownership promotion activities. Among these activities are neighborhood tours and home buyer expositions. These events are invaluable as introductions of first-time prospective buyers to the home buying process and opportunities in Milwaukee and serve to expand the range of housing and neighborhood options for buyers. Now, of course there is a financial component of support for such activities, but in the case of Bank One, its involvement has always gone beyond just dollars. It is easy to write a check. But reflecting the seriousness with which the bank takes its community involvement and Bank One's trademark professionalism in these endeavors, significant dedication of staff, and not just community affairs or CRA staff, has always been part of the bank's support. Corporate community affairs and marketing staff lend their time and expertise to insure that these *city* events are as successful and well-produced as any new suburban subdivision promotion.

Finally, Select Milwaukee has benefitted a great deal from and values its professional comradery with Bank One community and government relations staff persons. On many occasions, covering a gamut of topics, including legislative and regulatory issues, bank staff have served as a sounding board, provided advice, and offered valuable insights. That doesn't mean we've always agreed, but we have consistently gained from the impressive level of interest, accessibility and thoughtfulness.

In conclusion, I wish to reiterate Select Milwaukee's solid support of Banc One's acquisition of First Chicago. Our organization believes that the merger can only enhance the bank's commitment and capacity to invest in affordable homeownership for modest income Milwaukee families and in other community development initiatives in our community and elsewhere.

Eve Elder-Mayes
1133 Cheyenne Drive
Cincinnati,Ohio 45216

August 13, 1998

Federal Reserve Bank of Chicago
230 South Lasalle Street
Chicago, Illinois 60604-1413
ATT: Alecia Williams

Dear Ms. Williams,

I am opposed to the Banc One merger for the following reasons:

1, Banc Ones use of "Disparate Guidelines" as it pertains to the sellers as well as buyers for residential mortgage loans.

2. Banc Ones blatant misuse of CDBG dollars in the Cincinnati "College Hill Downpayment Assistance Program".

3.Banc Ones systematic blockbustering as it pertains to allowing Caucasian Investors to sell their residential properties and disallowing African-American homeowners to sell their properties. (Specifically by the misuse of downpayment assistance dollars(CDGB).

In conclusion, I would like to state that in my 3 year relationship with Banc One, I have been discriminated against due to my ethnic background which is African-American and of Jewish heritage. And I have been asked to literally do "WHATEVER IT TAKES" to get a mortgage loan, line of credit , and even a credit card. I believe that if this merger is allowed, it will let Banc One monopolize the Midwest and to what they have been doing "WHATEVER IT TAKES", even if it means destroying the financial prosperity of the African-American as well as Jewish Communities.

Banc One does not have my best interset at heart and to them I only represent one more African-American in their HUMDA data that they helped. I repeat that I am against the merger of Banc One and believe a full scale investigation needs to be done into their activities in the Greater Cincinnati Area. (Specifically the "College Hill Downpayment Assistance Program". Also Banc Ones entire CRA department (Cincinnati) needs to be investigated as it pertains to the above.

Sincerely,

Eve Elder-Mayes

CC: Dr. Milton Hinton President Cincinnati Chapter NAACP

News Media

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Testimony on the proposed merger of Banc One Corporation, Columbus, Ohio, with First Chicago NBD Corporation, Chicago, Illinois

By Michael G. Matejka
Central Illinois Organizing Project
Second Ward alderman, City of Bloomington, Illinois

Let me begin by thanking the officials for their patience today. As an elected official, I know well the care and patience required to sit through a long-session and concentrate on each individual and their particular testimony.

The question we are about today, my friends, is money, capital. We Americans have invested unique properties in strips of green paper 2 ½ inches wide x 6 inches long. Through the transaction of these strips of green paper we are able to provide food, shelter and clothing. Enough of these green strips and one can live quite well. And if there is a shortage of these strips of green paper, an individual, or a community, can flounder.

I come to you today as someone our government would classify as a low to moderate income European-American from Central Illinois living in a slum-blight district.

Let me tell you something about that slum blight district that I call home, the west side of Bloomington, Illinois. Although it has received this official designation, most of the homes are single family owned. The majority of the population is employed. Although we have our occasional problems, we are a racially integrated area composed of hard-working people.

Can my neighborhood survive? It can survive if we have access to those green paper strips. That's why my neighbors and I go to work everyday. And as working class people, we receive enough of those paper strips to buy our groceries and gas our cars. Can we buy a home? Not without the assistance of a bank. Can we start up a small business? Not without the assistance of a bank.

Folks in my neighborhood are proud of their homes, they paint them, they plant flowers, they care for them. But we can't continue to buy and maintain those homes without a financial support network. We're not asking for give-aways, we are asking for the door to be opened, for access to capital.

I'm sad to say that Banc One is closing the door to my neighborhood. They've drawn a line around my hard working neighbors and taken their strips of green paper to more lucrative markets. Only ten African-American families received loans in my community from Banc One in 1996, and of these ten, only two went to low and moderate income families. Those two families got $14,000 from the bank. Of those African-American families that applied to Banc One for a loan, 36 percent were rejected, almost double the white rejection rate of 17 percent. Meanwhile 272 affluent white families received almost $6 million in loans from Banc One. While Banc One was increasing its loans to affluent households, going from 105 in 1995 to 342 in 1996, it reduced its loans for low and moderate income families during the same time period from 79 to 54 loans.

Banc One increased its market share in my community from 4 percent in 1995 to 9 percent in 1996. High-income census tract lending jumped impressively from $270,000 in 1995 to $1.6 million one year later.

Banc One obviously has some money to lend in Bloomington, Illinois. What I am asking is that some of those strips of green paper come to my neighborhood too. As this welfare to work transition continues, we need capital to help individuals start small businesses and have a chance. In my neighborhood, again what the government likes to call low to moderate income families living in a slum-blight area -- I don't like those term, I prefer to call us what we are, hard-working, honest, working-class Americans, keeping an older neighborhood intact. My neighbors and I need those green strips of paper to continue maintaining our neighborhood. All we ask is a

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chance -- a chance Banc One won't give us.

Concentration of capital serves no social purpose if it's only purpose is to make the rich richer. We as a nation will only survive in peace if we all have equal chances and equal opportunity. I respectfully ask that you deny this merger, as Banc One is not meeting the Community Reinvestment Act needs in my neighborhood now. Further distance from local markets will not serve our neighborhoods. I ask your assistance in assuring that these strips of green paper can continue to be available to my neighborhood in Bloomington, Illinois. Our neighborhood can survive -- but only with a little help -- and we need banks willing to help. Please stop this merger until Banc One shows more concern for its area of service.

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Bobbie Rice
8630 Tonowanda
Dallas TX 75216

8/12/98

Federal Reserve
Chicago Illionois

The reason I have a savings account with Bank One is exactly because I need to save my money. I am on a fixed income, supporting several children, and I must save as much as I can. However, Bank One charges me ten dollars per month to maintain my account. The only way the service charge is forgiven is if I maintain a $1500 balance at all times. If I cannot possibly afford to keep this amount, then why must I pay this outrageous sum of money per month? I am penalized for being poor.
I used to have a checking account with Bank One also, but I found it impossible to balance my book according to the statements. Many times there were mistakes on the statements, but the bank never took credit for them. I would have certain amounts drafted twice instead of once, but nothing was ever done to make the corrections to my account. Often times, because amounts were drafted more than once, or my deposits were not added to my account when they were supposed to, my checks would bounce. Rather than the bank picking up the charge for their mistake, I would have to pay the overdraft fee of $25 per check. I tried calling several times to speak to someone in a management position, but either was not be able to speak to the person, or left a message, and no one called me back.
Bank One is not concerned about their customers. This is only a business to them, and they're out for money.

Sincerely,

Bobbie Rice
Dallas Texas ACORN

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Statement of Dallas ACORN on Banc One's record in Texas

Good morning my name is Rev. Wesley Sims and I am from Dallas Texas. We are opposed to the merger of Bank One with First Chicago. I am here to testify to Banc Ones poor record of servicing Texas communities, especially low-income and minority communities and consumers. In general, Banc One under serves and redlines minority neighborhoods and rejects African Americans and Latinos at much higher rates than white applicants. Banc One's performance in Dallas and Houston lags significantly behind the market averages.

I first will talk about Banc One's lending record. In Dallas, African Americans were rejected for conventional home purchase loans at Banc One nearly three times as frequently as white applicants in 1996. This rate is higher than the market average of conventional home lenders rejecting African Americans at twice the rate of white applicants. Even African Americans earning above 120% of the median income were rejected more than two and a half times as frequently as whites of similar incomes. In fact, the African Americans were rejected at rates double that of moderate income white applicants -- 35% and 17% respectively.

Dallas Latinos received comparable treatment at the Banc One offices. Latinos were rejected more than twice as frequently as white applicants for conventional mortgages in 1996. This rate again is higher then the market average rejection ratio of 1.78 for all Dallas lenders. Upper income Latinos were also rejected twice as frequently as upper income white applicants.

A similar pattern is found in Houston, where African Americans and Latinos are rejected much more frequently than white applicants. African Americans were rejected more than three and a half times as frequently as whites in 1996 -- up slightly from the 1995 of just shy of three and a half in 1995. This figure is more than double the market average of African Americans being rejected more than one and a half times as frequently as whites. Incredibly, the rejection rates for upper income African Americans is nearly triple that of moderate income white applicants -- 29% and 11% respectively.

The picture was no brighter for Houston Latinos. Latinos were rejected nearly twice as frequently as white applicants in 1996. This figure is also an increase from the one and a half times Latinos were rejected in comparison to white applicants in 1995. Again, the ratio is measurably higher than the market average, where Latinos were rejected 27% more frequently than whites. Upper a

income Latinos were rejected nearly twice as frequently as moderate income white applicants.

These figures are appalling. If the stories from Dallas consumers are any guide, these numbers may be understating the problem. Minorities in Texas don't have a chance at the Banc One lenders office. Meanwhile, many neighborhoods are in desperate need of access to credit and new homeowners. It is unlikely that they will find it at Banc One. ACORN has discovered that Banc One is most likely to lend to the whitest and wealthiest neighborhoods in Houston and Dallas.

In Dallas, 23% of the nearly 400 conventional mortgage loans Banc One made in 1996 went to census tracts where whites made up more than 90% of the population. Only 11% went to census tracts where minorities made up the majority of the population. A mere 4% of these originations went to census tracts below 50% of the area median income. 88% of these low-income tracts received no loans at all.

In Houston the pattern was, if anything, more troubling. 45% of Banc One's more than 700 conventional mortgages went to census tracts where whites made up more than eighty percent of the population. Only 13% of the loans went to census tracts where minorities made up the majority of the population -- less than half of those went to census tracts where minorities made up more than 75% of the population. A mere 2% of the conventional mortgagees went to census tracts where household income was below 50% of the area median. Of the 117 low-income census tracts in the Houston area, 86% received no conventional mortgages.

Taken together, these two facts show a dual pattern of rejection at Banc One in Texas, Minority individuals are frequently turned down for loans at Banc One, more frequently than their white counterparts. Low-income and minority neighborhoods are likewise unserved by Banc One. The road to home ownership is an essential tool to build wealth for families and to shore up neighborhoods and communities. Home owners build equity in their families and in turn their neighborhoods benefit. With inadequate access to fair credit, these neighborhoods and families suffer unduly. Banc One is a contributor to this unfairness.

ACORN has tried to get commitments from Bank One to turn these problems around. ACORN met with Bank One with the help of our Congresswoman Eddie Bernice Johnson. I was at the meeting. I asked weren't they concerned that so few loans went to African Americans. They kept talking about their other lending, like credit card lending and personal loans. Well, getting people in debt is not the same thing as helping people to become homeowners. We need more homeowners in our neighborhoods. The banker at the meeting also kept talking about the loans they do with affordable housing groups. That's great. But ACORN is the group that is concerned about what happens to the ordinary every day person who walks into the bank. And with Bank One they seem not to make very many loans to make people homeowners. At the meeting we asked Bank One to do one of two things. Either make a commitment matching the commitments in Detroit and Chicago as to how much they would lend to minority and low and moderate income neighborhoods **or** tell what program they would use to do a better job of lending to minorities. They did not make either commitment. The Federal Reserve should take this opportunity to address this inadequate record and reject the proposed merger without practical and workable changes in Banc One's operation. Thank you.

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Good afternoon, my name is Shirley Vargas. I live in Pleasant Grove, Dallas TX. I have a bank account at Bank One and I am opposed to the merger because I feel like the bank discriminates against people who are tying to get loans, even when they are applying for loans that they can afford.

That happened to me, and to several other people whose stories I will tell.

Mr. Washington, an African-American, applied for a loan at Bank One about two years ago. He has lived in his house for 30 years. He had been at the same job for 20 years and it's a good paying union job. He has an account at Bank One. In 1996 he applied for a home improvement loan from Bank One for $5000.00. He didn't hear anything from them in 2-3 months so he went up there to check it out. They hadn't even looked at his paperwork. He asked if they could process the application. It is now 2 years later and he still hasn't heard anything from them at all. Not even that he was denied.

This story is very disturbing because it is similar to a mortgage discrimination settlement Bank One reported at Arizona Republic in 1997. It made a cash settlement with five families, one of whom speaks off the record. She says her husband and her applied for a home loan and more than a month later, after they has lost the contract on their house, Bank One said it had lost their application. They tried again at Bank One, and this time were told after several weeks that their application was late, and that they had not filled out all the forms. The couple applied at a different lender and were approved within one week.

My fiancee and I had a similar experience at Bank One when we applied for a home loan.

We went to Bank One to apply for a home loan. I had an account there. My fiancee had been employed by his company since 1991. The company got changed around and he was changed from a regular employee to a contractual worker, but he was still doing the same work. We went to the bank to apply for a home loan that was for $65,000. We had $4500.00 cash to put down . The banker told my fiancee that he hadn't been on his job long enough to qualify. They told him he had to be self employed for 4 years, and he had only been self employed for 2. He then told me that I didn't make enough money anyway and that we should come back in 2 years. We were making together about $27,000 a year. We had tax forms and everything for both of our jobs. The banker did not even run our credit report. He did not suggest any other program. I didn't go anywhere else because I thought that if I banked here and they turned me down, I don't have a chance anywhere else. I am glad to speak up today because I now know that what happened was wrong, we could have gotten that house if only we were treated fairly. We still rent, but we still have a dream to buy our own home.

Another man, William. applied for a bill consolidation loan in May of 1996. At that time he had 3 or 4 accounts at the bank with $10-11,000 total in them. He also had several loans prior to that, and had paid those loans off early. He wanted a consolidation loan mostly for credit cards. He needed $10-11,000. About half of that amount was on Bank One credit cards. The bank said that they could not do the loan. A few weeks after ,that Bank One sent him a "check" for $2500 at 23.49% interest rate. It was one of those checks where if a person cashes it turns into a loan. He then went back to the bank and checked on the "regular" interest rate which was around 8.5%. He asked someone at the bank why they would send him this "check" when they wouldn't give him a loan, but they had no answer. Shortly after this he closed his accounts with the bank.

ACORN is very concerned about these cases for several reasons. By creating a hassle for the customer who wants a loan, Bank One may be prescreening some applicants away. If the application is never taken, it does not show up on HMDA reports. This undercounts the number of applicants from minorities, but more importantly,

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it may signal a prescreening of applicants it plans to reject, artificially lowering its rejection rates and ratios for minorities.

Thank you for your time.

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Good afternoon my name is Bobbie Rice. I am from a low and moderate income area in Dallas Texas. I am against the Bank One merger because of my experiences with Bank One, and because of the stories that I have heard from others about their treatment by the Bank.

Bank One is not a bank that does a very good job at servicing people in my community. Some people in my community have a difficult time understanding the complex banking fee structures and no one takes the time to explain the fees to them until it is to late or they are rude, insensitive, and in some cases racist.

For instance a man named Ogan Defreeze.
Mr. Defreeze is an African American senior citizen living on a fixed income of about $500.00 a month. He has been a Bank One customer for many years. He even banked at the same bank before it got a name change to Bank One. He always went in to use the teller because that is what he had always done. The only problem was that Bank One decided to start charging people $2.00 to use a teller. $2.00 may not sound like a lot to you, but we do not have much room in our budgets to waste money. Mr. Defreeze wrote checks to pay bills on money he thought he had, but because of the fees, he bounced checks and had to pay bounced check fees. He estimates that Bank One took almost $200.00 from him in bounced check fees before someone explained about the teller fee. $200.00 is nearly half of his monthly income. Bank One also lost a $10.00 deposit, then found it, and still refused to refund a bounced check fee that occurred due to their mistake.

I have had a similar experience.
I have a savings account at Bank One. The reason I have a savings account is exactly because I need to save my money. I am on a fixed income, supporting ~~several~~ my Grand children, and I must save as much as I can. However, Bank One charges me ten dollars per month to maintain my account. The only way the service charge is forgiven is if I maintain a $1500 balance at all times. If I cannot possibly afford to

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keep this amount, then why must I pay this outrageous sum of money per month? I am penalized for being poor.

I used to have a checking account with Bank One also, but I found it impossible to balance my book according to the statements. Many times there were mistakes on the statements, but the bank never took credit for them. I would have certain amounts drafted twice instead of once, but nothing was ever done to make the corrections to my account. Often times, because amounts were drafted more than once, or my deposits were not added to my account when they were supposed to, my checks would bounce. Rather than the bank picking up the charge for their mistake, I would have to pay the overdraft fee of $25 per check. I tried calling several times to speak to someone in a management position, but ~~either~~ I was not ~~be~~ able to speak to the person, ~~or~~ and left a message, and no one called me back.

The Soria family had similar problems with Bank One and their account. They are a Mexican American couple who were slightly overdrawn on their checking account in December of 1995. They took a Treasury check to deposit and withdraw three hundred dollars for Christmas shopping -- paying off their account and accessing their money. The teller refused to cash any portion of the check, called the Sorias "dirt bag Mexicans," and closed their account. Mrs. Soria called a regional manager to resolve the matter who informed them the teller had acted improperly and opened a new account for the couple and cashed their check.

Unfortunately, the bank was still drawing from their closed account. The Sorias were not informed of this until Bank One froze their new account without telling them why. Bank One charged the Sorias ten dollars to look through their records where the couple found a two hundred dollar overdraft on the account the rude teller closed. The Sorias never asked to have their first account closed, nor did they receive any notice from Bank One about the overdrafts on the first account. Three months later their account is still frozen and Bank One wants them to close their accounts and change banks. In the words of Mrs. Cynthia Soria "We believe they

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don't want our business because we are Mexican Americans. But we are not going away."

We have heard many stories of people who have had band experiences with Bank One and we have only been collecting stories for about 3 weeks. 8 out every 10 people that we talk to has something bad to say about the way Bank One has treated them. We need a bank in our community that knows how to deal with low income people and their unique needs. Everyone needs banks, we need a place to store our money and we need an efficient way to pay our bills, we need credit and money in our neighborhoods. Bank One needs a partner that can help them develop programs so that they can start doing a better job. The Federal Reserve needs to consider denying this merger due to my bad experiences with the Bank and the 100's of other of people like me that I represent.

Thank you. Yes I am concider to be the most poor black person. What Bank ONE fail to relise that We to as poor people would like to be rich, have a business etc.... Which theseis Bank. ONE favor, I would like to Ride a boat & DRive a catlocH car, But being poor and being African american ~~omerican~~ I am not bank one favor.

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First Nations Development Institute

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

Testimony of Rebecca Adamson
President
First Nations Development Institute
before the
Board of Governors
Federal Reserve System
Federal Reserve Bank of Chicago
August 13, 1998

Governors and Members of the Federal Reserve System:

Greetings. My name is Jerry Reynolds. I will be delivering the remarks of Rebecca Adamson, President of First Nations Development Institute, a Native American economic development organization of 18 years' standing headquartered in Fredericksburg, Va. Ms. Adamson could not be here today, but from our Information Services department I monitor Community Reinvestment Act issues as they pertain to Indian Country. I am a board member of the National Community Reinvestment Coalition.

I spoke with a consultant to a tribal council some weeks ago. In the midst of our conversation, he made the statement, "The tribe is isolated. It's a 200-mile round trip for necessities, like cash."

More than three-quarters of one million Native Americans and 91 tribes reside within the market area that would be created in the proposed acquisition of First Chicago NBD Corp. by Banc One Corp. Many of them are as remote as the tribe with a 200-mile round trip to the nearest banking services, and some more so. Sadly, a First Nations Development Institute survey (attached) of Native American banking needs within the merged entity's market area found that much less remote tribes – tribes within a 20- to 40-mile range of Banc One branches – have been regularly neglected by Banc One.

My point is that geography is a major hurdle to the provision of banking and financial services to Native Americans. The proposed merger, if approved, would provide the new entity with the resources to get over this geographic hurdle. With these resources, the bank should be able to absorb the development costs of products and services that would enable it to surmount some of the geographic challenges to lending in Indian Country.

Given that Banc One's record of services to Native American communities, according to our survey findings, is characterized by a concentration on the cream of the crop – on those Native communities whose more evolved economies translate to lower risk for banking activities

– the board's approval of the merger should be contingent upon substantial improvements in BancOne's outreach and delivery of services to Native communities, including urban Native populations who starve for credit in cities with an abundance of Banc One branches. Again, the augmented resources of the merged entity should provide the incentive for business initiatives.

Further, the new Banc One should be required to develop plans for Native-specific loan products in coordination with a diversity of Native American groups, an approach recommended toward other community groups by First Chicago Chairman Verne G. Istock. This would contribute in future to sidetracking such avoidable debacles as Banc One's disastrous and half-hearted experiment with mobile unit banks. When the initiative first began to bring credibility Banc One's way through newspaper articles and conference presentations, First Nations was reluctant to criticize a financial institution that was at least trying to make credit available in Indian Country. Still, we had strong doubts about an initiative that amounted to little more than rolling out 20th Century technology (the automobile) to serve 19th Century needs (personal and consumer loans). Now that Banc One, having reaped a windfall of publicity but no profit, has garaged this antiquated road show and left Indian Country to overcome its failure, we can assert with certainty that sustained collaboration with a diversity of Native groups has been the missing ingredient in Banc One's limited approaches to Indian Country. For starters, mobile units in the 21st Century must be fully operational banks, securitized through satellite communications technology; no one will have to "ride shotgun." In the event the merger is approved, we trust the Federal Reserve to urge the updated approach to mobile unit banking on Banc One's attention.

First Nations wishes to close with an acknowledgment of the outstanding lending and services Banc One provides in more than a dozen Native communities, the significant investments Banc One has made in several Native American organizations, and still other investments that are under consideration. Banc One's greatly appreciated recent grant to North American Native Bankers Association, in support of starting a venture capital company that would assist Indian tribes and Native people in acquiring or creating locally owned and managed financial institutions, is innovative and praiseworthy. In addition, First Nations recently hosted Banc One executives on site visits to underserved Native communities in Wisconsin. Banc One continues to be a bank that tries to make credit available in Indian Country. In particular, its CD-secured lending at Gila River Indian Community and Camp Verde Yavapai Apache Nation in Arizona, as well as its internal appointment of a team to familiarize Banc One Mortgage Corporation with the HUD Section 184 loan guaranty program, show a flexibility and consideration worthy of the merged entity.

Such commitments are considerable in themselves, not to be minimized. But on this momentous occasion, First Nations can affirm the proposed merger only on the understanding that all of Banc One's efforts in Indian Country to date amount to a modest beginning. We call upon bank regulators to ride herd on their post-merger follow-through, and upon Banc One to establish a collaborative task force on Native American lending and services, as other merging entities have done.

That concludes our oral comments; I will be glad to answer questions. First Nations' written testimony is submitted for the public record. Thank you for your consideration.

Testimony of Betty Wilkins
Board President, Colorado ACORN
1760 High St.
Denver, CO 80218 Phone- 303-393-0773

Submitted to the Federal Reserve Board
8/13/98

Good afternoon my name is Betty Wilkins and I'd like to first off thank you for the opportunity to testify today on Banc One's record in Colorado. I am the Board President of Colorado ACORN, an organization of over 1300 low and moderate income families who are working to increase community reinvestment, create jobs and improve city services in our community. The members of Colorado ACORN urge the Federal Reserve Board not to allow this merger because Banc One is not making loans to low and moderate income minority people in Denver.

I live at 3355 Jackson St. in Denver, Colorado. The neighborhood I live in is mostly African-American and Latino. Its a neighborhood of working people. Some of them work two and three jobs just to make ends meet. Just a few blocks from my house is a Banc One bank branch. Yes when it opened I was happy, people in my community could open accounts close to home, to cash their pay checks they had been working so hard all week to earn. Every Friday and Saturday I see lines of people from my community waiting to put their money in the Bank, to try to save a few pennies. We put our money in Banc One, but what is our community getting in return—NOTHING.

Some people in my community are already homeowners, but a lot of people are renters also. Rents in Denver have steadily been going up. I know families paying, $600, $700 even $800 and up for rent. Many of them want to own a home. Those of you here who are homeowners know that if you increase home ownership you rebuild communities. That's what we need in Denver. But while our money is green enough for Banc One to take as we deposit it in our savings and checking accounts, they then take that money and where do they put it? In 1996 in Denver more than 40% of Banc One's mortgages were made to neighborhoods where more than 90% of the residents are white. An additional 40% of the banks loans went to neighborhoods where whites make up between 70% and 90% of the population. 84.1 % of Banc One's applications were taken from whites. I think about those people in my neighborhoods making deposits every week, so these loans can go to the wealthiest, whitest neighborhoods. Correct me if I'm wrong, but I don't think that's what community reinvestment is supposed to be about.

Let me tell you exactly what Banc One gave back to my neighborhood in the form of mortgages. In 1996 Banc One took no application for mortgages from African-Americans or Latinos in the city of Denver, and we all know if you don't take applications you aren't going to make loans. I find it hard to believe that out of all the minorities banking at Banc One in our community, not to mention the fact that our city is 23% Latino and 12.8% African-American that not one Latino or African-American tried to apply to get a mortgage in 1996. Just 2% of its mortgages that year were made to neighborhoods where over half the population in is non-white. Since that didn't make any loans to Latinos of African-Americans that year, we know the 2% of loans that did go to our neighborhoods didn't go to us. 1995 wasn't much better 4 applications were taken from African-Americans and 2 were taken from Latinos. Maybe Banc One has found a way to discourage African-Americans and Latinos from applying for mortgages. I have a few stories from several of our members that show that's exactly what Banc One been doing.

One of our members, Betty Forttenberry, who is African-American, heard an advertisement on the radio that said she could get approved over the phone for a mortgage. She proceeded to call the number and was switched over to three different people and in holding for what would have been a transfer to a fourth person she was disconnected. In calling back she was transferred to two different people and then finally spoke with a person who acted like she knew what she was talking about. The woman asked her a few questions which included name address and zip code, her annual and monthly incomes. The woman proceeded to tell her she would have to have $10,000 of her own money saved to proceed with an application. It seems to me that Banc One basically told her, she need not apply. Ms. Fortennberry currently pays $800 a month in rent.

Sandra Newell who is African-American another of one our members saw an ad on TV about being able to be approved in 24 hours over the phone for a home improvement loan. She called and gave them the information they asked for. It took 72 hours for her to hear back and she was told she was being denied because of problems on her credit report. About a month later Ms. Newell was approved for the same loan from her credit union.

Another Latino member of our organization who at this time does not wish to disclose her name recently came in to the ACORN Housing Corporation program to work on becoming a first time home buyer. She told the loan counselor from ACORN Housing Corporation that she had both her savings and checking accounts at Banc One. She had gone in to her Banc One Branch to apply for a mortgage. She was told she shouldn't apply for a loan because she had problems on her credit report that would disqualify her. She followed up by contacting the credit bureau. They stated that there was nothing to their knowledge that should keep her from applying for a loan. When her credit report was pulled at ACORN Housing Corporation the only item showing on her report was a small charge of $5.00 from Banc One. I guess it was really the color of her skin that caused that Banc One representative to refuse to take her loan application. I thought it was illegal to refuse to take a loan application from someone on the basis of race, not at Banc One in Denver.

Several of our members met with a representative of Banc One on July 14th, after they had canceled scheduled meetings we'd had with them since May. Our sister organization ACORN Housing Corporation has developed successful lending agreements with other banks which have relaxed underwriting standards and lowered downpayments. Through these partnerships hundreds of low and moderate income families have become first time homebuyers. We confronted Banc One on their record of taking no applications for mortgages from Latinos or African-Americans in 1996 and asked if they'd be interested in such a partnership. They told us they'd have to consult their national. We later received a letter stating that they don't doing lending partnerships. It seems like they need to be doing something differently, but I guess they think they can keep getting bigger and making more money by continuing to refuse to lend to minorities.

The Federal Reserve Board has an opportunity with this Bank merger. They can allow a Bank which has completely ignored the minority and low and moderate income communities of Denver and the other cities in which they operate to continue their racist practices, or they can deny Banc One's merger application and send a clear message to Banc One and the rest of the banking industry that you have to serve people of all colors and income levels. That means making loans, not just taking money. I urge you to deny this merger application and thank you for the opportunity to testify.

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CRA Query:
Banc One Target Group

Banking and Financial Service Needs
and Lending Issues in Native Communities

SURVEY FINDINGS

1998

-- recycled paper -

Banc One Findings

Affected States, Tribes and Native Population
In the case of Banc One and First Chicago NBD, the merged entity will cut across 14 states, affecting 79 tribes and a Native population of more than 850,000; 615,000 of which live in major urban Indian centers.

A Modified Survey
Banc One CRA officer Ernestine Jackson identified a group of 15 tribes --out of a possible 79 tribes that reside within Banc One states-- that have or had some relationship with Banc One. The 15 select tribes include: 13 tribes in Arizona, one tribe in Colorado and one tribe in Wisconsin.

Given that Banc One admittedly does not have a relationship with any of the other 64 tribes in the remaining 11 states in which they have a banking presence, this group of 15 was selected as the targeted sample in a First Nations query on banking issues and financial service needs among Native communities. A brief questionnaire was utilized in an informal telephone survey to extract information about the tribe or organization and their financial service and banking needs and also to determine the extent to which groups had experience with Banc One. Of the 15 tribes, First Nations collected responses from 14 tribes; 12 from Arizona, one from Colorado and one from Wisconsin. (The remaining tribal representatives were unreachable or inaccessible at the time.) The 14 tribes discussed a variety of banking needs and financial service issues within their communities and expressed varying degrees of satisfaction with the Banc One relationship.

The Needs
The most commonly expressed need among respondents related to the need for educational financial service programs that would inform tribal members about banks' offerings. The needs expressed ranged from personal money management and personal finance to tribal cash management services and investment education programs to home buying and long range saving and credit building programs. The second most commonly expressed need in the target communities centered on microloans for small business development. The third most commonly expressed need was for lending programs for housing construction and improvements. (It is interesting to note that of the 15 tribes that Banc One has selected to develop a relationship with, 10 of the 14 surveyed could be characterized as a "more developed tribe" since those tribal representatives expressed the tribe's capacity to provide many services including financing for home loans and improvements, small business development/microlending, and education and training programs. Three of the 14 tribes surveyed could be characterized as "developing tribes" since they indicated a growing capacity within the tribe to establish programs, seek and obtain investments for lending and economic development projects and education programs. One of the 14 tribes might be characterized as "not as developed" given that they were still wrestling with laying the framework for an efficient tribal infrastructure and had expressed the need for every kind of financial service and banking need possible.)

Level of Satisfaction
Of the 14 surveyed tribes, four respondents stated that they were satisfied with Banc One's

services, but of those, one tribal representative indicated that they were currently shopping around for a bank that would provide more complete services for their community members.

Alida Thomas, Gila River Tribe, Arizona
"They (Banc One) had a branch right here that provided services to the community. They moved out and never told us and everyone was upset. We stayed with Banc One because we already had accounts intact, but we are now shopping around for a bank that provides more full services to our community."

Kathy Hughes, Oneida Tribe, Oneida, Wisconsin
"We are still considering establishing our own bank because no bank has gotten close to meeting the needs of our community members or providing full services for our community. We don't have the numbers to prove it, but it seems like our tribal members go through a more stringent loan approval process. Some people have the credit history and collateral and still can't get loans."

One tribe, the Southern Ute of Colorado, indicated that they had just switched from Norwest to Banc One and that it was too soon to tell how the relationship and services might work out for the tribe.

Three tribes stated that they were "relatively satisfied" with Banc One, but two of the three were no longer with Banc One because Banc One had moved out of their communities and sold their branches to Community First Bank. The two tribes expressed a high level of satisfaction with Community First Bank. The third tribal representative indicated that they, the Salt River Pima Maricopa Tribe, are an exception to most cases since they have a good relationship with all of the major banks in the area.

Dick Mathis, Salt River Pima Maricopa, Arizona
"Salt River is fortunate. We're probably one of the tribes that has all of the services we want and need. We've gotten loans and investments from banks to establish significant enterprises. We're the exceptions. If we weren't as successful as we are, we wouldn't be treated as well as we are. We have a very unique situation that is far different than the many other tribes out there and we've taken advantage of our location and market. They (banks) treat us like a business, but that's not true of all tribes."

Four tribes indicated that they had limited experience with Banc One. Three of those tribes indicated that the experience was not a satisfactory one, given the level of services offered, prompting their move to another bank. The fourth of those tribes expressing limited experience with Banc One, was the Navajo Nation.

Marty Ashley, Navajo Nation, Window Rock, Arizona
"Banc One doesn't have a presence in Navajo. One of the greatest banking needs in our community is for general banking services other than the limited number (of banks) where they currently exist. We need a greater presence in the community and a commitment to maintaining that presence and providing services."

Two other tribes, the Pascua Yaqui Tribe and the Ak-Chin Community, stated that Banc One had been their primary bank, but they were not satisfied with the level and quality of service and had switched to another bank.

Marty Wyas, Ak-Chin Indian Council, Maricopa, Arizona
"Banc One does very little outside of holding our money. They failed to give us an indication of what services they might offer to our community members. We asked them and they still have not told us. They take our deposits, but they don't like taking our calls because our deposits are so large and time consuming. We keep coming up against all kinds of outrageous charges. We are in the process of moving our accounts to a smaller community bank and out of Banc One. A bank that will provide the services without all the hassle and fees."

Willard Seskastewa, Hopi, Arizona
"We lack banking services for the Hopi. There has not been a very extensive relationship with Banc One. At one time they brought in a mobile banking unit for loan applications. They did do some consumer and personal loans but not small business loans. And then they moved out. They've got to be more willing to work with the tribe and private entrepreneurs to help develop businesses and for expansion. There is lots of room for opportunity."

Tribes Outside of the Targeted Group
First Nations did contact additional tribes and Native non-profit organizations to gauge the community banking needs outside of Banc One's target group. We collected 53 responses from groups in the following states: Arizona, Colorado, Louisiana, Michigan, Oklahoma, Texas, and Wisconsin. The largest number of responses came from Arizona (22) and Oklahoma (18) groups. A review of the responses found that the most widely expressed need was for low to middle income housing loans. Second in line among the most commonly expressed needs was for educational programs. In particular, respondents named the need for programs that would provide information on how to repair credit; on personal finance; and programs to educate tribal members on securities and investments. The third most commonly identified need was for loans for business and economic development. This was a need expressed on the tribal level and for individual entrepreneurs within a community.

Banc One Branches in Arizona, Oklahoma, Utah and Wisconsin & Zip Code Proximity: Proximity to Tribes
Banc One has stated that they have not reached out to more tribes or Native groups that are found within the states in which they have a presence since those tribes and groups are out of their service areas. We closely examined four states, with the most significant numbers of tribes and/or largest Native population, to determine the proximity of tribes to branches and to obtain a more accurate picture of the bank's market reach to tribes and Native groups. In the four states of Arizona, Oklahoma, Utah and Wisconsin, there are a total of 70 tribes. A total of 17 tribes were found to be "in proximity" to Banc One branches. An additional 14 tribes were found to be within a 25 to 40 mile range of a Banc One branch.

In the case of Arizona, 11 out of 20 tribes were found to be "in proximity" to Banc One branches. We have defined "in proximity" to mean within a 20 mile radius of a branch as indicated by zip code location. Four tribes' zip codes were exact matches with Banc One branch zip codes, and another four tribes had zip code associations with Banc One branches. A zip code association, as defined by the U.S. Postal Service is when two mailing addresses share the same zip code district by virtue of residing in the same city, town or village. Three tribes were found to be "in proximity" only, with neither a zip code match or association, but within a 20 mile radius of a Banc One branch. An additional two tribes in Arizona were found to be within a 25 to 40 mile radius of a Banc One branch.

In the case of Oklahoma, five out of 35 tribes were "in proximity" to Banc One branches, or within a 20 mile radius of a branch. No tribes exactly matched branch listing zip codes and no tribes had a zip code association with a branch zip code. However, 11 additional tribes were found to be within a 25 to 40 mile range of a Banc One branch. It should also be noted that Oklahoma has the largest Native population of any state in the country. Further, Oklahoma City and Tulsa are ranked second and fourth, respectively, among the most populous urban Indian centers in the United States. Banc One is the largest bank in Oklahoma City and one of the top three banking companies in the state. Banc One has stated that it has neglected tribes in Oklahoma because, despite the fact that it is home to more than a quarter of a million Native people, it claims only one reservation.

In the case of Utah, where four tribes reside, no tribes were found to be "in proximity" to a Banc One branch, as we have defined the phrase. The Skull Valley reservation community however, is within a 25 mile range to a Banc One branch in West Jordan, Utah.

In the case of Wisconsin, one out of 11 tribes was found to be "in proximity" to a Banc One branch. The Oneida Tribe, which Banc One has established a relationship with, is located within five miles of six Banc One branches.

Proximity to Native NonProfit Organizations and Groups

In the four state area, a total of 285 Native nonprofit organizations or groups exist. In the research to establish Banc One branch zip code proximity, we found that a total of 155 organizations, or 54 percent of the total are within proximity to a Banc One branch.

In the state of Arizona, a total of 70 out of 131 Native organizations were found to be "in proximity" of a Banc One branch. A total of 37 Native groups are an exact zip code match with Banc One branch zip code listings. An additional 23 organizations have a zip code association with a Banc One branch, meaning they exist within the same zip code zone or city or town. Ten more groups were found to be "in proximity" or within a 20 mile radius of a bank branch. Two more Native groups were found to be within a 25 to 40 mile range of a Banc One branch.

In the state of Oklahoma, a total of 34 out of a possible 80 Native organizations were found to be "in proximity" of a Banc One branch. A total of 14 Native groups are direct zip code matches with Banc One branch zip code listings. An additional 19 organizations have a zip code association with a Banc One branch. One other group was found to be "in proximity" or within a 20 mile radius of a bank branch. Twenty-three additional Native groups in Oklahoma were found to be within a 25 to 40 mile range of a Banc One branch.

In the state of Utah, a total of seven out of 11 Native organizations were found to be "in proximity" of a Banc One branch. A total of five Native groups are exact zip code matches with Banc One branch zip code listings. One organization has a zip code association with a Banc One branch, meaning they exist within the same zip code district. And, one more group was found to be "in proximity" or within a 20 mile radius of a bank branch. In Utah, no Native groups were found to be within the 25 to 40 mile range category.

In the state of Wisconsin, a total of 44 out of 63 possible Native organizations were found to be "in proximity" of a Banc One branch. A total of 20 Native groups were found to be an exact zip code match with Banc One branch zip code listings. An additional 14 organizations were found to have a zip code association with a Banc One branch. Ten more groups were found to be "in proximity" or within a 20 mile radius of a bank branch. Finally, one more Native group in Wisconsin was found to be within a 25 to 40 mile range of a Banc One branch.

Conclusions

What is clear in assessing the 15 select tribes that Banc One indicated having a relationship with, is that 14 of the 15 tribes have more evolved tribal economies on the scale of tribal economic development, with a tribal infrastructure in place that contributes to the communities' capacity to grow and provide services for its own community members. Identifying the cream of the crop among tribes within Banc One's service area is a smart way to do business, however, given the growing success and development in these communities, making loans and investments in such select communities equates to a low risk and opportunistic investment and lending strategy that ignores the needs of other Native communities that have a greater need for loans and investments that would spur economic development. Banc One has had varying degrees of success with the limited number of tribes it has had relationships with. In the end, what can be argued, without dispute, is that Banc One has not conducted the degree of outreach to tribes in the states in which it has a presence, and has not effectively penetrated the Native communities, both reservation and rural communities and urban Indian centers where a substantial opportunity exists to do business. In the state of Wisconsin, where Banc One has had a 10 year presence, the bank has only established a relationship with one tribe, the Oneida. Oklahoma alone represents a tremendous unrealized and virtually unexplored market potential.

It should be noted that Banc One has also established a relationship with the Intertribal Council of Arizona. Executive Director John Lewis gave what may be the best description of Banc One's efforts in Indian Country.

John Lewis, Intertribal Council of Arizona, Phoenix, Arizona
"They (Banc One) seem to work with tribes and are open to working with tribes, but there's more to do. The banks are sitting up and wanting to work with tribes and we have to make note of the progress, but they should be much further along. There are many changes taking place in the banking industry and it doesn't seem to be letting up. It's true, there has been movement, but it has been slow. All of the banks, not just Banc One are in the first phase of a five phase process in working with tribes. The main point is that there is much more room for progress. And, we've got to separate out the commercial lending interests from the housing and small business and community lending needs. The community lending needs to be expanded."

List of Attachments

1. Tribes surveyed

2. Table A: Major Metropolitan Areas with Native Populations and Table B: American Indian Populations and Tribes in the Geographic Areas of Banc One and First Chicago NBD

3. Table C and Table D: Native Populations by State in Banks' geographic areas

4. Table E: Fourteen Merger Affected States

5. Table F: Tribes and Native Organizations Zip Code Associations to Banc One branches

Banc One: Surveyed Tribes

Ak-Chin Indian Community, Maricopa, Arizona
Colorado River Tribe, Parker, Arizona
Gila River Indian Community, Sacaton, Arizona
Hopi Tribe, Kykotsmovi, Arizona
Mohave Apache Community, Ft. McDowell, Arizona
Navajo Nation, Window Rock, Arizona
Pascua Yaqui Tribe, Tucson, Arizona
Salt River Pima-Maricopa Indian Community, Scottsdale, Arizona
San Carlos Tribe, San Carlos, Arizona
White Mountain Apache Tribe, Whiteriver, Arizona
Yavapai, Prescott Board of Directors, Prescott, Arizona
Yavapai Apache Community Council, Camp Verde, Arizona
Southern Ute Tribe, Ignacio, Colorado
Oneida Tribe, Oneida Wisconsin

TABLE A:

Major Metropolitan Areas with Significant Native Populations

Metropolitan Area	Native Population	Ranking
Banc One Region		
Phoenix, AZ	38,017	6
Tucson, AZ	20,330	9
Chicago, IL	15,758	15
Denver, CO	13,884	17
Oklahoma City, OK	45,720	4
Tulsa, OK	48,196	2
Dallas, TX	18,972	11
Houston, TX	11,029	21
Salt Lake City, UT	8,337	25
Milwaukee, WI	8,552	23
TOTALS:	**228,795**	
First Chicago, NBD region		
Chicago, IL	15,758	15
Milwaukee, WI	8,552	23
TOTALS:	**24,310**	

COMBINED URBAN TOTALS: 228,795 *(Chicago & Milwaukee taken into account in Banc One urban totals)*

TABLE C:

Native Populations by State: Banc One geographic area

State	Native Population	Percent of Total State Pop.
Arizona	203,527	5.6%
Colorado	27,776	.8%
Illinois	21,836	.2%
Indiana	12,720	.2%
Kentucky	5,769	.2%
Louisiana	18,541	.4%
Ohio	20,358	.2%
Oklahoma	252,420	8.0%
Texas	65,877	.4%
Utah	24,283	1.4%
West Virginia	2,458	.1%
Wisconsin	39,387	.8%

Total Banc One States Native population= **694,952**

(First Chigago States Native Population= 165,916

TOTALS= **786,841** ***(this figure takes into account the 3 state overlap)***
Native Population in combined 14 merger affected states

Table E:

FOURTEEN MERGER AFFECTED STATES: RESERVATION POPULATION AND NUMBER OF TRIBES

STATES	REZ POPULATION	NUMBER OF TRIBES
ARIZONA	198,145	20
COLORADO	2,308	2
FLORIDA	1,424	2
ILLINOIS	0	0
INDIANA	0	0
KENTUCKY	0	0
LOUISIANA	261	4
MICHIGAN	3,760	10
OHIO	0	0
OKLAHOMA	6,161	35
TEXAS	688	3
UTAH	3,005	4
WEST VIRGINIA	0	0
WISCONSIN	12,483	11
TOTALS:	**228,235**	**91 Tribes**

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Testimony of First Nations Development Institute
before the Board of Governors
Federal Reserve System
Federal Reserve Bank of Chicago
August 13, 1998

Introduction

In cooperation with the National American Indian Housing Council, National Congress of American Indians, Native American Rights Fund, ONABEN - A Native American Business and Entrepreneurial Network, North American Native Bankers Association, and the Tunica-Biloxi Indians of Louisiana, First Nations Development Institute offers the present testimony as timely comment conditionally approving the proposed merger of Banc One Corp. and its subsidiaries and First Chicago NBD Corp. and its subsidiaries.

Banking and financial relationships are of the first importance to Indian Country. Geographical remoteness and lack of access to credit and financial services have excluded Native Americans from mainstream financial channels in the past, We have seen distinct improvements in recent years, and we hope to see the merger partners participate in perfecting the delivery of financial services to Indian people.

Their participation cannot be assumed, however. First Chicago NBD's experience in Indian Country is necessarily minimal, given the limited number of Native Americans in the states it serves. Banc One has done more Native American lending, given its presence in states that domicile 91 tribes; yet a First Nations survey (attached) found that before the merger announcement it had developed relationships with only 15 tribes and few Native people or organizations. In assessing the 15 tribes that Banc One indicated having a relationship with, we found that 14 of the 15 have more evolved tribal economies on the scale of tribal economic development, with a tribal infrastructure in place that contributes to the communities' capacity to grow and provide services for its own community members. And even here, in addition to favorable testimonials, we found considerable dissatisfaction with Banc One services.

Identifying the cream of the crop among tribes within Banc One's service areas is a safe way to do business. But it overlooks the convenience and needs of other Native communities that also offer opportunities for investment, lending, and services.

Banc One has not conducted the degree of outreach or demonstrated the commitment to establish a stable footing for banking services in these communities. First Nations understands that Banc One may cite business reasons for this past oversight; but our point here today is to emphasize that the augmented resources of the merged entity will enable the new Banc One to absorb development costs it could not have before as the price of doing business it would not have before. As a condition of this merger, First Nations suggests that overlooked Native communities in proximity to Banc One branches should be among the beneficiaries of these development efforts.

Background

Several of the issues in Native American access to credit and financial services are the same as for low-income people anywhere – unconventional credit records, lack of capital, lack of familiarity with banking practices and expectations and the resultant distrust of banking institutions, and a discomfort with the lack of people like them in bank settings. Many of the strategies in use to address these issues elsewhere would be effective in Indian Country.

Other hindrances to credit and financial services are unique to Indian Country:

* The geographical remoteness of many reservations means that banking relationships there may never have a chance to develop as personal and cultural familiarity is difficult to establish. Overcoming geography is critical to developing the Native American credit market.

* The remoteness of Indian Country from mainstream banking has translated to a sharply reduced level of economic activity on many reservations, which in turn has curtailed the development of financial infrastructure such as Uniform Commercial Codes. Economic development is on the increase, however, and the establishment of UCCs and other financial infrastructure is key to moving this development activity to the next level of community-wide prosperity. One model UCC for tribes is in development and another is ready for enactment; some tribes have adopted UCCs specific to their circumstances; others have adapted state codes. The Federal Reserve Bank of San Francisco is currently poised to address the UCC issue through task force initiatives coming out of its "Sovereign Lending" workshop series.

* The trust status of tribal land. Trust status, which means the federal government holds the land in trust for tribes, is an asset to the tribe as a whole but may stand in the way of home ownership or other individual property disposition because it is not alienable and so cannot be attached as collateral. Models of mortgage lending on trust land are in place, their common feature being tribal first right of refusal on foreclosed properties based on the high number of Native Americans in need of housing. Extending these models to establish secondary markets for Native American housing is an achievable goal of the next 10 years. The need for housing in Indian Country cannot be overstated: 40 percent of housing in tribal areas is substandard, 21 percent of these homes are overcrowded, and 16.5 percent lack complete plumbing, according to the National American Indian Housing Council.

* Tribal sovereignty gives tribal courts jurisdiction over reservation-based business transactions. The unfamiliar legal system means that bank executives must devote good will and resources to bringing Indian Country within the same 'comfort zone' loan officers enjoy in off-reservation transactions. The uptick in banking activity on reservations in recent years has

demonstrated beyond doubt that this 'comfort zone' exists for banks that commit to finding it.

* Native American culture, though by no means impenetrable, is distinct from mainstream American culture in many respects. This raises perceptual barriers as well as practical ones. For example, Native American tribal councils by and large refuse to allow at-will car repossession for reasons derived from the cultural context of reservations, raising a practical barrier for banks in some cases. The perceptual barrier for some bankers is a stereotypical assumption that the lack of at-will provisions simply encourages deadbeats to run a car into the ground while creditors take the time to comply with less expeditious tribal court processes. But in recent years, practice has proved it to be far more often the case that informal tribal processes lead to the payments being made or the car being repossessed without incident.

Recommendations

First Nations offers specific recommendations for the merged entity to act on, as follows. In all cases, our recommendations fall under the category of activities the bank should be engaged in anyway.

* Make a formal commitment to Indian Country and urban Native communities to build on and strengthen work begun by Banc One Arizona.

* Establish a collaborative task force for outreach, product offerings, and lending agreements to Native communities and neighborhoods in proximity to Banc One branches.

* Continue to invest in and provide developmental support for venture capital funds serving Indian Country and Small Business Investment Companies with a stated Native emphasis.

* Invest in tribal- and Native-owned business enterprises.

* Invest in and offer start-up assistance for Native-controlled banks and intermediaries, including microenterprise and small business lending, in underserved portions of Indian Country.

* Offer philanthropic support for enterprise and microenterprise development, housing, financial services, and for Native funds that support development.

* Continue to develop workable mortgage products and investments in Low Income Housing Tax Credits for Native communities.

* Expand financial literacy training seminars for Native communities and education for bank personnel to better understand Indian Country.

* Invest in the technological and financial infrastructure of Indian Country, especially through fully operational mobile unit banks.

Conclusion

Through its considerable lending, services, and investments in more than a dozen Native communities and organizations, Banc One has established a basis for future banking relationships in Indian Country. But a pattern of "creaming" the best business opportunities has emerged from First Nations Development Institute's survey findings, which also show considerable dissatisfaction with Banc One's performance.

From a bank requesting approval as one of the nation's largest, more must be expected than playing it safe with business opportunity while the convenience and need of Indian Country remains unmet. First Nations calls upon the merged entity to form an Indian-specific executive task force for the purpose of collaborating with Native groups and organizations on an outreach program and product offerings to underserved Indian communities in proximity to its branches. A specific financial commitment should support this initiative; and specific goals should attach to its outreach and product offerings. This task force, perhaps modeled after the Banc One Mortgage Corporation team already dedicated to HUD Section 184 loan guaranty home mortgages, would develop plans for Native-specific loan products in coordination with a diversity of Native American groups, an approach already favored for other populations by First Chicago Chairman Verne G. Istock.

We call upon the Federal Reserve System to approve the proposed merger only on condition the task force is agreed to, and to closely monitor its implementation afterward.

Attachment: Survey findings

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NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

Testimony of John Taylor

President and CEO

National Community Reinvestment Coalition

Before the Federal Reserve Bank of Chicago

Thursday, August 13, 1998

Introduction

I am testifying before you this morning as the President and CEO of the National Community Reinvestment Coalition (NCRC). NCRC is the nation's CRA trade association of over 680 community reinvestment organizations from inner city neighborhoods and rural areas. NCRC's members are dedicated to revitalizing low-income and minority communities.

As a trade association, NCRC does not regularly comment on applications to the Federal Reserve Board. NCRC usually provides research and other support to our members when they comment during the application process. However, we will comment on applications like Banc One's if they present significant public policy issues.

I will address two main issues this morning: community reinvestment performance and fair lending.

Community Reinvestment Performance

Simply put, megamergers are harmful for lower income and minority communities if they result in massive branch closures and drastic decreases in lending and investing. This is why NCRC has asked the Federal Reserve Board to require banks to submit community reinvestment plans to the Board and the Reserve Banks as part of their merger applications. These plans would outline how the merging banks plan to maintain and increase the number of loans, investments, and services in lower income and minority communities after mergers. The community reinvestment plans would be developed for each urban and rural community the bank serves. Moreover, they would not be unilateral like the megapledges recently announced by other large banks. Instead, they would be responsive to specific credit needs in various communities because they would be developed with the input of community organizations.

The community reinvestment plans would explain how lenders would preserve their Community Reinvestment Act (CRA) performance in all of their major markets in the wake of post-merger institutional changes. For example, the CRA performance of Banc One and First Chicago could deteriorate substantially in the state of Indiana due to either branch closures or divestiture requirements. As you know, the state of Indiana is the market where the banks' operations substantially overlap. Yet, despite the looming changes confronting Indiana's traditionally underserved communities, Banc One has neither negotiated a CRA agreement with community organizations in Indiana nor has submitted a community reinvestment plan to the Federal Reserve Board explaining how CRA performance will be maintained in that state.

NCRC is pleased that First Chicago and NBD have worked out CRA agreements with NCRC members in Chicago and Detroit. However, these agreements address CRA performance in two of Banc One's markets. In order for community reinvestment performance to preserved in all of the banks markets, NCRC believes it is the responsibility of the Federal Reserve Board to require the bank to offer a detailed community reinvestment plan explaining how it will maintain and improve its post-merger CRA performance. These plans would also be a starting point for negotiations leading to CRA agreements with community organizations. In addition, the Federal Reserve Board should issue conditional approvals in instances where the applying banks do not satisfactorily outline how CRA performance will be maintained in places like Indiana that are likely to be affected significantly by the merger.

Fair Lending

Over a year ago, the Federal Reserve Board approved Banc One's acquisition of First USA (a credit card lender) despite unresolved fair lending issues. In its approval order, the Federal Reserve stated that it would impose conditions at a later date if its investigation revealed fair lending violations. NCRC and its 680 members strongly believe that this was an abdication of the Federal Reserve's responsibility to enforce the nation's fair lending laws. Fair lending problems will intensify if the Federal Reserve does not complete fair lending investigations and issue any necessary conditions before acting on this latest Banc One application.

Several NCRC members have raised fair lending concerns involving Banc One. For example, Inner City Press/Community on the Move has documented that Banc One Financial Services has a high market share of minority borrowers while Banc One's bank and mortgage subsidiaries have significantly lower market shares of minority borrowers. The Federal Reserve must investigate whether:

1) Banc One is referring minority borrowers to its subprime affiliate, Banc One Financial Services,

2) and whether, Banc One Financial Services has any procedures for referring qualified minorities to Banc One which offers the lower interest rate "prime" home loans.

NCRC has recently finished a study, *Who's Financing the American Dream* , that examines home mortgage lending in the 20 largest metropolitan areas. We find that Banc One Mortgage Company offers a significantly higher percentage of home purchase loans to minorities and lower income borrowers than Banc One's bank subsidiaries in Dallas and Houston. (Attached to my testimony are the relevant pages from our study). We ask the Federal Reserve to examine these lending patterns and investigate for the possibility of fair lending violations. It should be noted that Bank One Mortgage Company recently settled a discrimination lawsuit with the Attorney General of Arizona.

We ask the Federal Reserve to follow the lead of its regulatory counterparts in seriously investigating and issuing fair lending and CRA conditional approvals when necessary (Actually the Federal Reserve should be leading its counterparts, but it should at least follow them.) The OTS' (Office of Thrift Supervision) approval order of the Travelers' application to establish a thrift mandated significant changes in the disclosure procedures of Travelers' loan and brokerage officers as well as requiring periodic reports concerning Travelers' community reinvestment pledge. Likewise, the Office of the Comptroller (OCC) issued a conditional approval of the First Union-Money Store merger that requires access for all applicants of both prime and subprime lending products.

NCRC appreciates this opportunity to express significant reinvestment issues associated with the recently proposed megamergers. NCRC hopes that the Federal Reserve Board does everything in its power to ensure fair lending and continued progress in community reinvestment.

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WHO'S FINANCING THE

AMERICAN DREAM?

A COMPREHENSIVE STUDY OF HOME PURCHASE
LENDING IN TWENTY LARGE METROPOLITAN
AREAS FROM 1994 TO 1996

PRODUCED BY THE NATIONAL COMMUNITY
REINVESTMENT COALITION
MAY 1998

Methodology

NCRC has developed an innovative methodology for comparing the lending records of financial institutions using HMDA (Home Mortgage Disclosure Act) data. The methodology is straightforward yet powerful. It assesses the fair lending performance of lenders by measuring the extent of marketing and lending to minorities. It also answers whether unusually high denial disparity ratios among whites and minorities could be due to discrimination. In addition, the methodology assesses the CRA performance of lenders in the area of home purchase lending. Are lenders marketing aggressively to low- and moderate-income applicants? Are lenders offering a high percentage of their loans to low- and moderate-income households?

As mentioned in the introduction, NCRC has chosen to evaluate home purchase lending activity. In our previous study, we evaluated performance in all types of single family lending activity - home improvement and refinance lending as well as home purchase lending.[2] In addition to the reasons mentioned in the introduction, this study isolates home purchase lending because the market for home purchase loans involves very different underwriting criteria and other product attributes than the markets for home improvement and refinance loans.

In order to capture a substantial amount of lending activity in the nation, the study examines lending in the twenty largest metropolitan statistical areas (MSAs) in the United States. MSAs are typically regarded as distinct markets for lenders because bank customers usually live and work within the boundaries of a metropolitan area. Thus, to effectively compete for customers, lenders need to devise marketing and branch distribution strategies for entire MSAs and not just parts of metropolitan areas. Our study assesses how well lenders vie for the business of traditionally underserved populations within MSAs.

Within each metropolitan area, NCRC scrutinizes lender performance as revealed by six indicators over a three year time period. The six indicators reveal if a financial institution is marketing to traditionally underserved populations, lending to those populations, rejecting an usually high number of minority households, and discriminating against creditworthy minorities. Indicators are computed separately for 1996, 1995, and 1994 for the major lenders in the twenty largest MSAs.

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[2] America's Worst Lenders! A Comprehensive Analysis of Mortgage Lending in the Nation's Top 20

Scoring System

Each lender is ranked on each of the six indicators. For each indicator, lenders are grouped into five equal subsets called quintiles. The lenders who are in the top fifth (or top quintile) on a given indicator receive a score of five for that indicator. The lenders who are in the second fifth receive a score of four for that indicator. The lenders who are in the third fifth receive a score of three for that indicator. Finally, the lenders who are in the second lowest and the lowest quintile receive a score of two or one, respectively, for that indicator.

The highest possible score in any MSA is a "30", meaning that a given lender has scored in the top quintile on all six indicators. The lowest possible score is a "6" meaning that a given lender has scored in the lowest quintile on all six indicators.

Six Indicators

NCRC's six indicators are:

Marketing to Low- and Moderate-Income Households

This indicator computes the share or percentage of a lender's home purchase applications that are submitted by low- and moderate-income households. High percentages mean that the bank is effectively marketing to low- and moderate-income households since they are aware of the bank and are applying to it in high numbers. (Low- and moderate-income categories conform to the income categories outlined in the regulations implementing the Community Reinvestment Act (CRA). See the Appendix.)

Approvals to Low- and Moderate-Income Households

This indicator computes the share or percentage of a bank's loans that are issued to low- and moderate-income households. High percentages suggest that the bank has either flexible underwriting criteria or has developed affordable lending products for a population that traditionally lacked established credit histories or savings to qualify for conventional homeownership products.

Marketing to Minorities

This indicator computes the share or percentage of a lender's applications that are submitted by minorities. For this study, we have defined minorities as Blacks and Hispanics only (see the Appendix for further discussion).

Approvals to Minorities

This indicator computes the share or percentage of a bank's loans that are issued to minorities.

Disparity in Denial Ratio

This indicator is a ratio of the minority denial rate divided by the white denial rate. Lower ratios are awarded good ranks. A ratio close to one means that minority and white denial rates are very similar. In contrast, ratios in the 2 to 3 range mean that the bank(s) in question are denying minorities at a rate two or three times greater than whites. High denial rates could be evidence of either discriminatory treatment or a lack of flexible underwriting criteria.

Discrimination Ratio

This indicator is the ratio of the lender's share of market discrimination to the lender's share of applicants. It is computed by first deriving a measure of discrimination from a logit regression model, yielding differences in treatment of whites and non-whites with similar credit histories. The model estimates the likelihood that whites and minorities with similar qualifications will be rejected for loans. The difference in probability of rejection among similarly qualified minorities and whites yields a market discriminatory residual. The residual for the entire market is computed as well as for individual lenders. We are then able to compute a ratio measure of an individual lender's share of the overall market discrimination relative to the lender's share of all applications in a metropolitan area.

When the discrimination ratio is above one, the lender's share of overall market discrimination exceeds the lender's share of loan applicants in a given MSA. Lenders with ratios of one and above will tend to be in the lower quintiles on this indicator. (See Appendix for a more complete description of the discrimination residual).

Example - Ranking Lenders in the Washington, DC MSA

The results from the analysis of home purchase lending in the Washington, DC area will help illustrate NCRC's methodology. Our study analyzed the performance of 50 lenders doing business in the DC area in 1996 (see the table for the Washington, DC MSA on page 37, and see the Appendix for a discussion of which lenders were included in the study). One of the lenders received a 30, which is the highest possible sum derived by

Legend for MSA Spreadsheets

The following pages will list lenders in each MSA and their rankings. The column headers from left to right are:

Columns

Lender:	Name of the financial institution
Agency:	Agency to which the institution reports HMDA data OCC - Office of the Comptroller of the Currency FRB - Federal Reserve Board FDIC - Federal Deposit Insurance Corporation OTS - Office of Thrift Supervision NCUA - National Credit Union Association HUD - U.S. Department of Housing and Urban Development
Denial Ratio:	The denial ratio indicator (see methodology section for a description) for 1996.
Quintile:	The quintile a lender falls into on for the denial ratio indicator for 1996.
% Min. Apps.	The marketing to minorities indicator for 1996.
Quintile:	The quintile a lender falls into for the marketing to minorities indicator for 1996.
% Min. Approvs.	The approvals to minorities indicator for 1996.
Quintile:	The quintile a lender falls into for the approvals to minorities indicator for 1996.
% L/M Apps:	The marketing to low- and moderate-income households indicator for 1996.
Quintile:	The quintile a lender falls into for the marketing to low- and moderate-income households indicator for 1996.

% L/M. Approvs:	The approvals to low- and moderate-income households indicator for 1996.
Quintile:	The quintile a lender falls into for the approvals to low- and moderate-income households indicator for 1996.
Disc. Ratio:	The discrimination ratio for 1996.
Quintile:	The quintile a lender falls into for the discrimination ratio for 1996.
Sum 96:	The sum of the quintiles for the six indicators for 1996.
Sum 95:	The sum of the quintiles for the six indicators for 1995.
Sum 94:	The sum of the quintiles for the six indicators for 1994.

General Notes:

The banks are listed in descending order based on their 1996 sums. Below the last lender are the following two rows:

All lenders in MSA - 1996: This row shows how all lenders active in the MSA performed on all of the indicators except for the discrimination ratio.

Lenders 250+ applications: This row shows how lenders that received 250 or more applications from Blacks, Hispanics, and whites performed on all of the indicators except for the discrimination ratio.

A lender is displayed on the table if it has 250 or more applications from Blacks, Hispanics, and whites in 1996. A lender is not displayed on the table if it exceeded the applications threshold in 1994 and 1995 but did not meet the threshold in 1996. Blank spaces underneath the Sum 95 or Sum 94 columns indicate that the lender did not meet the application threshold in 1995 or 1994, although it did meet the threshold in 1996.

LENDER	AGENCY	DENIAL RATIO	QUINTILE	% MIN. APPS.	QUINTILE	% MIN. APPROVS.	QUINTILE	L/M INC. APPS.	QUINTILE	L/M INC. APPROVS.	QUINTILE	DISC. RATIO	QUINTILE	SUM 96	SUM 95	SUM 94
BANK UNITED	OTS	.81	5	70.44	5	71.35	5	74.36	5	75.17	5	-.07	4	29	28	26
NORTH AMERICAN MORTGAGE CO.	HUD	1.05	5	39.44	5	39.29	5	38.40	4	38.10	4	-.99	5	28	28	17
COMPASS BANK	FDIC	.65	5	55.25	5	55.96	5	54.35	4	54.21	4	-1.85	5	28		
SUMMIT MORTGAGE	HUD	1.34	4	70.10	5	69.26	5	61.35	5	59.31	5	-.52	4	28		
WEYERHAESER MORTGAGE COMPANY	HUD	1.16	4	35.04	5	34.98	5	38.83	4	38.94	4	-2.22	5	27	28	21
CORINTHIAN MORTGAGE CORP.	OTS	1.35	4	31.57	5	31.45	5	44.05	4	43.83	4	.75	4	26		
OAKWOOD ACCEPTANCE CORPORATION	HUD	1.06	5	25.98	4	25.00	4	62.23	5	54.55	5	1.68	2	25	23	23
CENTRAL PACIFIC MORTGAGE CO.	HUD	1.39	4	38.70	5	37.41	5	45.81	4	44.79	4	.04	3	25	22	
GUARANTY BANK, SSB	FDIC	2.80	2	36.33	5	35.70	5	44.16	4	43.63	4	-.67	4	24		
UNITED COMPANIES FINANCIAL CORP.	HUD	1.09	5	29.24	4	24.46	4	72.06	5	60.56	5	5.57	1	24		
BANC ONE MORTGAGE CORPORATION	FRB	2.22	3	27.92	4	23.95	4	35.60	4	32.80	4	-.82	4	23	28	24
TEXAS COMMERCE BANK	OCC	2.84	2	35.76	5	30.54	5	40.33	4	35.48	4	1.13	3	23	25	26
ACCESS FINANCIAL LENDING CORP.	HUD	.97	5	16.92	3	17.44	3	75.79	5	66.03	5	2.91	2	23		
DEUTSCHE FINANCIAL CAPITAL	HUD	1.13	5	22.73	4	18.31	3	70.63	5	64.14	5	3.94	1	23		
EMPIRE FUNDING CORP.	HUD	.94	5	18.38	3	21.13	4	76.82	5	68.42	5	6.43	1	23		
FORD CONSUMER FINANCE CO., INC.	HUD	1.10	5	18.17	3	15.90	3	65.29	5	58.44	5	3.23	1	22	20	24
COUNTRYWIDE HOME LOANS	HUD	1.72	4	21.95	3	20.37	4	31.02	3	28.51	3	-.87	5	22	17	19
VANDERBILT MORTGAGE	HUD	1.21	4	19.40	3	16.26	3	72.30	5	72.55	5	2.84	2	22		22
FT MORTGAGE CO.	OCC	2.43	2	30.19	4	27.37	5	36.17	4	34.12	4	1.41	2	21		
STERLING CAPITAL MORTGAGE CO.	HUD	2.75	2	31.17	5	28.09	5	76.06	5	23.45	3	.36	3	21		
GREEN TREE FINANCIAL	HUD	1.25	4	17.62	3	13.04	2	67.02	5	60.32	5	3.96	1	20	19	22
MID AMERICA MORTGAGE	HUD	3.81	1	31.50	5	29.53	5	27.99	3	28.26	3	.19	3	20		
TWENTY FIRST CENTURY MORTGAGE	HUD	1.27	4	15.36	2	12.98	2	67.39	5	65.13	5	1.31	2	20		
NATIONSBANC MORTGAGE CORP.	OCC	2.81	2	27.56	4	23.62	4	30.96	3	27.04	3	.98	3	19	19	21
PRINCIPAL RESIDENTIAL MTG., INC.	HUD	2.48	2	26.87	4	24.96	4	32.32	3	30.66	3	.03	3	19	18	18
THE CIT GROUP/SALES FINANCING	FRB	1.12	5	16.87	2	11.02	1	66.65	5	54.88	5	4.97	1	19	17	19
ACCUBANC MORTGAGE CORPORATION	HUD	3.58	1	23.57	4	21.42	4	23.65	3	21.79	3	-.84	4	19		16
G.N. MORTGAGE	FDIC	1.47	4	27.80	4	22.84	4	29.96	3	28.99	3	4.19	1	19		

LENDER	AGENCY	DENIAL RATIO	QUINTILE	% MIN. APPS.	QUINTILE	% MIN. APPROVS.	QUINTILE	L/M INC. APPS.	QUINTILE	L/M INC. APPROVS.	QUINTILE	DISC. RATIO	QUINTILE	SUM 96	SUM 95	SUM 94
GDMFC OF TEXAS INC.	HUD	1.44	4	18.82	3	18.73	3	21.77	2	20.68	2	-1.48	5	19		
NATIONSBANK OF TEXAS, N.A.	OCC	1.96	3	27.51	4	21.24	4	26.35	3	20.77	2	2.17	2	18	17	
AMERICAN NATIONAL BANK	OCC	2.58	2	12.87	2	11.31	2	33.12	4	31.32	4	-.75	4	18		
INLAND MORTGAGE CORPORATION	FRB	1.15	5	26.83	4	19.81	3	26.22	3	20.35	2	6.58	1	18		
THE G.M. GROUP, INC.	HUD	2.27	3	26.86	4	25.61	4	17.57	1	17.05	2	-.64	4	18		
TEMPLE-INLAND MORTGAGE CORP.	OTS	2.98	2	19.13	3	17.70	3	27.29	3	26.29	3	.53	3	17	17	19
WORLD SAVINGS AND LOAN ASSOC.	OTS	1.89	3	17.17	3	16.14	3	19.50	2	18.35	2	-.37	4	17	12	13
HARBOR FINANCIAL MORTGAGE CORP.	HUD	1.22	4	11.57	1	11.41	2	23.40	2	24.06	3	-1.55	5	17	[illegible]	17
BANK OF AMERICA, FSB	OTS	1.62	4	12.01	2	8.64	1	41.90	4	31.43	4	4.21	1	16	17	18
FLEET MORTGAGE CORP.	OCC	2.51	3	19.62	3	15.21	3	26.25	3	25.82	3	3.01	1	16	17	11
PULTE MORTGAGE CORPORATION	HUD	4.00	1	26.93	4	23.58	4	19.86	2	17.03	2	.22	3	16		
FIRST UNION	FDIC	2.19	3	19.36	3	16.62	3	20.00	2	17.54	2	1.61	2	15		
PHH MORTGAGE SERVICES	HUD	1.98	3	12.13	2	11.63	2	16.64	1	15.62	1	-2.69	5	14		
RESOURCE BANCSHARES MTG. GROUP	HUD	5.42	1	15.59	2	15.38	2	19.80	2	18.53	2	-2.65	5	14	[illegible]	
NORWEST MORTGAGE, INC.	FRB	1.91	3	13.73	2	12.47	2	15.35	1	13.17	1	-.77	4	13	15	14
CTX MORTGAGE COMPANY	HUD	4.84	1	14.85	2	13.75	2	20.14	2	19.87	2	-.86	4	13	13	
COLONIAL SAVINGS, F.A.	OTS	2.77	2	14.09	2	12.77	2	21.38	2	19.73	2	.69	3	13	12	19
NATIONAL CITY MORTGAGE CO.	FRB	3.72	1	11.86	1	11.53	2	21.27	2	21.22	2	-2.33	5	13	[illegible]	
CHASE MANHATTAN MORTGAGE CORP.	OCC	2.32	3	14.39	2	12.69	2	17.56	1	15.83	1	.70	3	12	13	14
HOME SAVINGS OF AMERICA, F.A.	OTS	2.53	2	10.23	1	8.56	1	20.24	2	18.18	2	1.53	2	10	9	12
GUARDIAN MORTGAGE COMPANY, INC.	HUD	3.50	1	5.77	1	5.45	1	6.74	1	6.74	1	-1.36	5	10	9	8
MELLON MORTGAGE COMPANY	OCC	3.69	1	11.93	1	9.96	1	18.73	2	18.21	2	1.82	2	9	16	8
GREAT WESTERN MORTGAGE CORP.	OTS	2.28	3	7.36	1	6.13	1	8.45	1	6.95	1	1.95	2	9	10	9
BANK ONE, TEXAS, NA	OCC	2.05	3	10.16	1	8.65	1	15.07	1	14.59	1	1.70	2	9	8	8
MERCANTILE BANK & TRUST, FSB	OTS	15.67	1	11.32	1	10.43	1	10.71	1	10.10	1	-.62	4	9	8	6
HOMESIDE LENDING, INC.	OCC	3.18	2	13.17	2	10.31	1	14.48	1	13.62	1	1.95	2	9		
COLONIAL MORTGAGE COMPANY	FDIC	4.39	1	9.69	1	8.12	1	9.35	1	7.67	1	.76	3	8	9	8
FIRST STATE BANK OF TEXAS	FDIC	5.34	2	3.86	1	5.41	1	19.79	2	15.88	1	4.41	1	8		

DALLAS

LENDER	AGENCY	DENIAL RATIO	QUINTILE	% MIN. APPS.	QUINTILE	% MIN. APPROVS.	QUINTILE	L/M INC. APPS.	QUINTILE	L/M INC. APPROVS.	QUINTILE	DISC. RATIO	QUINTILE	SUM 96	SUM 95	SUM 94
GUARANTY FEDERAL BANK, F.S.B.	OTS	3.62	1	8.42	1	6.37	1	6.43	1	4.23	1	1.71	2	7	10	7
ALL LENDERS IN MSA–1996		1.36		21.22		19.55		35.36		28.34						
LENDERS IN MSA: 250+ APPS–1996		1.33		20.80		19.14		36.91		29.09						

LENDER	AGENCY	DENIAL RATIO	QUINTILE	% MIN. APPS.	QUINTILE	% MIN. APPROVS.	QUINTILE	L/M INC. APPS.	QUINTILE	L/M INC. APPROVS.	QUINTILE	DISC. RATIO	QUINTILE	SUM 96	SUM 95	SUM 94
PRINCIPAL RESIDENTIAL MTG., INC.	HUD	1.41	4	72.77	5	72.12	5	66.67	5	67.38	5	-3.89	5	29	29	
COMPASS BANK	FDIC	1.29	4	52.79	5	52.00	5	51.36	4	50.00	5	-1.78	4	27	25	24
VANDERBILT MORTGAGE	HUD	1.07	5	51.85	5	50.66	5	73.77	5	73.28	5	1.02	2	27		23
NATIONSBANC MORTGAGE CORP.	OCC	1.43	3	43.90	5	42.73	5	47.68	4	47.15	4	-1.10	3	24	24	24
OAKWOOD ACCEPTANCE CORPORATION	HUD	1.14	4	35.19	4	32.12	4	63.46	5	55.54	5	2.65	2	24	21	22
WORLD SAVINGS AND LOAN ASSOC.	OTS	1.46	3	54.34	5	52.88	5	42.56	4	41.68	4	-1.46	3	24	20	18
DEUTSCHE FINANCIAL CAPITAL	HUD	.98	5	29.86	3	30.63	4	62.75	5	49.35	5	2.79	2	24		
GUILD MORTGAGE COMPANY	HUD	1.23	4	37.95	4	36.67	4	33.84	4	32.58	4	-2.82	4	24		
SUMMIT MORTGAGE	HUD	1.46	3	64.77	5	63.58	5	50.33	4	48.54	4	-1.21	3	24		
BANC ONE MORTGAGE CORPORATION	FRB	2.22	1	46.78	5	43.96	5	45.66	4	44.14	4	-2.68	4	23	27	21
EMPIRE FUNDING CORP.	HUD	1.04	5	32.12	3	30.00	4	69.58	5	70.24	5	12.43	1	23		
UNITED COMPANIES FINANCIAL CORP.	HUD	1.09	5	34.41	4	29.14	3	70.61	5	61.25	5	4.03	1	23		
BANK UNITED	OTS	1.68	2	53.66	5	50.31	5	49.10	4	46.73	4	1.54	2	22	27	24
TEXAS COMMERCE BANK	OCC	2.34	1	62.15	5	58.29	5	48.00	4	45.09	3	-2.37	[illegible]	22	24	24
LIBERTY SAVINGS ASSOCIATION	OTS	1.65	3	43.28	4	41.75	5	26.89	3	25.69	3	-1.53	4	22	24	19
GREENTREE FINANCIAL	HUD	1.07	5	29.37	3	26.28	3	63.40	5	59.29	5	6.31	1	22	[illegible]	[illegible]
FORD CONSUMER FINANCE CO., INC.	HUD	1.03	5	30.82	3	29.77	3	61.62	5	50.09	5	5.25	1	22	21	24
ACCUBANC MORTGAGE CORPORATION	HUD	1.27	4	32.58	4	32.23	4	25.60	3	24.30	3	3.37	4	22		[illegible]
TWENTY FIRST CENTURY MORTGAGE	HUD	1.20	4	33.19	4	28.53	3	66.63	5	60.87	5	3.78	1	22		
CROSSLAND MORTGAGE CORPORATION	OCC	1.48	3	41.81	4	39.49	4	43.48	4	40.27	4	1.79	2	21	20	13
NORTH AMERICAN MORTGAGE CO.	HUD	1.71	2	35.61	4	32.88	4	30.92	3	29.16	4	-1.12	3	20	23	18
NATIONSBANK OF TEXAS, N.A.	OCC	1.51	3	45.84	5	40.34	4	34.49	4	28.40	3	3.83	1	20	19	
ACCESS FINANCIAL CORP.	HUD	1.12	4	23.84	2	21.44	2	76.55	5	64.65	5	4.32	1	19	24	
THE CIT GROUP/SALES FINANCING	FRB	1.09	5	26.81	2	19.34	2	60.84	5	47.26	4	10.09	1	19	18	20
CHASE MORTGAGE SERVICES INC.	FRB	1.64	3	27.41	3	25.68	3	25.34	3	24.20	3	-2.36	4	19		
CRESTAR MORTGAGE CORPORATION	FRB	1.82	2	29.53	3	28.00	3	27.34	3	26.21	3	-4.39	5	19		
INLAND MORTGAGE CORPORATION	FRB	1.10	4	33.89	4	31.99	4	26.70	3	24.84	3	5.95	1	19		
HARBOR FINANCIAL MORTGAGE CORP.	HUD	1.71	2	34.16	4	31.88	4	25.66	3	22.46	2	.30	3	18	18	18
BANK OF AMERICA, FSB	OTS	1.29	4	23.39	2	20.01	2	54.66	4	46.54	4	4.41	1	17	20	20

HOUSTON

LENDER	AGENCY	DENIAL RATIO	QUINTILE	% MIN. APPS.	QUINTILE	% MIN. APPROVS.	QUINTILE	L/M INC. APPS.	QUINTILE	L/M INC. APPROVS.	QUINTILE	DISC. RATIO	QUINTILE	SUM 96	SUM 95	SUM 94
COUNTRYWIDE HOME LOANS	HUD	2.12	1	27.39	3	25.54	3	30.08	3	28.52	3	-2.26	4	17	17	19
HAMMERSMITH FINANCIAL CORP.	HUD	2.33	1	46.21	5	41.64	5	22.29	2	19.22	2	2.34	2	17	16	15
CHASE MANHATTAN MORTGAGE CORP.	OCC	1.21	4	25.61	2	25.12	2	23.99	3	23.15	3	-.68	3	17	15	16
STERLING CAPITAL MORTGAGE CO.	HUD	2.24	1	32.79	4	30.78	4	22.71	2	21.02	2	-1.59	4	17		
HOME LOAN CORPORATION	HUD	.00	5	16.96	1	17.04	1	19.86	2	19.95	2	-5.48	5	16	11	8
PHH MORTGAGE SERVICES	HUD	2.40	1	27.76	3	25.78	3	19.66	2	17.04	2	-4.11	5	16		
PULTE MORTGAGE CORPORATION	HUD	3.08	1	31.68	3	29.08	3	24.21	3	22.59	3	-.47	3	16		
RESOURCE BANCSHARES MTG GROUP	HUD	.00	5	20.65	2	20.73	2	15.29	1	15.20	1	-7.25	5	16		
FLEET MORTGAGE CORP.	OCC	1.53	3	28.19	3	26.63	3	23.22	2	20.92	2	1.18	2	15	16	20
AMERUS MORTGAGE INC.	HUD	1.46	3	15.91	1	15.13	1	22.60	2	22.54	3	-4.06	5	15		
FT MORTGAGE CO.	OCC	1.54	3	30.83	3	28.85	3	21.38	2	19.54	2	1.36	2	15		
RYLAND MORTGAGE COMPANY	HUD	.51	5	10.39	1	10.65	1	7.22	1	6.49	1	-5.09	5	14	15	9
MELLON MORTGAGE COMPANY	OCC	2.10	1	24.10	2	23.44	2	20.72	2	20.67	2	-1.47	4	14	15	6
NVR MORTGAGE FINANCE, INC.	HUD	1.07	5	13.21	1	13.11	1	14.42	1	12.50	1	-4.59	5	14	13	
COLLATERAL MORTGAGE	HUD	2.30	1	25.76	2	22.13	2	27.30	3	23.48	3	.06	3	14	[illegible]	[illegible]
CTX MORTGAGE COMPANY	HUD	1.86	2	21.19	2	20.80	2	13.99	1	13.73	1	-5.28	5	13	9	
FIRST UNION	FDIC	1.75	2	22.19	2	20.90	2	20.94	2	21.57	2	-.31	3	13		
PNC MORTGAGE CORP. OF AMERICA	OCC	2.00	2	19.16	1	18.13	2	21.02	2	19.58	2	-.05	3	12		
NORWEST MORTGAGE INC.	FRB	2.09	1	19.19	2	17.44	1	18.67	1	16.53	1	-2.71	4	11	18	11
HOME SAVINGS OF AMERICA, F.A.	OTS	2.65	1	21.50	2	18.16	2	22.38	2	18.41	2	1.68	2	11	12	8
GUARDIAN SAVINGS & LOAN ASSN.	OTS	1.92	2	11.51	1	11.37	1	14.93	1	14.08	1	-4.21	5	11	11	11
HOME TRUST COMPANY	HUD	1.77	2	15.82	1	15.67	1	14.43	1	14.45	1	-4.06	5	11		
GREAT WESTERN MORTGAGE CORP.	OTS	1.27	4	12.18	1	11.51	1	8.83	1	5.94	1	1.25	2	10	7	10
CORNERSTONE MORTGAGE COMPANY	HUD	4.95	1	18.75	1	17.17	1	15.54	1	14.80	1	-1.91	4	9	8	12
BANK ONE, TEXAS, NA	OCC	1.54	3	16.64	1	14.70	1	7.64	1	7.11	1	2.86	1	8	7	10
GUARANTY FEDERAL BANK, F.S.B.	OTS	2.95	1	6.66	1	5.54	1	1.34	1	1.27	1	2.42	2	7	10	
ALL LENDERS IN MSA–1996		1.27		31.84		29.59		39.21		30.91						

HOUSTON

LENDER	AGENCY	DENIAL RATIO	QUINTILE	% MIN. APPS.	QUINTILE	% MIN. APPROVS.	QUINTILE	L/M INC. APPS.	QUINTILE	L/M INC. APPROVS.	QUINTILE	DISC. RATIO	QUINTILE	SUM 96	SUM 95	SUM 94
LEDNERS IN MSA, 250+ APPS-1996		1.23		31.79		29.73		40.47		31.62						

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Delaware Community Reinvestment Action Council, Inc.

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

TESTIMONY OF
RASHMI RANGAN
DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC., (DCRAC)
IN OPPOSITION TO
THE APPLICATIONS OF BANC ONE CORPORATION TO ACQUIRE FIRST CHICAGO NBD & ITS SUBSIDIARIES

BEFORE THE
FEDERAL RESERVE BANK OF CHICAGO
AUGUST 13, 1998

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

Good afternoon. My name is Rashmi Rangan. I am the executive director of the Delaware Community Reinvestment Action Council, Inc. ("DCRAC")--an eleven year old non-profit citizens' advocacy organization whose mission is "to ensure equal access to credit and capital for the under served populations and communities throughout Delaware". I am also a Board member of the National Community Reinvestment Coalition--a trade association of approximately 650 organizations nation wide and a member of Inner City Press/Community on the Move--a citizens' consumer advocacy group. We are opposed to the acquisition of FCC by Banc One.

Before I address our concerns with the application, let me share our concern about the Feds. Calling "public hearings", "public meetings" is probably more appropriate and revealing—they do not hear us. Besides, five minutes is not enough time to even scratch at the surface of our concerns with this application.

Have we forgotten the S&L bail-out so soon? Should we not look at Japan and shudder at the prospect of obstinately duplicating the "Godzilla" ? Should we not heed to the warning signs from the stock market's roller-coaster ride? This merger too, like all others before, raises concerns with the larger issue surrounding future financial stability--Who will bail this monster, when it fails?

Based on the factors that the Board must consider, this application calls for denial. **Managerial issues** Banc One's absolute disdain for local communities and their predatory and discriminating lending practices reflect very poorly on Banc One's managerial abilities.

1. I refer you to Dr. Kenneth Thomas' comments of July 27, 1998 regarding the management's apparent violation of confidentiality of individual examination ratings on Y2K readiness.
2. In Arizona (Attorney General) and in Texas (HUD) Banc One has been charged with discrimination--this after the Feds own conditional approval in a recent application by Banc One. Apparently, Banc One failed to meet Feds conditions. On these grounds alone, the application should be denied.
3. Banc One, we charged in previous applications and a charge we repeat today, is a predatory lender through its Finance Company subsidiary. While we have raised this issue many times, we sense that the Feds have not really understood the full import of our accusations. Attached as exhibit A is a catalogue of predatory mortgage lending abusive practices prepared by Mr. Bill Brennan of Atlanta Legal Aid Society.
4. We have asked the Feds to review the Finance Company subsidiary of the Bank Holding Company in the past. We, and others, have presented ample evidence that raise enough red-flags that demand such an investigation before the Feds even begin considering the merits of this application. In 1995 BO Finance Company approved 7805 loans. In 1996,

32,712--a 319% increase.

5. Banc One's HMDA analysis has been conducted by ACORN—Illinois (7/14/98), Wisconsin Rural Development Center (6/23/98) where Banc One is the third largest commercial institute, Coalition of Neighborhoods (7/13/98), Central Illinois Organizing Project (7/14/98), etc. These are very revealing. These provide ample evidence that call for a full investigation of Banc One Finance Company.

Convenience and needs issues How can the convenience and needs of my community, be served when the acquirer, Banc One, has shown a remarkable disdain for Delaware. May I remind the Board of concerns we raised when Banc One applied to acquire First USA. First USA, a limited purpose bank, cited its inability to meet its CRA obligations and hence established First USA, FSB. When Banc One acquired First USA, the thrift was gone. Relative to Banc One's First USA (after the merger) record of meeting the convenience and needs of the community, it is abysmal. In comparison, FCC and its CRA officer, Mr. Roland Ridgeway, have not let the limited purpose bank status nor the Delaware's Financial Center Development Act restrictions get in the way of meeting their obligations under the CRA. Loss of FCC to Banc One will have an adverse impact on the convenience and needs of our community.

Community Reinvestment Act record Irrespective of what the respective regulatory agencies grade Banc One's record of meeting the credit needs of its community to be, preying upon our communities, discriminating against our lower income and minority communities, and providing lip service to the Community Reinvestment obligations demonstrates Banc One's poor performance record.

Competition It is already entered into the record, that anti-trust and anti-competitive issues, are severe in Indiana which alone calls for denial of the application. I refer you to Dr. Kenneth Thomas' communication of 7/14/98. However, given the Fed's proclivity to approve merger applications, at a minimum, there is an absolute need for a binding, legally enforceable CRA commitment in Indiana. Without such a commitment, this application must not even be considered.

You will hear, and you have already heard testimony in support of the merger from organizations who have developed partnerships and are hopeful to continue to through these partnerships serve their communities. At issue is not who, where, and how much each bank does/gives individually. At issue here is the who from, where from, and how much, does Banc One take from the community through predatory practices. This alone is a very serious concern. You must deny this application

EXHIBIT "A"

CRAnology: PREDATORY MORTGAGE LENDING ABUSES

In the statement of William J. Brennan, Jr., Director, Home Defense Program of the Atlanta Legal Aid Society, Inc., Before the United States Senate Special Committee on Aging on March 16, 1998, Mr. Brennan testified on the subject of predatory mortgage lending practices directed against the elderly. What follows was attached as an exhibit to Mr. Brennan's statements and downloaded in its entirety from the website of Atlanta Legal Aid Society at www.law.emory.edu.

PREDATORY MORTGAGE LENDING ABUSES

The following is a catalogue of predatory mortgage lending abusive practices. We have divided the practices into abuses associated with the origination of the loan, servicing of the loan, and collection of the loan.

I. ORIGINATION OF LOAN.

1. Solicitations. Predatory mortgage lenders engage in extensive marketing in targeted neighborhoods. They advertise through television commercials, direct mail, signs in neighborhoods, telephone solicitations, door to door solicitations, and flyers stuffed in mailboxes. Many of these companies deceptively tailor their solicitations to resemble social security or other U.S. government checks to prompt homeowners to open the envelopes and otherwise deceive them regarding their predatory intentions.

2. Home Improvement Scams. Predatory mortgage lenders use local home improvement companies essentially as mortgage brokers to solicit business. These companies solicit homeowners for home improvement work. The company may originate a mortgage loan to finance the home improvements and then sell the mortgage to a predatory mortgage lender, or steer the homeowner directly to the predatory lender for financing of the home improvements. The home improvements are often grossly overpriced, and the work is shoddy and incomplete. In some cases, the contractor begins the work before the three-day cooling off period has expired. In many cases, the contractor fails to obtain required permits, thereby making sure the work is not inspected for compliance with local codes.

3. Mortgage Brokers -Kickbacks. Predatory mortgage lenders also originate loans through local mortgage brokers who act as bird dogs (finders) for the lenders. Many predatory mortgage lenders have downsized their operations by closing their retail outlets and shifting the origination of loans to these brokers. These brokers represent to the homeowners that they are working for the homeowners to help them obtain the best available mortgage loan. The homeowners usually pay a broker's fee. In fact, the brokers are working for predatory mortgage lenders and being paid kickbacks by lenders for referring the borrowers to the lenders. On loan closing documents, the industry employs euphemisms to describe these referral fees: yield spread premiums and service release fees. Also, unbeknownst to the borrower, his interest is raised to cover the fee. Within the industry, this is called bonus upselling or par-plus premium pricing.

4. Steering to High Rate Lenders. Some banks and mortgage companies steer customers to high rate lenders, including those customers who have good credit and would be eligible for a conventional loan from that bank or lender. In some cases, the customer is turned away before completing a loan application. In other cases, the loan application is wrongfully denied and the customer is referred to a high rate lender. The high rate lender is often an affiliate of the bank or mortgage company, and kickbacks or referral fees are paid as an incentive to steer the customer in this way.

5. Lending to People Who Cannot Afford The Loans. Some predatory mortgage lenders purposely structure the loans with monthly payments which they know the homeowner cannot afford with the idea that when the homeowner reaches the point of default, they will return to the lender to refinance which provides the lender additional points and fees. Other predatory mortgage lenders, whom we call hard lenders, purposely structure the loans with payments the homeowner cannot afford in order to trigger a foreclosure so that they may acquire the house and the valuable equity in the house at the foreclosure sale.

6. Falsified Loan Applications, Unverified Income. In some cases, lenders knowingly make loans to homeowners who do not have sufficient income to repay the loan. Often, such lenders wish to sell the loan to an investor. To sell the loan, the lender must make the loan package have the appearance to the investor that the borrower has sufficient income. The lender has the borrower sign a blank loan application form. The lender then inserts false information on the form (for example, a job the borrower does not have), making the borrower appear to have higher income than he or she actually has.

7. Adding Co-signers. This is done to create the false impression that the borrower is sufficiently credit worthy to be able to pay off the loan, even though the lender is well aware that the co-signer has no intention of contributing to the repayment of the mortgage. Often, the lender requires the homeowner to transfer half ownership of the house to the co-signer. The homeowner has lost half the ownership of the home and is saddled with a loan she cannot afford to pay.

8. Incapacitated Homeowners. Some predatory lenders make loans to homeowners who are clearly mentally incapacitated. They take advantage of the fact that the homeowner does not understand the nature of the transaction or the papers that she signs. Because of her incapacity, the homeowner does not understand she has a mortgage loan, does not make the payments, and is subject to foreclosure and subsequent eviction.

9. Forgeries. Some predatory lenders forge loan documents. In an ABC Prime Time Live news segment that aired on April 23, 1997, a former employee of a high cost mortgage lender reported that each of the lender's branch offices had a "designated forger" whose job it was to forge documents. In such cases. the unwary homeowners are saddled with loans they know nothing about.

10. High Annual Interest Rates. The very purpose of engaging in predatory mortgage lending is to reap the benefit of high profits. Accordingly, these lenders always charge unconscionably high interest rates, even though their risk in minimal or non-existent. Such rates drastically increase the cost of borrowing for homeowners. Predatory mortgage lenders routinely charge Atlanta area borrowers rates ranging from 12% to 18%, while other lenders charge rates of 7.0% to 7.5%.

11. High Points. Legitimate lenders charge points to borrowers who wish to buy down the interest rate on the loan. Predatory lenders charge high points but there is no corresponding reduction in the interest rate. These points are imposed through pre-paid finance charges (or points or origination fees), they are usually 5 to 10% of the loan and may be as much as 20% of the loan. The borrower does not pay these points with cash at closing. Rather, the points are always financed as part of the loan. This increases the amount borrowed, which produces more annual interest to the lender.

12. Balloon Payments. Predatory mortgage lenders frequently structure loans so that at the end of the loan period, the borrower still owes most of the principal amount borrowed. The last payment balloons to an amount often equal to 85% or so of the principal amount borrowed. Over the term of the loan, the borrower's payments are applied primarily to interest. The homeowner cannot afford to pay the balloon payment at the end of the term, and either loses the home through foreclosure or is forced to refinance with the same or another lender for an additional term at additional cost.

13. Negative Amortization. This involves a system of repayment of a loan in which the loan does not amortize over the term. Instead, the amount of the monthly payment is insufficient to pay off accrued interest and the principal balance therefore increases each month. At the end of the loan term, the borrower owes more than the amount originally borrowed. A balloon payment at the end of the loan is often a feature of negative amortization.

14. Padded Closing Costs. In this scheme, certain costs are increased above their true market value as a method of charging higher interest rates. Examples include charging document preparation of $350 or credit report fees of $150, both of which are many times the actual cost.

15. Inflated Appraisal Costs. This is another padding scheme. In most mortgage loan transactions, the lender requires that an appraisal be done. Most appraisals include a typical, detailed report of the condition of the house (interior and exterior) and prices of comparable in the area. Others are "drive-by" appraisals, done by someone driving by the homes. The former naturally cost more than the latter. In some cases, borrowers are charged a fee for an appraisal which should include the detailed report, when only a drive-by appraisal was done.

16. Padded Recording Fees. Mortgage transactions usually require that documents be recorded at the local courthouse. State or local laws establish the fees for recording the documents. Mortgage lenders typically pass these costs on to the borrower. Predatory mortgage lenders often charge the borrowers a fee in excess of the actual amount required by law to record the documents.

17. Bogus Broker Fees. In some cases, predatory lenders charge borrowers broker fees when the borrower never met or knew of the broker. This is another way such lenders increase the cost of the loan for the benefit of the lender.

18. Unbundling. This is another way of padding costs by breaking out and itemizing charges which are duplicative or should be included under other charges. An example is where a lender imposes a loan origination fee, which should cover all costs of initiating the loan, but then imposes separate, additional charges for underwriting and loan preparation.

19. Credit insurance -Insurance Packing. Predatory mortgage lenders market and sell credit insurance as part of their loans. This includes credit life insurance, credit disability insurance, and involuntary unemployment insurance. The premiums for this insurance are exorbitant. In some cases, lenders sell credit life insurance covering an amount which constitutes the total of payments over the life of the loan rather than the amount actually borrowed. The payout of claims is extremely low compared to the revenue from the premiums. The predatory mortgage lender often owns the insurance company, or receives a substantial commission for the sale of the insurance. In short, credit insurance becomes a profit center for the lender and provides little or no benefit to the borrower.

20. Excessive Prepayment Penalties. Predatory mortgage lenders often impose exorbitant prepayment penalties. This is done in an effort to lock the borrower into the predatory loan for as long as possible by making it difficult for her to refinance the mortgage or sell the home. Another feature of this practice is that it provides back end interest for the lender if the borrower does prepay the loan.

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21. Mandatory Arbitration Clauses. By inserting pre-dispute, mandatory, binding arbitration clauses in contractual documents, some lenders attempt to obtain unfair advantage of their borrowers by relegating them to a forum perceived to be more favorable to the lender than the court system. This perception exists because discovery is not a matter of right but is within the discretion of the arbitrator; the proceedings are private; arbitrators need not give reasons for their decisions or follow the law; a decision in one case will have no precedential value; judicial review is extemely limited; a lender will be a frequent user while the consumer is a one time participant; and injunctive relief and punitive damages will not be available.

22. Flipping. Flipping involves successive, repeated refinancing of the loan by rolling the balance of the existing loan into a new loan instead of simply making a separate, new loan for the new amount. Flipping always results in higher costs to the borrower. Because the existing balance of one loan is rolled into a new loan, the term of repayment is repeatedly extended through each refinancing. This results in more interest being paid than if the borrower had been allowed to pay off each loan separately. A powerful example of the exorbitant costs of flipping is the case of Bennett Roberts, who had eleven loans from a high cost mortgage lender within a period of four years. See, Wall Street Journal, April 23, 1997, at 1. Mr. Roberts was charged in excess of $29,000 in fees and charges, including ten points on every financing, plus interest, to borrow less than $26,000.

23. Spurious Open End Mortgages. In order to avoid making required disclosures to borrowers under the Truth in Lending Act, many lenders are making "open-end" mortgage loans. Although the loans are called "open end" loans, in fact they are not. Instead of creating a line of credit from which the borrower may withdraw cash when needed, the lender advances the full amount of the loan to the borrower at the outset. The loans are non-amortizing, meaning that the payments are interest only so that no credit will be replenished. Because the payments are applied only to interest, the balance is never reduced.

24. Paying Off Low Interest Mortgages. A predatory mortgage lender usually insists that its mortgage loan pay off the borrower's existing low cost, purchase money mortgage. The lender is able to increase the amount of the new mortgage loan by paying off the current mortgage and the homeowner is stuck with a high interest rate mortgage with a principal amount which is much higher than necessary.

25. Shifting Unsecured Debt Into Mortgages. Mortgage lenders badger homeowners with telephone and mail solicitations and other advertisements that tout the "benefits" of consolidating bills into a mortgage loan. The lender fails to inform the borrower that consolidating unsecured debt into a mortgage loan secured by the home is a bad idea. The loan balance is increased by paying off the unsecured debt, which necessarily increases closing costs (which are calculated on a percentage basis), increases the monthly payments, and increases the risk that the homeowner will lose the home.

26. Making Loans in Excess of 100% Loan to Value (LTV). Recently, some lenders have been making loans to homeowners where the loan amount exceeds the fair market value of the home. This makes it very difficult for the homeowner to refinance the mortgage or to sell the house to pay off the loan, thereby locking the homeowner into a high cost loan. Additionally, if a homeowner goes into default and the lender forecloses on a loan, the foreclosure auction sale generates enough money to pay off the mortgage loan. Therefore, the borrower is not subject to a deficiency claim. However, where the loan is 125% LTV, a foreclosure sale may not generate enough to pay off the loan and the borrower would be subject to a deficiency claim.

II. SERVICING OF LOAN

1. Forced Placed Insurance. Lenders require homeowners to carry homeowner's insurance, with the lender named as a loss payee. Mortgage loan documents allow the lender to force place insurance when the homeowner fails to maintain the insurance, and to add the premium to the loan balance. Some predatory mortgage lenders force place insurance even when the homeowner has insurance and has provided proof of such insurance to the lender. Even when the homeowner has in fact failed to provide the insurance, the premiums for the force placed insurance are often exorbitant. Often the insurance carrier is a company affiliated with the lender. Furthermore, the cost of forced placed insurance is frequently padded because it covers the lender for risks or losses in excess of what the lender may require under the terms of the mortgage loan.

2. Daily Interest When Payments Are Made After Due Date. Most mortgage loans have grace periods, during which a borrower may make the monthly payment after the due date and before the end of the grace period without incurring a "late charge." The late charge is often assessed as a small percent of the late payment. However, many lenders also charge daily interest based on the outstanding principal balance. While it may be proper for a lender to charge daily interest when the loan so provides, it is deceptive for a lender to charge daily interest when a borrower pays after the due date and before the grace period expires when the loan terms provide for a late charge only after the end of the grace period. Predatory lenders take advantage of this deceptive practice.

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III. COLLECTION OF LOAN

1. Abusive Collection Practices. In order to maximize profits, predatory lenders either set the monthly payments at a level the borrower can barely sustain or structure the loan to trigger a default and a subsequent refinancing. Having structured the loans in this way, the lenders consciously decide to use aggressive, abusive collection tactics to ensure that the stream of income flows uninterrupted. (Because conventional lenders do not structure their loans in this manner, they do not employ abusive collection practices.) The collection departments of prdatory lenders call the homeowners at all hours of the day and night, send late payment notices (in some cases, even when the lender has received timely payment or even before the grace period expires), send telegrams, and even send agents to hound homeowners in person. Some prdatory lenders bounce homeowners back and forth between regional collection offices and local branch offices. One homeowner received numerous calls every day for several months, even after she had worked out a payment plan. These abusive collection tactics often involve threats to evict the homeowners immediately, even though lenders know they must first foreclose and follow the eviction procedures. The resulting emotional impact on homeowners, especially elderly homeowners, can be devastating. Being ordered out of a home one has owned and lived in for decades is an extremely traumatic experience.

2. High Prepayment Penalties. See description in I. 20 above. When a borrower is in default and must pay the full balance due, predatory lenders will often include the prepayment penalty in the calculation of the balance due.

3. Flipping (Successive, Repeated Refinancing of Loan). See description in I. 22 above. When a borrower is in default, predatory mortgage lenders often use this as an opportunity to flip the homeowner into a new loan, thereby incurring additional high costs and fees.

4. Foreclosure Abuses. These include persuading borrowers to sign deeds in lieu of foreclosure in which they give up all rights to protections afforded under the foreclosure statute, sales of the home at below market value, sales without the homeowner/borrower being afforded an opportunity to cure the default, and inadequate notice which is either not sent or backdated. There have even been cases of "whispered foreclosures", in which persons conducting foreclosure sales on courthouse steps have ducked around the corner to avoid bidders so that the lender was assured he would not be out-bid. Finally, foreclosure deeds have been filed in courthouse deed records without a public foreclosure sale.

Exhibit B.

1.

PETITION TO DENY AND HEARING REQUEST BY MARSHALL PLAN FOR GARY AND ITS MEMBERS AND AFFILIATES AND BUSINESS OWNERS IN OPPOSITION TO BANC ONE CORPORATION'S PROPOSED ACQUISITION OF FIRST CHICAGO NBD AND ITS BANKING AND NON-BANKING SUBSIDIARIES AND ALL RELATED APPLICATIONS AND NOTICES

JULY 8, 1998

I. PRELIMINARY STATEMENT

On behalf of Marshall Plan for Gary and its members and affiliates and business owners (collectively hereinbelow, "MPG"), this is a timely comment opposing and requesting hearings on Banc One Corporation's ("Banc One's") proposed acquisition of First Chicago NBD and its banking and non-banking subsidiaries ("First Chicago") and all related Applications and notices.

This proposed merger would substantially lessen competition and would have adverse convenience and needs effects in, inter alia, numerous banking markets, primarily but not only in Indiana, and in the credit card product market. See Section III, infra. Banc One and its banks, which are subject to the Community Reinvestment Act (12 U.S.C. ° 2901, et seq.; "CRA"), have at least since March 1997 been closing dozens of bank branches, abandoning low and moderate income ("LMI") neighborhoods, and communities of color. Section II.A. Banc One's banks and Banc One Mortgage Company ("BOMC"), subject to the fair lending laws, disproportionately exclude and deny the credit applications of African Americans and Hispanics, while Banc One Financial Services ("BOFS") targets and gouges these protected classes with higher interest rate loans. Section II.B, infra.

The FRB cannot approve any proposal under Section 3 of the Bank Holding Company Act (the "BHC Act") which would substantially lessen competition, unless the anticompetitive effects are clearly outweighed in the public interest by the convenience and needs of the community. 12 U.S.C. °1842(c). Convenience and needs aspects do not outweigh the anticompetitive effects of a merger, unless the gains expected cannot reasonably be expected through other means. See United States v. Third National Bank, 390 U.S. 171, 88 S.Ct. 882 (1968).

Banc One does not serve the convenience and needs of communities. Banc One has accelerated its closing of branches, including in low, moderate and lower-middle income communities, since it acquired First USA in July 1997. In fact, while at that time Banc One said it had 1,500 branches, its April 13, 1998, press release announcing this proposal stated that it now has 1,300 branches. Banc One has told stock analysts that its goal is to eliminate fully 25% of its branches; already, Banc One is eliminating branches serving elderly, less affluent and minority consumers and communities. See Section II.A, infra. Meanwhile, First Chicago NBD has stated that it intends to close 100 branches by 1999, and has already closed more than 30 branches in Michigan. Section IV.

Banc One is the only bank in the nation which surcharges its own customers for using its ATMs and cash dispensing machines; First Chicago is well-known as the bank which imposed a three dollar fee on its customers for using tellers. This is a proposed combination of two of the most fee-gouging banks in the country, a proposal which would give them anticompetitive market power allowing them to further raise prices and fees. The proposed combination would NOT serve the convenience and needs of communities in any meaningful way, much less to the extent needed to ôclearly outweighõ the substantial lessening of competition. The proposal should be denied.

This proposed merger would substantially lessen competition in numerous banking markets, including:

Market	Banc One Share- Rank		1st Chicago Share- Rank		Resulting Share	Resulting Rank
Lafayette, IN	30.39	1	24.31	2	54.71	1
Lawrence Cty, IN	26.67	1	19.88	2	46.55	1
Rensselear, IN	30.61	1	15.62	3	46.23	1
Indianapolis, IN	22.39	1	19.70	3	42.09	1
Corydon, IN	17.47	4	23.95	2	41.42	1
Bloomington, IN	31.31	1	6.39	6	37.70	1
Gary, IN	7.27	6	23.45	1	30.72	1
Marion, IN	14.42	4	17.51	2	31.93	1
Statewide IN	8.83	3	12.49	1	21.32	1

The FRB's NationsBank - Barnett Order, 84 Fed. Res. Bull. ___ (Dec. 1997) (slip op. at 19) explicitly stated that "in future cases, increased importance should be placed on a number of factors where the proposal involves a combination that exceeds the DOJ guidelines in a large number of local markets," including "increased attention to the size of the charge in market concentration as measured by the HHI in highly concentrated markets, the

80% of stock of Premier Bank, Baton Rouge, which it didn't already own. Here's is this franchise's lending record in 1996:

Bank One Louisiana, N.A., in 1996 denied 56% of mortgage applications from African Americans, and only 24% of such applications from whites, for a denial rate disparity of 2.33-to-1. This disparity cannot be explained by more aggressive than average outreach to African American applicants: in 1996, Bank One Louisiana, N.A., based on its outreach and marketing, received only 257 applications from, and made only 79 loans to (31% origination rate), African Americans, while receiving 3,788 applications from, and making 2,190 loans to (58% origination rate), whites.

Bank One, Louisiana, N.A.'s record in 1996, the year after it acquired Premier Bank, militates for close scrutiny by the FRB, and for the denial of this application.

Other Banc One banks were hardly better in 1996.

Bank One, Chicago, N.A. in 1996 denied 45% of applications from African Americans, and only 22% of applications from whites, for a denial rate disparity of over 2-to-1.

Bank One, Kentucky, N.A. in 1996 denied 41% of applications from African Americans, and only 19% of applications from whites, for a denial rate disparity of 2.16-to-1.

Bank One, Lafayette, N.A. in 1996 denied 56% of applications from African Americans, and only 24% of applications from whites, for a denial rate disparity of 2.33-to-1.

Bank One, Rockford, N.A. in 1996 denied 47% of applications from African Americans, and only 17% of applications from whites, for a denial rate disparity of 2.76-to-1.

Even more troubling is a review of Banc One Mortgage Company ("BOMC"), as to which the FRB has acknowledged unanswered fair lending questions, and which has been charged by the Arizona Attorney General's Office - particularly a review that compares BOMC's market shares by race with those of the high interest rate Banc One Financial Services ("BOFS"), in the same markets.

First, a 1993 to 1996 analysis of BOFS (showing the rapid growth, and increasing importance, as to a fair lending/CRA assessment of Banc One, of this subsidiary):

in 1993, BOFS reported 1,578 originations.

in 1994, BOFS inexplicably did not report HMDA data.

In 1995, BOFS reported 7,805 originations.

In 1996, BOFS reported 20,504 originations.

Second, to put the disparities below in context: Banc One has acknowledged to the FRB that it has a program to refer down applicants from its banks to BOFS (for higher priced credit). Banc One's higher interest rate lender BOFS has stated that it does not have a procedure in place to refer any applicants back to normal interest rate providers. Banc One ONLY has a referral ôdownõ (to higher interest rate credit) process; it has not referral ôupõ (to normal interest rate credit for those who approach BOFS but are eligible from normal interest rate bank credit) program. This is one of the reasons why Bank One's banks' and BOMC's higher than industry average denial rate disparities for minorities are particularly troubling, and raise a red flag not only of disparate treatment, but also of pricing discrimination. This red flag is raised without regard to referrals -- infra, ICP demonstrates that in markets where both BOMC and BOFS operate, BOMC disproportionately excludes and denies African Americans and Hispanics, and that BOFS, with higher interest rate credit, targets African Americans and Hispanics.

Now, a market by market analysis of BOMC's and BOFS's lending, making out a prima facie case (or raising a red flag) of pricing discrimination and disparate treatment at Banc One:

In the Akron OH MSA (in Banc One's CRA assessment area) in 1996, BOMC denied 55% of mortgage applications from African Americans, and only 17% of applications from whites (a denial rate disparity of 3.24). BOMC originated 164 loans to whites, and only 7 to African Americans. This Comment will call loans to African Americans divided by loans to whites the "Index." BOMC's Index in this MSA in 1996 was 0.043. Meanwhile in this MSA, the higher interest rate BOFS originated 27 loans to African Americans, and 140 loans to whites – Index of 0.193, 4.49 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit, including but not only through referrals (or steering) from Banc One's banks/BOMC.

In the Atlanta GA MSA in 1996, BOMC denied 26% of mortgage applications from African Americans, and only 7% of applications from whites (a denial rate disparity of 3.71). BOMC originated 82 loans to whites, and only 14 to African Americans. BOMC's Index (see supra) in this MSA in 1996 was 0.171. Meanwhile in this MSA, the higher interest rate BOFS originated 102 loans to

African Americans, and 186 loans to whites -- Index of 0.548, 3.2 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Charlotte NC MSA in 1996, BOMC denied 20% of mortgage applications from African Americans, and only 10% of applications from whites (a denial rate disparity of 2.0). BOMC originated 234 loans to whites, and only 8 to African Americans. BOMC's Index (see supra) in this MSA in 1996 was 0.034. Meanwhile in this MSA, the higher interest rate BOFS originated 34 loans to African Americans, and 86 loans to whites -- Index of 0.395, 11.6 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit, including but not only through referrals (or steering) from BOMC.

In the Chicago IL MSA (in both First Chicago's and Banc One's CRA assessment area) in 1996, BOMC denied 25% of mortgage applications from African Americans, and only 12% of applications from whites (a denial rate disparity of 2.08). BOMC originated 737 loans to whites, and only 65 to African Americans. BOMC's Index (see supra) in this MSA in 1996 was 0.088. Meanwhile in this MSA, the higher interest rate BOFS originated 110 loans to African Americans, and 314 loans to whites -- Index of 0.350, 4 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Cincinnati MSA (in Banc OneÆs CRA assessment area) in 1996, BOMC denied 18% of mortgage applications from African Americans, and only 11% of applications from whites (a denial rate disparity of 1.64 - see infra). BOMC originated 196 loans to whites, and only 21 to African Americans. BOMC's Index in this MSA in 1996 was 0.107. Meanwhile in this MSA, BOFS originated 46 loans to African Americans, and 190 loans to whites -- Index of 0.242, 2.26 times higher than BOMC's. Meanwhile BOFS' denial rate disparity for African Americans was 1.55, lower than BOMC's.

In the Cleveland OH MSA (in Banc One's CRA assessment area) in 1996, BOMC denied 39% of mortgage applications from African Americans, and only 15% of applications from whites (a denial rate disparity of 2.6). BOMC originated 367 loans to whites, and only 40 to African Americans. BOMC's Index in this MSA in 1996 was 0.109. Meanwhile in this MSA, BOFS originated 133 loans to African Americans, and 273 loans to whites -- Index of 0.487, 4.47 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Columbus OH MSA (Banc One's current headquarters) in 1996, BOMC denied 23% of mortgage applications from African Americans, and only 11% of applications from whites (a denial rate disparity of 2.09). BOMC originated

618 loans to whites, and only 47 to African Americans. BOMC's Index in this MSA in 1996 was 0.076. Meanwhile in this MSA, BOFS originated 26 loans to African Americans, and 166 loans to whites – Index of 0.157, over 2 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Dallas MSA in 1996, BOMC denied 32% of mortgage applications from African Americans, and only 12% of applications from whites (a denial rate disparity of 2.67). BOMC originated 710 loans to whites, and only 51 to African Americans. BOMC's Index in this MSA in 1996 was 0.072. Meanwhile in this MSA, BOFS originated 9 loans to African Americans, and 7 loans to whites – Index of 1.286, 17.86 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Dayton OH MSA (in Banc One's CRA assessment area) in 1996, BOMC denied 23% of mortgage applications from African Americans, and only 13% of applications from whites (a denial rate disparity of 1.77 -- see infra). BOMC originated 328 loans to whites, and only 33 to African Americans. BOMC's Index in this MSA in 1996 was 0.101. Meanwhile in this MSA, BOFS originated 41 loans to African Americans, and 151 loans to whites -- Index of 0.272, 2.69 times higher than BOMC's. BOFS's denial rate disparity for African Americans was 1.28, significantly lower than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Detroit MSA (NBD's headquarters, and in First Chicago's CRA assessment area) in 1996, BOMC originated 76 loans to whites, and only 8 to African Americans. BOMC's Index in this MSA in 1996 was 0.105. Meanwhile in this MSA, BOFS originated 364 loans to African Americans, and 618 loans to whites – Index of 0.589, 5.61 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Fort Wayne IN MSA in 1996, BOMC originated 243 loans to whites, and only 12 to African Americans. BOMC's Index in this MSA in 1996 was 0.049. Meanwhile in this MSA, the higher interest rate BOFS originated 26 loans to African Americans, and 120 loans to whites – Index of 0.217, 4.43 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Gary IN MSA (in both First Chicago's and Banc One's CRA assessment area) in 1996, BOMC denied 39% of mortgage applications from African Americans, and only 13% of applications from whites (a denial rate disparity of 3.0). BOMC originated 98 loans to whites, and only 10 to African

Americans. BOMC's Index (see supra) in this MSA in 1996 was 0.102. Meanwhile in this MSA, the higher interest rate BOFS originated 85 loans to African Americans, and 151 loans to whites -- Index of 0.563, 5.52 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Grand Rapids MI MSA (see NBD's historical record in this MSA) in 1996, BOMC originated 44 loans to whites, and NO LOANS to African Americans. Meanwhile in this MSA, the higher interest rate BOFS originated 61 loans to African Americans, and 308 loans to whites -- Index of 0.198, versus BOMC's Index (and loans to African Americans) of ZERO. BOMC disproportionately denies African Americans from its marketing; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Indianapolis IN MSA (in both First Chicago's and Banc One's CRA assessment area) in 1996, BOMC denied 21% of mortgage applications from African Americans, and only 12% of applications from whites (a denial rate disparity of 1.75, see below). BOMC originated 671 loans to whites, and only 84 to African Americans. BOMC's Index (see supra) in this MSA in 1996 was 0.125. Meanwhile in this MSA, the higher interest rate BOFS originated 148 loans to African Americans, and 573 loans to whites -- Index of 0.258, 2.06 times higher than BOMC's. Meanwhile, BOFS's denial rate disparity for African Americans was 1.09, significantly lower than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit, including but not only through referrals (or steering) from Banc One's banks/BOMC.

In the Lexington KY MSA (in Banc One's CRA assessment area) in 1996, BOMC denied 28% of mortgage applications from African Americans, and only 9% of applications from whites (a denial rate disparity of 3.11). BOMC originated 479 loans to whites, and only 31 to African Americans. BOMC's Index in this MSA in 1996 was 0.065. Meanwhile in this MSA, the higher interest rate BOFS originated 20 loans to African Americans, and 41 loans to whites -- Index of 0.488, 7.5 times higher than BOMC's. BOFS's denial rate disparity for African Americans was 1.28, significantly lower than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Louisville KY MSA (in Banc One's CRA assessment area) in 1996, BOMC denied 24% of mortgage applications from African Americans, and only 11% of applications from whites (a denial rate disparity of 2.18). BOMC originated 476 loans to whites, and only 19 to African Americans. BOMC's Index in this MSA in 1996 was 0.040. Meanwhile in this MSA, the higher interest rate BOFS originated 41 loans to African Americans, and 194 loans to whites -- Index of 0.211, 5.28 times higher than BOMC's. BOMC disproportionately denies African

Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Milwaukee MSA in 1996, BOMC denied 23% of mortgage applications from African Americans, and only 8% of applications from whites (a denial rate disparity of 2.88). BOMC originated 335 loans to whites, and only 17 to African Americans. BOMC's Index in this MSA in 1996 was 0.051. Meanwhile in this MSA, the higher interest rate BOFS originated 37 loans to African Americans, and 85 loans to whites -- Index of 0.435, 8.53 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Phoenix AZ MSA (in Banc OneÆs CRA assessment area) in 1996, BOMC denied 12% of mortgage applications from African Americans, and only 6% of applications from whites (a denial rate disparity of 2). BOMC originated 4,646 loans to whites, and only 48 to African Americans, and only 270 to Hispanics. BOMC's Hispanic Index in this MSA in 1996 was 0.058 (see supra); BOMC's African American Index in this MSA in 1996 was 0.010. Meanwhile in this MSA, the higher interest rate BOFS originated 173 loans to Hispanics, 33 loans to African Americans, and 952 loans to whites -- Hispanic Index of 0.182, 3.14 times higher than BOMC's; BOFS's African American Index in this MSA was 0.035, 3.5 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Springfield IL MSA in 1996, BOMC denied 40% of mortgage applications from African Americans, and only 11% of applications from whites (a denial rate disparity of 3.64). BOMC originated 102 loans to whites, and only 2 to African Americans. BOMC's Index in this MSA in 1996 was 0.020. Meanwhile in this MSA, the higher interest rate BOFS originated 4 loans to African Americans, and 29 loans to whites -- Index of 0.138, 6.9 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit, including but not only through referrals (or steering) from BOMC.

In the Toledo OH MSA in 1996, BOMC originated 144 loans to whites, and only 6 to African Americans. BOMC's Index in this MSA in 1996 was 0.042. Meanwhile in this MSA, the higher interest rate BOFS originated 20 loans to African Americans, and 87 loans to whites -- Index of 0.230, 5.48 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Tuscon AZ MSA (in Banc One's CRA assessment area) in 1996, BOMC denied 18% of mortgage applications from African Americans, and only 7% of applications from whites (a denial rate disparity of 2.57). BOMC originated

800 loans to whites, and only 15 to African Americans, and only 97 to Hispanics. BOMC's Hispanic Index in this MSA in 1996 was 0.121 (see supra); BOMC's African American Index in this MSA in 1996 was 0.019. Meanwhile in this MSA, the higher interest rate BOFS originated 126 loans to Hispanics, 9 loans to African Americans, and 242 loans to whites -- Hispanic Index of 0.521, 4.31 times higher than BOMC's; BOFS's African American Index in this MSA was 0.037, 1.95 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Yuma AZ MSA (in Banc One's CRA assessment area, and where BOMC has been charged with discrimination by the Arizona Attorney General) in 1996, BOMC denied 30% of mortgage applications from African Americans, and only 16% of applications from whites (a denial rate disparity of 1.86 - see infra). BOMC originated 33 loans to whites, and only 14 to Hispanics. BOMC's Hispanic Index in this MSA in 1996 was 0.424 (see supra). Meanwhile in this MSA, the higher interest rate BOFS originated 21 loans to Hispanics, and 21 loans to whites -- Hispanic Index of 1.000, 2.36 times higher than BOMC's. BOFS's denial rate disparity for Hispanics was 1.15, significantly lower than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Wilmington DE MSA (where Banc One/First USA has a CRA duty), the high interest rate BOFS made 25 loans to African Americans, and 25 loans to whites -- totally out of proportion to the demographics of, and other lenders' lending in, this MSA. BOFS disproportionately targets African Americans for higher interest rate credit.

Of most concern to MPGis Banc One's and its subsidiaries', particularly BOMC's and BOFS's, deficient fair lending and CRA performance, in markets throughout the country, as set forth above and as will be futher documented in this proceeding, including at the requested evidentiary hearing.

[More to follow, including:

C. Banc One Imposes ATM Surcharges - On Its Own Customers

III. THIS PROPOSED MERGER WOULD HAVE SIGNIFICANTLY ANTICOMPETITIVE EFFECTS, AND SHOULD BE DENIED.

The FRB cannot approve any proposal under Section 3 of the BHC Act which would substantially lessen competition, unless the anticompetitive effects are clearly outweighed in the public interest by the convenience and needs of the community. 12 U.S.C. °1842(c). Convenience and needs aspects do not outweigh

Wisconsin Rural Development Center
6/23/98

CONCLUSIONS REGARDING BANC ONE LENDING IN MSA AND NON-MSA AREAS

Bank One Wisconsin is the third largest commercial institution in Wisconsin. The bank accounts for 12.5% of all bank assets, 10.5% of all bank deposits, and 13.6% of all loans within the state. Given the institution's size and financial condition, there appears to be no factors which would limit its ability to meet the credit needs of under served communities, low to moderate income home borrowers, small businesses and small farms. However, as our analysis shows:

* *Conventional home ownership loans to low to moderate income borrowers is weak.* Banc One and its subsidiary lenders are capturing only 2.6% of all low to moderate income MSA HMDA loan market shares and 2.3% of all dollar amounts for the state.

* *The majority of small business lending is targeted to larger businesses.* Of the 5,912 FFIEC small business loans reported in 1996, 59.5% of all loan numbers and 62.1% of all dollar amounts were originated to businesses with gross revenues of over $1 million.

* *Small farm lending is extremely weak.* Despite the fact that both MSA and non-MSA assessment areas include over 36% of the state's total farm numbers, Banc One and its subsidiaries are originating only 1.2% of all FFIEC reportable small farm loan numbers and 2.5% of all dollar amounts for the state.

* *Participation in state and federal guaranteed programs is weak, especially in non-MSA areas.* Of the 1,280 HMDA conventional loans originated statewide in 1996, only 8% of all loan numbers and 5.4% all dollar amounts were guaranteed under the WHEDA/HOME program. In non-MSA areas, 5.5% of loan numbers and 3.6% of all dollar amounts were under guarantee. No FSA FO or OL farm loans were under guarantee in 1996. Of the 1,630 small business loans totaling $131.3 million only 3.2% of all dollar amounts are under SBA guarantee. Likewise, in non-MSA areas, 3.6% of all dollar amounts are under SBA guarantee.

* *Lending outside of assessment areas is weak, especially in lower-income non-MSA areas.* Non-MSA low to moderate income counties received only 4.5% of all loan numbers and 2.4% of all dollar amounts of Banc One HMDA originations. Likewise, low to moderate income counties received only 3.7% of all loan numbers and 3.7% of all dollar amounts of FFIEC small business originations. Only 10 small farm loans, totaling $1,169 million, were originated by Banc One in low income non-MSA counties.

Before granting final approval to the application, we believe there are still a number of questions regarding lending and reinvestment performance which need to be addressed.

* Specifically, is Banc One Mortgage Corporation's lending used to assess Bank One Wisconsin's overall CRA performance? If so, why are so few loans being made in non-assessment area low income MSA and non-MSA counties in the state by the Mortgage company (we assume their assessment areas can include all of Wisconsin)?

Delaware Community Reinvestment Action Council, Inc.

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

ROUTE TO	INITIAL
B. Benson	
P. Jackson	
Musgrave	
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Cahill	
T. Naughton	
Skweres	
RESPONSE NEEDED	
Legal	
Research	
Clearing Unit	
APU	
S&R Files	

Via facsimile

July 14, 1998

Board of Governors of the Federal Reserve System
Attn: Ms. Jennifer J. Johnson, Secretary
20th Street and Constitution Avenue
Washington, D.C. 20551

RE: TIMELY COMMENTS AND HEARING REQUEST IN OPPOSITION TO BANC ONE CORPORATION'S PROPOSED ACQUISITION OF FIRST CHICAGO NBD AND ITS SUBSIDIARIES AND ALL RELATED APPLICATIONS AND NOTICES

Dear Secretary Johnson and others at the FRB:

On behalf of the Delaware Community Reinvestment Action Council (DCRAC), this is a supplemental comment in opposition to the aforementioned application.

DCRAC's detailed comments are included in the supplemental comments submitted by Inner City Press /Community on the Move, dated July 7, 1998.

In addition, we reiterate that a public meeting is an imperative in this application, particularly in Indiana--which is most adversely impacted by this merger.

This proposed merger highlights anti-trust issues, particularly in Indiana. In addition, the announced plans to decrease competition in the mortgage credit arena--shrinks competition among mortgage products even further (loss of mortgage credit from Banc One and FCC).

This proposal raises several consumer concerns. Already raised before the Federal Reserve Board during Banc One's acquisition of First USA are our concerns with Banc One's fair lending practices such as the practice of disproportionately high lending to minority borrowers through Banc One Financial Services (a high interest rate predatory lender). Bank One's banks--normal interest rate lending affiliate/subsidiary on the other hand disproportionately excludes minority borrowers. In 1996, Banc One Financial Services saw a 319% (from 7805 in 1995 to 32,712 in 1996) increase in lending over 1995.

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

Our conclusions are that Banc One
a) seeks competition for non-minority and upper income families--thereby offering them lower priced products and services, and
b) seeks opportunities to fleece the minority and lower income communities--thereby surcharging race and income.
These are serious community concerns and on these grounds alone the application should be denied.

Banc One intends to meet its responsibilities under the Community Reinvestment Act by

a) abandoning the very mechanisms that would make CRA happen . For example, on page 8 of the June 18, 1998 response ("response") to our comments, Banc One states, "the sale of small town branches to strong community banking organizations that focus on meeting the needs of small communities is consistent with BANC ONE's efforts to address the convenience and needs of consumers." This is a clear representation of what Banc One believes CRA to be and how Banc One intends to abandon CRA responsibilities and obligations. On these grounds alone, this application must be denied.
b) meeting them through predacious practices. For example, at 12 of the response, Banc One states (in response to our allegations that Banc One engages in pricing discrimination by disproportionately targeting and lending high-priced products through finance companies to minorities while disproportionately excluding them from normal rate products), "such data merely reflects that BOFS is effectively meeting the credit needs of minorities who otherwise might not be able to obtain credit." This standard excuse for fleecing minorities actually assumes that the Bank considers that minorities are not credit worthy borrowers. This raises serious concern for our communities.
c) reverse redlining. For example, again at 12 of the response, Banc One states, "it is clear that BOFS is not an active first mortgage lender to which credit worthy BOMC home buyers are steered......To the contrary, the data shows that BOFS is effectively working to meet the credit needs of individuals who may not be able to obtain credit from other sources." Supporting our claims earlier that Banc One seeks to profit from our lower income and minority communities, this equity drain from our communities is a serious concern which needs serious review.
d) denying African Americans residential loans. For example, at 12 of the response, Banc One states, "In addition, the African America denial disparity has dropped from 3:1 to 2.3:1". The fact that the denial disparity in New Castle County, for home mortgages over the past two years has stood at almost 1:1 (1:1.275 in 1996 and 1:1.25 in 1995), and the fact that Banc One seems to be proud of denying African Americans more than twice as a white applicant, raises more than just red-flags and demand serious review of Banc One's lending practices.

Banc One's response to DCRAC concerns, while does not even merit a rebuttal, I will point out the following:

i. DCRAC's quarterly newsletter s, Delaware CRA News, has a circulation of over 1,500.
ii. In January, 1998, the newsletter called for advisors from the banking community and volunteers from the banking community to form a Financial Advisory group to assist our constituency on financial investment matters.

iii. On March 12, 1998, First USA CRA officer expressed a desire to serve as an advisor from the banking community.

iv. On May 12, 1998 (even after DCRAC was fully aware of the merger announcement), DCRAC invited Ms. Steele of FUSA. Our letter of invitation, third paragraph illustrates our desire to educate our lending institutions. We state, "I also hope that you will take with you an understanding of our organizational culture, our community concerns, and our vision for equity, parity, and access to credit and capital in our community."

v. DCRAC is a mission driven organization. We abide by our mission through education (which includes our banking and regulatory community), advocacy, and legislation. It is with an intent of educating our banking community, that DCRAC determined to seek advisors from the banking community.

vi. Finally, on FUSA's CRA record. I will let Banc One's response show its inadequacy.

We have also raised concerns about Banc One's fee gouging practices. In response to these allegations, Banc One sites a Fed order (at 10 of the response). I must argue that this merger poses anti-trust concerns--and here is the dilemma. Our concerns are with the convenience and needs of our communities. Obviously, higher fees and surcharges on our lower income and minority community is a convenience and needs issue. Most importantly, we continue to argue that the potential to set monopolistic pricing on products and services harm not just our lower income and minority communities--but consumers of banking products and services. Therefore, this is as much a convenience and needs issue as an anti-trust issue.

To close, Banc One's current record is abysmal. The proposed merger cannot serve the convenience and needs of our communities. For Delaware, this proposed merger will have a devastating effect. FCC is a lead limited purpose bank in the area of housing. FCC's investments in our housing counseling profession and through purchase of full service bank's lower priced portfolio mortgages are some examples of the critical role that FCC has played in our community. Banc One's disdain for communities in general (and particularly our community), will have a serious adverse impact on affordable housing in Delaware. We do not want FCC to be lost to Banc One. This merger should not be allowed.

Again, we request that a public hearing be conducted on this proposed merger application and that this merger application should be denied. If you have any questions, please do not hesitate to call me at 302-654-5024.

Sincerely,

Rashmi Rangan

Rashmi Rangan
Executive Director

14

TESTIMONY

PROPOSED MERGER
BANK ONE AND FIRST CHICAGO NBD CORP

FEDERAL RESERVE BANK OF CHICAGO
CHICAGO, ILLINOIS
THURSDAY, AUGUST 13, 1998
1:30 P.M.

I. Primary Mission and Target Market

II. To Date:

- 14 Graduates of first Small Business Development Class
- 18 Signed up for new class starting August 29, 1998
- 28 people on the waiting list for the next class
- Also starting support association to assist not only graduates but other small minority and low-income businesses

III. Funding the project:

- Received two Partnership Illinois Grants through the University of Illinois to begin project
- Received matching funds from several local banks including Bank One to cover the cost of additional expenses associated with graduation, kick-off reception, etc.
- Seeking matching funds from the City of Champaign
- Have proceed to second round of Community Development Financial Institutions (CDFI) Technical Assistance Grant

In 1991 as the Assistant Executive Director of the Housing Authority of Champaign County, I was appointed to serve on the Bank One Community Reinvestment Advisory Committee to assist the bank in developing strategies and policies to serve the needs of low and moderate income neighborhoods. I served in that capacity until 1995. During those four years, I saw Bank One work diligently and proactively to meet the banking needs of the low to moderate income neighborhoods as well as those of other income groups. As a result, and because of another collaborative effort between banks such as Bank One, city government, and grass root and community organizations such as the Illinois Center for Citizens' Involvement, Champaign County has an outstanding program to help the low and moderate-income households become homeowners.

Consequently, when we started this small business venture in the spring of 1997, Bank One was one of the first financial institutions we called to the table to partner with us. They had already showed great leadership in community collaboration in the homeownership area and we knew they would jump at the chance to do the same in the small business development area.

We the memberships of the Community Collaboration For Economic Development of Champaign County (CCED) wholeheartedly endorse the proposed merger between Bank One and the First Chicago NBD Corporation. We believe that this merger will be good not only for both of these financial institutions, but for the total communities they serve as well. Thank you.

IV. Leadership from Bank One

What does all of this have to do with Bank One and the proposed merger? Well, In our efforts to put this community collaboration together, Bank one has been there every step of the way from the beginning. They were at the table at the first meeting that took place in the spring of 1997; and have continued to provide leadership on the committee as a whole and in various sub-committee meeting specifically the alternative funding committee, the future funding committee, the mentoring committee, and the small business development workshop committee.

They have provided leadership in the form of staff and financial resources to the CCED. Staff support includes Ms. Beverly Meek who their Community Reinvestment Officer out of their Springfield office and Mr. Eric Patrick, who is Vice President of Business Banking in the Champaign Office. Bank One has led the way in sponsoring financially various aspects of the CCED operations where we needed to partner with local financial institutions in continuing and expanding the operations of our community collaboration.

For example, when the CCED decided it needed to develop a revolving load fund because the majority of our participants in the first small business development class did not meet the criteria for traditional funding, Bank One staffers were again at the table providing leadership in developing new and innovative strategies to bridge the gap in meeting the needs of the low-income and minority business community.

Finally, I must add that working with Bank One in developing this outstanding entrepreneurial program for the CCED was not my first encounter with Bank One and its proactive and progressive stance in reaching out to meet the needs of the low-income and minority community.

Community Collaboration for Economic Development
Members & their Committees

Aber, Mark Department of Psychology CAMPUS MAIL MC-716 333-6999 Fax: 244-5876 Committees: Alternative Financing, Strategic Planning	Hambrick, Robert & Hazel Hambrick's Maintenance Services PO Box 6146 Champaign IL 61826-6146 359-4541 Pager: 398-0533 Committees: **Chair**: Workshop, Strategic Planning	Mirgain, Shilagh Department of Psychology CAMPUS MAIL MC-716 328-4636 Committees: Future Funding, Workshop
Adams, Paul Library and Information Science 112 LIS 501 E. Daniel, MC-493 333-5218 Fax: 244-3302 Committees: **Chair**: Alternative Financing,	Hunt, Gladys Community Outreach Coordinator Psychological Services Center 505 E. Green Third Floor MC-441 Champaign IL 68120 333-0041 Committees: Workshop, Mentoring	Moore, Thom Psychological Services Center 505 E. Green, Room 329 Champaign, IL 61820 333-0041 Committee: Publicity
Anderson, Al Ill. Employment Training Center 1008 West University Urbana IL 61801 333-2393 x230 Fax: 244-6204 Committee: Workshop	Kubetz, Rick Champaign County Chamber of Commerce 1817 South Neil St. #201 Champaign IL 61820 359-1791 Committee: Publicity	Motley, Rebecca Benchmark Financial Consultants PO Box 6243 Champaign, IL 61826 352-9780 Fax: 352-9788 Committees: Workshop, Strategic Planning
Eder, Jeffrey Greater C-U Economic Partnership 1817 S. Neil Suite 201 Champaign IL 61824 351-4133 Committee:	McWilliams, Valerie Directing Attorney Land of Lincoln Legal Assistance 1817 S. Neil St., Suite 203 PO Box 7234 Champaign IL 61820-7234 356-1351 Fax: 356-7621 Committee: Alternative Financing	Nafziger, Brian Champaign County RPC 1776 East Washington Urbana IL 61802 328-3313 Committee: Alternative Financing
Gillon, David Assistant Vice President Busey Bank Champaign 909 W. Kirby Champaign, IL 61821 326-5241 Fax: 326-5282 Committee:	Meek, Beverly Reinvestment Act Officer, Bank One East Old State Capitol Plaza PO Box 19266 Springfield, IL 62794-9266 1-800-528-2870 x3261 Fax: 522-7482 Committee: Alternative Financing	Neil, Margaret Dorsey Homes Resident Council 1101 Dorsey Drive, Apt. D Champaign, IL 61821 356-5791 Committee:

Community Collaboration for Economic Development
Members & their Committees

Griggs, Al NAACP Chair 1727 Georgetown Rd. Champaign IL 61821 359-9020 Fax: 359-0983 Committees: **Chair**: Mentoring, Strategic Planning	Meihoefer, Barbara Publications Services 1802 S. Duncan Champaign, IL 61821 398-2060 Fax: 398-3923 Committees: **Chair**: Future Funding, Publicity	Page, Joe Worden Martin 1404 N. Dunlap Savoy, IL 61874 352-0462 Fax: 352-9462 Committees: Chair: Strategic Planning, **Chair**: Publicity, Mentoring	Wilkinson, William J. Small Business Development Center 2525 Federal Drive, Bldg #11, Suite 110 Decatur, IL 62526 875-8284 Fax: 875-8288 Committee: Workshop
Williams, Ervin Restoration Urban Ministries 1207 North Mattis Champaign IL 61821 355-2662 Fax: 355-4547 (call first to turn) Committee: Workshop	Schomberg, Steve, Associate Chancellor Continuing Education Alton & Public Service Swanlund Administration, MC-304 333-8846 Fax: 244-4121	Vacellia P. Clark, Human Relations Officer City of Urbana 400 South Vine Street, PO Box 219 Urbana IL 61801-0219 384-2466, fax: 384-2426, home359-1299	Brooks, Mary 1210 W. Beslin Urbana IL 61801 382-3618 W (summers off) 328-3156 H Committee: Mentoring
Woolsey, Connie First of America Bank 507 South Broadway Urbana IL 61801 255-6950 Fax: 255-6960 Committee:	Ruedi, Andrea Chamber of Commerce 1817 South Neil Street, #201 Champaign IL 61820 359-1791 Fax: 359-1809 Committee:	Swim, Mitchel L. Vice President Commercial Division First of America Bank 30 Main Street, PO Box 4038 Champaign IL 61824-4038 363-4061 Fax: 363-4065 Committee: Future Funding	Johnson, D. Darlene Assistant Vice President & Branch Manager First of America Bank 1771 West Kirby Avenue Champaign IL 61821 363-4076 Fax: 351-9240 Committee: Strategic Planning
Geerdes, Cynthea University of Illinois 241 Law Building MC-594 244-9494 Committee:	Heumann, Leonard Urban & Regional Planning 111 Temple Buell MC-5373 Committee:	Armstrong, Kim Provena Covenant 1400 West Park Urbana IL 61801 337-2433 committee:	

Community Collaboration for Economic Development
Mentors

Adkisson, Theodore & Rose 1207 Gertrude Drive Champaign IL 61820 359-7006	Cooper, Randy Thrifty Nickle 61 East University Champaign IL 61820 356-4804	Littleton, Kathy Happy House Daycare 1311 East Florida Avenue Urbana IL 61801 344-0123	Suggs, Eugene 2105 Robert Dr. Champaign IL 61821 356-4793
Alexander, Muriel E. Savoy Travel 315 S. Dunlap Savoy IL 61874 398-1212	Davis, Andrew 515 North Market Street Champaign IL 61820 352-3859	Maatuka, Jamal Black Thoughts PO box 3212 Champaign IL 61826 356-6274	Trent, Dr. William Associate Chancellor 368 Education Building Policy Studies MC-708 333-6153
Banks, Samuel Executive Director Cunningham Children's Home 1301 N. Cunningham Ave. Urbana IL 61801 367-3728 x107	Dunlap, Roger D. Realtor Coldwell Banker/Devonshire Realty 2506 Galen Drive Champaign IL 61821 398-8900	Morris, Cora 2401 Roland Drive Champaign IL 61821	Vonner, Brenda The Upper Cut 809 South Neil Street Champaign IL 61820 359-1993
Banks, Walker B., Owner Banks Business Machines 1406 Glendale Drive Champaign IL 61821 359-5351	Gray, Rosetta Peter Pan Day Care 1108 N. Harvey Urbana IL 61801 367-2812	Page, Joe Vice President Worden-Martin 1404 N. Dunlap Savoy IL 61874 352-0462	Warren, Odell & Karen Owners Southern Cooking 705 S. Glover Urbana IL 61801 344-6326
Blackman, Dawn Motherland Art and Design 206 North Randolph Champaign IL 61820 398-2787	Griggs, Alvin S. Colony Square Cleaners 1727 Georgetown Drive Champaign IL 61821 359-9020	Patrick, Eric Vice President Bank One 201 W. University Champaign IL 61820 353-4212	Williams, Preston Assistant Superintendent for Human Re Urbana School District #116 Administration Building PO Box 3039 Urbana IL 61803 384-3641
Blackmon, William Bears Ribs 2020 South Philo Rd. Urbana IL 61802 344-7427	Hambrick, Robert & Hazel Hambrick's Maintenance Services PO Box 6146 Champaign IL 61826-6146 359-4541	Pirtle, J.W. WBCP Radio PO Box 1023 Champaign IL 61824 359-1580	
Colbert, Charles Vice Chancellor for Administration & Human Resources Rm. 517 Swanlund MC-304 333-6535	Johnson, DDS, Dr. Larry 305 West Clark Champaign IL 61820 352-9494	Rodgers, Professor Fred Curriculum & Instruction 315 Education Building MC-708 333-1844	

Community Collaboration for Economic Development
Participants and their Mentors

Allen, Wendy 1011 N. Coler Avenue Urbana IL 61801 337-6869 Mentor: Toi Colbert	Cotman, Margo 409 S. Maplewood Rantoul IL 61866 893-0053 (h) Mentor: Dawn Blackman	Henry, Nathaniel 811 E. Oakland Urbana IL 61801 398-3400 Mentor: William Blackmon	Randall, Linda #1 Rebecca Urbana IL 61802 351-4409 (w) 367-1520 Mentor: Bob & Hazel Hambrick
Brooks, Mary 1210 W. Beslin Urbana IL 61801 384-3618 (w) 328-3156 (h) Mentor: Muriel Alexander	Cowper, Teressia J. 608 Phillips Drive Champaign IL 61820 344-0721 (w) 366-0253 Mentor: Bob & Hazel Hambrick	Johnson, Isaiah 1102 E. Pennsylvania Avenue Urbana IL 61801 384-3550 (w) 384-7439 (h) Mentor: Roger Dunlap	Robinson, Melanie 302 E. Park Ave., #304 Champaign IL 61821 239-4919 Mentor: Brenda Vonner
Brown, Patricia 912 Wascher Drive Urbana IL 61801 1-800-626-9911 x8619 (w) 344-0464 (h) Mentor: Odell & Karen Warren	Gilbert, William #5 Lakeside Terrace Urbana IL 61801 367-0525 (h) Mentor: Samuel Banks	Muhammad, Kimberly 502 W. Vine Champaign IL 61820 355-3746 (h) Mentor: Walker Banks	Williams, Seon 1403 W. Beech Urbana IL 61801 384-1997 Mentor: Ted Adkisson
Bucknerboone, Eunice M. 2402 S. Burlison Drive Urbana IL 61801 344-0721 (w) 337-7440 (h) Mentor: Charles Colbert	Grady, Linda 1201 S. Lierman Urbana IL 61802 344-0721 (w) 328-9157 (h) Mentor: Fred Rodgers	Powell, Day 903 North Busey Avenue #1 Urbana IL 61801 367-9560 Mentor: Rose Adkisson	

Community Development Financial Institutions Fund Technical Assistance Grant Application

Part II. Eligibility Materials

A. Primary Mission and Target Market

The Community Collaboration for Economic Development (CCED) is a relatively young organization. It was initially convened as an informal community group in June of 1997, comprised of representatives from the African-American business community, municipal government, non-profit civic groups, and the University of Illinois. In the spring of 1998, the CCED was legally incorporated as a non-profit organization. During its first year of operation, the group pursued and accomplished four primary objectives: (1) the development and implementation of a business education workshop series targeted to low-income and minority persons; (2) the development and implementation of a mentoring program designed to pair each workshop participant with a successful business mentor who assisted the mentee in developing his or her business plan, in securing financing, and ultimately in opening a business, (3) the development and maintenance of a library of business related material relevant to the target group, and (4) the organization and maintenance of a community collaboration to facilitate pursuit of the first three objectives and to identify, and make plans to address additional barriers to the development of low income and African-American businesses in Champaign County, particularly the problem of financing such persons attempting to start new micro-enterprises and small businesses.

To date, the CCED has not provided loans nor made any development investments. The developmental services (business education workshop and mentoring services) that we have provided have been targeted to persons living in the proposed CDFI investment area and to members of the proposed CDFI target population. In the first class of workshop graduates, 93% (13/14) were African-American, and 83% (10/12) lived in the investment area.

The mission of the Community Collaboration for Economic Development is to create an on-going economic development project to increase the number of businesses within the low-income and minority population in Champaign County. The mission is to develop human capital and promote unique ideas through business education, technical assistance, and targeted economic development programs.

The purposes of the organization are described in Article II, Section 1 of the By-laws. Specifically, this section states: "This corporation has been formed for the following charitable, scientific, and educational purposes:

(a) combat community deterioration by increasing the number of businesses within the low-income and minority populations throughout Champaign County;

(b) provide instruction and training of the individual for the purpose of improving or developing his or her capabilities;

(c) provide instruction of the public on subjects useful to the individual and beneficial to the community;

(d) conduct scientific research for the purpose of aiding in the scientific education of college or university students;

(e) conduct scientific research for the purpose of aiding the Champaign County low income and minority community by encouraging the development of industry in the community;

(f) promote social welfare by lessening neighborhood tensions or eliminating prejudice and discrimination;

(g) provide financial and technical assistance to businesses owned either by the needy or by others who employ the needy.

In addition, this corporation is formed for the purposes of performing all things incidental to the achievement of the foregoing specific and primary purposes. The corporation shall not, however, engage in any activities or exercise any powers that are not in furtherance of its specific and primary purposes."

B. Financing Entity Requirements

The predominant business activity of the CCED is not, currently, the provision of loans or development investments.

As described above, our work to date has focused on the development and delivery of developmental services. In the initial meetings of the steering committee, several barriers to the development of new small businesses in Champaign-Urbana's low income and African American communities were identified. These included lack of business education, lack of access to finances, failure of local developers to recognize the market potential of the area, and lack of organizational support for existing low income and minority businesses. While the collaboration has interest in addressing each of these barriers, the initial set of activities of the CCED were educational: business workshops, the creation of a business plan, and the assignment of a mentor. These activities were designed to encourage and assist low income and minority people who had an interest in entering business. Having successfully created these developmental services, the members of CCED committed themselves to assuring that financing would not continue to be out of reach for the people who attended the workshops. To really impact the level of business activities in the designated area the financial opportunities would have to be expanded. Consequently in addition to the above development activities CCED began pursuing the creation of a Revolving Loan Fund (RLF) with the mission of assisting low income/minority entrepreneurs.

We are currently working, in addition to pursuing CDFI Technical Assistance funds, to develop the capacity to provide loans to the residents of our investment area and anticipate that by the fall of 1999, our predominant business activity will be the provision of loans. In pursuit of this the CCED has developed a proposal which will be presented to a local council of bank presidents. The proposal describes a revolving fund of $150,000 created by the contributions from the banks on the council. The money would be administered by the CCED as alternative financing for high risk commercial loans (higher LTV, flexible credit terms and standards), and would result in new minority/low income businesses.

The attached financial document (Appendix D) contains the revenue and expenses of the Community Collaboration for Economic Development for FY1997, its only year of existence. CCED was funded by a one year seed grant of $15,000 from the University of Illinois' Partnership Illinois Initiative. Because this was a university supported grant, the accounting procedures were carried out by the university accounting office and monitored through the business office of the psychology department. In FY1998 the CCED will assume responsibility for maintaining its own financial records.

The accounting summary reflects two accounts to which revenue and expenses were charged. The first includes only the grant award from the University of Illinois. The second includes donations made to CCED from non-university sources.

The money we received was spent on salaries, benefits, supplies, travel, and services. As of May 1, 1998 when we had received the last official summary from the University Accounting Office, the CCED had spent $9,101.62, encumbered $2,688.45 and carried a balance of $3209.93 of the $15,000 awarded through partnership Illinois. Specifically, a psychology department graduate student was hired for 50% time to serve as the project coordinator. The remainder of the funds were used to develop and purchase business workshop materials. In addition services such as postage, printing/copying, photography and catering were purchased. Two trips were taken, one to the South Shore Bank in Chicago and the other to Arcola, Illinois. The first trip was to meet with bank personnel and learn how a community bank operates, where it funds come from, how and to whom it made loans, and how successful it was. The second trip to Arcola was made to describe the CCED with a potential funder (Mennonite Economic Development Association).

The second statement reflects funds donated to CCED by local banks and the charge of $20.00 to each workshop participant. More important than the amount of the bank's contribution is the relation the organization has with local financial institutions and the commitment they have to CCED's efforts. To date the CCED has made deposits of $3060.00 and spent that same amount. The expenditures were for supplies and services.

C. Map of Investment Area

Please see Appendix E for a map of the investment area.

D. Studies or Analyses of Unmet Needs

Our analysis of unmet needs is based on (1) the current status of minority businesses in the Champaign-Urbana area, (2) the geographical lending patterns of local banks, as best as can be determined from available documentation, and (3) our own survey of available federal, state, and local financial resources targeted to nontraditional business men and women.

Status of Minority Business

Compared to their representation in the population, minority owned businesses are underrepresented in both number and sales in Champaign County. According to the 1992 Economic Census data, as supplied by the Illinois Department of Commerce and Community Affairs (DECCA), Black-owned firms make up 3% of the total (while African-Americans represent roughly 15% of the population). Other ethnic minority businesses comprise an additional 3%. Sales volume for the same groups combined ($34,377M) represent 1% of the total sale volume for the County (over $2.5 billion). Black-owned firms sales volume comprise less than 3/10ths of one (1) percent or $6.9 million. Furthermore, minority businesses comprise 8% of the total number of businesses with employees. Black-owned firms with employees comprise 1% of the total or 23 in number. The latter's sales volume represents only 2/10ths of one percent.

Local Lending Patterns

It is difficult to measure the market for micro-lending. The 1996 Community Reinvestment Act (CRA) Aggregate Reports for business loans for Champaign County, which includes the proposed CDFI Champaign-Urbana investment area does not break out the disposition of loans under $50,000. Moreover, this report does not distinguish between loans made to residents of an area versus those made to business owners, thus obscuring our ability to assess the extent to which the needs of area residents are being met. However, the report does show that the majority of loans originated were for amounts under $100,000. The CRA Report uses HUD criteria for designating areas as low, moderate, middle, or upper income. Five tracts in the low income group also fall in our proposed CDFI investment area. Only 85 loans, or 5%, were made in these census tracts. While race is not reportable for business loans; of the five low income census tracts in Champaign County which received loans, (2.00, 3.00, 4.00, 59.00, 60.00) three tracts (3.00, 59.00, 60.00) have minority populations ranging from 22.% to 70%, according to the 1990 census. See attached report (Appendix G) for the number of loan originations extended in low income areas compared to the middle and upper income areas. Data to determine the numbet of denials was not available.

Survey of Local Financial and Other Business-related Resources

The key constraint for low-income entrepreneurs is access to credit. Banks in general have not been able to lend profitably to the smallest businesses, or microentrepreneurs due to the high cost of processing and servicing of micro-loans. Traditional federal and state government approaches to economic development have also overlooked this segment. Most government programs provide only "gap" financing and require that the majority of the loan be financed by a bank. CCED participants usually do not qualify for conventional financing and are therefore ineligible for public financing programs. Additionally, many of the government programs emphasize job creation tying the loan amount to the number of jobs created restricting the amount and uses of the funds. (See document in Appendix H for a listing of financial resources offered by city, county, state, federal and private sources to residents of our county).

There are numerous factors including lack of collateral, little or no equity and poor credit which have made it difficult for banks and local government entities to meet the needs of the typical CCED participant and microentrepreneur. The typical profile of CCED participants is African-American, employed full-time with incomes at or below the 80% median family income. Although we specifically target low income and African Americans clients, those with higher incomes who lack access to credit are not excluded. Businesses owned by higher income clients build a diversified client base that enables clients to benefit more from networking activities, and will help CCED move towards self-sufficiency in its micro-loan program.

The need for microbusinesses and technical assistance is further identified in the City of Champaign FY 1995-1999 Consolidated Plan. The City ranks the need for micro-businesses and technical assistance as one of the highest priority needs. (See Appendix I).

E. Developmental Services

The CCED has developed and implemented a 14 week business education workshop series tailored to the specific needs of low-income and minority persons. The goal of the workshop is that participants will graduate with a well-developed business plan in hand and be prepared to seek financing. The topics covered in the weekly 3-hour sessions include: legal issues (including types of business ownership, taxes, licenses and permits, legal documentation, and contracts), marketing and site location, inventory, accounting/bookkeeping, payroll, benefits, profit planning, human resources, retirement planning, business plan preparation, loan packaging, and other financing.

Second, the CCED developed and implemented a mentoring program for workshop participants which pairs each of them with a successful business person who assists them in developing their business plan, in securing financing, and ultimately in opening a business. The mentor relationship is encouraged to last indefinitely, to provide ongoing support. In addition the CCED works to monitor the mentor-mentee relationships, providing support to mentors and reassigning mentors as needs demand. (See training manual for the mentors in Appendix J).

F. Accountability

The CCED was created in response to a need that was expressed by residents of the targeted investment area for educational and financial resources to start small businesses. From the beginning, the organization has sought to be genuinely accountable to these individuals. The mechanisms that thus far have been employed to promote accountability of the CCED to the residents of the investment area and target population reflect the developmental status of the organization. As the organizational structure of the CCED changes to accommodate its new activities, we plan to continue to institutionalize target residents' participation in, and ownership over, the organization.

In our first year of operation, decision making in the CCED was by the consensus of a steering committee that was composed of a wide cross-section of persons in the county that had interests in, and expertise to lend to, the mission of the collaboration. This group includes members of the investment area and target population (public housing resident council president and African-American business men and women), and recently two graduates of our education workshop series. Also on this steering committee are representatives from a range of local organizations whose missions are to provide service to or work with residents of the investment area including representatives from Restoration Urban Ministries, the NAACP, the Urban League of Champaign County, the City of Champaign Neighborhood Services Department, the JTPA, and the Champaign County Housing Authority. Similarly, representatives of the target population sit on the board of directors of the CCED; our board president, Mr. Hambrick, our vice president Mr. Griggs, and our treasurer Mr. Moore are all African-Americans who live in the metropolitan area.

Additionally, residents of the investment area and target population serve on several of the working subcommittees of the organization. Participation on these committees is encouraged from individuals who participate in our business education workshops. This reflects a strong ethic in the organization that individuals who benefit from participating in the services provided should give back to the community by lending their expertise and talents to the organization. It is our experience that when recipients of our services take ownership of the organization, both the recipients and the organization benefit. We anticipate participation of this kind on both our new management and loan committees.

Finally, the organization openly invites consumer and public scrutiny and comment on its activities. For example, an extensive evaluation and documentation process is in place for the business education workshop and mentoring programs that solicits participant satisfaction ratings, and suggestions for program modifications. Both the second series of business education workshops, and the mentoring program were changed significantly following feedback provided by program participants. Moreover, we invite the public to evaluate our work by holding a public graduation for participants in the business education workshops.

ABSTRACT

This proposal request funds for the beginning phase of an economic development project designed to increase the number of low income and minority businesses in Champaign.. Phase one, a business education workshop will provide a unique service to a segment of the population historically unable to enter into the world of business. Once a participant completes the workshop the goal is to secure a loan, and ultimately open a business with continued advise and counseling provided by a group of experienced businesss people. Finally these workshops will themselves be repeated for others to gain business knowledge and support. The long range goal of this project is to rekindle the energy of self determination within the community.

A collaborative team of government, education, and business quite independently have discussed the personal and structural barriers to starting a business. The proposed project addresses these barriers through a comprehensive business education workshop which will consist of a human capital development stage and a technical assistance stage. The uniqueness of this workshop is the attention to personal preparation, the creation of a business plan, and a follow-up mentoring stage. In the mentoring stage participants will receive personal coaching to execute their plan. In addition the information collected for the workshops will be placed in a central location to assist with the follow-up and establishment of an Information Center for anyone else in the city interested in going into business.

It is our expectation that successful graduates of the workshop will be an encouragement for others to consider entering business. Implementation of the first phase of the project will permit the authors to submit proposals to the city and other funding agencies to develop the remaining phases.

BUSINESS & AGRICULTURE

Workshop grads look to start own businesses

■ Course offers basic knowledge, provides mentors

By DON DODSON
News-Gazette Staff Writer

CHAMPAIGN — Teressia Cowper always wanted to own her own business. With a little help from the Business Development Workshop, she may do so this summer.

Cowper and 13 other people graduated from the 10-week workshop series on Tuesday. The program, sponsored by the Community Collaboration for Economic Development, is designed to encourage more minority and low-income people to go into business for themselves.

Participants got an overview of what's involved in operating a business — bookkeeping, marketing, taxes and such. They drew up business plans and were paired with mentors.

Cowper said she plans to put what she learned to work immediately.

"I've decided to go into business, providing a van service for people who would like to visit family and friends in correctional centers," said Cowper, 47, of Champaign.

The business would regularly run vans from Champaign-Urbana, Springfield, Bloomington-Normal, Decatur and Peoria to prisons in remote areas not served by bus lines.

Cowper works as program coordinator for breast cancer awareness at the University YWCA.

She knew something about business from childhood because her parents were entrepreneurs.

Her mother, Mary Brooks, owned Mary's Place tavern at First and Washington streets in Champaign, and her father, Wardell Jackson, operated The Monarch tavern at Fifth Street and University Avenue.

Cowper said the workshop series showed her that she had a lot to learn about operating a business.

"I had some idea about some of the things, but I didn't have any idea of the types of entities that could be set up or the tax laws that change from time to time," she said.

"The tax laws are more than I can even conceive," she added. "I just thought you took out FICA and state tax. All the years I've been an employee, I took it for granted what the employer really does."

Cowper said the class also made her look closely at the employee-employer relationship.

"They said you must have empathy for your employees, but you're also not a social worker," she said. "I thought that was cold at first, but I began looking at the tax laws and began to understand why I couldn't be a social worker."

Cowper said she'll rely on her mentors, Robert and Hazel Hambrick, as she sets up her business.

The workshop was conceived by the Hambricks, local minority business owners who believed that more minority-owned businesses would spring up if such a program existed.

"The program has been very successful," said Hazel Hambrick, who operates Hambrick's Maintenance Service with her husband.

"The participants are very excited, highly motivated and feel the anticipation of owning their own business and making a difference in the community," she said.

News-Gazette photo by Robin S

Teressia Cowper, at the Business Development Workshop grad- tion Tuesday night, hopes to start a van service. Fourteen gra- ates of the 10-week course were honored.

The Hambricks developed the program in conjunction with Thom Moore, director of the UI Psychological Services Center; Mark Aber, a psychology professor; and Gladys Hunt, community outreach program coordinator in the psychology department.

The Business Development Workshop will be repeated for a second group of local residents at the end of April.

Those interested in participating should contact Shilagh Mirgain, the program coord- tor, at 328-4636.

Workshop participants charged $20 to cover the cos- materials.

Cowper said she regretted- ly that the course had to en- soon. She hopes her fellow p- ticipants stay in touch.

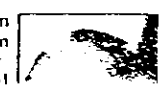
"I really don't feel like ready to go out on my own," said. "Even though I know mentors are going to be th- I'm going to feel disconnec- when we all start our care- and businesses."

For ex-NFL star, success a state of min-

By DEBRA PRESSEY
News-Gazette Staff Writer

CHAMPAIGN — Former National Football League star

nities within Champaign County low- income and



After retiring from footb- he put his skills to work in business world. He now ov- ERA Action Realty in Anahebusiness.

The workshop was conceived by the Hambricks, local minority business owners who believed that more minority-owned businesses would spring up if such a program existed.

"The program has been very successful," said Hazel Hambrick, who operates Hambrick's Maintenance Service with her husband.

"The participants are very excited, highly motivated and feel the anticipation of owning their own business and making a difference in the community," she said.

The Hambricks developed the program in conjunction with Thom Moore, director of the UI Psychological Services Center; Mark Aber, a psychology professor; and Gladys Hunt, community outreach program coordinator in the psychology department.

The Business Development Workshop will be repeated for a second group of local residents at the end of April.

Those interested in participating should contact Shilagh Mirgain, the program coordinator, at 328-4636.

Workshop participants are charged $20 to cover the cost of materials.

Cowper said she regretted only that the course had to end so soon. She hopes her fellow participants stay in touch.

"I really don't feel like I'm ready to go out on my own," she said. "Even though I know my mentors are going to be there, I'm going to feel disconnected when we all start our careers and businesses."

For ex-NFL star, success a state of mind

By DEBRA PRESSEY
News-Gazette Staff Writer

CHAMPAIGN — Former National Football League star Johnnie Johnson remembers what it was like to be so poor he had to wear the same shirt to school every day and learn to play football in a pair of borrowed running shoes.

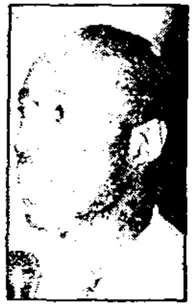
When the sole fell off one of those shoes, he taped it back on and kept going.

He recalls telling his mother: "There's going to be a better life at the end of this rainbow."

Today, a successful businessman, Johnson said if there's one thing he's learned in life, it's this — people get exactly what they expect.

"If we're going to be successful, we have to believe we'll be successful," he said.

Johnson was in Champaign on Tuesday, addressing the Community Collaboration for Economic Development, a group of community leaders striving to create more business opportunities within Champaign County's low-income and minority population.


JOHNSON

Johnson grew up in central Texas in a family of 11 children.

He said he made a critical decision in his life at age 13 when he chose sports. It was also the year his parents divorced, and he set his own goal to one day play in the National Football League. His friends said he was crazy, but he was determined, Johnson recalls.

Johnson became a sports star in high school and at the University of Texas, and went on to become the Los Angeles Rams' No. 1 draft pick in 1980, signing the team's first million-dollar contract.

Johnson played for the Rams for 10 years.

After retiring from football, he put his skills to work in the business world. He now owns ERA Action Realty in Anaheim, Calif., and JGJ Research International, a personal development company through which he shares his winning strategies with others.

Johnson said he hasn't forgotten where he came from, and how he got to where he is today, and he urged other business leaders to do likewise.

He described his keys to success this way: Believe in your ability to succeed; adopt the habits and the attitudes necessary to reach your goals, and establish your own expectations.

Setting your goals is critical, he said. It's the basis of establishing good habits and a positive attitude.

Johnson also added this kicker: If you're going to succeed, you have to constantly adjust your habits and attitudes as you adjust your beliefs.

CCED Waiting List

1. Marlo Britton
211 West Tremont
Champaign, IL 61820
363-0222

2. Charla Henry
308 Nelson Ct.
Champaign, IL 61820
353-5236 h
398-2076 w

3. Marcus Terhune pd $20
PO Box 3362
Champaign IL 61824-3362
#363-1875 (h)
#333-4431 (w)

4. Janet Mayo
911 W. Tremont
Champaign IL 61821
398-4829 (h)

5. Crystal Marshall
401 E. Chalmers St, Apt. 312
Champaign IL 61820
344-4941 h
352-3111 w

6. Ken Davis
#4 Florida Drive
Urbana IL 61802
384-7840

7. Bradley Hunt

8. Sharicka Summers
1601 Gleason Drive
PO Box 591
Rantoul IL 61866
893-1513 h
892-2151 w

9. Tina Britt pd $20
505 E. South St.
Fairmount IL 61841
733-2379 h

10. Crystal Cain
1101-C Dorsey Dr.
Champaign IL 61820
363-0213 h
356-9240 w

11. Denise Brown
808 West Centennial
Champaign IL 61821
359-0122 h
333-4752 w

12. Terence Bolden pd
$20
2212 CountrySquire Dr.
Urbana IL 61802
367-6682 h
333-4330 w

13. Alfred Brown
7337 S. Shore Dr.
#417
Chicago IL 60649
773-933-0434 h
312-326-4800 w

14. James Johnson
1110 N Fifth
Champaign IL 61820
351-8466 h
351-8466 w

15. Sharon L. Hyche
1508 Lincolnshire
Drive, Apt. 10
Champaign IL 61821
352-4517 h
244-0261 w

16. Earnestine B. Crook
1509 Hedge Road
Champaign IL 61821
356-2723 h
383-3260 w

17. Juanita Thompson
1805 Crescent Dr.
Champaign IL 61821
356-3352 h
351-1853 w

18. Stephanie Freeman
2803 Pine Valley Dr.
Champaign IL 61821
352-5871 h
244-6150 w

19. Raniese Wilkerson
1805 Crescent Dr.
Champaign IL 61821
355-9221 h
378-3638 w

20. Shannon Cook
2709 Dale Dr.
Champaign IL 61821
359-3139 h

21. Tracy Taylor
303 E. Clark Street, Apt. 10
Champaign IL 61820
356-7871 h

22. Hector Trevino
320 Naples Drive
Rantoul, IL 61866
892-9039

23. Yolunda Peoples
1507 North Romine
Urbana IL 61801
(2 applications)
367-3662 h
337-5863 w

24. Jacqueline Davis
1410 1/2 West Hill
Urbana IL 61801
337-7533 h

25. Mara Freeman
338 Henry Admin
MC-360
3-5318 w
(2 applications)

26. Barbara Grady
1005 N. Sixth
Champaign IL 61820
351-8422 h

27. Diane Mitchell
927 N. Linview
Urbana IL 61801
384-1743 h
352-6533 w

28. Fattima Kalipeni
1607 Sangamon Dr.
Champaign IL 61821
359-1320 h
384-3784 w

Applications received

February 26, 1998

Dick Oneill
Bank One
201 W. University
Champaign IL 61820

Dear Mr. Oneill:

On behalf of the CCED (Community Collaboration for Economic Development), I want to thank you for your generous support of our Business Workshop Kickoff Reception on February 1, 1998 at the Champaign City Building. The event was well attended by workshop participants, mentors, committee members, and invited guests. Without your support we would not have been able to celebrate this occasion.

For the next ten Tuesday evenings from 6:30-9:00 the Business Workshop participants will be attending sessions at 1508 Ridgeway Street at the Ridgeway Inn in Champaign. Presently, we are planning a graduation ceremony on April 14, 1998. The guest speaker will be Johnny Johnson former wide receiver for the LA Rams. You are invited to attend any of the Tuesday evening meetings to observe the workshops in action. We are serving fifteen participants and hope we can assist several of them to enter business. You will receive a formal notification of the graduation ceremony. Finally, consider this letter as an open invitation to attend any of the coordinating committee's bimonthly meetings. The next meeting will be March 5th from 10:30-12:00. It is also held at Ridgeway Inn at 1508 Ridgeway Street in Champaign.

Again CCED appreciates your support and commitment to our project. If at any time you feel that you would like to learn more about the project, please do not hesitate to contact me at (217) 333-0041.

Sincerely,

Thom Moore, Ph.D., Chair
Community Collaboration for Economic Development

Community Collaboration for Economic Development
505 E. Green, Third Floor
Champaign, Illinois 61820
(217) 333-0041 · Fax (217) 333-0064

January 13, 1998

Dear CRA Bank Officers:

We are writing to inform you of the progress of the development of the ten-week *Business Development Workshop* sponsored by the **Community Collaboration for Economic Development**. The **Community Collaboration for Economic Development** is a coalition of committed community leaders and concerned citizens from business, banking, city government, education, religious, and economic development organizations. Started in the Spring of 1997, the **Community Collaboration's** mission is to promote and support the development of economic self-sufficiency opportunities and foster community progress through small business development for low-income and minority persons living in the Champaign County area.

The **Business Development Workshop** is a ten-week workshop where participants will learn the "how to's" of starting a small business. Workshop participants will actually put together a business plan, be paired with a mentor, and develop a relationship with a financial institution for funding of their small business. Our pilot workshop will begin with workshop participants attending a two-day Pacific Institute motivational workshop, "*Steps to Excellence for Personal Success*". This two-day workshop will take place on **Saturday, January 31st from 8:00 a.m. until 5 p.m.; and Sunday, February 1st from 8 a.m. until 4 p.m.** A two-hour training session for **Business Mentors** will also take place on **February 1st from 2 to 4 p.m.** The **Pacific Institute** and the **Mentor** training will take place at the **City of Champaign Building**, 102 North Neil Street in Champaign. Finally, we are planning a **Kick-off Reception** immediately following the close of both the Pacific Institute and Mentor training. The Reception will take place at the **City of Champaign Atrium from 4 to 6 p.m.**

The ten weeks of workshop covering the fundamentals of business planning and development will begin on **Tuesday, February 3rd** and continue for ten successive weeks on Tuesday nights from 6:30 p.m. until 9:30 p.m.. The **Business Development workshops** will take place at **Ridgeway Center** located at 1508 Ridgeway Street in Champaign.

When we wrote the initial proposal for funding of this project last spring, many of you wrote letters of support for the project. We received this grant to cover some of the expenses of developing the project along with a commitment to leverage supporting funds from the community to cover additional costs. As such, we invite you to share in the excitement of launching this important and promising venture in our community with your financial support. As a supporter, your name would be mentioned in all promotional materials sent out by the **Community Collaboration**. An attached budget outlines the committee's needs as it relates to the two business development and mentoring workshops, the Kick-off Reception, and two graduation ceremonies.

If you have any questions, or need any additional information, please feel free to contact Dr. Thom Moore, who presides over the Community Collaboration for Economic Development committee at 333-0041; or Bob and Hazel Hambrick, who chair the Workshop committee at 359-4541; or the Staff Associate, Shilagh Mirgain at 328-4636. Thank you in advance for your cooperation and support.

Sincerely,

Thom Moore, Ph.D., Chair
Community Collaboration for Economic Development Committee

TM:ct
Attachments

BUSINESS BANKING PERSONAL BIO

Meet Your Relationship Manager:
Eric L. Patrick,

Vice President
Business Banking Relationship Manager
Bank One, Illinois, N.A.
201 West University Avenue
Champaign-Urbana, IL 61824
Phone: (217) 353-4212
Fax: (217) 351-3260

Eric Patrick hasn't just served small businesses – he's run them.

Eric brings business owners a wealth of practical experience, having managed banking offices, a specialized lending division, and his own business consultancy over the past 25 years. As banker, his experience ranges from managing branch operations to running a multi-million-dollar division dedicated to providing loans and other services to minority-and women-owned businesses. Before joining Bank One, he put his knowledge to work as a management and financial consultant to closely-held businesses in the St. Louis area. Now, as a Relationship Manager in our Business Banking Group, Eric has the expertise to connect Champaign-Urbana clients with Bank One services that can help them prosper.

Put Eric's capabilities to work for you.

Among the highlights of his career in financial services:

- After three years as branch manager for a Louisville (Ky.) bank, Eric worked as a senior planning analyst for a St. Louis-based insurance group.
- Returning to banking as branch manager for a bank in St. Louis, he developed a targeted program to meet the credit needs of smaller businesses.
- At a larger St. Louis bank, he managed a specialized division to serve minority and women business owners, while helping the bank achieve an outstanding rating in low/moderate-income lending and community outreach.
- In 1996, he set up Patrick, Rudd & Co. to assist small closely-held businesses with capitalization and business planning. In addition to bank loan negotiation, he helped clients implement qualified and non-qualified stock option plans and buy-sell agreements.
- In 1997, he joined Bank One as Vice President and Business Banking Relationship Manager in Champaign-Urbana, where he now aids clients in obtaining services they need to build their businesses.

His education:

- **BBA, Business Administration,, McKendree College, 1988**
- **Retail Banking Diploma, American Institute of Banking**
- **Series 63 license**

Even off the job, Eric is often on the move.

Eric serves as a plan commissioner for the City of Champaign. A board member of the Urban League, he also volunteers on several committees for the Chamber of Commerce and is one of the organizers of the Community Collaboration for Economic Development, partnering with the University of Illinois. In his spare time, he enjoys reading, jogging, aerobics, and spectator sports. Eric has a 12-year-old son.

For any business banking solution, call Eric at (217) 353-4212.

No matter what kind of business you run, Bank One can help you create one to one solutions for your special needs. You'll benefit from our selection of affordable business systems and tools without having to invest in costly technology or add specialists to your own payroll. Best of all, you don't have to go far to access this expertise. Just call your Relationship Manager, Eric Patrick.

ANK ONE

RESUME

GLADYS D. HUNT
1620 Fairway Drive
Rantoul, Illinois 61866
(217) 893-8238

EDUCATION

University of Illinois
Urbana-Champaign
School of Social Work
Master of Social Work 1989

University of Illinois
Urbana-Champaign
College of Liberal Arts
& Science - Bachelor's 1975

CAREER GOAL

To use my wealth of management, administrative and social work education and experience in a challenging position within a university and community environment working with professionals and students.

ACCOMPLISHMENTS RELATED TO CAREER GOAL

As Coordinator of Program Development & Outreach

- Co-instructed several classes supervising both undergraduates and graduate students in the areas of community outreach, child welfare and grassroots organizations, both in the classroom and in practica in the community including Champaign-Urbana and Rantoul.
- Chaired Education Committee of the Sixth Judicial Family Violence Prevention Council. This group covered six counties in Central Illinois. This committee's goals were to impact both teachers in the classroom and teachers' education with regard to family violence and its impact on childrens' ability to learn.
- Co-Chaired Family Centered Services LAN committee through which the State of Illinois funds new family and child initiatives especially as it relates to child welfare in Champaign, Ford and Iroquois counties. This group is comprised of parents, professionals, and interested community members.
- Convened the first meeting of the Champaign-Urbana African-American HIV/AIDS Awareness Committee which is being looked at as a state model for disseminating HIV and AIDS prevention and educational materials. This group collaborates its activities with other prevention groups including ones at the University of Illinois.

As Assistant Executive Director of Housing Authority:

- Chaired community-wide task force to combat drugs and related criminal activity including gang activity in and around public housing
- Wrote grants obtaining the maximum amounts of HUD dollars for three consecutive years from HUD and used funding to create family resource centers on each family housing site. These centers included programming in adult and youth education including after-school programs and tutoring. Also received a grant to fund the first ever youth employment program in public housing.
- Began a resident initiatives training program in which residents including resident council members were trained to run and manage the resource centers bringing in social service and education agencies to conduct presentations and workshops.

As Coordinator of Social Services of Frances Nelson:

- Reorganized and expanded social service program to include individual, group, family, and marital counseling; parent support groups, parenting skills training and culturally sensitive recovery groups. I also redesigned the intake and assessment process for new clients.

CAREER PROGRESSION

Coordinator of Program Development & Outreach

University of Illinois
Psychological Services Center
505 East Green Street, 3rd Flr
Champaign, Illinois 61820

My prime responsibilities in this position include assisting faculty, graduate students, and undergraduate practicum students to develop relationships in the local community. This includes work with established agencies, schools, and churches, as well as with informal neighborhood leaders and volunteers. I co-instruct several classes and assist with the supervision of both graduate and undergraduate in practica, both in class and in community settings including classes on child welfare, community outreach, and education. In addition, I supervise both graduate and undergraduate students as we work on numerous community boards and committees with neighborhood leaders and volunteers. Outreach activities include working with organizations such as Best Interest of Children, Tri-County Child and Adolescent Local Area Network's Family Centered Services Committee, Hope For The Children, The African-American HIV/AIDS Awareness Committee, and the 6th Judicial Circuit Family Violence Prevention Council. Finally, I provide counseling to both adults and children on a limited basis at the Psychological Services Center.

Assistant Executive Director

Housing Authority of Champaign Co.
102 East University Avenue
Champaign, Illinois 61820

My responsibilities included supervising the entire public housing section in Champaign County including nine family complexes and senior citizen highrises. I also coordinated the work of the maintenance department, the Subsidized Certificate program staff, the Modernization staff and the staff of two low-rent complexes located in Rantoul, Illinois. As the second in command, I coordinated a staff of fifty plus facilitating team meetings and coordination between staff, residents, and resident council representatives. I was responsible for the development of new programs which included grant writing, start-up and implementation of both the new drug elimination and family self-sufficiency programs which had a combined budget of over a half million dollars. As lead staff person responsible for the supervision of the Drug Elimination Program, I chaired the Drug Elimination Task Force/Study Group. This was a community-wide group of citizens including public housing residents, Champaign, Urbana, and county police, the States Attorney's office, the vice mayor and other local governmental officials, housing authority staff and the staff of other low-income housing in the Champaign-Urbana area. As Assistant Executive Director, I was additionally responsible as hearing officer - hearing any request for review of denials for new application and evictions.

Coordinator of Social Services

Frances Nelson Health Center
1306 North Carver Drive
Champaign, Illinois 61820

My responsibilities included the coordination of social services for all health center clients. This health center, the only one of its kind located in the Northern Champaign community, served the highest concentration of low-income and minority clients in Champaign County, including family members of graduate students at the University of Illinois at Urbana-Champaign. When I assumed this position, the main function of this department was transporting clients to and from the center. Under my supervision, services expanded to include individual and group counseling, culturally sensitive parenting skills training and support groups, and outreach & advocacy to clients in the areas of financial assistance, employment and housing. My administrative duties included budgeting, grant writing, staff development, and in-service training. I supervised the entire social services staff and carried a caseload of clients.

PUBLICATIONS

Kloos, B., McCoy, J., Stewart, E., Thomas, E., Wiley, A., Good, T., Hunt, G., Moore, T., Rappaport, J. (in press). *Parent Involvement and Organizational Structure: An Ecological, Open-Systems Model for School Consultation.* ***Journal of Educational and Psychological Consultation***

Kloos et al., (in press). *Community Organizing for Parent and Citizen Involvement.* ***Journal of Educational and Psychological Consultation.***

HONORS AND OTHER ACHIEVEMENTS

HONOR SOCIETIES:

Alpha Delta Mu - National Social Work - 1988

Kappa Delta Pi - Education Honor Society - 1988

Pi Sigma Alpha - National Political Science - 1974

Dean's List - University of Illinois - 1974-75

University of Illinois Fellow - 1976 and 1988
Graduate College

NATIONAL COUNCILS AND COMMITTEES

Member - National School To Work Advisory Council
U.S. Depts of Education and Labor, 1996 to present

Member - National Urban League's National Parent Council
1989 to present

REFERENCES

Ron Simkins
Pastor
New Covenant Fellowship
124 West White Street
Champaign, Illinois 61820
(217)367-2383

Zelma Harris
President
Parkland College
2400 West Bradley Ave.
Champaign, IL 61821
(217)351-2200

Shirley M. Rawls
Director
Bradley Street Daycare Center
807 East Green Street
Urbana, Illinois 61801
(217)337-6900

Barbara Meihofer
Owner
Publication Services
1802 South Duncan Road
Champaign, Illinois 61821
(217)398-2060

LOCAL BOARD AND COUNCILS

Co-chair - Family Centered Services Committee
Tri-county Child & Adolescent Local Area
Network 24 (LAN 24)
1994 to present

Co-chair - Schools Committee
Sixth Judicial Circuit
Family Violence Prevention Council
1994 to 1996

Chair - Bradley Street Daycare Board of Directors
807 E. Green Street
Urbana, Illinois
1990 to present

Member - Champaign-Urbana African-American AID/HIV Awareness
Group, 1994 to present

PAST BOARDS AND COUNCILS

Chair - Human Services Council of Champaign
County, 1989-90

Member - Family Diversity Interfaith Advisory
Committee, 1993-95

Member - Bank One Community Reinvestment Advisory
Committee, 1991-95

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SER-Jobs for Progress National, Inc.®
Cultivating America's Greatest Resource: People™
100 Decker Drive, Suite 200 • Irving, Texas 75062 • (972) 541-0616 • FAX (972) 650-1860
Visit our Web Site at www.sernational.org.

Testimony by Hugo Cardona
President and CEO
SER Jobs Progress National, Inc.
August 13, 1998 Public Hearing
Proposed Merger of Banc One Corporation & First Chicago NBD

SER Jobs for Progress National, Inc. a 501-(c)-(3) not-for-profit organization is the oldest and largest organization in the country dedicated to assisting people to move from Welfare to Work.

The American GI Forum (AGIF) and the League of United Latin American Citizens (LULAC), the two oldest political organizations advocating for the rights of Veterans and Hispanics, founded SER in 1964.

SER's Mission is to formulate and advocate initiatives that result in the increased development and utilization of America's human resources, with a special emphasis on the needs of Hispanics, in the areas of education, training, employment, business, housing and economic opportunity.

SER's Challenge is to insure that the skills of the workforce are their key competitive weapons in the twenty-first century...skilled people will have the competitive advantage.

SER Today

- National Office in Irving, TX
- Consists of 38 local SER partners
- Resides in 91 locations across 17 States in the United States, the District of Columbia, and Puerto Rico
- Operates over 180 programs
- Serves over 400,000 people annually – places more than 30,000 individuals in meaningful jobs
- Funds exceed $60 million annually

SER Programs

- One-Stop Management
- Housing
- Distance Learning
- Travel Academies

- Higher Education
- Alternative Schools
- Charter Schools
- Early Childhood Development Centers
- Welfare to Work
- Job / Occupational Training
- Aid to Migrant Workers

SER Programs

- Dislocated Workers
- Disabilities Programs
- Displaced Homemakers
- School-to-Work
- Summer Youth Programs

SER National's Office and Partner's Funding is provided by Federal, State, County, City grants, (awarded on an open bidding process) Corporate Americoa and private individuals.

Corporate America has contributed to SER from its inception. AMIGOS de SER is formed by Fortune 500 companies that contribute to our efforts in three different ways:

1. Contributions restricted in nature and designated for specific programs and initiatives.

2. In-kind contributions in the form of computers, equipment, furniture, marketing, etc.

3. Unrestricted Contributions utilized by SER as working capital to create new initiatives and programs.

Banc One Partnership with SER

Banc One has become one of the greatest supporters and contributors of our Housing Program. This Program has permitted us to assist more than 270 minorities to buy their first homes in the last three years.

Banc One's contributions to SER in 1998 will exceed $100,000.

We are now negotiating a credit line for $1 million, at a low interest rate, that will permit us to replace, in the next three years, more than 2,000 computers installed in our Network of Partners with brand new computers and software. The "old" computers will be placed in the homes of minorities SER serves.

Banc One's partnership with SER is permitting minorities to purchase homes and acquire computers that they need to upgrade their working skills and continue their education.

We are convinced that the merger of Banc One and First Chicago will only enhance their commitment to our communities and minorities. SER fully supports the merger.

11

By Facsimile

Testimony of Charlie H. Smith, Jr.
Executive Director
Wilmington Housing Authority
Wilmington, DE

The subject of my five-minute speech will be to "**support the proposed merger between Banc One Corporation and First Chicago NBD Corporation.**"

The Wilmington Housing Authority is currently working with both FCC and Banc One Corporation in putting together partnerships for home ownership, as well as assisting the Housing Authority with developing private-market housing for low-to-moderate income homes in the City of Wilmington. Both FCC and Banc One have demonstrated exceptional leadership in assisting in this development.

Detroit Branch . . . NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE

Statement Regarding the Merger of First Chicago NBD with BankOne

August 13, 1998

Contact: Reverend Wendell Anthony
(313) 538-8695

As Co-chair of the Detroit Alliance For Fair Banking, I believe that the current plan for the city of Detroit as an example of the cooperative spirit and the community sensitivity on behalf of these two financial institutions, speaks to their commitment to the quality of life for our people. The current Community Action Plan targeted for Detroit for the next three years comes after discussions held with these banks concerning the necessity for our community to be included, rather than excluded in the economic development of our cities. The Community Action Plan calls for $3.1 billion to be targeted for Detroit for the next three years beginning January 1, 1999-2001, is a continuation of an even greater commitment to be provided in the area of loans, mortgages, community development corporations, home improvement, procurement (vending), and the advancement of African Americans and other minorities.

If mergers do not consider the quality of life of the communities in which they are merged and the people who will be impacted by the results of such mergers, then obviously, they do not deserve our support nor our endorsement. However, this bank, First Chicago NBD, along with its potential partner BankOne, have moved in a very progressive manner towards opening the door to even greater access and inclusion of the people who seek to share in the economic gains of our nation. It is for this reason that we are here today to speak in behalf of this merger. For our experience in Detroit has proven to be of benefit to the people who reside in our city, which is the largest city in the state of Michigan. For so many years the banks have been talking loud and doing nothing. Now we have reached a point where they are talking loud and are in fact, doing something. This Community Action Plan strikes at the very heart of transforming the quality of life of our community, as economic development and empowerment is the new human rights frontier. We recently were pleased to have over 400 business persons at a local center in the heart of our community to participate in a debriefing of the benefits of this plan, and how the community could become full partners.

-more-

PHONE (313) 871-2087 • FAX (313) 871-7745 • 2990 EAST GRAND BOULEVARD • DETROIT, MICHIGAN 48202

The benefits of this program are yet to be fully realized. We are pleased that First Chicago NBD will lead way in addressing a major concern in our community in helping to reach and initiate a consortium of workers from local colleges into the banking community. One of the benefits of this new plan (following a feasibility study to determine its structure), will be in the training of adult men and women from our local community colleges: Wayne County Community College and Lewis College of Business, for the demands for qualified workers in the banking industry. This Community Action Plan will help to prepare students from these colleges to come to work at the financial institutions of our community. This is indeed an innovative move on the part of the banking community. This demonstrates both the wisdom and the vision of those at First Chicago NBD and the Detroit Alliance For Fair Banking who believe that we must plan today in order to be financially prepared for tomorrow. The bank will also execute a pre-development banking strategy for financial support for businesses seeking loans.

We believe that the indications are very clear, that first Chicago NBD and BankOne will provide a sensitive ear and a doorway towards inclusion for those who must be a part of any mergers that impact their communities. We note with some degree of confidence, that we have been merged into this process and not squeezed out of it. It is for this reason that we can with confidence indicate our support for this merger.

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11

Personal Statement of

Bernard Parker

August 13, 1998

My name is Bernard Parker and I am here representing three different factions of my community. As Co-Chair of the Detroit Alliance for Fair Banking, Executive Director of Operation Get Down, a community services organization located on Detroit's eastside, and as a Wayne County Commissioner representing citizens within the City of Detroit, I have and continue to be concerned with how banking transactions are conducted in my community. In addition to my community activism, I have also served on the Federal Reserve Advisory Council during the 1991-94 term.

It is with enthusiasm that I appear here today to offer my support of the merger of First of Chicago NBD and Bank One. My involvement with NBD first began in 1987 when an Ad hoc Coalition for Fair Banking (Coalition) was formed in Detroit after a local newspaper ran a series of articles called "Race for Money." These articles highlighted the disinvestment that was occurring by local banks in the City of Detroit. After lengthy discussions, the Coalition and NBD reached an agreement whereby NBD committed to increasing their consumer lending in Detroit. This agreement was essential to the economic development and revitalization of Detroit, its residents and the metropolitan community, but more importantly the agreement also established the basis of the long-standing relationship that NBD has had with the Detroit community. As a result of those initial discussions and negotiation sessions a better understanding and improved communication channel was carved out between NBD and the

FEDERAL RESERVE BOARD

Public Hearing

August 13, 1998

Personal Statement of

BERNARD PARKER

Co-Chair, Detroit Alliance for Fair Banking

Detroit, Michigan

Wayne County Commission

RICARDO A. SOLOMON
CHAIRMAN

VICTOR L. MARSH
DIRECTOR & CHIEF
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COMMISSION COUNSEL

SEAL OF THE COUNTY OF WAYNE MICHIGAN
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1796

OFFICE OF COMMISSION COUNSEL

FACSIMILE TRANSMISSION

TO: **Bernard Parker IN CARE OF Alicia Williams**
312.913.2626

FROM: Pearlette J. Ramos

RE: Personal Statement

DATE: August 13, 1998

Please forward the attached personal statement to Bernard Parker who is scheduled to give testimony today at the Federal Reserve Board Public Hearing. If you have any additional questions, do not hesitate to contact me at 313.224.6459.

12

Bank Watchers testimony to the Federal Reserve on the Banc One/First Chicago mergers.

August 13, 1998
Chicago Federal Reserve

My name is Hubert Van Tol of Sparta, Wisconsin. I am the President of Bank Watchers. We provide information and other services for community-based organizations on banking and community reinvestment issues. I also serve as a board member of the National Community Reinvestment Coalition and am a co-chair of NCRC's Legislative/ Regulatory committee. Thank you for the opportunity to testify today.

I agree with most of the issues that have been raised about Banc One's deficient CRA record. Since I can't possibly do justice to these many complex issues in this short time, I'm going to focus on the problems I have with how CRA gets interpreted for rural areas and on the telling difference in the CRA behavior of First Chicago/NBD and Banc One.

My colleague, Marv Kamp from the Wisconsin Rural Development Center has outlined some concerns about how Banc One provides services and loans to rural Wisconsin. I think his comments highlight the importance of the Federal Reserve giving more careful thought than it has in the past to what the Community Reinvestment Act means for rural areas. With mega-mergers like the Banc One/First Chicago transforming the shape of the banking industry it is very important that you think those issues through sooner rather than later. What does providing fair access to credit in rural America mean for huge institutions that are buying up the branches and the ability to provide services in suburban and some cases inner city markets, but are leaving the rural counties and particularly lower income rural counties, that span the areas between those urban areas, partially or completely out of their acquisition plan?

You have heard that Banc One is providing agricultural loans at a much higher rate in some of the wealthier rural counties of Wisconsin than it is in the poorer counties. You have heard that

12

CHICAGO COALITION FOR THE HOMELESS

Banc One-1st Chicago NBD Merger Hearing
Federal Reserve Bank of Chicago
Thursday, August 13, 1998

STATEMENT FROM
THE CHICAGO COALITION FOR THE HOMELESS
BY MATT McDERMOTT

My name is Matt McDermott. I am a policy specialist with the Chicago Coalition for the Homeless. CCH is a 17 year-old advocacy organization focusing on the root causes of homelessness and finding permanent solutions to the problem. CCH has nearly 15,000 members in greater Chicago and nearly 800 organizational members.

CCH has very serious concerns about the proposed merger between Banc One and 1st Chicago NBD. We understand that Banc One has very poor CRA record and a wavering commitment to the very important mortgage lending business. In addition, Banc One has refused to negotiate directly with community groups and coalitions. While they maintain all agreements made by other parties to the merger will be honored, there unfortunately is no guarantee of that. All three parties related to the merger--Banc One, 1st Chicago, and NBD--also have less than admirable lending records in the African-American and Latino communities.

These shortcomings by major market institutions seeking to increase their market dominance have tragic consequences. The lack of capital in many communities prevent the creation of new housing and new employment opportunities. While many of these potential opportunities might not directly be available to the people I represent, their absence is the beginning of a spiral that winds up impacting the poorest members of our communities, those we don't often think of when we think about banks--homeless people. Because bank capital is not available to create these opportunities, we increasingly see a reliance on government funding for housing and job creation for middle income people. This demand on government resources competes, usually with success, against funding for projects that serve very low-income and homeless people, which truly cannot be created by market institutions like banks.

With 80,000 people homeless in Chicago every year--and more and more children among them, creating an average age of nine years old--we must have a greater commitment from our banks to serve the entire community rather than profiting from creating more disparities in our country. If we do not, the results will be even greater tragedy in the next generation.

For this reason, CCH opposes the Banc One-1st Chicago merger until all parties make direct community investment commitments. Thank you.

1325 S. Wabash Ave./Suite 205 • Chicago, Illinois 60605 • (312) 435-4548 • FAX: (312) 435-0198

#12

My name is Rev. Casimir F. Gierut AB;BA;AAS;AS. I reside at 9106 Del Prado Drive, Palos Hills, Illiois, 60465.(Phone-708-598-2335)

As a consumer seeking banking services, I strongly oppose the proposal by Bank One Corporation located in Columbus, Ohio, to merge with First Chicago NBD Corporation, located in Chicago, Illinois, for the following reasons:

First, the merger will destroy competition between the two banks. Competition is a financial asset in favor of all consumers. We have the opportunity to compare different interest rates offered by the two banks. The final decision is in our favor to accept the higher interest rate in reference to the purchase of a Certificate of Deposit or to accept the bank offering the lowest interest rate toward a loan.

This merger will force the consumer to deal with only one megabank. Our freedom to choose the other bank will be gone. There will be no alternative but to accept whatever interest rates the bank wishes to offer to the public. That is not the right way to do business in a capitalistic society..

To possess financial power in the hands of a few bankers is a by-product of merging banks into megabanks is to be feared.

Secondly, I oppose the merger of Bank One with First Chicago because it will become a huge monopoly. The United States Attorney General Janet Reno should file an anti-trust suit against this merger to stop this becoming the biggest monoply in the United States.

Banks are not an agency of the Federal Government which would exempt them from any anti-trust laws. Banks are privately owned financial institutions. The title "Corporation" in the name following Bank One Corporation tells us that it is a private corporation. The title "Corporation" in the name following First Chicago NBD Corporation tells us that it is a private corporation.

It is not fair nor just to file an anti-trust suit against Bill Gates Microsoft Corporation merging with another giant computer corporation because the merger is considered to be a monopoly and not apply the same anti-trust suit against Bank One and First Chicago an obvious form of monopoly.

Justice is not served equally in the application of the anti-trust laws to private corporations. To allow Bank One and First Chicago to merge into a monopoly is unlawful, illegal and contrary to the anti-trust laws.

Thirdly, the mergers are not made for the good of the consumers. The bottom line is how much profit is made for the good of the bank. This leads to greediness.

I recall standing in line to open a new account at the First Chicago. As many tellers there are accounts for the many long lines of people standing patiently to be assisted by the teller. Instead of the First Chicago being pleased to see the long lines of people, the greedy bank decided to charge a fee of $3.00 for tellers assistance.

I heard many complain that the $3.00 may be a "fee" in the mind of the banker, but they called the $3.00 an act of extortion. Either you turn over $3.00 or you will not be served by the teller. Such a procedure is extortion and unacceptable in the lawful business world of finance.

Lastly, and most important reason why I oppose the merger of Bank One with First Chicago NBD is that this kind of merger decreases the existence in the growth of banking.

In the year 1985 there were 14,480 banks. Today, this year of 1998, the number of banks has dwindled to 9,435 banks and decreasing in number with each new merger.

For the power to be invested in the hands of a few bank Presidents and bank directors is contrary to the principles of capitalism which is the way of life for 231 million Americans.

Robert H. Hemphill former credit manager of the Federal Reserve Bank of Altanta, Georgia said:

> "We are completely depended on the commercial banks. If the banks create ample supply of money, we are prosperous, if not we starve. The banking problem is so important that our present civilization may collapse unless it is wisely understood and the defects remedied very soon."

Merging of banks is one of those defects which will bring about a new kind of slavery. Financial dominence in the hands of a few will create financial enslavement of people and civilization. This is why I oppose the merging of Bank One with First Chicago NBD.

Rev. Casimir F Gierut

12

Testimony

Charles H. Bromley

Federal Reserve Bank of Chicago

August 13, 1998

First Chicago NBD Banc One Corporation Merger

My name is Charles H. Bromley; I am the director of a statewide Ohio Fair Housing group based in Cleveland. I also serve as chair of the Ohio Community Reinvestment Project; a statewide coalition of community based organizations committed to fair lending throughout the state.

Because a picture is worth a thousand words, and I have been allocated five minutes, I have prepared some pictures that outline a snapshot of the lending behavior of Banc One and its affiliates in the state of Ohio.

- Let me first review Banc One's behavior in an area where they are ranked as the third largest small-business lenders in the U.S. According to Kenneth T. Stevens, "A small-business customer doesn't care where the corporate headquarters are. What they care about is...local execution – 'Are they doing a job for me? Is my relationship manager serving my needs?' Apparently, Mr. Stevens forgot to review his small-business lending record with Blacks in greater Cleveland.
- Let me review some statistical data in our first chart by income, second chart is by race and the third bar graph reviews their lending record of making business loans to Black businesses through the SBA program. Let me just point out that America National Bank, located in predominately white Parma, Ohio has made a higher percentage of loans to Black businesses than Banc One.

- Our first map shows small-business lending in the Cleveland Metropolitan area with Lorain County on the west and Ashtabula on the east. Cuyahoga is in the center of the picture with greatest concentration without small-business loans.
- The second map highlights Cuyahoga County and the first-ring suburbs of greater Cleveland that have a large Black population and very little small-business lending by Banc One.
- The final small business map highlights the failure of Banc One to make small-business loans in low and moderate-income tracts.
- The last two maps highlight aggregated data for home improvement loans in the Toledo MSA and Cincinnati MSA. The reason I chose to highlight home improvement lending is that Banc One dominates this lending in the state of Ohio and you can see their failure to affirmatively market the assessment in the Toledo and Cincinnati area.
- I am sending a detailed report to the Assistant Attorney General for civil rights, William L. Lee. Because we believe the information that we have uncovered as a result of this challenge represent a pattern and practice of racial discrimination in Banc One's small-business lending as well as home improvement loans. I would urge that the Federal Reserve Bank take no action on the pending merger until the Department of Justice can review the information that we will present to them.

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SUITE W 207
CLEVELAND HEIGHTS, OHIO 44118
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Banc One Short Changes Minority Small Businesses

Banc One, Cleveland's small business loan data for 1996 suggests that the bank has not adequately served the small business credit needs of Cleveland's extensive minority community. As shown in Table 1, the bank made no small business loans in 68% of the 115 minority census tracts within its five-county assessment area. By comparison, the percentage of White census tracts in which the bank made no small business loans was only 39%. Table 2 indicates that the geographic disparity in small business lending effort correlates with differences in census tract income level – a pattern that raises concerns under the Community Reinvestment Act. As Table 3 indicates, however, substantial racial disparity persists even after controlling for census tract income level.

Banc One Cleveland's small business loan data for 1996 indicates that unusually high shares of the bank's small-sized loans were made to medium-sized and perhaps even large-sized firms, as opposed to small-sized firms. Under the current disclosure system, banks provide data on their business loans to firms with less than $1 million in annual revenues – a reasonable size threshold for defining small business. However, banks also provide data on their business loans with original loan amounts of $1 million or less. Many of such small-sized loans are, in fact, made to medium-sized and even large-sized firms. Thus, small-size loans provide only a very loose proxy for loans to small-sized firms.

In 1996, Banc One Cleveland made 1380 small-sized loans (loans amounts under $1 million) to business located within its five-county assessment area. At the same time, Banc One Cleveland make only 400 loans to small-sized firms (revenues under $1 million) in its assessment area. This indicates that the great majority of the loans classified as "small business loans" by virtue of their small loan size were not made to small-sized firms. If we assume that all of the 400 loans to small-sized firms were also small sized-loans, then 71% of Banc One Cleveland's 1380 small-sized loans in the five-county assessment area were made to medium or large-sized firms. Alternatively, if some fraction of the 400 loans to small-sized firms and loan amounts over $1 million, then the percentage of small-sized loans going to medium and large-sized firms would be even higher. For example, if 10% of the 400 loans to small-sized firms had loan amounts over $1 million, then the percentage of Banc One Cleveland's 1380 small-sized loans going to medium or large-sized firms would have been be 74%, instead of 71%.

Banc One Cleveland's ration of small-sized loans to small-firm loans (1380/400) was 3.45 in 1996. By comparison, for all lenders within the five-county assessment area in 1996 the aggregate ratio of small-sized loans to small-firm loans (business loans made by all lenders within the five-county assessment area was only 2.14 (16620/7781). This substantial disparity indicates that Banc One Cleveland ahs far more loans to medium and large-sized firms embedded within its publicly reported "small business loan" data than do banks on average within the five-county assessment area. Under the assumption that all loans to small-sized firms were also small-sized loans, only 53% of the 16620 small-sized loans made by all lenders within the five-count assessment area went to medium or large-sized firms, compared to the 71% percentage for Banc One Cleveland.

While Banc One Cleveland's small business loan data raises serious concerns from both a Fair Lending and CRA perspective, the publicly reported data is subject to serious limitations and does not permit an adequate evaluation of the bank's performance in serving the small business credit needs of Cleveland's extensive minority community. The underlying problem is the lack of data on the geographic distribution by census tract of Banc One's loans to small-sized firms in the five-county assessment area. The public data does identify the census tracts where Banc One Cleveland has made one or more small business loans, but it does not indicate how many loans were made in each census tract. Further, in identifying the census tracts where the bank made one or more loans, the public data does not distinguish between loans to small-sized firms and small-sized loans.

The public data indicate that Banc One Cleveland made one or more small business loans in 49 of the 155 minority census tracts in its five-count assessment area.

The public data, however, do not indicate the number of minority census tracts in which Banc One Cleveland made one or more loans to small-sized firms, as distinct form small-sized loans. As noted, in 1996, within the five-county assessment area, Banc One Cleveland made only 400 loans to small-sized firms, compared to 1380 small-sized loans.

Banc One has disclosed to the Cleveland Plain Dealer that 8.2% of its small business loans in the Cleveland assessment area in 1996 were made in minority census tracts. If the minority census tract share of loans to small-sized firms was the same as the 8.2% minority census tract share of total small business loans, this would mean that in 1996 Banc One Cleveland made only 33 loans to small-sized firms in the minority census tracts of its assessment area (8.2% x 400). Under this assumption, Banc One Cleveland's market share of aggregate loans to small-sized firms made by all reporting lenders in minority census tracts of the assessment area minority neighborhoods would have been only 4.07% -- 33 loans out of a total of 810 loans. By contrast, in 1996 Banc One Cleveland had a 8.30% market share of aggregate small-sized loans made by all reporting lenders within the assessment areas -- 1380 loans out of a total of 16620.

Data on the geographic distribution of small business loans is especially important in a metropolitan area such as Cleveland with extensive and diverse minority neighborhoods. While there are 151 minority census tracts within a five-county assessment area, a large share of total number of businesses with the broad minority *community is located within a relatively small number of census tracts. These are the* minority census tracts that are part of the downtown Cleveland business district or represent commercial areas in the eastern portion of Cuyahoga County, such as Warrensville Heights, Bedford Heights, Oakwood, and Woodmere. For example, 10 minority census tracts – (107100, 107200,107300,107700, 108800, 188104, 188107, 133103, 194000, 194800) – account for 34.81% of aggregate loans to small-sized firms and 35.95% of aggregate small-sized loans reported by all lenders within the 151 minority census tracts. Given this geographic distribution of small business lending activity within the broad minority community, Banc One Cleveland could easily focus its small business lending in only a few minority census tracts while ignoring the small business credit needs of the vast majority of minority census tracts. Such a pattern would not be revealed by data that indicate only the total number of small business loans made within minority census tracts as a group. Clearly, small business loans made within minority census tracts as a group. Clearly, small business loan data by census tract is needed to properly evaluate the small business lending performance of Banc One Cleveland.

We request that Banc One make public on a census-tract-by-census-tract basis the number and dollar amount of its small business loans within the Cleveland Primary Metropolitan Statistical Area. We also request that this loan data be itemized separately for loans to small-sized firms (revenues under $1 million) and small-sized loans (loan amounts under $1 million). This data will enable the public to more effectively monitor and assess Banc One's small business lending performance.

Such disclosure is especially important in view of Banc One's pending application to merge with First Chicago NBD Corporation. As mergers lead to operation, the vital ties between large banks and their local communities will inevitably weaken. Under these circumstances, new accountability mechanisms are needed to enable local communities to better monitor giant bank performance and to seek changes in bank policies when needed. Thus Banc One, as part of its pending merger application, should commit to disclose on an annual basis the small business loan data we have requested above.

BANC ONE (Cleveland) : SMALL BUSINESS LENDING IN 1996

5 County Assessment Area: Cuyahoga, Lake, Ashtabula, Geauga, Lorain

Total Number of Census Tracts:	685
Census Tracts in which Banc One (Cleveland) Made No Small Business Loans:	346
Percentage of Tracts with No Loans:	47.01%

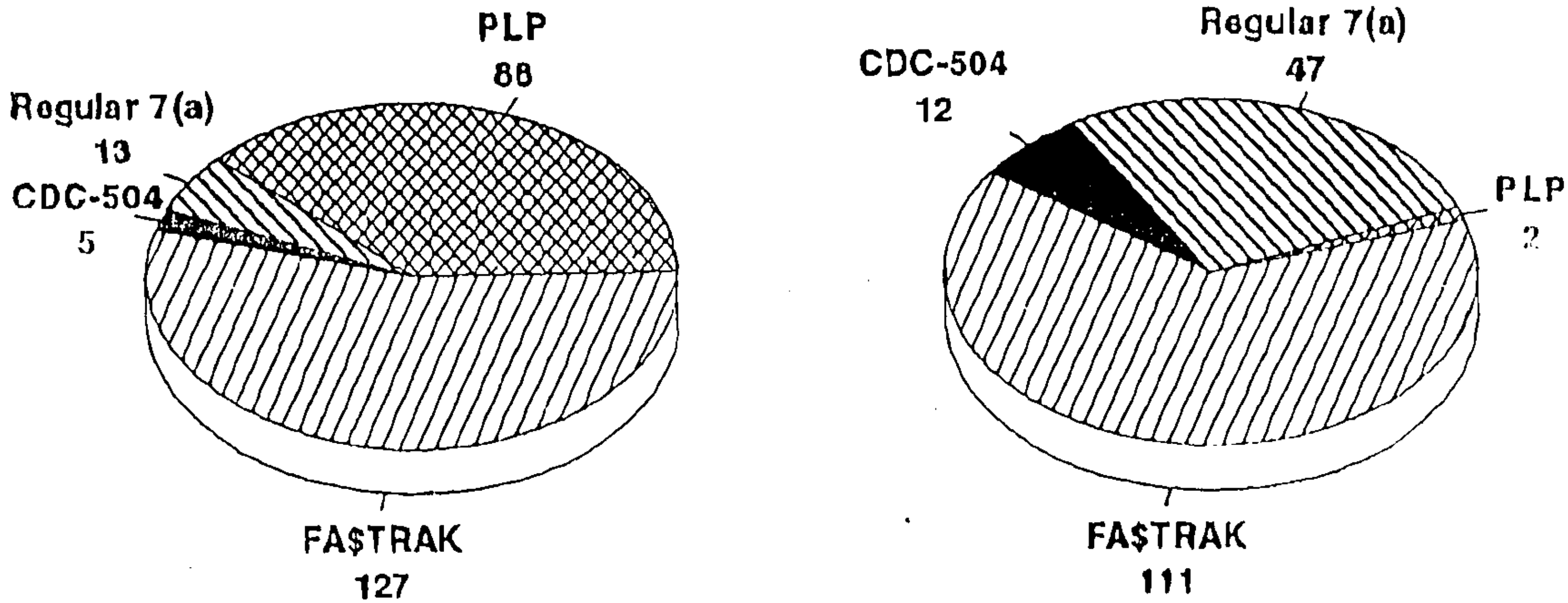
Stratification by Census Tract Minority Percentage

	Number of tracts	Banc One: no Small business Loans	% of tracts with no Banc One Loans
Minority – 50% or more	155	106	68.39%
Minority – 25% to 50%	55	40	68.97%
Minority – 10% to 25%	78	43	55.13%
Minority – under 10%	381	147	38.58%
No population data for census tract	13	10	

Distribution of Major Loan Programs

SBA Cleveland District

21 Months (October 1, 1997 to June 30, 1998)



Bank One - 233 Loans

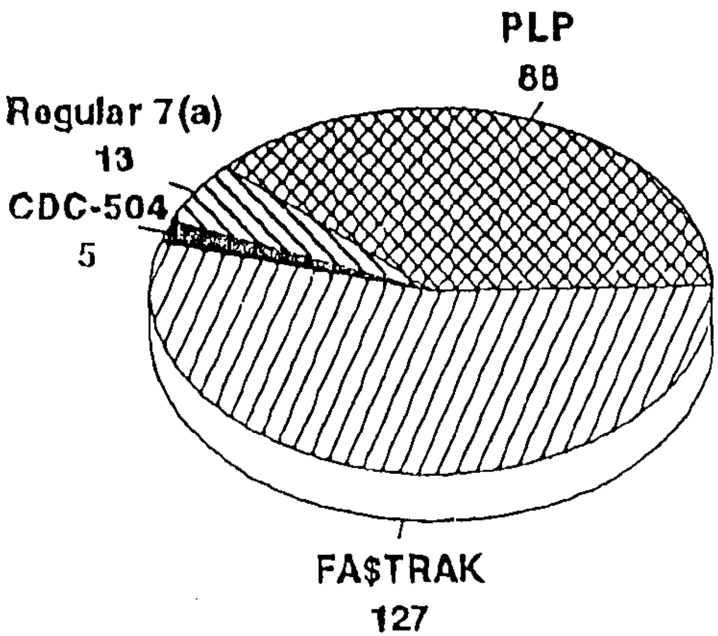
Key Bank - 172 Loans

E.Konbarer

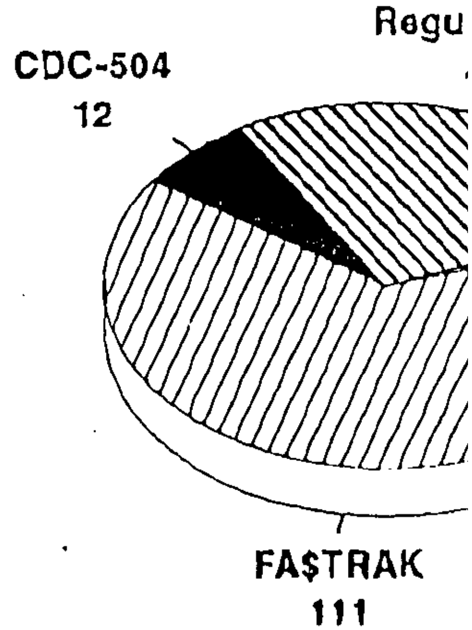
Distribution of Major Loan Prograr

SBA Cleveland District

21 Months (October 1, 1997 to June 30, 1998)



Bank One - 233 Loans



Key Bank - 17

Cincinnati, OH MSA 1640

Significant Findings
on Bank One Lending Practices in Cincinnati Metro Area
(Based on HMDA data – 1996)

- Bank One Cincinnati's home purchase applications consisted of 8.2% Black and 82.1% White applications. The Black population in the Cincinnati MSA was 12.5% and the White population was 86.1%.

- Bank One Cincinnati had a 25% denial rate for all Black applicants for home purchases.

- Bank One Cincinnati received 10.3% of its applications from low and moderate-income applicants. The benchmark for the nine largest lenders was 13.3% and the MSA benchmark was 16.3%. This is important and relevant because the major goal of the Community Reinvestment Act is to generate applications from historically underserved, low and moderate-income individuals.

- Significantly, Bank One Cincinnati originated only 9.5% of its low and moderate-income applications, as opposed to 35.7% of their upper income applicants. Among the nine largest lenders, the benchmark of low and moderate-income originations is 11.8% and among MSA lenders 12.8%.

- Bank One Cincinnati made 7.1% of its originations from census tracts greater than 50% minority; however, they managed to make 76.2% of their originations in census tracts with 20% or less minority population – a staggering difference.

- Bank One Cincinnati received only 10.3% of its applications from low and moderate-income tracts and ranked number 8 among the nine largest lenders in the Cincinnati MSA. It ranked number 7 among the same peer group and originated only 9.5% from low and moderate-income tracts.

Columbus, OH MSA 1840

Significant Findings
on Bank One Lending Practices in Columbus Metro Area
(Based on HMDA data – 1996)

- Bank One Columbus had the highest rate of denials for all race and income groups: 44.9%. It is also the lender with the smallest number of home purchase applications.

- Of Bank One's conventional home purchase applications, 88.5% were from Whites and 4.4% were from Blacks. The Black population in the Columbus MSA is 12.1% and the White population is 85.4%.

- The denial rate for Bank One in the Columbus MSA, among Black applicants, was 43.7%. Among the eight largest lenders, the Black denial rate was 23.5%.

- Bank One, when compared with the eight largest lenders in the Columbus MSA, had a 71.6% denial rate for low and moderate-income applicants. The benchmark for the eight largest lenders was 61.5%; among all MSA lenders it was 57.6%.

- Among applications compared by race and income, Bank One shows a significant bias toward attracting applications from low and moderate income whites (52.8%) in comparison to low and moderate income Blacks (3.6%).

- In a key area, Bank One Columbus receives only 10.3% of its applications from low and moderate-income tracts. It ranks 8 out of 9 in that category. The Bank appears to have very little affirmative outreach to geographic areas that have been historically underserved by lenders, and that should be targeted in their affirmative obligation under the Community Reinvestment Act.

Cleveland, OH MSA 1680

Significant Findings
on Bank One Lending Practices in Cleveland Metro Area
(Based on HMDA data – 1966)

- Among denials to individuals with income greater than 120% of the median household income, Bank One had a 40% denial rate among Blacks and a 13.7% denial rate among Whites, for a denial ratio of 2.9%.

- Bank One originations for census tracts greater than 50% minority was 15.6%. In census tracts less than 20% minority the origination rate is 71.1%. For Bank One Columbus in the Cleveland Metro Area, in census tracts greater than 50% minority, originations were 6.0% and in census tracts less than 20% minority origination rate was 92%.

- Bank One Cleveland reflects considerable progress in meeting the credit needs from a recent ranking by federal regulators of "Needs to Improve" in 1994. This progress is a result of a signed agreement with the City of Cleveland and the honorable Michael R. White in 1994. Unfortunately, in the other major urban communities, Columbus and Cincinnati, such statements cannot be made.

Stratification by Census Tract Income Level

	Number of Tracts	Banc One: no small business Loans	% of tracts with no Banc One loans
Low income	115	75	65.22%
Moderate income	122	80	65.57%
Lower middle income	130	54	41.54%
Upper middle income	149	63	42.28%
Upper income	148	59	39.86%
No income data for Census tract	21	15	

Tract income category: tract MFI as a % of MSA MFI
- Low Income: under 50%
- Moderate Income: 50% to 80%
- Lower Middle Income: 80% to 100%
- Upper Middle Income: 100% to 120%
- Upper Income: 120% or more

BANC ONE (Cleveland) : SMALL BUSINESS LENDING IN 1996

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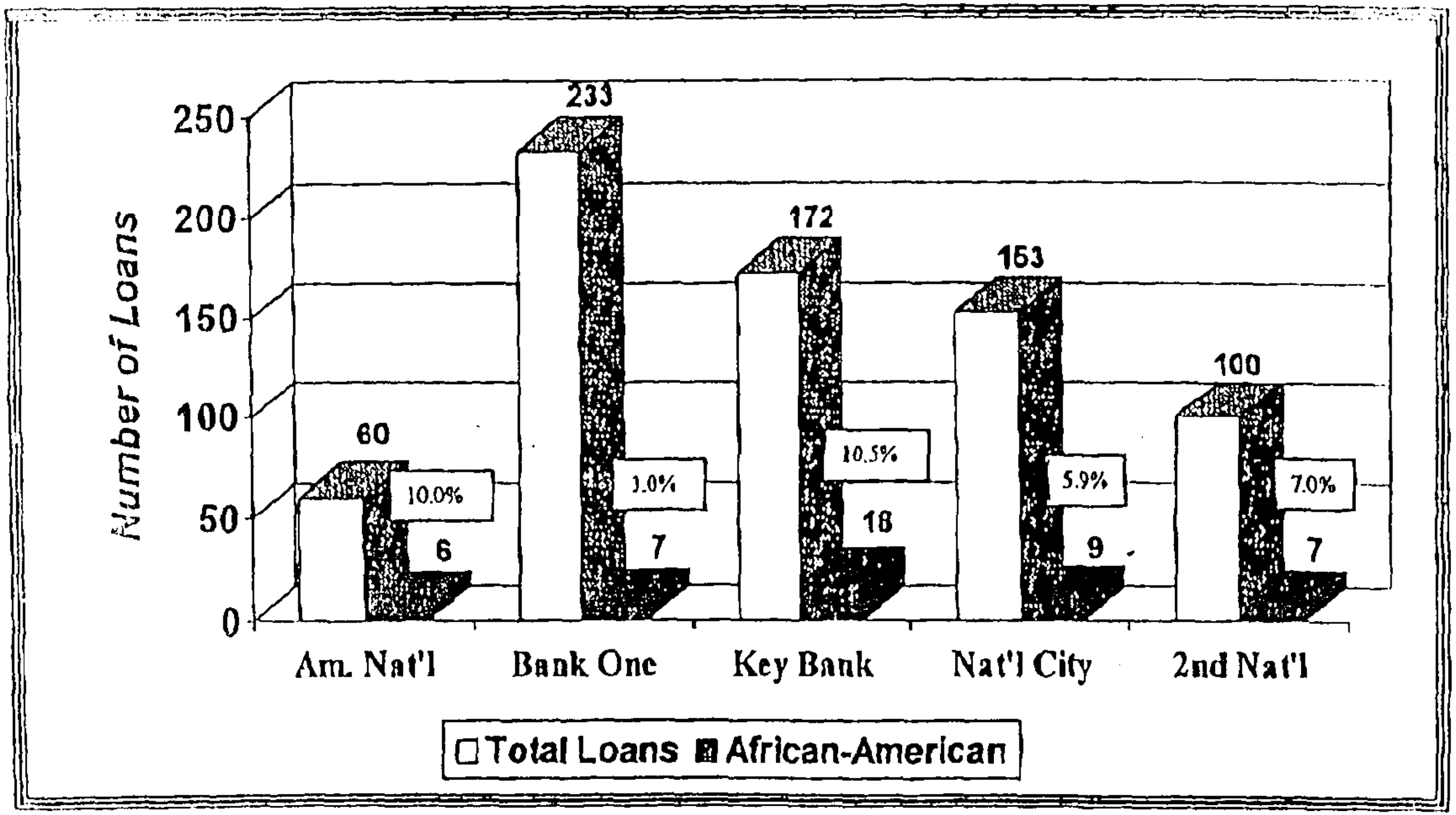
Minority – under 10%	381	147	38.58%
No population data for census tract	13	10	

Cleveland District Office - *Bank Comparison*

21 Months ***(October 1, 1996 to June 30, 1998)***

Loans to African-American Businesses

(as a percentage of total loans)



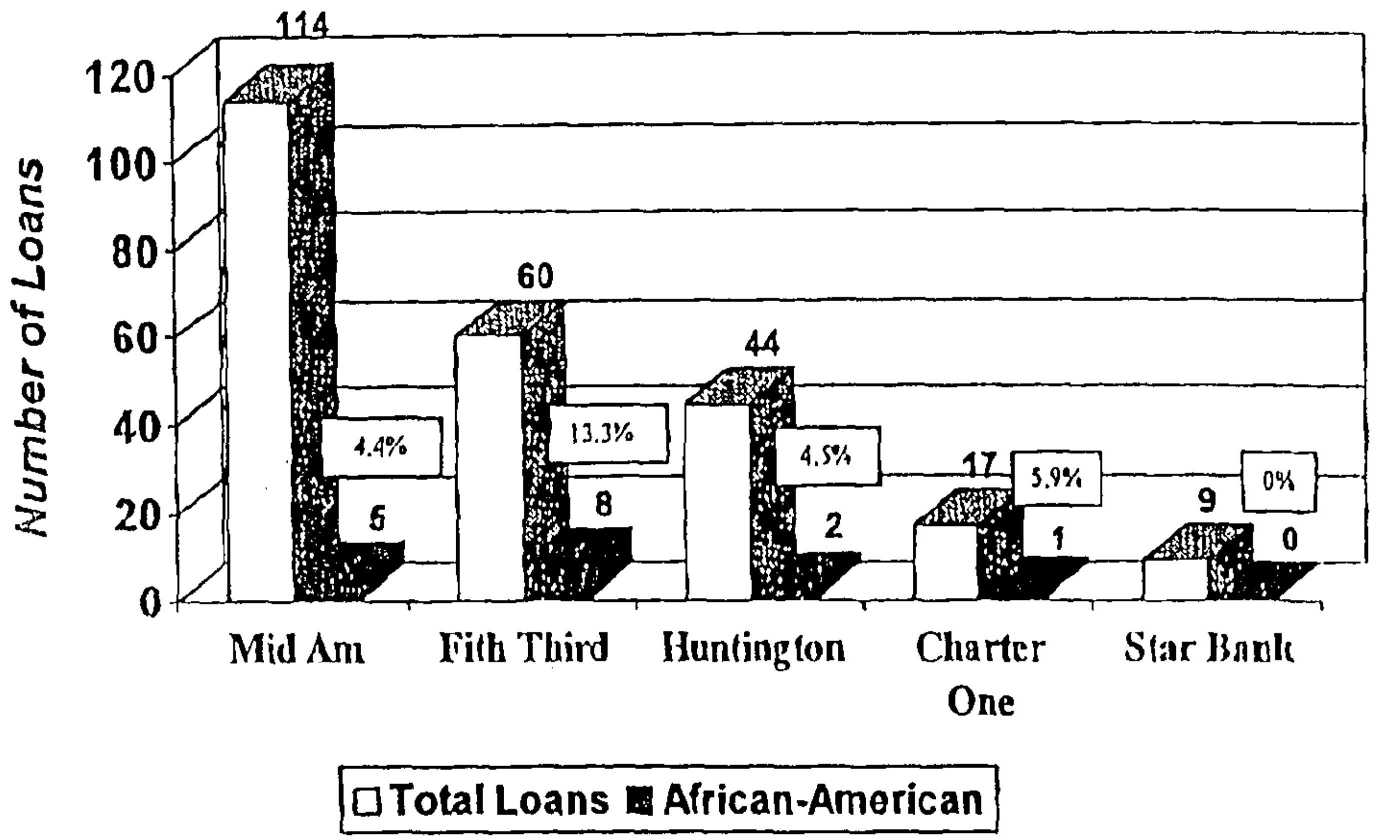
E. Koeberer

Cleveland District Office - *Bank Comparison*

21 Months *(October 1, 1996 to June 30, 1998)*

Loans to African-American Businesses

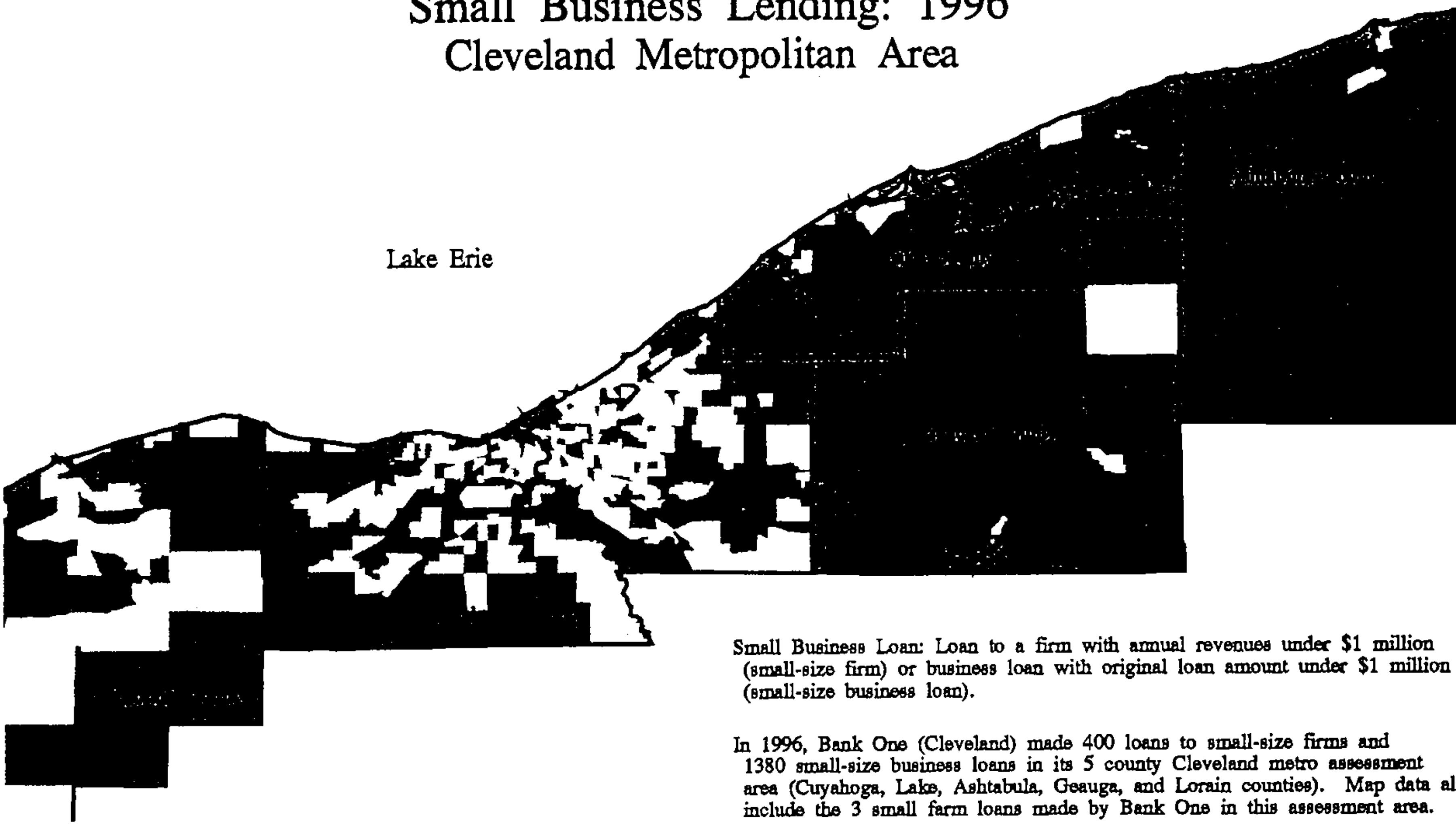
(as a percentage of total loans)



E. Koeberer

BANK ONE, CLEVELAND, OHIO

Small Business Lending: 1996
Cleveland Metropolitan Area



Small Business Loan: Loan to a firm with annual revenues under $1 million (small-size firm) or business loan with original loan amount under $1 million (small-size business loan).

In 1996, Bank One (Cleveland) made 400 loans to small-size firms and 1380 small-size business loans in its 5 county Cleveland metro assessment area (Cuyahoga, Lake, Ashtabula, Geauga, and Lorain counties). Map data also include the 3 small farm loans made by Bank One in this assessment area.

Distribution of loans to small-size firms: Cuyahoga - 162; Lake - 117; Ashtabula - 45; Geauga - 43; Lorain - 33.

Distribution of small-size business loans: Cuyahoga - 638; Lake - 407; Ashtabula - 121; Geauga - 120; Lorain - 94.

Source: FFIEC, 1996 CRA data.

Ohio Community Reinvestment Project, Cleveland, Ohio

Bank One (Cleveland) Small Business Lending in 1996 - by Census Tract

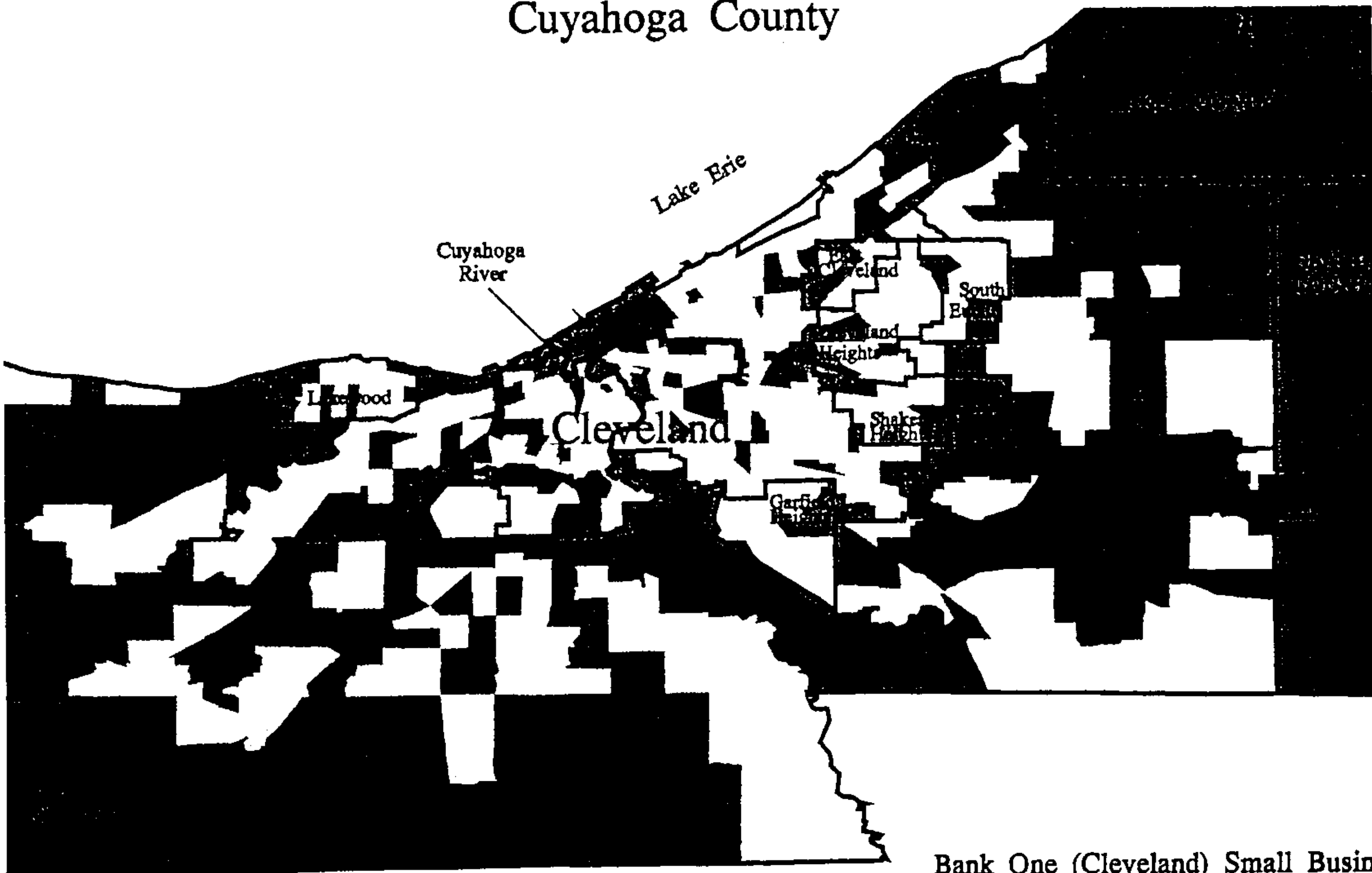
County Boundaries

No Small Business Loans

One or More Small Business Loans

BANK ONE, CLEVELAND, OHIO

Small Business Lending: 1996
Cuyahoga County



In 1996, Bank One (Cleveland) made 162 loans to small-size firms and 638 small-size business loans in Cuyahoga County. Map data also include the 2 small farm loans made by Bank One in Cuyahoga County.

Source: FFIEC, 1996 CRA data.

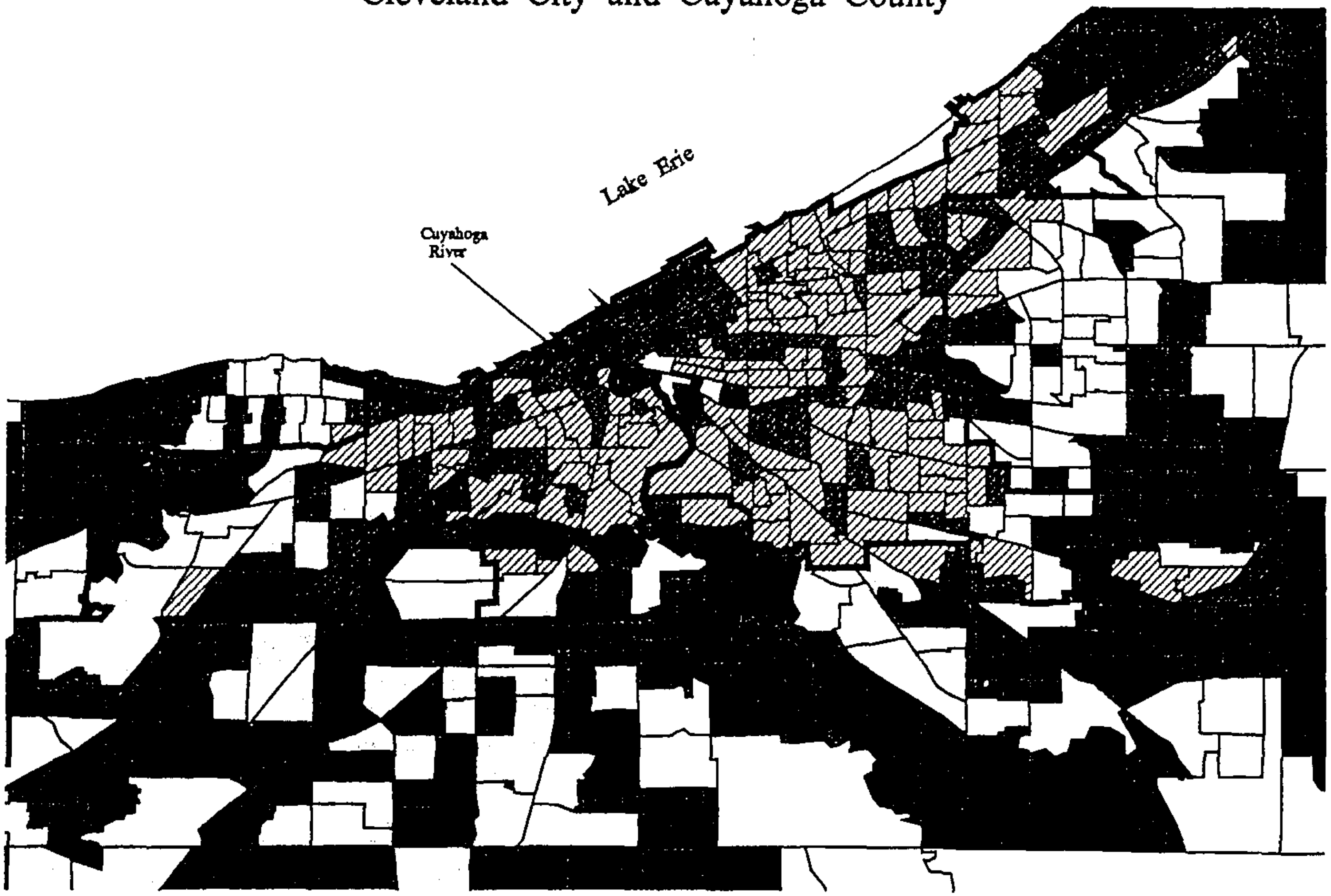
Ohio Community Reinvestment Project, Cleveland, Ohio

Bank One (Cleveland) Small Business Lending in 1996 - by Census Tract

Municipal Boundaries
County Boundaries

No Small Business Loans
One or More Small Business Loans

Bank One, Cleveland, Ohio
Small Business Lending in Low and Moderate Income Neighborhoods: 1996
Cleveland City and Cuyahoga County



Source: FFIEC, 1996 CRA data; and 1990 US Census data.

Low or Moderate Income Census Tract: Census tract median family income less than 80% of MSA median family income.

In 1996, Bank One (Cleveland) made 45 loans to small-size firms and 160 small-size business loans in low and moderate income census tracts in Cuyahoga County.

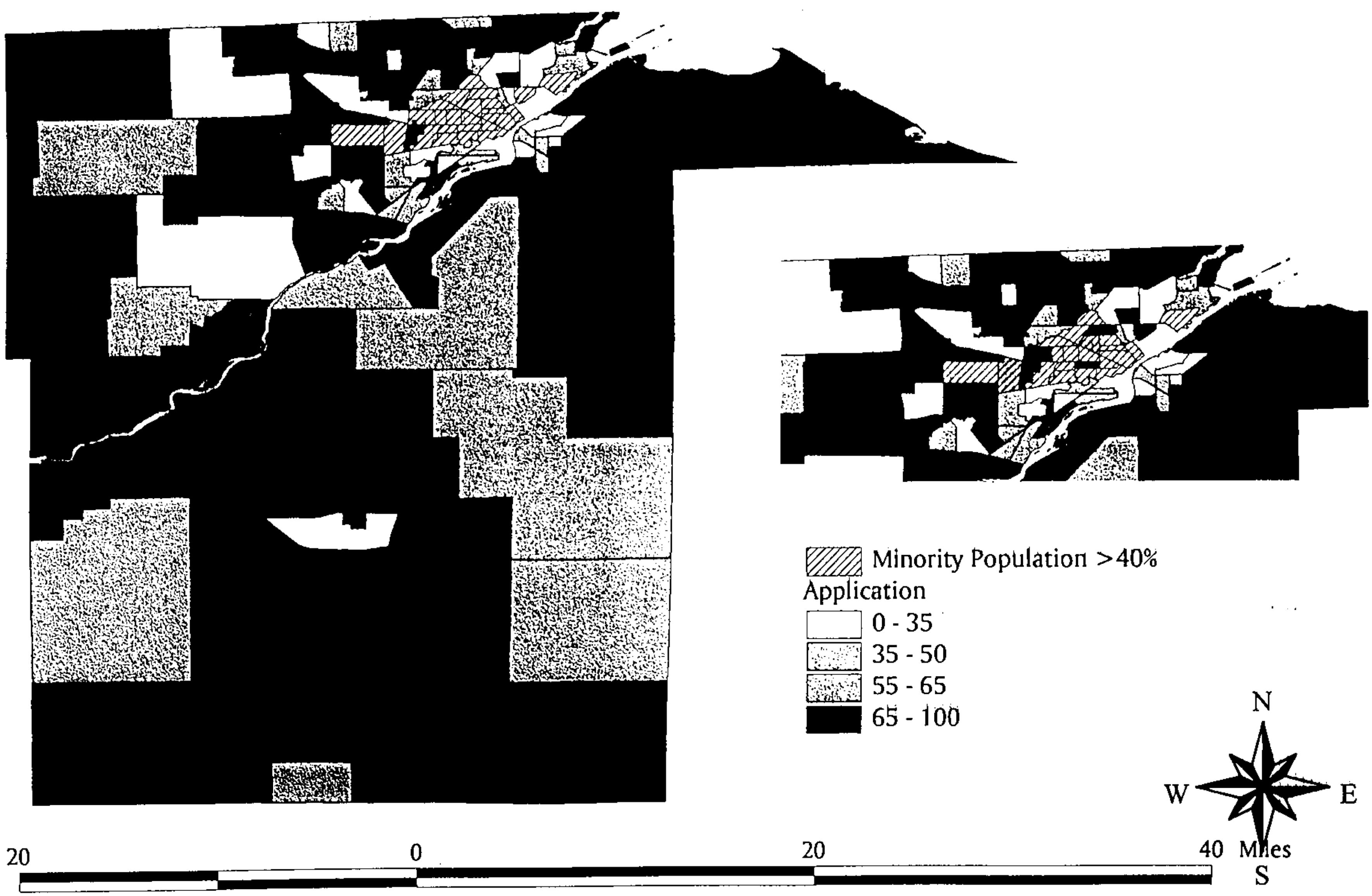
Ohio Community Reinvestment Project, Cleveland, Ohio

Bank One (Cleveland) Small Business Lending in 1996 - by Census Tract

- Cleveland Municipal Boundary
- Low or Moderate Income Census Tract
- No Small Business Loans
- One or More Small Business Loans

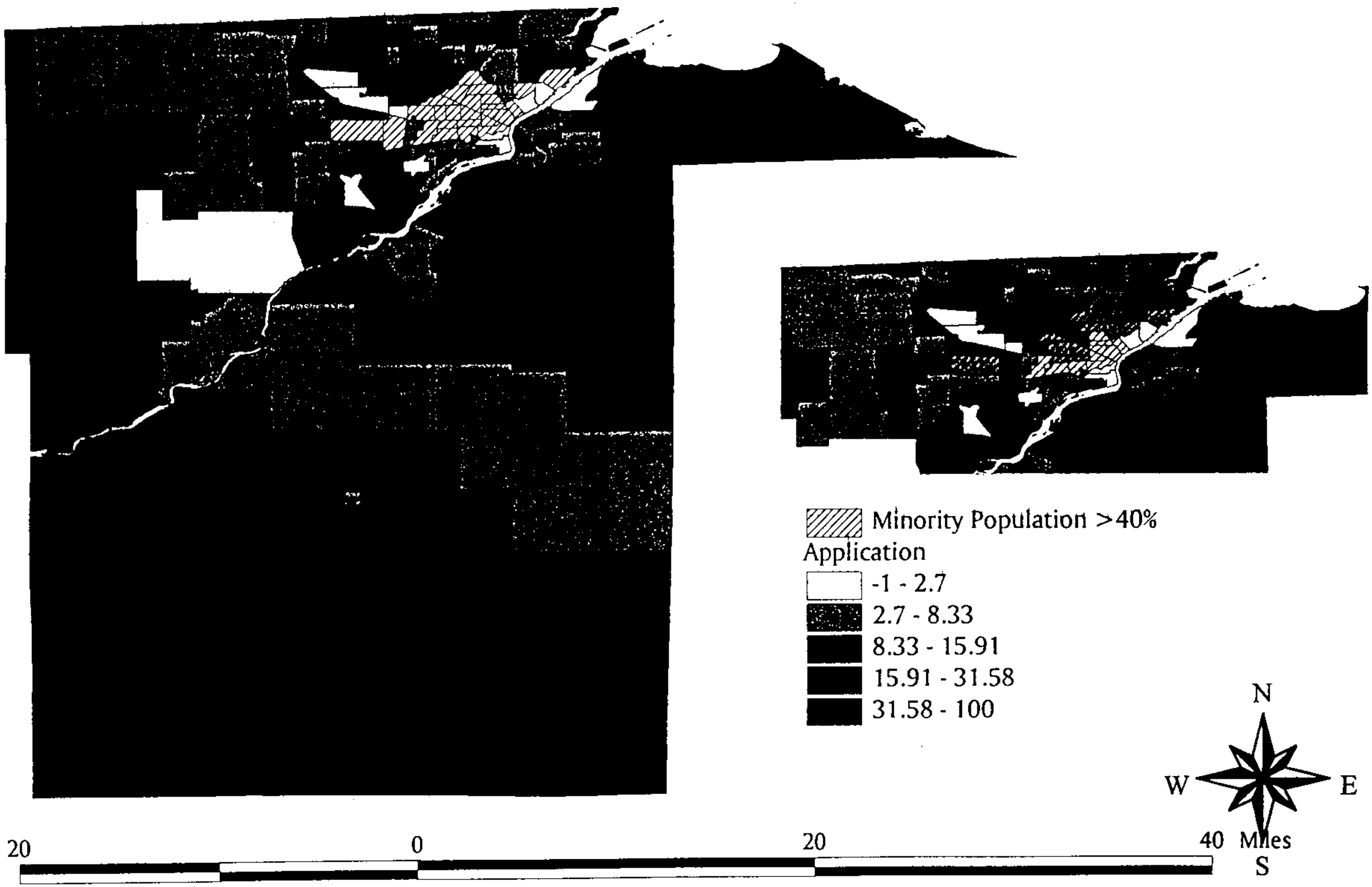
Banc One's Market Share, Toledo Metro Area

Approval Rate for Home Improvement Application



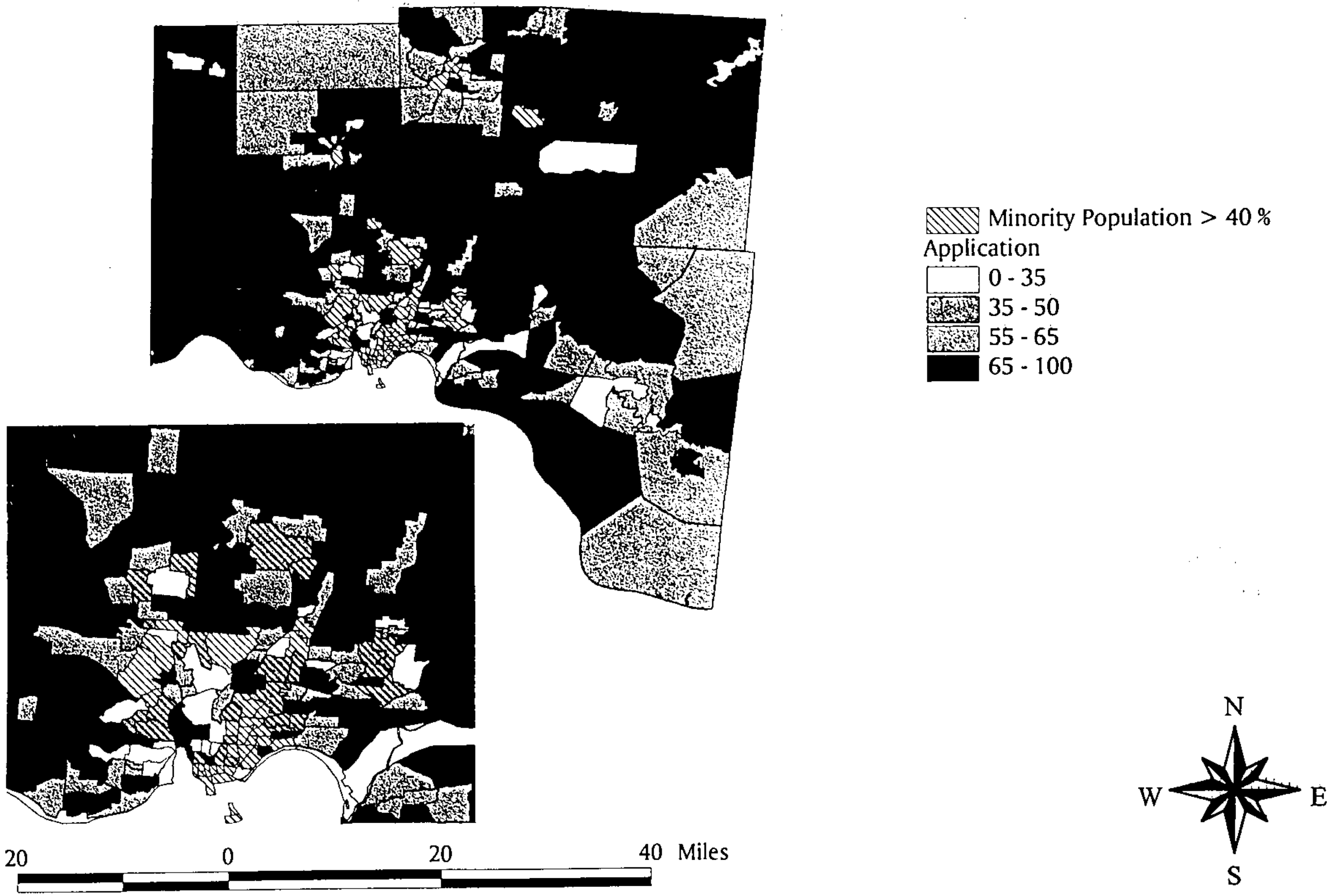
Banc One's Market Share, Toledo Metro Area

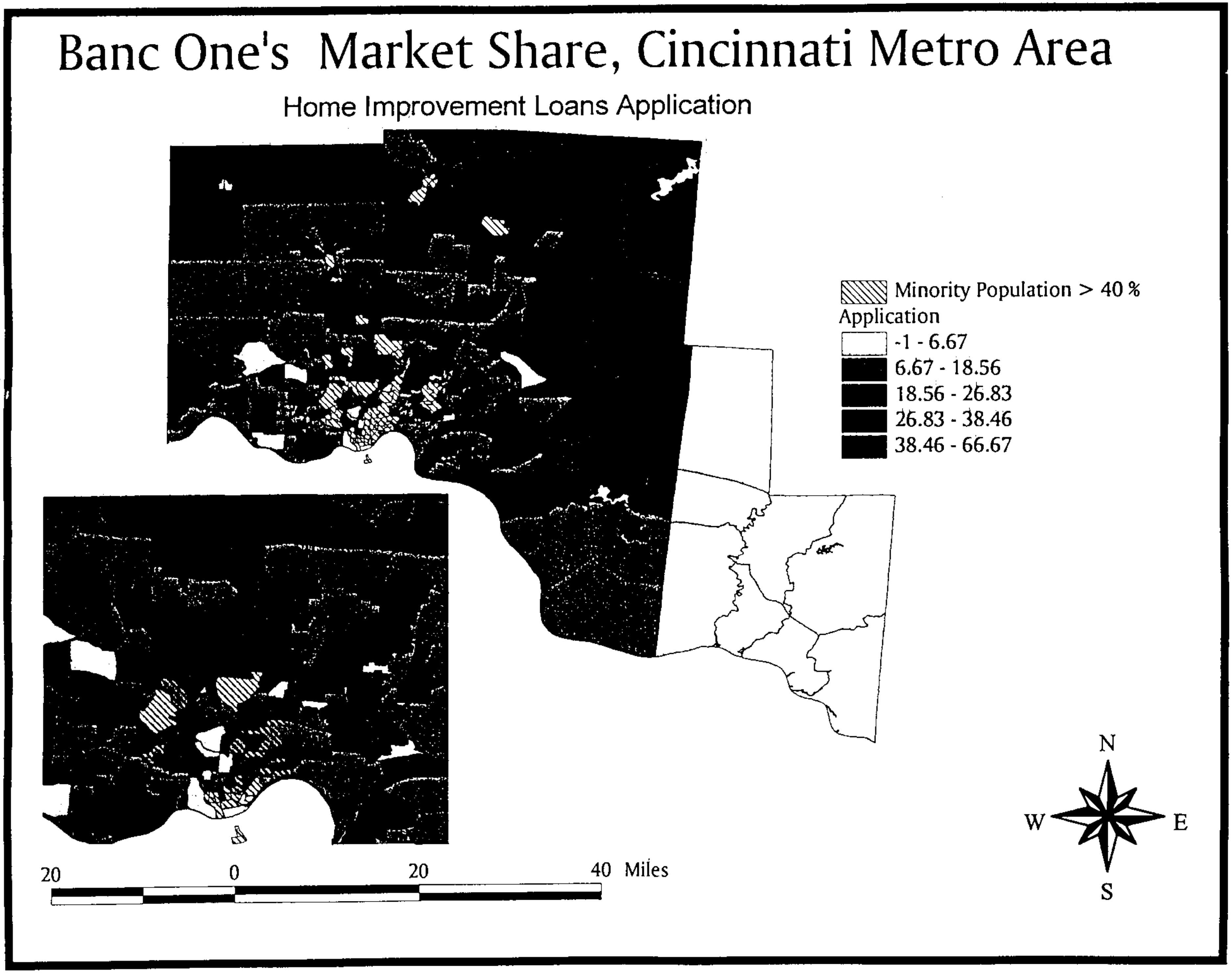
Home Improvement Application



Banc One's Market Share, Cincinnati Metro Area

Approval Rate forHome Improvement Application




Banc One's Market Share, Cincinnati Metro Area
Home Improvement Loans Application
Minority Population > 40 %
Application
-1 - 6.67
6.67 - 18.56
18.56 - 26.83
26.83 - 38.46
38.46 - 66.67
20
0
20
40 Miles
N
W
E
S

Wisconsin Rural Development Center, Inc.

216 W. Main St.
Mount Horeb, WI 53572
608/437-5971

TESTIMONY BEFORE THE FEDERAL RESERVE BOARD ON THE PROPOSED MERGER OF FIRST CHICAGO NBD WITH BANC ONE

Comments Submitted by the Wisconsin Rural Development Center (WRDC)

August 13, 1997

On behalf of the Wisconsin Rural Development Center (WRDC) I would like to thank the Federal Reserve Board for the opportunity to speak to you on the proposed merger between First Chicago and Banc One. We are a 300 member statewide community organization which has worked with family farmers and rural small businesses for over fifteen years. Our mission is to support family farm agriculture, rural development and enhance economic opportunities for rural residents throughout the state.

Our organization previously submitted formal comments on this application. Specific concerns cited in those comments included Banc One's low level of originations to low to moderate income (LMI) conventional home buyers; its lack of participation in state and federal guaranteed programs designed to assist LMI first time home buyers, small business and small farms; its systematic targeting of loans to upper income borrowers; and consequently, the bank's dis-investment in low income and under served rural communities. An analysis of 1997 HMDA and CRA Aggregate data shows that Banc One continues to make significant cuts in conventional home ownership and small business originations in our state.

Based on deposit share, Banc One is the third largest commercial institution in Wisconsin. Clearly, how it conducts business and meets reinvestment obligations has a substantial impact on our state's economy and the communities it serves. Changes in lending policies and practices can often have devastating consequences — especially for our state's poor. According 1997 to data, these changes are beginning to occur. Nationally, Banc One is the second largest home mortgage lender. However, fewer than 2% of all conventional home mortgages are originated by the bank in the state, and that share appears to be declining. Between 1996 and 1997, conventional home ownership loans dropped by over 35%. At the same time, loans to LMI borrowers were cut by nearly 43% (a detail analysis by MSA is attached to these comments — see Table 1). In six of the seven MSAs which we analyzed, LMI borrowers consistently received a disproportionately low share of 1 to 4 family conventional home mortgages while upper income borrowers consistently exceeded MSA share averages.

Banc One also accounts for significant business lending in the state. The bank is the third largest business lender in Wisconsin with $2.8 billion in loans outstanding. However, according to FFIEC data, substantial cuts were also reported in 1997. Business originations declined by nearly 21% or over $90 million from the previous year (see Table 2). Over one-third of those cuts were to business with gross revenues of less than $1 million. Although numerous studies have stressed the need for small business development in the state, fewer than 49% of all loan numbers an 38% of all dollar amounts went to businesses with gross revenues of under $1 million.

Of particular concern is Banc One's minimal use of state and federal guaranteed programs which are designed to serve the needs of LMI borrowers. In 1997, less than 8% of all conventional home loans were guaranteed under the Wisconsin Housing and Economic Development Authority's Home Ownership Mortgage program (WHEDA/HOME). This highly successful state program targets low and moderate income first-time buyers. Although significant numbers of Banc One conventional home mortgage originations occur in most MSAs in the state, over half of the WHEDA/HOME loans were target to only three MSAs. Also, despite the fact that Banc One is considered a major business lender in the state, less than 5% of all business loans were under SBA guarantee in 1997.

Banc One's assessment areas include eleven rural counties. Deposits within these assessment areas represent 16% or $738 million of all Banc One deposits in the state. In our initial comments we criticized the bank's low level of lending in rural areas, specifically regarding small farm originations. In their written response, Mr. Steven Bennet and Ms. Julia Johnson stated that Banc One serves, "a predominately urban market" and, they implied, are under no obligation to meet all the credit needs within rural areas.

However, we believe this attitude raises serious questions about the bank's lack of commitment in meeting the convenience and needs of communities they are supposed to serve. Simply, a bank cannot ignore credit needs within its delineated area and then originate the same type of loan in other, more affluent, non-assessment areas. One-fifth or 15,460 of our state's farms are located within Banc One's assessment areas. However, according to 1997 FFIEC Small Farm data, over 21% of all farm loan numbers and 23% of all dollar amounts were originated outside of delineated assessment areas. The eight highest income rural counties in the state received 78% of all Banc One small farm originations.

Our analysis of Banc One's CRA performance in rural areas raises a number of concerns. In rural Wisconsin, the percentage of low income families often exceeds rates found in central cities. Clearly, a need exists. However, the bank's use of state and federal guaranteed programs is minimal, at best, and underscores its total disregard for the needs of LMI rural borrowers. In 1997, no farm loans were originated with any federal guarantees while less than 2% were originated with state guarantees. Despite significant conventional home ownership lending in rural counties, less than $1 million of those loans were originated with WHEDA/HOME guarantees.

Based on Banc One's CRA performance in Wisconsin, we request that the Board of Governors deny the proposed merger until the bank can take affirmative steps to address the deficiencies cited above. Thank you for your time.

TABLE 1 ALL WISCONSIN BANC ONE HMDA/MSA DATA 1997
1 to 4 Family Conventional Owner Occupied Home Mortgages
(dollar amounts in the thousands)

MSA	Bank One		Financial Services		Mortgage Corp		Total Banc One		MSA Totals	
	Num	$ AMT	Num	$ AMT	Num	$ AMT	Num	$ AMT	Num	$ AMT
Appleton-Oshkosh										
<80% of MSA Median	4	243	1	72	28	1633	33	1948	1295	73577
% Income Share	23.5%	20.7%	100.0%	100.0%	25.2%	15.1%	25.6%	16.1%	26.8%	17.2%
80-99% of MSA Median	2	82	0	0	12	928	14	1010	808	60534
% Income Share	11.8%	7.0%	0.0%	0.0%	10.8%	8.6%	10.9%	8.4%	16.7%	14.1%
100-119% of MSA Median	2	146	0	0	20	1862	22	2008	812	69413
% Income Share	11.8%	12.4%	0.0%	0.0%	18.0%	17.2%	17.1%	16.6%	16.8%	16.2%
>120% of MSA Median	9	702	0	0	51	6414	60	7116	1920	224304
% Income Share	52.9%	59.8%	0.0%	0.0%	45.9%	59.2%	46.5%	58.9%	39.7%	52.4%
Totals	17	1173	1	72	111	10837	129	12082	4835	427828
MSA Mkt Share Total	0.4%	0.3%	0.0%	0.0%	2.3%	2.5%	2.7%	2.8%	100.0%	100.0%
Green Bay										
<80% of MSA Median	9	584	1	72	8	464	18	1120	739	47491
% Income Share	40.9%	36.4%	100.0%	100.0%	17.8%	9.5%	26.5%	17.0%	25.4%	17.0%
80-99% of MSA Median	1	18	0	0	8	692	9	710	528	41227
% Income Share	4.5%	1.1%	0.0%	0.0%	17.8%	14.1%	13.2%	10.8%	18.1%	14.8%
100-119% of MSA Median	4	277	0	0	11	958	15	1235	495	45395
% Income Share	18.2%	17.2%	0.0%	0.0%	24.4%	19.6%	22.1%	18.8%	17.0%	16.3%
>120% of MSA Median	8	727	0	0	18	2782	26	3509	1149	145140
% Income Share	36.4%	45.3%	0.0%	0.0%	40.0%	56.8%	38.2%	53.4%	39.5%	52.0%
Totals	22	1606	1	72	45	4896	68	6574	2911	279253
MSA Mkt Share Total	0.8%	0.6%	0.0%	0.0%	1.5%	1.8%	2.3%	2.4%	100.0%	100.0%
Janesville-Beloit										
<80% of MSA Median	3	131	0	0	23	1420	26	1551	629	31547
% Income Share	33.3%	25.5%	0.0%	0.0%	26.7%	20.7%	27.1%	20.8%	30.9%	20.1%
80-99% of MSA Median	1	25	0	0	16	1050	17	1075	423	30962
% Income Share	11.1%	4.9%	0.0%	0.0%	18.6%	15.3%	17.7%	14.4%	20.8%	19.7%
100-119% of MSA Median	0	0	0	0	19	1627	19	1627	324	26165
% Income Share	0.0%	0.0%	0.0%	0.0%	22.1%	23.7%	19.8%	21.9%	15.9%	16.7%
>120% of MSA Median	5	358	1	78	28	2755	34	3191	662	68101
% Income Share	55.6%	69.6%	100.0%	100.0%	32.6%	40.2%	35.4%	42.9%	32.5%	43.4%
Totals	9	514	1	78	86	6852	96	7444	2038	156775
MSA Mkt Share Total	0.4%	0.3%	0.0%	0.0%	4.2%	4.4%	4.7%	4.7%	100.0%	100.0%

MSA	Bank One		Financial Services		Mortgage Corp		Total Banc One		MSA Totals	
	Num	$ AMT	Num	$ AMT	Num	$ AMT	Num	$ AMT	Num	$ AMT
Ke[redacted]										
<80[redacted]	3	162	0	0	6	367	9	529	320	16946
% I[redacted]e	25.0%	13.3%	0.0%	0.0%	15.0%	7.9%	17.0%	9.0%	17.8%	9.8%
80-[redacted]SA Median	[redacted]	224	0	0	10	891	13	1115	245	18032
% I[redacted]hare	[redacted]	8.3%	0.0%	0.0%	25.0%	19.3%	24.5%	18.9%	13.6%	10.4%
100[redacted]f MSA Median	[redacted]	62	0	0	1	117	2	179	278	24770
% I[redacted]hare	8.3%	5.1%	0.0%	0.0%	2.5%	2.5%	3.8%	3.0%	15.5%	14.3%
>12[redacted]SA Median	5	773	1	49	23	3253	29	4075	952	114047
% I[redacted]hare	41.7%	63.3%	100.0%	100.0%	57.5%	70.3%	54.7%	69.1%	53.0%	65.6%
Totals	12	1221	1	49	40	4628	53	5898	1795	173795
MSA Mkt Share Total	0.7%	0.7%	0.1%	0.0%	2.2%	2.7%	3.0%	3.4%	100.0%	100.0%
Madison										
<80% of MSA Median	2	129	0	0	7	614	9	743	1503	122403
% Income Share	22.2%	13.0%	0.0%	0.0%	18.4%	12.8%	19.1%	12.9%	25.2%	17.4%
80-99% of MSA Median	2	166	0	0	4	326	6	492	1079	110629
% Income Share	22.2%	16.7%	0.0%	0.0%	10.5%	6.8%	12.8%	8.5%	18.1%	15.7%
100-119% of MSA Median	0	0	0	0	9	1012	9	1012	1016	115654
% Income Share	0.0%	0.0%	0.0%	0.0%	23.7%	21.2%	19.1%	17.5%	17.0%	16.4%
>120% of MSA Median	5	698	0	0	18	2827	23	3525	2376	355534
% Income Share	55.6%	70.3%	0.0%	0.0%	47.4%	59.2%	48.9%	61.1%	39.8%	50.5%
Totals	9	993	0	0	38	4779	47	5772	5974	704220
MSA Mkt Share Total	0.2%	0.1%	0.0%	0.0%	0.6%	0.7%	0.8%	0.8%	100.0%	100.0%
Milwaukee										
<80% of MSA Median	11	695	0	0	15	819	26	1514	4245	258732
% Income Share	40.7%	18.6%	0.0%	0.0%	12.6%	5.6%	17.6%	8.1%	23.7%	13.1%
80-99% of MSA Median	5	427	0	0	22	1822	27	2249	2807	233813
% Income Share	18.5%	11.4%	0.0%	0.0%	18.5%	12.4%	18.2%	12.0%	15.7%	11.8%
100-119% of MSA Median	2	191	0	0	17	1636	19	1827	2802	289094
% Income Share	7.4%	5.1%	0.0%	0.0%	14.3%	11.1%	12.8%	9.8%	15.7%	14.6%
>120% of MSA Median	9	2429	2	284	65	10416	76	13129	8028	1197135
% Income Share	33.3%	64.9%	100.0%	100.0%	54.6%	70.9%	51.4%	70.1%	44.9%	60.5%
Totals	27	3742	2	284	119	14693	148	18719	17882	1978774
MSA Mkt Share Total	0.2%	0.2%	0.0%	0.0%	0.7%	0.7%	0.8%	0.9%	100.0%	100.0%

MSA	Bank One		Financial Services		Mortgage Corp		Total Banc One		MSA Totals	
	Num	$ AMT	Num	$ AMT	Num	$ AMT	Num	$ AMT	Num	$ AMT
Racine										
<80% of MSA Median	3	252	1	51	5	290	9	593	512	29529
% Income Share	21.4%	13.4%	50.0%	53.1%	16.1%	7.6%	19.1%	10.2%	21.9%	12.8%
80-99% of MSA Median	1	51	0	0	4	252	5	303	415	32624
% Income Share	7.1%	2.7%	0.0%	0.0%	12.9%	6.6%	10.6%	5.2%	17.7%	14.2%
100-119% of MSA Median	1	74	1	45	2	169	4	288	371	34657
% Income Share	7.1%	3.9%	50.0%	46.9%	6.5%	4.4%	8.5%	5.0%	15.8%	15.0%
>120% of MSA Median	9	1506	0	0	20	3102	29	4608	1045	133532
% Income Share	64.3%	80.0%	0.0%	0.0%	64.5%	81.4%	61.7%	79.6%	44.6%	58.0%
Totals	14	1883	2	96	31	3813	47	5792	2343	230342
MSA Mkt Share Total	0.6%	0.8%	0.1%	0.0%	1.3%	1.7%	2.0%	2.5%	100.0%	100.0%

1997 HMDA TOTALS

All MSA Total	110	11132	8	651	470	50498	588	62281	37778	3950987
Total MSA Mkt Share	0.3%	0.3%	0.0%	0.0%	1.2%	1.3%	1.5%	1.6%	100.0%	100.0%
All MSA LMI Total	35	2196	3	195	92	5607	130	7998	9243	580225
Total MSA Mkt Share	0.4%	0.4%	0.0%	0.0%	1.0%	1.0%	1.5%	1.5%	100.0%	100.0%

1996 HMDA TOTALS

All MSA Total	277	19895	8	421	625	59102	910	79418	38517	3805342
Total MSA Mkt Share	0.7%	0.5%	0.0%	0.0%	1.6%	1.6%	2.4%	2.1%	100.0%	100.0%
Change 96-97	-167	-8763	0	230	-155	-8604	-322	-17137	-739	145645
All MSA LMI Total	68	3253	5	141	155	9208	228	12602	8872	539437
Total MSA Mkt Share	0.8%	0.6%	0.1%	0.0%	1.8%	1.7%	2.6%	2.3%	100.0%	100.0%
Change 96-97	-33	-1057	-2	54	-63	-3601	-98	-4604	371	40788

TABLE 2 BANC ONE SML BUS AND SML FARM COMPARISONS 1996-1997

Small Business 1996

Assessment	LOAN AMOUNT < $100,000		LOAN AMOUNT $100-$250,000		LOAN AMOUNT > $250,000		TOTAL SML BUS < $100-> $250		LOANS TO BUS <=$1M Gross Rev		% LOANS TO BUS <=$1M Gross Rev	
Area	#Loans	$Amt	#Loans	$Amt	#Loans	$Amt	#Loans	$Amt	#Loans	$Amt	% #Loans	% $Amt
Inside	4219	101676	477	80364	400	237761	5096	419801	2242	161170	44.0%	38.4%
Outside	373	8235	46	8415	57	31024	476	47674	206	17005	43.3%	35.7%
Totals	4592	109911	523	88779	457	268785	5572	467475	2448	178175	43.9%	38.1%
%Outside	8.1%	7.5%	8.8%	9.5%	12.5%	11.5%	8.5%	10.2%	8.4%	9.5%		
	Small Farm 1996											
Inside	62	2555	25	3428	3	934	90	6917	82	6065	91.1%	87.7%
Outside	13	632	13	2195	4	1537	30	4364	20	2335	66.7%	53.5%
Totals	75	3187	38	5623	7	2471	120	11281	102	8400	85.0%	74.5%
%Outside	17.3%	19.8%	34.2%	39.0%	57.1%	62.2%	25.0%	38.7%	19.6%	27.8%		

Small Business 1997

Assessment	LOAN AMOUNT < $100,000		LOAN AMOUNT $100-$250,000		LOAN AMOUNT > $250,000		TOTAL SML BUS < $100-> $250		LOANS TO BUS <=$1M Gross Rev		% LOANS TO BUS <=$1M Gross Rev	
Area	#Loans	$Amt	#Loans	$Amt	#Loans	$Amt	#Loans	$Amt	#Loans	$Amt	% #Loans	% $Amt
Inside	3146	93507	441	73909	344	170856	3931	338272	1944	130069	49.5%	38.5%
Outside	311	8652	52	9287	39	20293	402	38232	167	13163	41.5%	34.4%
Totals	3457	102159	493	83196	383	191149	4333	376504	2111	143232	48.7%	38.0%
%Outside	9.0%	8.5%	10.5%	11.2%	10.2%	10.6%	9.3%	10.2%	7.9%	9.2%		
	Small Farm 1997											
Inside	437	10722	46	6942	14	5580	497	23244	375	17833	75.5%	76.7%
Outside	118	3714	12	2000	4	1309	134	7023	94	5204	70.1%	74.1%
Totals	555	14436	58	8942	18	6889	631	30267	469	23037	74.3%	76.1%
%Outside	21.3%	25.7%	20.7%	22.4%	22.2%	19.0%	21.2%	23.2%	20.0%	22.6%		

Prepared by theWisconsin Rural Development Center

Small Business Changes 1996-1997

Assessment	LOAN AMOUNT < $100,000		LOAN AMOUNT $100-$250,000		LOAN AMOUNT > $250,000		TOTAL SML BUS < $100-> $250		LOANS TO BUS <=$1M Gross Rev	
Area	#Loans	$Amt	#Loans	$Amt	#Loans	$Amt	#Loans	$Amt	#Loans	$Amt
Inside	-1073	-8169	-36	-6455	-56	-66905	-1165	-81529	-298	-31101
Outside	-62	417	6	872	-18	-10731	-74	-9442	-39	-3842
Totals	-1135	-7752	-30	-5583	-74	-77636	-1239	-90971	-337	-34943
Small Farm Changes 1996-97										
Inside	375	8167	21	3514	11	4646	407	16327	293	11768
Outside	105	3082	-1	-195	0	-228	104	2659	74	2869
Totals	480	11249	20	3319	11	4418	511	18986	367	14637

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My name is Rev. Casimir F. Gierut AB;BA;AAS;AS. I reside at 9106 Del Prado Drive, Palos Hills, Illiois, 60465.(Phone-708-598-2335)

As a consumer seeking banking services, I strongly oppose the proposal by Bank One Corporation located in Columbus, Ohio, to merge with First Chicago NBD Corporation, located in Chicago, Illinois, for the following reasons:

First, the merger will destroy competition between the two banks. Competition is a financial asset in favor of all consumers. We have the opportunity to compare different interest rates offered by the two banks. The final decision is in our favor to accept the higher interest rate in reference to the purchase of a Certificate of Deposit or to accept the bank offering the lowest interest rate toward a loan.

This merger will force the consumer to deal with only one megabank. Our freedom to choose the other bank will be gone. There will be no alternative but to accept whatever interest rates the bank wishes to offer to the public. That is not the right way to do business in a capitalistic society..

To possess financial power in the hands of a few bankers is a by-product of merging banks into megabanks is to be feared.

Secondly, I oppose the merger of Bank One with First Chicago because it will become a huge monopoly. The United States Attorney General Janet Reno should file an anti-trust suit against this merger to stop this becoming the biggest monoply in the United States.

Banks are not an agency of the Federal Government which would exempt them from any anti-trust laws. Banks are privately owned financial institutions. The title "Corporation" in the name following Bank One Corporation tells us that it is a private corporation. The title "Corporation" in the name following First Chicago NBD Corporation tells us that it is a private corporation.

It is not fair nor just to file an anti-trust suit against Bill Gates Microsoft Corporation merging with another giant computer corporation because the merger is considered to be a monopoly and not apply the same anti-trust suit against Bank One and First Chicago an obvious form of monopoly.

Justice is not served equally in the application of the anti-trust laws to private corporations. To allow Bank One and First Chicago to merge into a monopoly is unlawful, illegal and contrary to the anti-trust laws.

Thirdly, the mergers are not made for the good of the consumers. The bottom line is how much profit is made for the good of the bank. This leads to greediness.

I recall standing in line to open a new account at the First Chicago. As many tellers there are accounts for the many long lines of people standing patiently to be assisted by the teller. Instead of the First Chicago being pleased to see the long lines of people, the greedy bank decided to charge a fee of $3.00 for tellers assistance.

I heard many complain that the $3.00 may be a "fee" in the mind of the banker, but they called the $3.00 an act of extortion. Either you turn over $3.00 or you will not be served by the teller. Such a procedure is extortion and unacceptable in the lawful business world of finance.

Lastly, and most important reason why I oppose the merger of Bank One with First Chicago NBD is that this kind of merger decreases the existence in the growth of banking.

In the year 1985 there were 14,480 banks. Today, this year of 1998, the number of banks has dwindled to 9,435 banks and decreasing in number with each new merger.

For the power to be invested in the hands of a few bank Presidents and bank directors is contrary to the principles of capitalism which is the way of life for 231 million Americans.

Robert H. Hemphill former credit manager of the Federal Reserve Bank of Altanta, Georgia said:

> "We are completely depended on the commercial banks. If the banks create ample supply of money, we are prosperous, if not we starve. The banking problem is so important that our present civilization may collapse unless it is wisely understood and the defects remedied very soon."

Merging of banks is one of those defects which will bring about a new kind of slavery. Financial dominence in the hands of a few will create financial enslavement of people and civilization. This is why I oppose the merging of Bank One with First Chicago NBD.

Rev. Casimir F. Gierut

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Thank you for the opportunity to speak with you today about our relationship with Bank One.

My name is Debbie Gnau and I am filling in for Geralyn Curtis , who was unable to attend today. Geralyn, Susan Moss and I are the owners of The Chesapeake Group Inc. in Cincinnati. Chesapeake was started in 1994 and we specialize in package design for consumer package goods companies. Our clients include Heinz Pet Products, Starkist., Jergens, Paragon Trade Brands, Marzetti, Chiquita, Fleming Companies and many more.

Our business has grown from $600,000 in sales in 1995, our first full year in business, to $1.4 million last year. We are on track to hit $2 million in sales this year.

We view Bank One as a key partner in this success-- our provider of choice. They serve as a lender, a cash management provider and importantly an advisor.

Our relationship with Bank One began in November, 1994 with a meeting in Cincinnati with Dave Outcalt, a Bank One officer. Dave met with Geralyn and reviewed our five year start-up business plan. Despite our limited prospects for much immediate business for him, he nonetheless spent several hours with Geralyn, getting to know our business, what we would uniquely bring to the party and our detailed financial assumptions and plans. They reviewed financing options, cash management details and importantly Dave provided us with a few recommendations for other key advisors, including our attorney, Scott Kadish, who we believe to be the best at what he does.

We decided initially to self-fund our start-up, but based on the helpfulness Dave provided, we moved our checking account from Provident Bank to Bank One when we incorporated in January of 1995. We have had a checking account with Bank One since that time. When we opened our account, the branch manager went above and beyond by expediting the paperwork, enabling us to leave the same day with a large check we needed that day in order to sign our lease. New branch managers have been consistently helpful and timely with all of our requests-- including the time one of us threw away our check register accidentally and we needed to reconstruct it!

Finally, and very importantly to us, Bank One has loaned us money to help meet our cash management and growth needs. Kevin Plaugher met with us in 1996 and spent a great deal of time learning about what we do, what our growth plans were and where we needed help. As a result of our meeting, we were able to obtain a term loan to fund computer equipment we needed as we hired additional designers and a line of credit to address the lag in receivables which had grown large. Since that time we have expanded our line of credit as our business has grown.

Wanda Walker-Smith joined Kevin in working with us this year. She, too, has spent a good deal of time getting to know us and our business. She was also kind enough to nominate Geralyn for Woman Entrepreneur of the Year which Geralyn was awarded in June. Wanda has also worked with us to make sure we are aware of and utilizing any specific services which can make our work easier.

We also had the opportunity to talk over lunch with Kevin, Wanda and Larry Bradley (senior vice president of Bus. Banking Grp in Cinti/N. KY) about our needs and insight for the future in an effort to make sure Bank One has the appropriate products in place for customers like us.

We look forward to working with Bank One as our company continues to grow and appreciate their ability to take the time to counsel us on ways to better manage our money and fund our growth.

Thank you.

Testimony

Bank One/First Chicago Merger

Submitted to
Federal Reserve Bank of Chicago
230 South LaSalle Street
Chicago, IL 60604

Submitted By
Dawn R. Tyler
Ohio Community Reinvestment Project
85 East Gay Street, Suite 603
Columbus, Ohio 43215-3118

August 13, 1998

Why is it that Bank One has made no commitment to Ohio, but they have made commitments in Michigan and Illinois?

Why is it that Bank One Financial Services, which offers higher interest rate loans has a more aggressive marketing strategy in low income and minority communities?

These are questions on which I would like to focus your attention for the next few minutes. I am Dawn Tyler, representing the Ohio Community Reinvestment Project, a project of the Coalition on Homelessness and Housing in Ohio. OCRP's mission is to promote investment in Ohio's low-income communities and communities of color.

Members of OCRP met with Bank One for several months. Constructive dialogue took place with representatives of the bank. On numerous occasions, the bank gave us every indication that they were willing to enter into a community action agreement that would ultimately increase lending, service and investment opportunities within Bank One's service area. We were willing to set reasonable benchmarks around home purchase loans, multi-family housing investments and lending, small business lending, and community development grants. At the 11th hour, however, (less than a week before the end of the comment period) the bank decided they did not want to move forward with the negotiations. *IS THIS FAIR?*

Bank One's refusal to negotiate a meaningful community action plan for Ohio raises questions about their commitment to Ohio, post-merger. The bank did not operate in good faith.
Our primary concern is that this proposed merger could have dramatic consequences for financial services consumers throughout the State of Ohio since the corporate headquarters of Banc One (currently based in Columbus) will move to Chicago. This merger could result in substantial disinvestment in Ohio communities. *IS THIS FAIR?*

My second point is the disparate treatment of African Americans in accessing credit for mortgage loans from Banc One. Low and moderate income consumers are denied access to mortgage loans more frequently than by other major lenders, and Banc One lacks aggressive marketing efforts to African American and low and moderate-income applicants particularly by the banks affiliates and Banc One Mortgage Company.

In Cleveland, for example, the population is ____% African-American. However, 1996 HMDA data shows that Bank One Mortgage Company only originated 40 loans to blacks while Bank One Financial Services originated 133 loans to blacks.

Banc One Mortgage Company does not have an aggressive lending record to minorities and low and moderate income applicants. Banc One Financial Services (a B and C lender), charges customers higher interest rate loans compared to rates offered by Banc One Mortgage Company and is engaged in extremely aggressive marketing practices through direct mail and phone solicitation which targets low and moderate income people and minority census tracts.

This is a clear illustration of the predatory lending practices of Bank One Financial Services which disproportionately targets African Americans for higher interest rate credit, originates loans at a higher rate than Bank One Mortgage Company. *IS THIS FAIR?*

In the area of community development:
Bank One has historically partnered with community groups around the state on a variety of initiatives, contributing over $4.2 million in community development grants in 1996 and 1997. However, our concern is that Ohio's community development efforts are likely to see a dramatic decrease in funding following the merger. We have received no indication from the bank that this will not be the case. Resources will be directed to other midwestern states where agreements have been reached. *IS THIS FAIR?*

In the area of branches:
in Ohio, Banc One has closed or sold over 60 branches. This has affected rural communities and low and moderate income areas. Approximately $1.1 billion in deposits and $115 million in loans were included in this sale. *IS THIS FAIR?*

In the area of Checking and Savings Account Policies:
Certain Banc One policies and practices discourage the participation of low-income customers in engaging in a relationship with the Bank. Banc One's policy around cashing government checks is one example. The bank charges up to $8.00 to cash government checks. This policy which hurts low-income customers who have tight budgets. *IS THIS FAIR?*
Conclusion
Banc One is already neglecting some of Ohio's lending and service needs, particularly for low and moderate income consumers. The proposed merger could make this neglect more pronounced because there are no safeguards in place to prevent potential disinvestment by Banc One. We asked the Bank to make some basic commitments to minimize the potential negative impacts and after dragging us along for several months, they refused despite the fact that they are planning to honor similar commitments to the communities of Chicago and Detroit where they are expanding their presence. This is simply unfair to Ohio's consumers.

CRA is an interesting tool that sometimes gives community groups and concerned citizens the leverage they need to establish meaningful relationships with financial institutions but when the banks decide they don't want work cooperatively with community groups, there is nothing in the regulations that say they have too. The Federal Reserve Bank, however, has the opportunity and the power to enforce fairness and prevent disinvestment in Ohio's communities.

Please consider carefully the information that has been presented today. Your meaningful intervention can facilitate fair lending, service and investment opportunities in Ohio's low income communities and communities of color that have historically been overlooked and underserved. *That is fair.*

- M

LORAIN COUNTY

Board of Commissioners

Mary Jo Vasi
E. C. (Betty) Blair
Michael A. Ross

August 11, 1998
Mr. Phillip Jackson, Director
Applications
The Federal Reserve Bank
of Chicago
230 LaSalle Street
Chicago, Illinois 60604

Dear Mr. Jackson and Federal Reserve Board Members:

RE: BANC ONE MERGER WITH FIRST CHICAGO NBD BANK

Please be advised that a coalition has been formed, including representation from Lorain County, Ohio, organizations and municipalities to express serious concerns regarding the above - mentioned merger. The Coalition's concerns consist of :

1. Banc One's poor record in mortgage lending and community reinvestment in both the low-moderate income and minority communities.
2. Banc One has reduced its number of branches in Lorain County from 19 to 4 in the last three years and does not have any locations left in the county south of the City of Lorain.

The Board of Lorain County Commissioners supports the Coalition's efforts to insure that the results of the above-referenced proposed bank merger are advantageous to Lorain County residents, organizations and political subdivisions. The Board further acknowledges the right and obligation of the Banks to make sound business financial decisions; however, the Board of Commissioners does not feel that Banc One is committed to serving low and moderate income communities unless it is to lend money on credit cards or on real estate at higher interest rates to borrowers with credit problems. While this may serve stockholders, as a bank they are chartered to serve the communities where they do business.

Administration Building, 226 Middle Ave., Elyria, Ohio 44035-5641 • Phone: (440) 329-5000 or 244-6261 • Fax: (440) 323-3357

It appears that Banc One has been cutting back on their commitments and service to our County while refusing to agree to specific goals to improving their performance under CRA. Please encourage Banc One to address these issues prior to approving any merger.

Thank you.

The Lorain County Board of Commissioners

Michael A. Ross, President

Betty Blair, Vice President

Mary Jo Vasi

FCB/gk

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CATHOLIC ACTION COMMISSION OF LORAIN COUNTY

Diocese of Cleveland

Catholic Action Commission of Lorain County
Testimony
Before Federal Reserve Bank
August 13, 1998

My name is Rebecca Sigal. I am here today representing the Catholic Action Commission of Lorain County, a social action office for the Diocese of Cleveland, State of Ohio. As advocates for peace, justice and economic equality, we have some major concerns regarding the increase in "mega-mergers" of our banking institutions and the effects these mergers have on our local communities.

When these "mega-mergers" occur, it is our local communities, urban and rural alike, and particularly the areas that are mostly populated by minorities and low and moderate income families, who suffer the most. Branches close, banking services decrease, service fees increase, and jobs are lost. It is the stockholders of the banks, who most often have no vested interest in our local communities, that make the decisions and the profits. Yet, in the case of Bank One, depositors make up 70% of their assets, while the stockholders make up only 15% on average. It is the stockholders and senior management who walk away with gilded pockets, while the depositors receive little or no return on their money. We are scraping the bottom of the pyramid with no return and placing it on the top. If this trend is allowed to continue, the pyramid will be inverted and most likely tumble because there will no longer be a solid base of support.

Since it is the depositors who hold most of the assets of the banks, one wonders what would happen if the depositors were in control? Would they leave without having something in place that would ensure that their money was being used for the benefit of their community?

2500 Elyria Avenue | *Lorain, Ohio 44055* | *(440) 244-6037*

Testimony/Federal Reserve Bank
8/13/98
Catholic Action Commission

The CRA act of 1977 was created to protect our communities from this kind of greed, to ensure that every person in every community has access to banking services that meet their needs. As we watch our neighborhood banks disappear on a regular basis, it becomes evident that the banks are not even pretending to service the needs of their depositors, as the law requires. It is past the time for you, the Federal Reserve Bank, to hold the banking institutions accountable to the communities across this nation. Allow no more mergers until the banks have clearly met their CRA requirements to the communities they serve. Allow no more mergers until the banks work out an agreement with the community they are deserting. One that will ensure all people have access to banking services and products that meet their needs, especially those most economically disadvantaged. We need agreements that are more responsive to the people, the depositors, who represent the majority of the assets.

In closing, we would leave you with this thought from our U.S. Catholic Bishops: *"How we organize our society in economics and politics, in law and policy, directly affects human dignity and the capacity of individuals to grow in community...... We believe people have a right and a duty to participate in society, seeking together the common good and well-being of all, especially the poor and vulnerable. Our Church teaches that the role of government and other institutions is to protect human life and human dignity and promote the common good."* And finally, it is wise for us to remember that the economy (and its institutions) should exist to serve people, not the other way around.

Thank you for the opportunity to address you today regarding this important matter.

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The City of Lorain, Ohio

JOSEPH F. KOZIURA

MAYOR

200 West Erie Avenue
7th Floor City Hall
Lorain, Ohio 44052
(216) 244-3204
Fax (216) 246-2276

August 13, 1998

Mr. Phillip Jackson, Applications Officer
Federal Reserve Board of Chicago
230 South LaSalle Street
Chicago, Illinois 60690-1413

To Mr. Jackson:

As Mayor ot the City of Lorain, Ohio, I hereby authorize Ms. Rebecca Jones, Executive Director of the South Lorain Community Development Corporation to present my position representing the constituents of the City of Lorain pertaining to Banc One's proposed merger with First Chicago NBD at the Federal Reserve Board Public Hearing, August 13, 1998. A copy is attached.

Respectfully Submitted,

Joseph F. Koziura, Mayor
CITY OF LORAIN, STATE OF OHIO

Attachments

The City of Lorain, Ohio

JOSEPH F. KOZIURA
MAYOR

200 West Erie Avenue
7th Floor City Hall
Lorain, Ohio 44052
(216) 244-3204
Fax (216) 246-2276

August 13, 1998

Mr. Phillip Jackson, Applications Officer
Federal Reserve Board of Chicago
230 South LaSalle Street
Chicago, Illinois 60690-1413

To Mr. Jackson and distinguished members of the Federal Reserve Board:

First, I would like to thank the Federal Reserve Board for responding to the concerns of my constituency, the residents of the City of Lorain, Ohio who elected me to represent them on important issues such as this proposed bank merger. I am appreciative to the Federal Reserve Board for providing the opportunity to discuss the pertinent issues by organizing a public hearing on this proposed merger of two financial behemoths in banking: Banc One and First Chicago NBD. The financial clout of the financial institution after the merger and its potential market share threaten to further erode economic development in Lorain and other urban areas in the United States that these two financial institutions presently serve.

Lorain, Ohio has a population of 71,245 according to the 1990 Census and is a blue collar City located 20 miles west of Cleveland on the shores of Lake Erie. Our population is diverse, comprised of White (non-Hispanic) 49,355 or (69.3%), Black (non-Hispanic) 9,452 or (13.3%), and Hispanic (all races)11,987 or (16.8%). The elderly population, defined as persons 62 years and older, accounted for 16.4% (11,664 persons) of the total population of Lorain in 1990.

The City of Lorain was settled in the early 1800's and grew slowly through most of the 19th Century as a small fishing and boatbuilding community on Lake Erie at the mouth of the Black River. The coming of the railroad in the 1870's and, more important, the construction of a huge new steel plant in the city in the 1890's radically transformed the sleepy little village into an industrial boom town, with thousands of new houses and commercial buildings constructed in the years between 1880 and 1910. As the vast U.S. Steel plant expanded numerous times throughout the 20th Century -- especially in the years around the two World Wars -- Lorain's neighborhoods and corporation limits expanded far beyond the town's original boundaries.

The legacy of these expansions of housing tracts and workers' neighborhoods over the years can now be seen as a varied mosaic of building styles and types of neighborhoods in Lorain. The older neighborhoods are generally found nearer to the downtown area (the original village) and along or near the major roads such as Broadway Avenue, Elyria Avenue, and East 28th Street which all led to the steel plant's numerous entry "gates." Housing found in these areas of downtown, central, and southern Lorain are among the oldest in the city. These neighborhoods have been home to generations of working class residents, and they have suffered successive waves of disinvestment and deterioration due to the fluctuations of national business cycles and the local economy, which has traditionally been overdependent on the durable goods manufacturing sector.

As each economic decline in past years hit the nation, its effects were usually felt with an even greater impact in blue-collar Lorain, with often thousands of workers laid off during the 1930's, the late 1950's, and the early 1980's. Each recession saw hundreds of families leave the city looking for work, and thousands of others dig in and ride out the bad times, but with little money to make needed repairs on houses that they either owned or rented.

This constantly shifting cycle of employment and layoffs, business expansions and closings, housing construction and demolition as well as deferred home maintenance, often leading to neighborhood decay, have all helped to shape the conditions of Lorain's older neighborhoods. Because of these historical, social and economic factors, all who make their goals improved housing and neighborhood conditions for every resident of Lorain, whatever their income or personal circumstances, have been presented with a continuing challenge.

The citizens of Lorain, Ohio, a community of mostly low to moderate income families, have traditionally supported the home grown financial institution such as Lorain National Bank, Central Trust Bank, First Federal Savings and Loan, City Bank, EST and Lorain County Savings & Trust Bank.

Recent mergers and acquisitions of the 80's and early 90's have introduced a new banking trend, the establishment of Regional Banking Organizations in the City of Lorain. This trend was substantiated by the following mergers and acquisitions.

- Elyria Savings and Trust being acquired by First National Bank of Akron which created FirstMerit Bank.

- Central Trust Bank being bought by Banc One.

- City Bank closing all branches

- Lorain County Savings and Trust Bank acquiring a number of Central Trust Bank locations, a changing of their name to PremierBank and Trust

- Most recently in May 1998, FirstMerit Bank and PremierBank merged, closing 17 branches and laying off approximately 200 people in Lorain County including 2 branches in Lorain.

You should be aware that the City of Lorain has lost additional banking service facilities and the related jobs. Banc One has just closed two branches serving the low-to moderate-income neighborhoods of South Lorain and the Cityview-Sheffield Township areas. They were closed in late spring and early summer, 1998 and these closures parallel the proposed merger announcement with Banc One and First Chicago NBD.

The significance of these closings is monumental as they send a strong signal to the City's low-income population that even with Banc One deposits at branches serving Lorain exceeding $85,000,000, their business is not important. Since the branches closed serve many low-to moderate-income families who do not have adequate transportation, many people will have trouble getting to the remaining Banc One branches.

According to Community Reinvestment Act Regulations, Banks are supposed to reinvest in communities like Lorain where they obtain their deposits. Banc One bought approximately 15 Central Trust Bank Branches in the 1980's, and today they have eliminated numerous jobs and closed or sold 12 branch locations leaving three branches serving Lorain. This appears to be disinvestment rather than investment!

Further, the City of Lorain learned from Ms Catherine Cawthon, CRA, Vice President of Banc One that Branch location's ideally need to have $35-$40 million in deposits to meet Banc One guidelines for profitability. If Banc One continues to follow this rule after the merger, it is quite likely that the Southview Branch could close in Lorain. This would leave two locations serving the City with only one in a low to moderate area.

The City of Lorain has joined the Coalition for Reinvestment in Lorain County (CRLC) and other community groups from across this nation to closely examine this merger which will result in disinvestment in the central cities and urban areas across America, lost jobs, vacate and abandoned buildings due to branch closures and inaccessibility to convenient banking services and products. Ultimately, if uncontested and not addressed by the Federal Reserve Bank, my primary concern as Mayor of the City of Lorain, Ohio is this mega-merger and acquisition process will lead to the erosion of high quality competitive banking services only to be replaced by non-personal, high cost electronic banking services provided by a few large banks with almost no competition. Many working class families and individuals such as the citizens of Lorain do not need to have their disposable income further eroded due to higher fees and costs to do banking.

As Mayor of the City of Lorain, I believe our citizens should have convenient neighborhood access to financial institutions who are committed to them and the City. It is important that as a result of this merger your financial institution invest in the very economic essence of our community including housing, business, consumer needs, industry, philanthropic and our community in total.

Without a commitment to future participation in our community along the lines outlined above and as previously detailed in our meeting with Banc One(see attachment A), it is not in the best interest of the City of Lorain to endorse a mega-merger such as that being proposed by Banc One and First Chicago NBD.

Sincerely,

Joseph F. Kozura, Mayor
CITY OF LORAIN, STATE OF OHIO

Exhibit "A"

The concerns I speak of here were expressed at the July 8, 1998 meeting with Coalition for Reinvestment in Lorain County(CRLC) and the City of Lorain with Ms. Catherine Cawthon, CRA Vice-President and Mr. Francisco Alfonso, Banc One CRA Officer, Cleveland Region present. At that meeting we expressed the following concerns

a) Future disinvestment in low-to moderate-income neighborhoods of Lorain with the announcement of the merger and the corresponding announcement of the Banc One branches being closed at 2800 Pearl Avenue and at 105 Sheffield Center, both serving the City of Lorain.

b) Lack of direct representation by Banc One in these areas as a result of the branch closings/mergers and the related elimination of jobs

c) Needs for affordable housing programs in Lorain and Lorain County that addresses neighborhood and community blight and decay including housing rehabilitation and home ownership.

d) Economic Development that will stimulate and create jobs and stabilize the Lorain County communities.

e) Complementing development assistance for the Community Development Corporations(CDCs), who assist the City and the county with neighborhood and community development

The City of Lorain would like to work with CRLC and Banc One to create concrete positive programs or bring existing programs to Lorain that will help us develop a more stable and revitalized community. To that end I would suggest the following action steps be implemented by Banc One to begin this process:

1. BANC ONE Corp. develop with the City of Lorain a three to five-year reinvestment plan for the City of Lorain for competitive and affordable housing revitalization loans

2. The City of Lorain requests that BANC ONE Corp. create or bring an existing affordable home mortgage product for the City of Lorain to promote affordable home ownership for low-to moderate-income families 60-80% of area median income

3. In addition, the City request BANC ONE Corp. make a $200,000 contribution to the Community Foundation's CDC technical assistance fund which is designed to assist emerging and existing Lorain County CDC's

Exhibit "A" (continued)

4. The City of Lorain requests that BANC ONE Corp. make a donation of the now closed BANC ONE branch at 2800 Pearl Avenue, Lorain, Ohio.

5. The City requests BANC ONE Corp. to make a contribution of $500,000 toward a small business Microloan program.

6. Accounts from the now closed Bank One location at 2800 Pearl Avenue are transferred to the Banc One, Southview Branch at 2232 Fairless Drive, Lorain, Ohio.

7. The City of Lorain requests Banc One establishes a program with the City to increase procurement opportunities with minority-based enterprises(MBEs), female-based enterprises (FBEs), and Lorain-based businesses.

8. The City of Lorain request participation on Banc One's CRA review task force and that Banc One reestablishes the quarterly task force meetings designed to provide input and constructive criticism of Banc One's CRA efforts to date.

9. The City of Lorain would like Banc One's participation in the restoration of Oakwood Park, a major City owned recreational facility in south Lorain that provides baseball diamonds, picnic areas, basketball courts, tennis and swimming and green space for all the residents of the city of Lorain. This park desperately needs parking and roadway improvements.

LOSS OF BANKING SERVICES IN RURAL AREAS

Testimony by: Rebecca Jones
19348 Route 58
Wellington, OH 44090

As large banks are merging, the small branches in rural areas and Banks are following the same pattern that retail stores did in the 1970's - moving out of rural areas, thus forcing the residents to do business outside their community and/or neighborhood.

Apparently, Bank One believes their products are made for suburbanites and are not being used by the folks in the rural markets. The decision to leave these markets is particularly felt in both the area I live Wellington, Ohio.

In Wellington, we have seen our small local Bank One Branch sold several times since 1990, and now that bank is being closed in the midst of another mega merger. Folks that have banked locally for 50 years are now forced to bank outside their community or to move into another bank. The result is that our money is no longer connected to our community.

My mother has banked at this small branch in Wellington her entire adult life. Each time the bank has changed hands, it has lost some of its small town friendliness, service fees have increased, and banking has become more complicated, however, she has always maintained her account at the same location. Now the branch is closing completely and she is forced to bank somewhere else.

Lorain County has gone from 19 Bank One branches to 4 branches. With each closing, it seems that banks are disinvesting in the areas where they are most needed. Banks, including Bank One are catering to large businesses and suburbanites, while ignoring the needs of those that live in the rural communities of our county.

Bank One's decision to reduce the number of branches seems to coincide with its decision to begin selling a significant portion of its residential portfolio to Home Side Lending. The question I have is where is that money going now that it is leaving our communities? It should be going into increased residential lending, but is that happening?

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Testimony of Paul Bellamy
Before the Federal Reserve Bank of Chicago
Regarding the Proposed merger of Banc One and First Chicago
August 13, 1998

My name is Paul Bellamy. I am currently consulting with the Coalition for Reinvestment in Lorain County and have worked as an Executive Director and Development Director with a Cleveland, Ohio community development corporation.

I urge the Federal Reserve to halt this merger based upon the steadfast and calculated refusal of Banc One to engage in good faith discussions with community development, fair housing and reinvestment groups in Ohio, about their record under the Community Reinvestment Act. I believe that Banc One's ongoing and arrogant refusal to engage in meaningful negotiations on local levels with concerned residents, represents a breach of faith with the communities where they do business, and renders the Community Reinvestment Act a meaningless sham and mockery that will prove utterly useless to achieve its purpose of encouraging lenders to serve the credit needs of the entire community.

I have put together a simple spreadsheet of Banc One's lending patterns in Lorain County in 1996 and 1993. While in 1996 Banc One can claim to have invested more dollars, as a percentage of total dollars loaned, into low and moderate income neighborhoods than most other area lenders, it cannot claim that those dollars are effective community reinvestment. The problem is the type of lending that Banc One is doing.

The low and moderate income neighborhoods in Lorain County consist almost entirely of older, pre-war, single family homes. What these neighborhoods need is a specially crafted purchase mortgage product. Most prospective purchasers in these areas will be first time home buyers drawn to affordability and value. These aspiring home owners will be good risks, but their mortgages will be difficult deals to underwrite, labor intensive, and because the homes they will buy are not pricey, margins on their loans will be low. Other banks have created products to meet the special needs of these buyers (low down payments, differed second mortgage programs, expanded ratios, interest write downs, or most often, some combination of all of these approaches). When the right product is offered, deals can be done and <u>homeowners</u> move into the area, not speculators and transient renters who are not invested in the community. It can make all the difference in the world as to how a neighborhood works, or doesn't work.

But Banc One is not providing a special home purchase mortgage that gets the tough deals done on a volume basis. In fact, they seem to be abandoning the purchase mortgage market altogether. In Lorain County in 1996, they had heavy emphasis on refinancing, which creates not one penny of value for the neighborhood where the refinanced home is located, but instead adds debt to the neighborhood's "communal balance sheet." To their credit, they do have a strong home improvement product and those loans at least add value to a community with older housing stock. But these are relatively low risk loans and should be recognized as, at best, half-measures when they stand alone. Keep in mind too, that the HMDA data indicates that the home improvement loans are done through the retail branches. In Lorain County though, Banc One has cut its branch network back from 19 to 4. Finally, Banc One is moving into sub prime lending, and in 1996 15% of their low-mod area lending was in these marginal products that so often, somehow, seem to end up aggregating minority-heavy portfolios.

All of these issues, branch closings, heavy emphasis on refinancing, lack of a good community-building, low-mod product, and the increase in sub prime lending would be grist for discussions with Banc One under any meaningful bank CRA program. And those discussions—even if they didn't lead to a satisfactory binding agreement—would build relationships, where all community building efforts must start.

But Banc One has instead chosen to take the calculated risk that the principal federal holding company regulator will overlook their cynical manipulation of the CRA, represented by high dollar volumes dumped into low mod neighborhoods—never mind that the effect of these loans will prove either useless or positively destructive to the fabric of the community. It's almost as cynical as promising to increase credit card lending to meet community reinvestment goals.

If Banc One won't talk to us, they cannot to be encouraged to create community-serving products and lending strategies. CRA is defeated then, not in Congress, but in the boardrooms, where it is cynically manipulated to frustrate the whole point of the regulatory scheme, wealth building in disadvantaged and historically disinvested, (dare I say it?) redlined, neighborhoods. But that kind of cynicism can only work if you, the regulators, sign off on it.

Please don't!

Thank you.

Bank One Lending By Subsidiary	Entire County All Loan Types	1996	Low-Mod Tracts Purchase	Improvement	Refinance	Multifamily	Total	All Tracts	Purchase	Improvement	Refinance	Multifamily	Total
Banc One Fin. Ser.	$7,480		$0	$113	$1,405	$0	$1,518		$95	$830	$6,555	$0	$7,480
Banc One Mort. Corp	$8,470		$704	$0	$449	$0	$1,153		$4,817	$0	$3,653	$0	$8,470
Bank One Youngtwn	$130		$0	$18	$11	$0	$29		$0	$38	$92	$0	$130
Bank One Akron	$388		$0	$52	$14	$0	$66		$0	$219	$169	$0	$388
Bank One Cleveland	$17,687		$674	$1,347	$2,535	$0	$4,556		$1,973	$4,030	$11,684	$0	$17,687
Bank One Columbus	$14,530		$279	$577	$2,180	$0	$3,036		$3,352	$1,862	$9,316	$0	$14,530
Bank One Dayton	$492		$0	$132	$25	$0	$157		$0	$442	$50	$0	$492
Bank One Mansfield	$375		$0	$145	$0	$0	$145		$34	$341	$0	$0	$375
Total	$49,552	Total	$1,657	$2,384	$6,619	$0	$10,660	Total	$10,271	$7,762	$31,519	$0	$49,552
		B-1 % of LM$	15.54%	22.36%	62.09%	0.00%	100.00%	B-1% of $	20.73%	15.66%	63.61%	0.00%	100.00%
		Market % of LM$	**37.00%**	**6.00%**	**55.00%**	**2.00%**	**100.00%**	**Market % of $**	**48.00%**	**3.00%**	**47.00%**	**1.00%**	**99.00%**
		B-1 to Market Ratio By Loan Type Low Mod	42.01%	372.73%	112.89%	0		B-1 to Market Ratio By Loan Type	43.18%	522.15%	135.34%	0	

Bank One Lending By Subsidiary	Entire County All Loan Types	1993	Low-Mod Tracts Purchase	Improvement	Refinance	Multifamily	Total	All Tracts	Purchase	Improvement	Refinance	Multifamily	Total
Banc One Fin. Ser.	$465		$0	$0	$140	$0	$140		$24	$0	$441	$0	$465
Banc One Mort. Corp	$13,253		$742	$0	$662	$0	$1,404		$4,296	$0	$8,957	$0	$13,253
Bank One Youngtwn	$0		$0	$0	$0	$0	$0		$0	$0	$0	$0	$0
Bank One Akron	$0		$0	$0	$0	$0	$0		$0	$0	$0	$0	$0
Bank One Cleveland	$20,952		$278	$1,057	$976	$3,845	$6,156		$1,866	$6,529	$7,972	$4,585	$20,952
Bank One Columbus	$0		$0	$0	$0	$0	$0		$0	$0	$0	$0	$0
Bank One Dayton	$0		$0	$0	$0	$0	$0		$0	$0	$0	$0	$0
Bank One Mansfield	$0		$0	$0	$0	$0	$0		$0	$0	$0	$0	$0
Total	$34,670	Total	$1,020	$1,057	$1,778	$3,845	$7,700	Total	$6,186	$6,529	$17,370	$4,585	$34,670
		B-1 % of LM$	13.25%	13.73%	23.09%	49.94%	100.00%	B-1% of $	17.84%	18.83%	50.10%	13.22%	100.00%
		Market % of LM$	**47.00%**	**7.00%**	**40.00%**	**6.00%**	**100.00%**	**Market % of $**	**41.00%**	**4.00%**	**54.00%**	**1.00%**	**100.00%**
		B-1 to Market Ratio By Loan Type Low Mod	28.18%	196.10%	57.73%	832.25%		B-1 to Market Ratio By Loan Type	43.52%	470.80%	92.78%	1322.47%	

"Corrected 1993"													
Total	$34,670	Total	$1,020	$1,057	$1,778	$0	$3,855	Total	$6,186	$6,529	$17,370	$0	$30,085
		B-1 % of LM$	26.46%	27.42%	46.12%	0.00%	100.00%	B-1% of $	20.56%	21.70%	57.74%	0.00%	100.00%
		Market % of LM$	**47.00%**	**7.00%**	**40.00%**	**6.00%**	**100.00%**	**Market % of $**	**41.00%**	**4.00%**	**54.00%**	**1.00%**	**100.00%**

EXPLANATION OF TERMS AND PHRASES

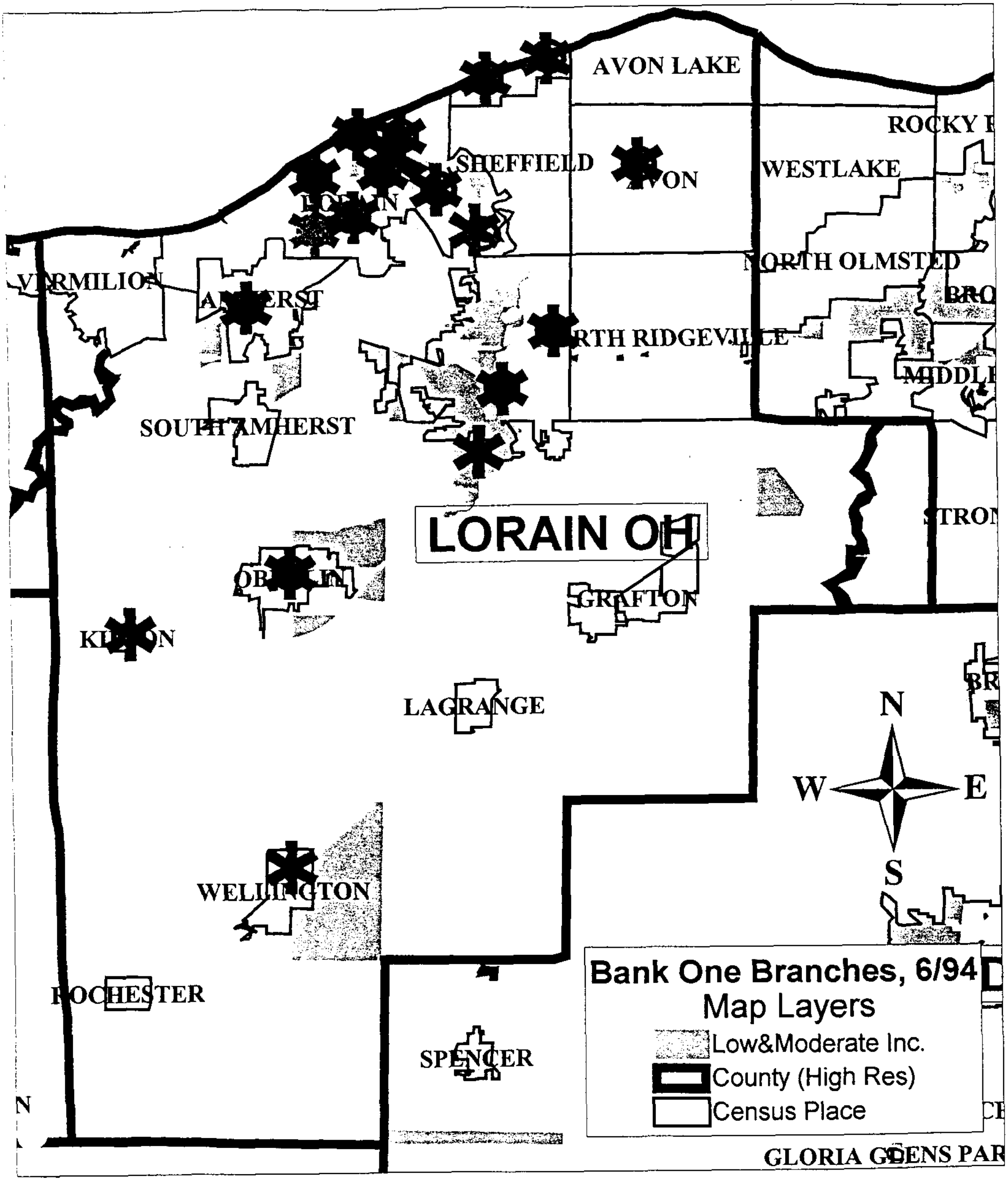
This spreadsheet attempts to summarize Banc One's lending through its various subsidiaries in Lorain County in 1993 and 1996. The reason for providing the two years is that, 1996 was the most recent data available under HMDA. 1993 is presented because it demonstrates that what began as to good low moderate income loan profile has turned for the worse by 1996.

In 1993 the Banc One sub prime lender, Banc One Financial Services was just entering the county and only did only 3.6% of the low mod census tract loan amounts for Banc One. ("Corrected 1993" figures, see below.) By 1996 that figure rose to 14.2% of all the low mod lending. In 1993 the aggregated Banc One record spread 26.5% of its low mod loan dollars into purchase mortgages, 27.5% into home improvement loans and 46% into refinancing. ("Corrected 1993" figures.) By 1996, the refinancing percentage had increased to 62% while the purchase mortgage and home improvement lending were both down to 15.5% and 22.3% respectively.

"Corrected 1993" figures **change the actual 1993 HMDA data** by taking out the large multifamily loan percentage achieved that year. This was done, not to discount the investment made in a low mod tract, but to try to present a truer picture of trends. Multifamily deals are few and far between, and tend to skew the overall picture because the dollar amounts are so inordinately large for each deal. Further, the point of this analysis is to demonstrate what Banc One has done, or more to the point, not done, for **home ownership** in Lorain County.

Other definitions:

B-1 % of LM$	Banc One's internal dollar percentage in a particular loan product. For example, 15.54% of all the dollars Banc One loaned in low mod census tracts in Lorain County in 1996 went into purchase mortgages.
B-1% of $	The same figure as above, but as a percentage of the entire county, not just the low mod tracts.
Market % of LM$	The total Lorain County percentage of dollars allocated for a particular loan product, for all lenders, in low moderate income areas. Thus, in 1996, 37% of all the HMDA reported loan dollars in low mod areas went into purchase mortgages.
Market % of $	Same percentage figure for all of Lorain County, for all lenders, for a particular loan product.
B-1 to Market Ratio By Loan Type	Comparison of Banc One's percentage allocation for each product type compared to all lenders for the same product. Below 100% indicates Banc One lending proportionately fewer of it loan dollars to a particular product. Above 100% indicates Banc One is more heavily concentrated in a product than other lenders combined.


AVON LAKE
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NORTH RIDGEVILLE
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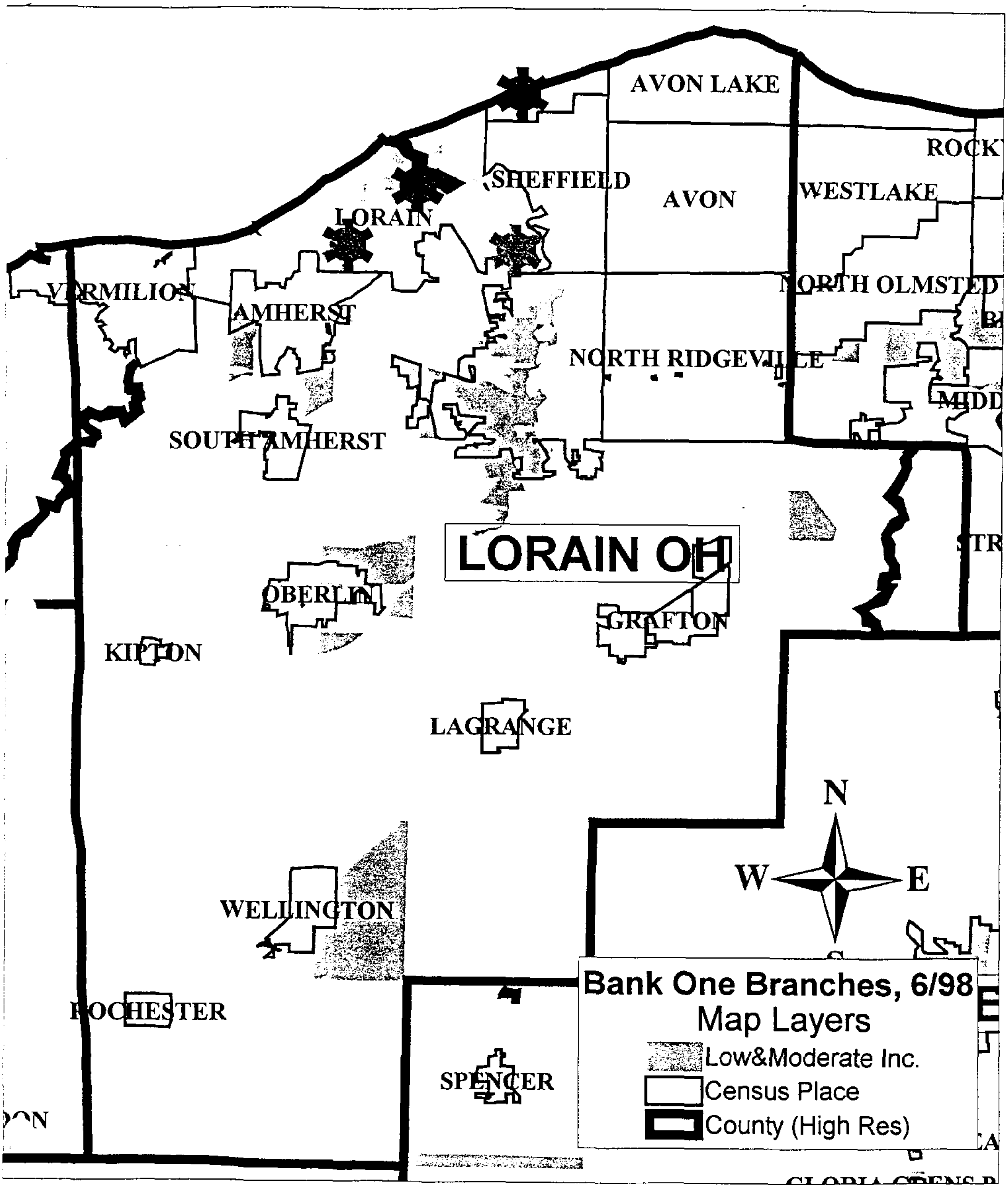
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LORAIN
VERMILION
AMHERST
NORTH OLMSTED
NORTH RIDGEVILLE
SOUTH AMHERST
LORAIN OH
OBERLIN
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SPENCER
Bank One Branches, 6/98
Map Layers
Low&Moderate Inc.
Census Place
County (High Res)

14

Testimony of Marge Walker
Before The Federal Reserve Bank of Chicago
Regarding the Proposed merger of Banc One and First Chicago
August 13, 1998

My name is Marge Walker and I am a resident of the City of Lorain in Lorain County Ohio, due west of Cleveland. I am here to testify on behalf of the South Lorain Merchants Association about the proposed Banc One merger with First Chicago as that merger specifically affects my neighborhood and personal and professional life. I was for many years a licensed beautician, but because of recent health problems I have been forced to seek retraining assistance because I can no longer stand on the job for any long period of time.

1. My neighborhood is adjacent to an old steel plant that once employed over 7,000 men. It now employs only about 2,000 people. You can imagine the impact this has had upon our once thriving local businesses. Our neighborhood of South Lorain is very similar to many rust belt cities. The housing stock is mostly single family homes, between 50 and 70 years old. To some it is charming. To many it is obsolete. Attracting new working families into our neighborhood is difficult, for while the neighborhood is affordable, it is not considered competitive. Businesses have a harder and harder time getting by serving fewer and fewer families. As more and more disinvestment has occurred, more and more residents fall below the poverty line. I have watched the neighborhood become a place where poor people are concentrated, while those who can afford to, move out to the newer whiter areas. Banks' know the game, and CRA or no CRA, they are still playing it.

2. Banc One's retail operations have been severely cut back in Lorain County. We are told that the cut backs had nothing to do with this merger. But my perspective is that it has everything to do with the trend in this country of banks getting out of the money lending business to join the money getting business. Our Bank One branch just closed. Another loss to the service base of the neighborhood. The $5,000,000 of deposits wasn't enough to justify keeping the branch open. "Nothing personal," we're told, "but business is business." Are we not supposed to notice that Bank One and other banks keep their branches open in middle and upper income neighborhoods? As a low and moderate income neighborhood, we aren't competitive anymore. Of course, the fact that many African Americans and Hispanics live in South Lorain has nothing to do with the closures, we are told, it's just a matter of economics. It is just an unfortunate coincidence that branches in minority neighborhoods close more frequently than branches in white and wealthy neighborhoods.

3. I would like to talk about trends. The Federal Reserve's own reports seem to conclude that small business lending suffers when big banks buy smaller community banks. Small business lending depends upon relationships with neighborhood merchants, and big banks just don't look at their operations as years-long investments in local communities. Banc One claims to be a major player in small business lending, but where are the merchants in South Lorain to turn now that the closest Bank One is miles away?

We are told that the United States is fast approaching a time when whites will be in the minority. I recently read that the buying power in the Black community has grown recently to over 8.2 percent of the consumer economy. With these kinds of trends underway, how is that bottom-line conscious banks haven't the foresight to actively pursue the growing minority market? If all these bank branch and lending decisions are, in fact, "race neutral," why aren't we seeing fierce competition for minority customers? Why is that Bank One closes the branch in my neighborhood even while Banc One has such an atrocious record of lending to African-American owned small businesses? Are we still to believe that branch closures and service cut backs are purely a function of economics? Economic and social trends being what they are, how could that be?

4. People forget that depositors contribute more to bank value that stockholders. But every time I turn around, there are fewer advantages for depositors and more goodies for stockholders. Depositors have fewer branches to go to. Fewer hours to get service from fewer staff who are shifted around the system so that relationships are impossible to build. Deposits earn less and less interest, while fees go up and up. So while some executives get very rich and stockholders look to increase their return on investments, customers, depositors and community residents can count on fewer services, lower returns on their deposits and increased costs. And the current merger mania makes all of this seem as inevitable as death and taxes.

5. Now banks have made it clear they don't want to be banks any more, they want to be stock brokers, insurance agents, pension advisors, investment specialists and, etc. They want to "cross sell" their customers into every conceivable financial product imaginable except one—plain, old fashioned, community-oriented service.

6. Just once I want to see the announcement of a another bank merger or acquisition that concludes with the following sentence: "The merger is subject to regulatory and depositor approval." If <u>depositors</u> had a voice in these matters, maybe the executive high-flyers and golden parachuters would have to promise <u>them</u> higher interest rates on deposits, lower fees, more locations, longer hours and better service. Pinch me, I must be dreaming.

7. This regulatory body is all that stands between voiceless depositors and another greedy money grab at depositors' expense. You are duty bound to look at competition, convenience and the needs of communities. Well, on behalf of the South Lorain Merchants Association, I want to tell you, this deal doesn't create any competition, doesn't enhance or increase any convenience, and doesn't serve a single community need. Please stop the deal in its tracks until Banc One can show us what is in it for us, the residents of abandoned communities, who are <u>not</u> having our credit or service needs met.

Thank You

14

Date: 8/13/98

Re: Bank One merger request to testify in public hearing panel #11 at 3:10pm at the Federal Reserve Bank in Chicago, Illinois.

Testimony of: Adenike Sharpley
Board Member,
Zion Community Development Corporation
126 Forest
O.C.M.R. 13A
Oberlin, OH 44074

Focus of Testimony: Effects of the Bank One merger on Oberlin, Ohio residents from the customers and employees point of view.

Tesimony: The Oberlin Bank Building at 5 South Main Street Oberlin,Ohio, until the mid 1980s was primarily one bank. The Oberlin Bank Company, founded in 1889 would in 1904 combine with the State Savings Bank and move to 5 South Main Street. That same year it would be renamed The Oberlin Savings Bank. So for 76 years the community of Oberlin has had the same bank. In the mid 1980s the "musical bank management" began at 5 South Main Street. This included: 1990 Central Trust, 1996 Bank One, 1998 Premier Bank, and Merit Bank One on Labour Day 1998. In fifteen years, two local banks were lost, Oberlin Savings Bank and People's Bank with a host of players to become one mega bank, one small local bank, one savings and loan bank and one credit bank in the city of Oberlin.

The staff working at these banks feel intense stress from both bank officials, management, and customers. The customer does not understand the changes in rules and regulations. The employee must learn: changes from old to new systems, learning new rules and regs from the new bank, and job shifts -staff moving to new offices to maintain jobs because of closings of branches. These changes also include shifts in the pay scale which could be lower or higher. Most of the people absorbing these changes are at the bottom of the chain: tellers, clerks, etc. And most of these are women who are head of the households or are the major breadwinners of the family.

Customers have to deal with new hours, new staff, new rules and regulations, and usually new banking and service products. The control of the bank is moved farther away from them; their bank mangers are usually there a few days per week along with their "roving loan officer". Usually the new staff, less familiar with the new branch, and its customers were not hired locally, therefore they do not know the community. The new staff do not have a connection to the community they serve. They are less willing to cash checks for those without i.d. because they don't know the customers. In turn, the staff asks for i.d. each time they see a customer no matter how often they see them. For the customer this means fewer "service value" for their dollar, and this is especially true for the low and moderate income individual. This results in a transfer of wealth away from the community benefiting the stockholders "upstairs". Along with no services such as utility bill payment, no product for those who maintain small balances in checking and savings account without incuring charges against their account each month. Customers who incur these charges may find that their account has been closed within one month. These customers are usually low and moderate income seniors, those on fixed income (due to disabilties, etc.) and minorities. At times above mentioned groups would receive unfriendly and discriminating treatment by tellers, adding insult to injury, this classist and racist behaviour by tellers who treat their constituency as if they have little or no money. This leads to even fewer "service value" for the elderly, the disenfranchised, and the people color in the Oberlin community.

Purchasing clout of blacks rising

ATLANTA (AP) — The spending power of black consumers is growing faster than the national average with gains in all 50 states, according to a survey released yesterday.

The study found black consumers will account for 8.2 percent of total buying power next year, compared with 7.4 percent in 1990. It defines buying power as after-tax personal income.

"It illustrates the growing importance of African-Americans as consumers," said Jeffrey M. Humphreys, a University of Georgia economic forecaster who wrote the study for the school's Selig Center for Economic Growth. "That's important to those who market and those who pay for advertising."

Every year since 1990, the percentage gain in black buying power has been greater than the growth rate for consumers overall, Humphreys said.

The black population is growing faster than the U.S. population overall — 14 percent for blacks this decade compared with the nation's 9 percent, according to estimates based on Census figures.

Humphreys said black buying power will rise from $308 billion in 1990 to $533 billion in 1999, up 73 percent in less than a decade, compared with a national increase of nearly 57 percent.

Using government statistics and economic models, the study said that total black buying power was highest in New York, estimated at $60.9 billion, and most concentrated in the District of Columbia, with 39.1 percent of the share of all buying power.

Idaho had the biggest rise in

See **PURCHASING**, page D4

Thursday July 3, 1998
The Morning Journal

PURCHASING

From page D1

black buying power in the 1990-99 period, 200.5 percent. It is one of several states with small black populations that showed big increases.

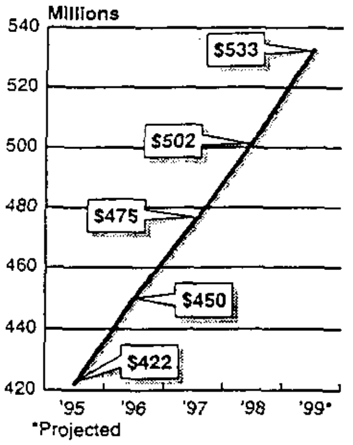
No one state made the top 10 in all three state rankings — black buying power in dollars, black percentage of a state's total buying power and the percentage growth rate of black buying power.

A strong job market for blacks, overall national economic expansion and educational progress all contributed to the black buying power rise, said Humphreys, who is completing similar surveys of Hispanic and Asian-American and American Indian buying power.

"I'm spending more money — mainly on clothes," said Darlene Wilson, a black woman who does housekeeping, as she strolled past a stretch of black-oriented businesses in downtown Atlanta.

Black buying

A look at the total income after taxes available to blacks for spending on goods and services from 1995 to 1999:



An Atlanta-area marketing consultant, Al Ries, suggested that in the future, there will be less marketing aimed at black consumers because their buying habits will be the same as the overall population.

"As the black consumer gets on par, they are going mainstream," he said.

Judge blocks drug mergers

WASHINGTON (AP) — A federal judge temporarily blocked two mergers involving the nation's four largest drug distribution companies, likely derailing at least one of them.

The temporary injunction issued Friday by U.S. District Court Judge Stanley Sporkin probably means the termination of a proposed $1.75 billion merger of the biggest drug company, McKesson Corp. of San Francisco, with the fourth-biggest, AmeriSource Health Corp. of Malvern, Pa.

It also delays a proposed $2.6 billion of No. 2 company Cardinal Health of Dublin, Ohio with No. 3 Bergen Brunswig Corp. of Orange, Calif.

"It is highly unlikely we will pursue it," said Meg Grady, a spokeswoman for AmeriSource, speaking of the merger. "We feel we have a great future as a stand-alone company."

Officials with McKesson did not return a phone message left yesterday afternoon.

Meanwhile, Cardinal and Bergen released joint statements saying they were reviewing their options.

The injunction was sought by the Federal Trade Commission, which argued the mergers violate antitrust laws by reducing competition in the drug wholesale business.

Saturday August 1, 1998
The Morning Journal

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 ALSO ON BEHALF OF BLACK CITIZENS FOR JUSTICE, LAW AND ORDER, AND THE DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL), IN OPPOSITION TO THE APPLICATIONS OF BANC ONE CORPORATION TO ACQUIRE FIRST CHICAGO NBD & ITS SUBSIDIARIES

FEDERAL RESERVE BANK OF CHICAGO

AUGUST 13, 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 the [Wisconsin Rural Development Center or Delaware Community Reinvestment Action Council] has been kind enough to present. ICP on April 28 filed a 38-page protest to this application, along with Black Citizen for Justice, Law and Order of Dallas, Texas, and the Delaware Community Reinvestment Action Council, whose director, Rashmi Rangan, you heard from on Panel Eight. We are opposed to this proposed merger, primarily due to Banc One's continued predatory and discriminatory practices through its Banc One Financial Services subsidiary, and due to the anticompetitive and branch closing effects the proposed merger would have, particularly in Indiana. The commitments that First Chicago has made in

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Detroit and Chicago do nothing to address these issues; nor is Banc One's divestiture proposal, to sell off certain branches in Indiana, sufficient. The proposed merger would also result in substantial branch closings, making all the worse Banc One's cynical manipulation of the target, First Chicago, to make lending pledges in Chicago and Detroit, but not in the communities that would be most effected by this merger, including through branch closings.

In 1997, the Federal Reserve Board stated in an Order that it had unresolved questions about the fair lending compliance of BOMC, and that its approvals were explicitly conditioned on Banc One taking such actions as the FRB might require. Since then, the Arizona Attorney General has charged Banc One with discrimination, as, implicitly, has HUD in Texas. The Fed has made no disclosure of how -- or if-- this important issue has been resolved. Forty days ago, on July 2, we made a request for this under the Freedom of Information Act; the Fed has yet to provide the documents.

The written comments we have submitted show that in market after market, Banc One's normal interest rate lenders disproportionately exclude African Americans and Hispanics from credit, while Banc One Financial Services, a high interest rate lender, targets these communities for higher priced credit. For example:

In the **Akron Ohio** MSA in 1996, Banc One Mortgage Co. ("BOMC") denied 55% of mortgage applications from African Americans, and only 17% of applications from whites (a denial rate disparity of 3.24). BOMC originated 164 loans to whites, and only 7 to African Americans. ICP's Comments calls loans to African Americans divided by loans to whites the

"Index;" the ratio between BOMC's Index and BOFS's Index, calculated for each market analyzed, can be viewed as the "Targeting Index". BOMC's Index in this MSA in 1996 was 0.043. Meanwhile in this MSA, the higher interest rate Banc One Financial Services ("BOFS") originated 27 loans to African Americans, and 140 loans to whites -- Index of 0.193, 4.49 times higher than BOMC's.

Here in the **Chicago** MSA in 1996, BOMC denied 25% of mortgage applications from African Americans, and only 12% of applications from whites (a denial rate disparity of 2.08). BOMC originated 737 loans to whites, and only 65 to African Americans. BOMC's Index in this MSA in 1996 was 0.088. Meanwhile in this MSA, the higher interest rate BOFS originated 110 loans to African Americans, and 314 loans to whites -- Index of 0.350, **4 times higher than BOMC's**. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the **Cincinnati** MSA in 1996, BOMC denied 18% of mortgage applications from African Americans, and only 11% of applications from whites (a denial rate disparity of 1.64 - *see infra*). BOMC originated 196 loans to whites, and only 21 to African Americans. BOMC's Index in this MSA in 1996 was 0.107. Meanwhile in this MSA, BOFS originated 46 loans to African Americans, and 190 loans to whites -- Index of 0.242, 2.26 times higher than BOMC's. Meanwhile BOFS' denial rate disparity for African Americans was 1.55, lower than BOMC's.

In the **<u>Cleveland Ohio</u>** MSA in 1996, BOMC denied 39% of mortgage applications from African Americans, and only 15% of applications from whites (a denial rate disparity of 2.6). BOMC originated 367 loans to whites, and only 40 to African Americans. BOMC's Index in this MSA in 1996 was 0.109. Meanwhile in this MSA, BOFS originated 133 loans to African Americans, and 273 loans to whites -- Index of 0.487, **4.47 times higher than BOMC's**.

In the **<u>Dallas</u>** MSA in 1996, BOMC denied 32% of mortgage applications from African Americans, and only 12% of applications from whites (a denial rate disparity of 2.67). BOMC originated 710 loans to whites, and only 51 to African Americans. BOMC's Index in this MSA in 1996 was 0.072. Meanwhile in this MSA, BOFS originated 9 loans to African Americans, and 7 loans to whites -- Index of 1.286, **17.86 times higher than BOMC's**.

In the **<u>Detroit MSA</u>** in 1996, BOMC originated 76 loans to whites, and only 8 to African Americans. BOMC's Index in this MSA in 1996 was 0.105. Meanwhile in this MSA, BOFS originated 364 loans to African Americans, and 618 loans to whites -- Index of 0.589, **5.61 times higher than BOMC's**.

In the <u>Gary IN</u> MSA (in both First Chicago's and Banc One's CRA assessment area) in 1996, BOMC denied 39% of mortgage applications from African Americans, and only 13% of applications from whites (a denial rate disparity of 3.0). BOMC originated 98 loans to whites, and only 10 to African Americans. BOMC's Index (*see supra*) in this MSA in 1996 was 0.102. Meanwhile in this MSA, the higher interest rate BOFS originated 85 loans to African Americans, and 151 loans to whites -- Index of 0.563, **5.52 times higher than BOMC's**.

In the **Indianapolis** MSA in 1996, BOMC denied 21% of mortgage applications from African Americans, and only 12% of applications from whites (a denial rate disparity of 1.75, see below). BOMC originated 671 loans to whites, and only 84 to African Americans. BOMC's Index in this MSA in 1996 was 0.125. Meanwhile in this MSA, the higher interest rate BOFS originated 148 loans to African Americans, and 573 loans to whites -- Index of 0.258, **2.06 times higher than BOMC's**. Meanwhile, BOFS's denial rate disparity for African Americans was 1.09, significantly lower than BOMC's.

In the **Milwaukee** MSA in 1996, BOMC denied 23% of mortgage applications from African Americans, and only 8% of applications from whites (a denial rate disparity of 2.88). BOMC originated 335 loans to whites, and only 17 to African Americans. BOMC's Index in this MSA in 1996 was 0.051. Meanwhile in this MSA, the higher interest rate BOFS originated 37 loans to African Americans, and 85 loans to whites -- Index of 0.435, **8.53 times higher than BOMC's**.

In the **Phoenix AZ** MSA (in Banc One's CRA assessment area) in 1996, BOMC denied 12% of mortgage applications from African Americans, and only 6% of applications from whites (a denial rate disparity of 2). BOMC originated 4,646 loans to whites, and only 48 to African Americans, and only 270 to Hispanics. BOMC's Hispanic Index in this MSA in 1996 was 0.058 (see supra); BOMC's African American Index in this MSA in 1996 was

0.010. Meanwhile in this MSA, the higher interest rate BOFS originated 173 loans to Hispanics, 33 loans to African Americans, and 952 loans to whites -- Hispanic Index of 0.182, **3.14 times higher than BOMC's**; BOFS's African American Index in this MSA was 0.035, 3.5 times higher than BOMC's.

In the **Yuma AZ** MSA (in Banc One's CRA assessment area, and where BOMC has been charged with discrimination by the Arizona Attorney General) in 1996, BOMC denied 30% of mortgage applications from African Americans, and only 16% of applications from whites (a denial rate disparity of 1.86 - *see infra*). BOMC originated 33 loans to whites, and only 14 to Hispanics. BOMC's Hispanic Index in this MSA in 1996 was 0.424 (see supra). Meanwhile in this MSA, the higher interest rate BOFS originated 21 loans to Hispanics, and 21 loans to whites -- Hispanic Index of 1.000, **2.36 times higher than BOMC's**. BOFS's denial rate disparity for Hispanics was 1.15, significantly lower than BOMC's.

In the **Wilmington DE** MSA (where Banc One/First USA has a CRA duty), the high interest rate BOFS made 25 loans to African Americans, and 25 loans to whites -- totally out of proportion to the demographics of, and other lenders' lending in, this MSA. BOFS disproportionately targets African Americans for higher interest rate credit.

The above analysis makes out a *prima facie* case (and/or red flag) that Banc One Corp., through its normal interest rate lenders including Banc One Mortgage and through its higher interest rate lender, Banc One Financial Services, are engaged in lending discrimination, including pricing discrimination On this record, the FRB must conduct on-site fair lending examinations of Banc One Financial Services. On the current record, this mega-merger proposal, which would expand Banc One's practices, could not legitimately be approved. There are other adverse issues, including the foreseeable loss of various First Chicago NBD programs, and Banc One's record in its existing states, ably raised by COHHIO, the Council of Neighborhoods, 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 August 20, 1998. Thank you.

15

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Tommy G. Thompson
Governor

Edwin J. Zagzebski
Chairman

Fritz Ruf
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FEDERAL RESERVE BANK OF CHICAGO

TESTIMONY OF FRITZ RUF, EXECUTIVE DIRECTOR
WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

AUGUST 13, 1998

Thank you for this opportunity to testify on behalf of Bank One.

The Wisconsin Housing and Economic Development Authority is a state housing finance agency created in 1973. Our mission is to serve Wisconsin residents and communities by working with others to provide creative financial and technical resources to stimulate and preserve affordable housing, small business, and agriculture.

One of our oldest and most reliable partners is Bank One. Together, we have provided millions of dollars of affordable financial resources to Wisconsin home buyers, farmers and small business owners. Consider the following track record established by WHEDA and Bank One:

- 1,539 home purchase loans totaling $72,765,867
- 41 home improvement loans totaling $350,383
- Two beginning farmer loans totaling $288,250
- 133 agricultural production loan guarantees totaling $1,758,000
- 10 small business loan guarantees totaling $1,055,278
- 23 small business loan subsidies totaling $683,307

Moreover, Bank One was the first corporation to invest in Wisconsin Low Income Housing Credit developments. Today, Bank One has debt or equity investments in 35 Wisconsin communities.

While we are pleased with this record, we continually seek opportunities to do more. Recently, WHEDA and BANC ONE Community Development Corporation developed a means to create housing opportunities for low income Wisconsin renters. This innovative collaboration is called the Wisconsin Affordable Housing Alliance, LLC (the Alliance). The purposes of the Alliance are:

- To provide a permanent loan product for the financing of small non-metropolitan multifamily developments that use Low Income Housing Tax Credits.
- To leverage private capital for multifamily development.
- To fill a market need with a product not otherwise available in Wisconsin.
- To create quality rental housing for low- and moderate-income Wisconsinites in smaller markets.

Until the Alliance, Wisconsin tax credit developers had difficulty accessing long-term credit. Many relied on short-term mortgages with uncertain and unknown future terms. This mismatch of resource to purpose has limited the production of smaller-scale developments that are badly needed in many Wisconsin communities. Through the Alliance, developers can now plan their projects with more confidence, and also readily access equity from investors who favor such long-term financing.

The Alliance is targeted to smaller developments in non-metropolitan areas of Wisconsin where the need for affordable, long-term financing is most acute. The loan product will create housing for families and senior citizens whose income levels are consistent with the requirements of the Low Income Housing Tax Credit program.

Rental housing projects are eligible for financing if:

- The borrower is a single asset entity
- The development has received Low Income Housing Tax Credits
- The loan term is no more than 18 years and amortized for no more than 30 years
- The project loan to value is no more than 80%
- Debt service coverage is 1.10 minimum with rents below maximum allowed, 1.15 standard, 1.20 minimum for mixed-income developments

Both WHEDA and BANC ONE CDC contribute their resources, talents and experience to the Alliance. WHEDA provides marketing, underwriting and an initial infusion of $1 million to capitalize the revolving loan fund. BANC ONE CDC also provided $1 million as well as a $10 million credit facility. The amount of lending that can be offered is unlimited as loans are sold on the secondary market.

The Alliance is already producing impressive results for Wisconsin renters. Since its inception in October 1997, the Alliance has lent $1,975,000 to three developments containing 92 units. Presently, the Alliance has loan commitments totaling $5,124,210.

The Wisconsin Affordable Housing Alliance, LLC is a first of its kind venture and a model for other states. We understand BANC ONE CDC is now working with state housing finance agencies in Illinois, Kentucky and Texas to replicate our success for the citizens of those states.

In closing, Bank One and WHEDA have produced a solid track record of affordable housing, agricultural and small business development in Wisconsin. WHEDA views Bank One as one of its most valuable and innovative partners.

I appreciate this opportunity to speak before the Federal Reserve Bank of Chicago on behalf of Bank One.

Thank you.

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WOMEN'S
BUSINESS
DEVELOPMENT
CENTER

PUBLIC MEETING REGARDIN G THE PROPOSAL BY BANC ONE CORPORATION TO MERGE WITH FIRST CHICAGO NBD CORPORATION

presentation before the
Federal Reserve Bank of Chicago
public hearing on
Thursday, August 13, 1998
Chicago, IL
by
Hedy M. Ratner, Co-President
Women's Business Development Center
And Member, National Women's Business Council, Illinois Women's Business Ownership Council and Governor's Commission on the Status of Women in Illinois

Thank you for the opportunity to present my response to the proposed merger of Banc One with First Chicago NBD. I am presenting at today's public hearing on economic opportunity issues to assist the minority and women's small business community of the Chicago metropolitan area and in support of First Chicago NBD and Banc One's merger and commitment to the letter and spirit of the Community Reinvestment Act.

Representing thousands of women and minority women business owners in the Chicagoland area, we were thrilled to learn about the $4.1 billion agreement negotiated with First Chicago NBD to make thousands of residential and over 5,000 business loans over the next six years. We are also pleased with the addition of First Chicago banks in Dominick's Finer Food Stores in low-income communities.

The WBDC is involved in First Chicago NBD's continuing investment into low and moderate income families, businesses and neighborhoods and specifically in its continuing work to provide access to credit in those communities.

The Women's Business Development Center has had very positive first hand experience with First Chicago NBD since the inception of our organization which was founded in 1986. The WBDC provides counseling, entrepreneurial training, financial assistance, business and strategic planning, marketing and procurement assistance and assistance with loans to start-up, emerging and mature businesses. Our organization is now the oldest, and one of the largest most comprehensive women's business assistance centers in the U.S.

First Chicago has been our partner in economic development providing support for our organization; loans to our clients; funds for our collateral pool to collateralize small business loans; program-related investment for micro lending to our small women and minority start up businesses; participation as a lender in our Women's Business Bank Loan program; participation in our annual Entrepreneurial Woman's Conference and Women's Business and Buyer's Mart committing to vendor development and purchasing from minority and women business owners.

Recently, the Women's Business Development Center and First Chicago NBD and begun a wonderful partnership to provide business development, financial assistance and banking services to low and moderate income communities. First Chicago NBD and the WBDC are taking our programs and services on the road with the "Wheels of Business" mobile van to make our programs and services more available and accessible in the communities. This innovative new business program will bring information and services and counseling and training, banking services, credit advice and counseling and financial assistance and self-employment opportunities to economically disadvantaged communities. Women, and specifically those in low-income communities have often been left out of economic opportunities and face numerous barriers to economic self-sufficiency because of lack of affordable childcare and access to transportation. The "Wheels of Business" approach helps us provide resources, information and support to those who most need help to be economically self-sufficient.

We are also partnering with ACCION, a neighborhood micro-lender, which has received considerable support and encouragement from First Chicago NBD. With ACCION providing loans and WBDC providing business assistance, the small businesses in economically disadvantaged neighborhoods have a better chance for success and an opportunity for neighborhood revitalization. Another micro-lender CANDO has been our partner and a partner of First Chicago NBD for many years, lending and developing and supporting Chicago's economic strength.

The partnership of private and public sector, non-profit and for profit entities is also evident in First Chicago's involvement with the Capital Access Program, a state-based small business loan initiative begun in early 1997. CAP is now one of the most successful programs for access to capital for small businesses. CAP's incentive program provides more ways for First Chicago to approve loans to small business.

For the WBDC and other community development organizations to truly understand the issues of small business lending in low and moderate income communities, we must be able to obtain gender and race based lender data that has been available for housing but not been available for small business. With good research data, we can develop the successful policies and programs for small business lending in the next century. We therefore look to First Chicago with Banc One to be the precedent setter and lead nationally in the federal regulating agencies Regulation B window of opportunity. The federal agencies are requesting comment and recommendations in Regulation B from the general public. Although our organization and hundreds of community and economic development organizations agree that the requirement of gender and race based commercial lending data is necessary for policy and program development, we would like to see the participation of major banks in this effort as well.

The WBDC and many of our colleagues across the nation are also very concerned about the effect major bank mergers will have on small business lending. The standardization of underwriting criteria, the removal of lending decision making from the first line banker which is the continuing trend in larger and merged banks, is detrimental to the growth of small businesses in the inner cities. Although intermediaries like the WBDC have had a major impact on lending to start up and emerging businesses, because of large bank mergers underwriting policies, we are having a more and more difficult time t o get bank financing for our clients.

The WBDC proposes that with the merger of First Chicago NBD and Banc One that a continuing and expanded commitment to direct lending to emerging businesses be made. Although First Chicago NBD has supported organizations like the WBDC and micro lenders such as ACCION, we ask that a targeted pool of funds be dedicated to direct bank loans for start up and emerging businesses.

Thank you for the opportunity to present before you today.

Hedy M. Ratner, Co-Director
Women's Business Development Center
November

New counseling program hits street

By Francine Knowles
Business Reporter

The Women's Business Development Center will soon hit the streets with a new mobile counseling program designed to spread the message of self-employment and business ownership to low-income communities in Chicago and the south suburbs.

The center's Wheels of Business partnership program with First Chicago NBD Corp. will use the bank's BankMobile to provide free outreach services in Robbins, Dixmoor, Ford Heights, Phoenix, Harvey and other areas.

Jim Frost/Sun-Times

Hedy Ratner (left) and Jaribu Kitwana (center) of the Women's Business Development Center talk with First Chicago's Francisco Menchaca about Wheels of Business.

The 40-foot converted recreational vehicle includes computers for online training and enough meeting space to provide mini-workshops, one-on-one counseling and referral services. It has two automated teller machines and two fully functional banking stations.

"Our goal is to help get businesses off the ground and to build capacity of existing businesses," said Hedy Ratner, co-director of the Chicago-based center. "We're going to be doing counseling, training and providing financial assistance and outreach to women in communities that don't necessarily have access to child care and transportation. We're introducing the Women's Business Development Center to them."

First Chicago has been using the bankmobile to provide residents in targeted communities with access to its banking services and products and to conduct workshops on such topics as the ABC's of banking, budgeting and money management and understanding credit.

Francisco Menchaca, vice president and manager of First Chicago's community outreach and education division, said the partnership with the center was a natural fit.

The women's center is one of six U.S. Small Business Administration women's business centers across the country that were awarded $850,000 in grants this year to provide training, counseling and mentoring services, including welfare-to-work programs.

The Chicago center, which received $150,000, and which, like the others, will receive additional funds during a five-year period, said portions of those funds will be used for its Wheels of Business program.

The bankmobile will set up shop at the Harvey YMCA from 4 p.m. to 7 p.m. on Aug. 31 and at locations in Robbins,

Turn to next page

Counseling

Continued from previous page

Dixmoor, Ford Heights, Harvey, Phoenix and other communities starting in October. The vehicle will be staffed with a representative from the center and a First Chicago business loan specialist.

The program, open to men and women, is supported by the Cook County Department of Planning and Development and the Lloyd A. Fry Foundation. It is an expansion of center efforts targeting low-income communities. As a part of those efforts, for the past several months the center has been conducting workshops at the South Suburban YMCA in Harvey and at other south suburban sites. The workshops cover such topics as writing business plans, market research, financial analysis, borrowing money, expanding markets and re-establishing credit.

There's a great need for such "mobile" programs in low-income communities, said Vivian A. Hill, a 42-year-old public aid recipient who is participating in the center's workshops at the Harvey YMCA.

"If this were taking place downtown [in Chicago], I probably wouldn't be enrolled," she said, saying that parking costs would be prohibitive.

Hill enrolled in the workshops to help her start a not-for-profit drug abuse treatment program in Harvey. She said the workshops have helped her put together her business plan. "I have learned a lot about what to expect, the financial aspects of business, just all of the ground rules," said Hill, who plans to launch her business in the next few months. "My confidence level is greater."

Ratner hopes the center's new program will help others. "Economically and socially disadvantaged women face numerous barriers to economic self-sufficiency," she said. "This approach helps us provide resources, information and support on business ownership directly in the neediest neighborhoods."

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NAGGL

The National Association of
Government Guaranteed
Lenders, Inc.

Statement

of

Anthony R. Wilkinson

President
and
Chief Executive Officer

of the

National Association of
Government Guaranteed Lenders, Inc.

for the

Federal Reserve Bank of Chicago

Public Meeting
Regarding the Proposed Merger
of
Banc One Corporation and First Chicago NBD Corporation

August 13, 1998

Post Office Box 332 • Stillwater, Oklahoma 74076 • 405/377-4022 • FAX 405/377-3931

Good afternoon, my name is Tony Wilkinson. For the last ten years I have served as the president and CEO of the National Association of Government Guaranteed Lenders, Inc., commonly known as NAGGL. NAGGL represents those members of the lending community who are active participants in the Small Business Administration (SBA) 7(a) loan program. NAGGL's membership accounted for approximately 80% of all the SBA 7(a) loans made during fiscal year 1997.

Prior to accepting my current position with NAGGL, I spent 13 years with a small commercial bank where my primary responsibility was managing the bank's SBA loan department. I have seen first hand how valuable the SBA loan programs are to small businesses, lenders and local communities. The SBA, through its loan programs, provides vital access to capital for our nation's small businesses.

I appreciate the opportunity to appear before you today and discuss Banc One's participation in the SBA 7(a) loan program and with our association. For the last few years, I have had the privilege of working with Brian Burke, the national SBA program manager for Banc One, and with other Banc One representatives across the country. Mr. Burke currently serves on the NAGGL board of directors as corporate secretary, and as secretary, is a member of the NAGGL executive committee.

I applaud the commitment Banc One has made to SBA lending programs. In particular, the bank has taken a leadership role in two specific areas. First, Banc One was one of the limited number of institutions chosen by SBA to pilot the Fa$trak loan program, a loan program specifically designed to make smaller size loans. That program was deemed highly successful by the SBA, and the Agency is now in the process of expanding the program. Banc One representatives have been actively involved in the discussions with the SBA on how to expand the Fa$trak program (to be renamed SBA Express) in an efficient, responsible manner.

Banc One has also been actively involved in a special NAGGL committee, the task force on lending to the underserved. This committee has worked diligently with the SBA over the last several months, and we have concluded that there are a number of markets with underserved financing needs. These markets include small businesses that : (a) are owned by African Americans, Hispanic Americans, Asian Americans, Native Americans, other minority groups, women, veterans or handicapped individuals; (b) need financing for exporting; or (c) are located in distressed urban and rural areas.

An announcement on both the Fa$trak expansion and initiatives to increase lending to the underserved markets is tentatively scheduled for September. Let me reiterate that Banc One representatives have played a major role in the development of both programs.

In conclusion, Banc One has been a valuable participant in the SBA 7(a) loan program. Banc One is also a valuable member of our association, and Mr. Burke is held in high regard amongst the NAGGL leadership and membership. Banc One has made a long term commitment to the program and they have shown how to be innovative with the SBA loan product. Even at a time when SBA loan volume is down nationally do to the nature of direct bank lending, Banc One still aggressively participates in SBA and NAGGL programs and activities. I believe that in the markets where Banc One operates, small businesses can expect to find a professional, committed SBA 7(a) lender ready to help meet their long-term financing needs.

Thank you again for the opportunity to comment today. If you need any further information, please contact me at NAGGL, PO Box 332, Stillwater, OK 74076-0332, phone 405/377-4022.

Indianapolis
Neighborhood
Housing
Partnership

"Recognizing the Value of Neighborhoods"

Public Meeting Regarding the Proposal by Banc One Corporation, Columbus, Ohio, to merge with First Chicago NBD Corporation, Chicago, Illinois

Testimony of Indianapolis Neighborhood Housing Partnership
Moira M. Carlstedt, President
3550 N. Washington Boulevard.
Indianapolis, Indiana 46205-3719
(317) 925-1400

Date: August 13, 1998, Federal Reserve Bank of Chicago

Thank you for this opportunity to address the Federal Reserve Panel. My name is Moira Carlstedt, I am the President of the Indianapolis Neighborhood Housing Partnership. (INHP)

The Housing Partnership was founded in 1988 to serve as both a catalyst and intermediary for affordable housing. The mission of the Housing Partnership is to expand the supply and sustainability of safe, quality and affordable housing for low and moderate-income citizens of Indianapolis.

Through partnerships with the federal, state and local government as well as philanthropic entities, community development corporations and financial institutions, the Housing Partnership has engaged in credit counseling, home ownership training and mortgage lending to the Indianapolis low to moderate income community. Our impact is recognized through the following statistics:

> Since 1991, over 525 single family, mortgage loans have closed utilizing loan pool funds.
>
> Since 1992, the Housing Partnership has sponsored aggressive financing mechanisms to support the development of 305 units of quality rental through the Low-Income Housing tax credit program.
>
> Since 1993, the Housing Partnerships have conducted over 150 training classes for perspective borrowers.
>
> Since 1994, over 400 pre-qualified applicants have been referred to lending partners. Additionally, we have provided credit counseling and mortgage access counseling for more than 5,000 clients.

3550 North Washington Boulevard, Indianapolis, Indiana 46205-3719
(317) 925-1400 • FAX (317) 925-1408

Since 1995, approximately 110 unsecured, buyers' assistance loans have been extended to enable clients to buy a home.

The Housing Partnership has had a relationship with Banc One and First Chicago NBD since 1988. Both institutions have participated in two single family and one multi family loan pools. Banc One and First Chicago NBD represented 45.49% of the single family loan pool I, 40.00% of the single family loan pool II and 66% of the multi family loan pool. The loan pools have been the primary source of funds dedicated to creating housing opportunities for the low-to-moderate income families of Indianapolis. Additionally, among local financial institutions, since 1988 Banc One and First Chicago NBD have donated the largest amount of annual financial support to the Housing Partnership.

Excluding non-bank affiliated mortgage companies and brokers, in the area of bank lending, CRA evaluations and 1996 HMDA data confirms that collectively these two institutions have played a primary role in the mortgage-lending environment in Indianapolis. Specifically, First Chicago NBD through its affiliated mortgage company was a leading lender in first mortgages and Banc One was the leading lender in home improvement loans.

As the Banc One/First Chicago NBD merger moves forward, the Housing Partnership is concerned that the momentum and significant community impact of the affordable housing delivery system remains a priority activity for Banc One. We recognize and respect the business objective of cutting costs to maximize synergies and efficiencies. However, when the post merger bank evaluates its long-term support of providing affordable housing opportunities to our community, we strongly urge them to remain mindful of the following:

1. The post merger bank's impact on organizations such as the Indianapolis Neighborhood Housing Partnership, Community Development Corporations and all the other partners and stakeholders and their ability to sustain an effective affordable housing delivery system;

2. The tremendous financial investment to date of the philanthropic, government and not for profit sectors in creating affordable housing opportunities in the neighborhoods and the importance of the bank's continued participation;

3. The need for the financial community to play an even greater role than in the past in order to fuel continued development of affordable housing units and to create neighborhood economic development opportunities;

4. The profitable business opportunities that have been generated for the lending institutions through qualified mortgage customer referrals as a result of working in partnership with the Indianapolis Neighborhood Housing Partnership.

Indianapolis Neighborhood Housing Partnership board members and management have met with senior management of Banc One to express our concerns and solicit the bank's ongoing commitment to the Indianapolis neighborhoods and community. During conversations with

Banc One, senior management indicated that Banc One is committed to supporting the Indianapolis affordable housing community and The Indianapolis Neighborhood Housing Partnership. Bank management recognizes the social and economic value of a strong community partnership.

Therefore, based on:

(i) the level of support Banc One has exhibited over the years to the community and to the Indianapolis Neighborhood Housing Partnership,
(ii) the assurances we received from local bank management of continued support,
(iii) our understanding that local bank management will continue to determine the direction of the bank's community commitment,

we are encouraged to believe Banc One will remain committed to INHP, affordable housing production and community development.

Thank you.

Federal Reserve Bank of Chicago
Public Meeting Regarding the
Proposal by Banc One Corporation to merge with First Chicago NBD Corporation
August 13, 1998; Federal Reserve Bank of Chicago

Statement of
Mark Barbash, Executive Director
Columbus Countywide Development Corporation
941 Chatham Lane, Suite 300; Columbus, Ohio 43221-2416
Phone: (614) 645-8066

My name is Mark Barbash. I am Executive Director of Columbus Countywide Development Corporation. CCDC was established in 1981, and is a private, non-profit Certified Development Corporation which provides small business financing under programs sponsored by area lenders, the U.S. Small Business Administration, the Ohio Department of Development, and the city of Columbus. We are also an approved Community Development Financial Institution under the U.S. Treasury's CDFI program.

The purpose of my appearance is to provide our view of the performance of Bank One in community development activities in Central Ohio, as part of the Federal Reserve Bank's review of the proposal by Banc One Corporation to merge with First Chicago NBD Corporation.

The focus of CCDC is on creating jobs. We do this by working to fill the capital access gap for small businesses. We provide financing which takes greater risk than conventional bank financing and which may involve substantial technical assistance to entrepreneurs.

While there are many government programs that can help, of necessity, the private sector has both the obligation and the resources to make these efforts effective. As such, the financial institutions in Columbus have been critical to our efforts.

Let me give you four specific examples of Bank One's involvement in local economic and community development:

1) Small Business Financing through the SBA 504 Program: The SBA 504 program provides second mortgage financing for growing small businesses. It works in partnership with area lenders who provide 50% of the financing. Since 1981, Bank One has financed 117 projects through CCDC's SBA 504 program, with total investment exceeding $60 Million and the Bank's investment exceeding $35 Million. Most importantly, these projects have created jobs for 1,378 citizens of Central Ohio. Bank One's investment is the largest of any of our lenders, and comprises 13.8% of CCDC's total financing in this program. For the past three years running, Bank One has

been named our "Bank of the Year" – signifying that they have led all of the other banks in their participation in the program.

2) Microenterprise Financing: In 1993, we established the Central Ohio MicroLoan program. This program provides financing to new or existing "micro" businesses in four counties of Central Ohio. While the program was funded by the U.S. Small Business Administration, it was made possible through the contributions of area lenders who contributed funds to establish a Loan Loss Reserve Fund. The total LLR is $100,000, with Bank One's contributions totaling almost $14,000. More importantly, this program has funded more 150 small businesses, lending $972,000, with 30% going to minority owned businesses; 49% going to women owned businesses and 40% going to low income business owners.

3) Microenterprise Training: I serve on the Board of Directors of the Ohio Foundation for Entrepreneurial Education. OFEE was founded in 1997 to establish a quality entrepreneurial training program. OFEE established the FastTrac program in Columbus, and in eighteen short months has provided critical training to more than 150 entrepreneurs. Bank one was a founding member of OFEE. To date, Bank One has provided $65,000 in operational funding and $15,000 in scholarships funding. To date, 25% of the participants in FastTrac have been minority and women owned businesses.

4) In 1997, CCDC established the Columbus Growth Fund, a mezzanine fund targeted towards businesses in Columbus' center city, targeting both minority and women owned businesses. This fund was established through the participation of five area lenders, including Bank One. Bank One's specific involvement totals $545,000: $45,000 in equity and $500,000 in participation with a line of credit which will be reloaned to eligible businesses.

The Bank's involvement has gone beyond financial investment. Bank One professional staff – including both "line" loan officers and senior managers – donate time to our activities. Just a few examples:

- A Bank One representative has served continuously on the Board of Directors and Loan Review Committee for my organization since its founding back in 1981. Committee members contribute hundreds of hours in providing advice both to CCDC and to our borrowers.

- A number of Bank One representatives have served on a committee that reviews applications under our microloan program. This can entail evaluating anywhere from 10 to 150 pages of information, interviewing the business, and providing technical assistance to the small business entrepreneur in the process.

- Bank One and the other lenders have been among the key referral sources for applicants under our programs. This is a critical component of our network, as our primary goal is to enable the businesses we assist to become bankable through the conventional lending market, rather than relying on the subsidized market for their growth capital.

In closing, let me stress several points:

First, CCDC is not the only game in town. Columbus has developed some strong partnerships among the public and private sectors. Bank One has been a key player in these partnerships, along with the City of Columbus, the Ohio State University, business leaders, and other financial institutions. Supporting these activities are thousands of hours of time which I have seen being donated by Bank One professionals in other programs in Columbus.

Second, I have selected these examples because they can be quantified...dollars invested...jobs created...entrepreneurs helped. A measure of the importance of the private lending community in our economy has been statistics on business-starts which show Columbus leading the state in new business start-ups for the past several years.

Third, some concern has been raised about the impact on Bank One's local economic development activities by the merger, and particularly by the moving of its headquarters from Columbus to Chicago. From my perspective, and based upon my own experience, I believe that these concerns may be unfounded. Like politics, all economic development is local. Creating partnerships that work is a dynamic and difficult process, and requires efforts by all of the players. In merger situations like this---and certainly we are facing them every day – there is an equal obligation for those of us in the economic development system to raise the visibility of community needs to the decision-makers in the financial institutions.

Fourth, a criticism has been raised that many of these activities by most banks are self-serving...that they all inexorably lead to opportunities for the banks to make money by making loans. Frankly, in the case of entrepreneurial development, this is the way it should be. Successful small businesses cannot rely on public sector financing for their capital needs forever. We work to help our customers become bankable...to become customers of the conventional banking market where the vast majority of their financing needs should be met. But not all of our customers become truly bankable. I have never seen a reluctance to continue supporting our activities.

Fifth, I have been personally involved in all of these activities. I feel that they accurately reflect the Bank's performance in working to expand access to capital for minority and women owned businesses and to encourage entrepreneurial development among low-income citizens of Central Ohio.

Ohio Mezzanine Fund, Ltd.

Crown Centre
5005 Rockside Rd., Suite 600
Cleveland, Ohio 44131

Tel: 216/573-3738
Fax: 216/573-3748

August 11, 1998

To: Federal Reserve Board
From: John D. Roberts, President
Mezzanine Capital Management, Inc.
Administrator, Ohio Mezzanine Fund, Ltd.

Re: Written summary of testimony to be given at public meeting on August 13, 1998

The Ohio Mezzanine Fund, Ltd. is a multi-bank Community Development Corporation organized and funded in February of 1996. The Fund was organized and is owned by eight Ohio banks who invested nearly $10 million for the purpose of providing creative and flexible financing for small and mid-sized businesses that otherwise would not be available. The financing is provided in the form of mezzanine debt or subordinated debt in amounts from $100,000 up to $750,000 to small and midsize businesses who are young and growing rapidly but which are not yet fully "bankable". While equity and mezzanine debt sources are plentiful for large companies that need $1 million or more, there are very few organized sources for this type of risk capital under $1 million. This is the niche on which the Ohio Mezzanine Fund focuses.

The Ohio Mezzanine Fund is unique in that the Fund is actively managed by its investor banks at the Board of Managers and Investment Committee levels. In addition, the Fund relies on referrals for investment opportunities from the investor banks and each investment that the Fund makes in a small or mid-sized business must be matched at least dollar for dollar by a new senior loan from one of the investor banks. This allows the Fund and each of its investor banks to form a unique partnership to provide complete financing packages for small and mid-sized businesses which otherwise would not be available.

To date, in a little over two years, the Ohio Mezzanine Fund has invested over $5.5 million in eleven Ohio businesses. This investment has leveraged over $15 million of senior bank financing from the Fund's investor banks which would not have been available to these eleven businesses without the participation of the Ohio Mezzanine Fund, Ltd. This financing has made possible the expansion of these businesses which has led to job growth and other economic benefits to the Ohio communities where they are located. Also in its first two years, the Fund has enjoyed several success stories in the form of three businesses that have improved their operating and financial track records to the point that their bank has increased its financing with the business to allow them to prepay the Ohio Mezzanine Fund and become fully bank financed at a lower cost.

This partnership between banks in the multi-bank Community Development Corporation format is important in delivering creative, higher risk capital that otherwise would not be available to small and mid-sized businesses in Ohio. From the Fund's beginning, Bank One has been an active and supportive partner and has taken a leadership role in the formation and operation of the Fund. Bank One was the first bank to verbally commit to providing capital to the Fund and subsequently invested a total of $1,750,000 in the form of $250,000 of equity and $1,500,000 in a line of credit to the Fund. In addition, Bank One hosted several organizational meetings in which other banks in Ohio were invited to attend and consider investing in the Fund. Bank One personnel also talked with other bank decision makers to influence their involvement in the Fund.

Once the Fund was organized, Bank One again assumed a leadership role by providing senior level management to serve on the Board of Managers and the Investment Committee. For example the initial representatives to the Board of Managers and the Investment Committee from Bank One were an Executive Vice President and Senior Vice President respectively. Their management and credit experience has been instrumental in the Fund's success to date.

Bank One has also played an important role in sponsoring investment opportunities to the Ohio Mezzanine Fund. Bank One lenders have referred many deals over the Fund's two year period and Bank One has provided senior financing along with subordinated financing from the Fund in two deals totaling over $5.8 million.

In April of this year the Fund's Board of Managers determined that the Fund was working very well and should expand its territory to include the Columbus, Ohio market where the Fund's financing was also needed. Bank One assumed a leadership role in assisting the Fund's personnel in making contacts within the financial and small business community in the Columbus area. Bank One also facilitated communication within its bank with its lenders and the Fund's personnel and released a press release introducing and advocating the Fund to the Columbus area.

In summary, the Ohio Mezzanine Fund, Ltd. and its $10 million risk capital pool available to small and mid-sized businesses in Ohio would not exist today had it not been for the support and leadership from Bank One.

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Statement of

N. WHITNEY JOHNS

CHIEF EXECUTIVE OFFICER, CAPITAL ACROSS AMERICA, INC.

before the

FEDERAL RESERVE BANK OF CHICAGO

Public Hearing for the Banc One and First Chicago merger

August 13, 1998

Let me begin by thanking the Federal Reserve Bank for allowing me this opportunity to testify about Banc One's involvement with Capital Across America and the major impact Banc One is having in the women business owner community. I am positioned to discuss these matters since I am the co-founder and CEO of Capital Across America, a leader within the national women business owner community and a policy advocate for the issue of access to credit and capital for women.

I serve as the national President Elect of the National Association of Women Business Owners (NAWBO), a 70 plus chapter-based organization with worldwide affiliations. I am also a member of the Board of Directors for the National Foundation for Women Business Owners (NFWBO), the premier global research organization for women business ownership issues. In the advocacy arena, I was a President Clinton appointee to the most recent White House Conference on Small Business; I received the 1998 Women in Business Advocate Award for the Southeast region awarded by the Small Business Administration; and I testified last year before U.S. Senators on the topic of access to capital for women. Through the Foundation's research, my advocacy work and my first hand experiences I am aware of the financial needs of women-owned businesses. This knowledge was the impetus for the creation of Capital Across America.

Capital Across America is a licensed Small Business Investment Company (SBIC) administered and regulated by the SBA. It was the first debenture SBIC in the forty-year history of the program to focus on women-owned companies. We offer a debt instrument in the range of $250,000 to $1,500,000 to fund growth. We have nearly $7 million in private capital and over $25 million in total money available to invest. Banc One, through its Community Development Corporation ("CDC"), made the largest single investment in Capital Across America in the amount of $3 million. To my knowledge, their investment is the largest investment in any SBIC (now licensed or in process) created to provide capital to women business owners. This is a strong statement about their commitment to the women business owner community.

Banc One has provided more than money to reach this under-served market and in my opinion, Banc One is a role model across the country for other banks. Banc One is not only saying that they serve women, they are doing it. They have put talented people in place and given them the go-ahead and resources to make change.

They have a division within the bank that focuses on women business owners and educating the front-line bankers about this market. Vanessa Freytag, Director for Women Entrepreneur Initiatives, is recognized as one of the strong voices for change within the bank itself and has taken a leadership role in advocacy outside the bank. It was through Vanessa that the bank became aware of Capital Across America. (Having just raised the funds for our company I can personally attest to the importance to having someone within the bank that understands the issues.)

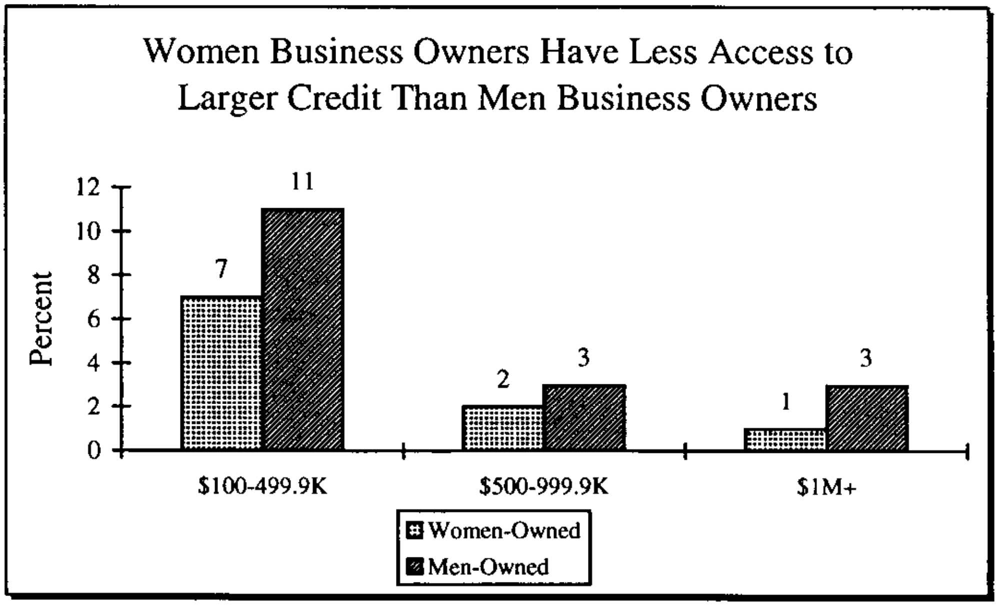
Banc One has a very strong Community Development Corporation and it was through the CDC that they made the investment in Capital Across America. Lynn Gellermann, Chair of the bank's Small Business Investment Committee, spearheaded the CDC's investment in our fund and now serves on our Board of Directors. We are grateful to have Lynn; he is a valuable resource and becoming a known advocate for access to capital for small business.

With Banc One' people and commitment to Capital Across America, we can continue our good work in the areas now served by First Chicago. As CEO, it is my desire to add more geographic markets to our marketing plan. Our SBIC license allows us to expand into areas where we have investor partners. The merger with First Chicago opens up new markets for us and we are excited about the possibility to serve such cities as Chicago, Detroit, and Indianapolis - cities teaming with women-owned companies.

Let me address why it is important to reach more women and why it is important to offer a financial product that provides growth capital in the range of $250,000 to $1,500,000.

SBA estimates that over one-third of all U.S. businesses are women-owned.[1] Data from the U.S. Bureau of the Census indicate that women-owned businesses numbered nearly 8 million in 1996, generated almost $2.3 trillion in sales, and employed 18.5 million people, *i.e.*, 1 in every 4 American workers[2] or 35% more American workers than Fortune 500 companies employed worldwide.[3] Furthermore, women-owned businesses are growing in number faster than overall U.S. businesses—by nearly two to one.[4] By the year 2000, SBA estimates that women-owned businesses will represent half of all businesses in the United States,[5] which is a substantial increase from the current level of one-third. Thus, the impact of women-owned businesses on the economy is expected to continue to grow significantly.

With such a large, diverse group of women-owned companies, one would expect investors to be aggressively offering to fund them. Yet, the National Women's Business Council reported that "the foremost barrier women perceived was that of access to capital."[6]



Source: *See* NFWBO, CAPITAL, CREDIT AND FINANCING: COMPARING WOMEN AND MEN BUSINESS OWNERS' SOURCES AND USES OF CAPITAL 15 (1996).

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[1] House Subcommittee on Small Business, *Small Business Facts*, Web site (updated July 31, 1996) [hereinafter cited as *Small Business Facts*].

[2] NFWBO, KEY FACTS: U.S. WOMEN-OWNED BUSINESSES (undated) [hereinafter cited as KEY FACTS].

[3] INTERAGENCY COMM. ON WOMEN'S BUS. INITIATIVES, EXPANDING BUSINESS OPPORTUNITIES FOR WOMEN 2 (1996), citing WOMEN-OWNED BUSINESSES: BREAKING THE BOUNDARIES (1995).

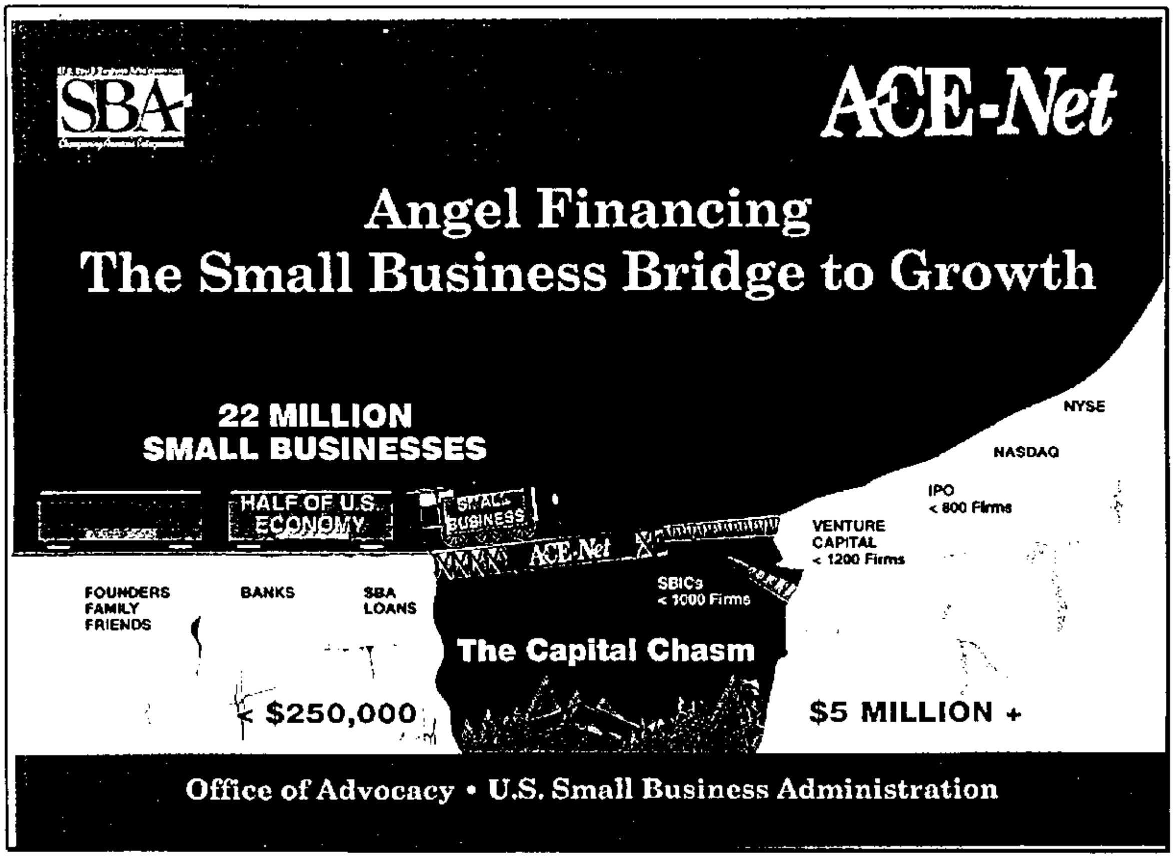
[4] KEY FACTS.

[5] *Small Business Facts*.

[6] NATIONAL WOMEN'S BUS. COUNCIL, 1992 ANNUAL REPORT TO THE PRESIDENT AND CONGRESS, EXECUTIVE SUMMARY 1 (1992).

The above graph highlights the disparity of access to *credit* between women-owned and men-owned firms relative to the level of credit available to them. These statistics provide a compelling case for the need to establish financial vehicles targeted to women-owned businesses in a financial range they need. Capital Across America is doing just that.

On the issue of access to *capital*, institutional venture capital funds have not been responsive to women. In 1995, their average investment was $6,800,000,[7] far more than the need of the typical women business owner.



SBA's own statistics indicate the existence of what is termed "The Capital Chasm," *i.e.*, the financial range between $250,000 and $5,000,000. This is the critical range for women business owners. Women business owners desperately need financing in the $250,000 to $1,500,000 range. This is what I term "the women-friendly financial range."

The SBIC Program has been more responsive to small businesses by offering lower dollar investments. The problem with the SBIC program in the past is that less

[7] OFFICE OF ADVOCACY, U.S. SMALL BUSINESS ADMINISTRATION, THE PROCESS AND ANALYSIS BEHIND ACE-*NET* 4 (1996) [hereinafter cited as ACE-*NET* PROCESS AND ANALYSIS].

than 1% of the money has gone to women-owned firms. This statistic has given rise to SBICs such as Capital Across America that targets women entrepreneurs.

Capital Across America is already making a difference. We have made investments in the $400,000 to $500,000 ranges to companies founded, owned, and controlled by women. We are poised to deploy over $25 million in phase one with the intent to raise more capital in phase two as we expand our geographic market area.

Summary

On behalf of Capital Across America and as an advocate for access to capital for women, I fully support the pending merger. Women-owned businesses are a major component of the American economy, and their impact on the economy is increasing every year. But women need access to growth capital that is not readily available to them through traditional bank products. Banc One has recognized and addressed this need with money, talent, and resources. Now, together we can expand our area of impact with the pending merger. It is in the best interest of all parties and overall continued economic growth to have Banc One and Capital Across America investing money in this dynamic area of the country.

17

Community Investment Corporation

222 South Riverside Plaza, Suite 2200 Chicago, IL 60606 312/258-0070 Fax: 312/258-8888
(on Canal between Jackson and Adams)

July 29, 1998

Mr. Philip Jackson
Director of Applications
Federal Reserve Bank of Chicago
230 South LaSalle Street
Chicago, Illinois 60604-1413

Dear Mr. Jackson:

Community Investment Corporation is a not-for-profit mortgage banking firm with a $500 million revolving loan program funded by 53 Chicago area banks and S & L's plus Fannie Mae, People Gas and the United Methodist Pension Fund. Attached are some press articles amplifying on our past achievements and new initiatives announced at the July 7th reception hosted at the Federal Reserve Bank of Chicago.

I am writing in support of the proposal merger of First Chicago/NBD and Bank One. I support this for the following reasons:

- In today's world of bank mergers, the proposed merger is very important in strengthening the midwest region and in assuring that the banking and lending needs of midwesterners will be met over the long term.

- First Chicago has been <u>the</u> key neighborhood lending banking player in the Chicago metro area, not only in its positive direct lending but also in its leadership in fostering the growth and development of Chicago area groups.

- In earlier mergers, First National with American National, Gary-Wheaton, NBD & others, the end result has been continuing and increased neighborhood commitment and leadership, not only in Chicago, but also in suburban areas and industrial towns.

- First Chicago/NBD's leadership and support has been key in CIC's evloution and growth, including our new Flex Fund which permits CIC to reach out to stimulate sound rehab loans that go beyond standard bank terms, sucl as appraised value constraints in appraisal gap areas.

Community Investment Corporation

- In December of 1998, First Chicago extended their $129 million pledge to CIC's revolving loan pool through 2010 with $25.8 million of this to Flex Fund loans.

- In addition, First Chicago is the lead lender on our $30 million construction period line of credit (with 4 other banks.)

- In 1998 First Chicago provided an innovative $3.6 million fronting letter of credit with CIC to St. Edmunds for a tax exempt bond deal (6 buildings).

- Senior and specialized staff have in numerous ways given direction and vision to CIC's evolution , including CIC's loan committee and board of directors. SVP John Timmer is currently Vice Chairman of CIC's board and Chairman of our Performance and Credit Review Committee.

- In November, 1997 First Chicago hosted the meeting for CIC's 53 investors to move forward the successful campaign to extend our $520 million loan pool to 2010 with 20% for the Flex Fund. Their early pledge extension helped lead in getting other banks to renew.

Bank One plays a lesser role in Chicago but they have extended the $1 million commitment to CIC of a bank they purchased. We requested no additional funds, only the extension they provided. They subsequently provided staff support to CIC's loan committee.

The prime neighborhood lending issues in Chicago relate to getting bank money out to neighborhoods and also to building up the capacity of neighborhood based developers. Based on the past records of these banks prior to and after mergers, I am confident that the merged bank will continue to play <u>the</u> leadership role.

Therefore I support approval of the merger.

Sincerely,

John Pritscher

John Pritscher
President

sak-JP728

cc: John Timmer, First Chicago
Ed Jacob, First Chicago
David Price, Bank One

Attachment

17

Paul A. Stradtman Construction Co., Inc.

21819 Royalton Road P.O. Box 360260 Strongsville, Ohio 44136

(440) 238-2592 FAX (440) 238-2539

August 4, 1998

VIA FAX 614-248-9552
AND FEDERAL EXPRESS

Mr. Joseph A. Giampapa, Esq.
OH 1-0158
Banc One Corporation
100 East Broad Street
Columbus, Ohio 43271-0158

Dear Mr. Giampapa:

I have received your letter in response to my correspondence to Julia Johnson dated July 22, 1998. We appreciate your review of the issues raised by my letter, but it appears that the purpose of the letter has been overlooked.

The relentless collection methods and the scorched earth policy being followed by Terry Sanford and the outside counsel representing Bank One against our business is what is at issue. The letter was an appeal for someone in the policy making area of the bank to review our situation and hopefully intervene on our behalf.

Contrary to your statement, I want to say that Paul A. Stradtman Construction, Inc. ("PASCO") always has and is honoring its commitment to Bank One. This fact is evidenced by the uninterrupted payment history over the preceding 80 months, which totals $1,442,742.50 in principal and interest.

PASCO's financial performance was severely impacted by three very bad municipal sewer projects undertaken during the 1995-1996 construction seasons. All of which we subsequently completed and were accepted by the municipalities. In spite of the severe losses incurred on these jobs, PASCO has and continues to live up to commitments to Bank One to retire the subject indebtedness.

I would like to point out, once again, that PASCO began repayment of the $400,000 line of credit on its own volition at the rate of $10,000 per month plus interest before Bank One demanded repayment in full. The obligation was reduced from the original $400,000 to $190,000 between February 1997 and July 1998, a period of 18 months. All of the payments included interest accrued to date on the outstanding balance. Although you stated that we have failed to yield a satisfactory repayment of debt, we feel we have made considerable progress.

In order to reassure the bank of our intent and ability to repay our obligation, we offered to Mr. Sanford, in addition to the collateral already held by the bank consisting of $2,000,000 of construction equipment, a life insurance policy of $300,000 on Mr. Stradtman, and our personal guarantees:

- To provide Bank One with a second mortgage on a piece of industrial real estate valued at over $3,000,000.

- Or, a second mortgage on a piece of land zoned multifamily valued at approximately $1,000,000.

Our only request to Bank One through Mr. Sanford, was that PASCO be permitted to repay the line through the normal course of business at a rate of $10,000 per month and interest until paid in full.

Mr. Sanford refused all our offers to further secure the bank's position, demanded immediate repayment and, once again, pushed forward with legal action.

The balance on the loan is a company obligation. The company is not able to repay the $190,000 demanded at this time. The company has been hindered in securing a new banking relationship for a number of reasons. One of those reasons is the ongoing legal actions taken by Bank One against PASCO, and Paul and I personally, in their demand for immediate repayment.

We are currently using personal assets for working capital until the company is strong enough to run on its own. Large amounts of working capital are required to fund our construction projects before cash flow begins. To repay the obligation from personal funds would leave us unable to meet the day to day operating needs of the company.

We have good jobs in progress with almost all equipment working on job sites. Our volume is ahead of last year. We have every reason to expect a good year. For the bank to take the equipment, in lieu of our offers of additional security, would be disastrous for our company and the developers for whom we are working. It would mean the loss of jobs for our twenty-four employees most of whom are highly paid Local 18 Operating Engineers and Local 860 Laborers, many of whom have been with the company since it started in business in 1980.

We appreciate your commiseration with the unfortunate circumstances in which we find ourselves, but what we do not understand is why Bank One has chosen to relentlessly pursue the liquidation of PASCO's construction equipment and the ultimate destruction of the construction company and the life's work of its owners, when:

- Bank One holds $2,000,000 in construction equipment as collateral for a $190,000 obligation.
- The original $400,000 obligation has been reduced every month since February 1997 by at least $10,000 per month plus interest from the operating proceeds of the business ($210,000 in 18 months).
- PASCO's original business checking accounts both general and payroll are with Bank One as they have been for over 18 years.
- Bank One is collecting interest every month on the declining balance.
- PASCO is paying fringe benefits to union welfare funds administered by Bank One.

In spite of what Mr. Sanford says, PASCO by its actions, has demonstrated integrity, commitment, and its intent and ability to meet obligations under extremely difficult and adverse conditions. It would seem that these should be desirable qualities in a human or business relationship.

PASCO is asking only for consideration that is totally within the power of the policy makers of Bank One to **grant that the company be permitted to continue to repay the remaining balance of the line of credit of $190,000 at the rate of $10,000 per month plus interest until paid in full.**

Sincerely,

PAUL A. STRADTMAN CONSTRUCTION, INC.

Nancy A. Hain, Secretary/Treasurer
aka Nancy A. Stradtman

NAH:so

cc: Ms. Julia Johnson, Senior Vice President, Community Reinvestment - OH1-0155.

NADINE HAYWARD
20 Foresters Lane
Springfield, IL 62704
(217) 698-1517

August 12, 1998

Federal Reserve Bank of Chicago
C/o Ms. Alicia Williams
Vice President Community Affairs
230 S. LaSalle St.
Chicago, IL 60604

RE: Testimony of Ms. Nadine Hayward in the negative, regarding the proposed Merger of Banc One Corporation and First Chicago NBD.

Dear Board of Governors and fellow panel presenters:

Thank you for this opportunity to testify in writing; I work as a medical technician for a group of physicians in Springfield, Illinois and my work schedule has made it difficult to be present for so brief an appearance. I trust my comments will not be discounted because I am unable to be present in person to testify.

I am not very clear about the role that the Federal Reserve Board plays in regulating banks, but I understand the issue before you is whether a merger of Bank One and First Chicago Bank should be permitted. I am however very certain of this: that my experience, resulting directly from the prior merger of Springfield Marine Bank and Bank One should not be permitted to happen to anyone else. Unless safeguards are provided or commitments received to avoid my experience than

I suggest this proposed merger must be blocked. Please allow me to explain.

Springfield Marine Bank was the oldest bank in Illinois. Indeed the old Marine Bank proudly displayed Springfield's favorite son, Abraham Lincoln, on its checking account. In 1988 my employers offered me participation in a pension plan and in a profit sharing plan. These plans were entrusted to the Springfield Marine Bank for their administration. I saw these plans as a way to save for my future and my eventual retirement.

I am not sophisticated in these matters, but when the plans were offered to me I obtained the necessary advice to direct the Bank (in writing) as to my investment choices and preferences. I directed the Bank in 1988 to invest all of my money into the stock market. After Springfield Marine Bank was purchased by Bank One someone in the trust department at Bank One, without my written or oral permission, and without my knowledge, switched all my investments from the stock market into a money market account. They just switched it.

I married Mark Hayward in 1997; Mark is more knowledgeable about these things and in reviewing my accounts he noticed the switch. We complained to the local trust office at Bank One. Our complaint fell on deaf ears for some time. Finally, in late 1997 my pension plan investments were switched back into the stock fund from the money market fund. Since then we have been seeking to have the Bank accept responsibility for its actions and to make restitution for improperly investing my monies contrary to my direction.

We read the papers and have become aware that in the years during which my money was invested in money market funds that stocks have doubled and tripled in value and more. Because of the wrongful switch I have missed that opportunity. I have had my retirement monies cut short.

When Mark and I tried to find out exactly what happened the local office would not respond. We were eventually referred to an attorney in Columbus, Ohio, one Ronald Kladder, who took the position on behalf of the Bank that, "Bank One simply is not a fiduciary with respect to the investment of Plan Accounts."

When I began my participation I was advised that the Marine Bank (Bank One's predecessor) would be handling my account; I was instructed to direct the Bank as to my investment preferences; the documents were all on Bank One forms; my direction was to the Bank; and, I had no reason in the world to believe anything other than that the Bank was following my directions. I did not police the Bank's actions and did not notice the switch.

We continue to be told by Bank One, through its attorney, that it is and was *my responsibility* to insure that my pension monies were invested correctly. In effect the Bank blames me for its wrong doing. Why do I pay the Bank trust administrative fees if it is not a fiduciary and it is my responsibility to supervise the investment of my pension monies?

I testify here today not to complain of my individual problem, but in the hopes of sparing someone else this headache and heartache. Mark and I have hired an attorney and continue in our efforts to redress my situation. However, I testify here because I firmly believe that if this proposed merger is permitted the situation will multiply and worsen. As banks and their trust departments are allowed to grow larger and larger, they become more insensitive and non-responsive and it becomes more and more frustrating for working people like me to know that their matters have been properly attended. I am confident that my experience is not unique.

What assurances do working people have from the Federal Reserve Board that Bank One's merger with First Chicago won't result in trust departments that further disclaim being a "fiduciary with respect to investment plan accounts," disavow plain fiduciary responsibilities and outrageously assert that it is the pension participant's own responsibility to see that his or her directions are followed? An even worse fear is that as the trust departments are allowed to get larger and larger that they become more and more adept and sophisticated in averting their responsibilities and wearing their customers down and out by more and more obscure jusifications for not heeding the customer's directions and lawful responsibilities.

I urge that until sufficient and proper safeguards are in place to insure bank customer care and satisfaction that no merger be permitted. Thank you for allowing me to comment on this matter. I trust that this process will be more sensitive to my concerns and inquiries than the Bank has been in responding to my demands regarding my investment losses.

Sincerely,

Nadine Hayward

Ms. Nadine Hayward

Speech for Federal Reserve Board Hearing

My name is Larry Gigerich. I am President of Indianapolis Economic Development Corporation. Previously, I served as Senior Advisor to Mayor Stephen Goldsmith for Economic Development and Workforce Development. Indianapolis Economic Development Corporation is a private sector 501{c}6 organization founded in 1983 to serve the residents and businesses of the Indianapolis region through the creation and retention of good paying jobs, the attraction of capital investment and diversification of our economic base.

The Indianapolis region has enjoyed record economic growth during the past six years. The center city and region have both seen their population grow. Our unemployment rate has dropped from 6.2% to 2.4%, during this period – a thirty-five year low. The downtown area has seen large businesses moving into the business core. Companies such as; Emmis Broadcasting, USA Group, NCAA and Anthem have moved, or will soon move, operations into our downtown area during this period – providing over 3,000 jobs. Other downtown projects, such as: Circle Centre Mall, the Conseco Fieldhouse, Victory Field, White River State Park and the Canal Walk have all been developed during the past six years.

Our suburbs have also experienced tremendous growth. The airport area has been an incredible growth engine for Indianapolis. During the past six years United Airlines, ATA, FedEx and the U.S. Postal Service have added over 5,100 new jobs in the region

Indianapolis' greatest strength may be the public-private partnership philosophy that exists in our community. Dating back to the days of their predecessors, American Fletcher National Bank (Bank One) and Indiana National Bank (NBD-First Chicago) have played an active role in the economic development efforts of Indianapolis. In fact, the banks were among the founding members of Indianapolis Economic Development Corporation some fifteen years ago. From their investments in Circle Centre Mall, Conseco Fieldhouse, numerous amateur sports projects and facilities, the bringing of professional sports to Indianapolis, their investments and lending in the center city, and active participation in efforts to attract new companies to and keep companies in our region.

Throughout the Bank One-First Chicago-NBD merger process, both banks have been keenly aware of the potential economic impact of the merger in our region. Both banks to date have worked very closely with Mayor Stephen Goldsmith and the Indianapolis Economic Development Corporation, to maximize employee retention and growth, investments in the community, utilization of excess property and charitable and economic development contributions in Indianapolis and Central Indiana.

Thank you for your consideration.

18

NADINE HAYWARD

20 Foresters Lane
Springfield, IL 62704
(217) 698-1517

August 12, 1998

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C/o Ms. Alicia Williams
Vice President Community Affairs
230 S. LaSalle St.
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Sincerely,

Nadine Hayward

Ms. Nadine Hayward

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MARSHALL PLAN FOR GARY

2700 Jackson Street, P.O. Box M-541, Gary, Indiana 46401
(219) 880-0118: Office, (219) 886-3690: Fax

August 13, 1998

Summary of Presentation made by Bennie Simmons, Jr., Founder, President and CEO, Marshall Plan for Gary (MPG), at the Federal Reserve Bank of Chicago, related to the Banc One Corporation merger with First Chicago NBD. (Some of the major problems are outlined below):

1. A request that was made by MPG to Bank One, Gary, Indiana, located on 6th Ave. and Broadway, for a copy of its most recent CRA report was questioned by one of its assistant bank managers. I was to told that I would have to speak to the bank manager to obtain the report. I was unable to wait to see the bank manager.

Several days later I went to the Bank One branch located at 53rd and Broadway and made the same request. In response to my request, I was given a report dated April 19, 1995 which covered Bank One branches located in the Indianapolis area which did not include Gary and/or the Northwest Indiana areas. The result being that, to date, I have not been given the information I requested relative to CRA activities by Bank One in Gary, Indiana.

2. Millions of dollars are deposited into Bank One and First Chicago NBD by Gary's city government, the Gary school system, unions, churches, and Gary residents. Those millions of dollars are being used to finance loans in communities outside of Gary.

3. Racial discrimination in lending practices is a reality for most black citizens in Gary. When community leaders and residents protest to the banks in Gary about this discriminatory practice, the bank loan officers and committees render the protests as unwarranted complaints based on their reported CRA activities.

4. The economic blight and disinvestment can be seen between Bank One and First Chicago NBD which are less than two blocks apart. As you can see in the photographs (see Exhibit A), there is nothing but vacant lots, boarded up buildings and a few struggling small businesses located between 8th Ave. and 5th Ave. on Broadway. The economic depravity one block east and one block west of the above-mentioned banks can also be seen in the photographs in Exhibit A.

5. In contrast, looking at the pictures in Exhibit B, which includes pictures of the adjacent communities of Merrillville and Hobart, Indiana, you will see a successful, flourishing business community surrounding Bank One and First Chicago NBD. These banks have invested millions of dollars into these communities in mortgage and business loans, etc.

6. On the first of every month senior citizens in Gary stand in long lines to receive bank services. Bank One has seven (7) teller windows available at the 6th and Broadway branch location, where two (2) large senior citizen residential buildings are located. However, most frequently only two (2) windows are manned with tellers forcing the older citizens to stand in line for much too long a period of time.

7. When First Chicago and NBD merged, the only bank in midtown Gary, on Broadway where there are longstanding successful businesses was closed as a result of the bank merger. The community was angry, disenfranchised and inconvenienced. If this is an indication of the proposed Banc One Corporation and First Chicago NBD merger, then, as a result, the economic depravity of Gary, Indiana will continue to escalate.

In conclusion, given these facts, MPG is requesting that the Federal Reserve System withhold approval of the proposed Banc One Corporation and First Chicago NBD merger until such time that Banc One Corporation has complied with the MPG requests for contractual agreements for financial reinvestment in Gary, Indiana.

MARSHALL PLAN FOR GARY

2700 Jackson Street, P.O. Box M-541, Gary, Indiana 46401
(219) 880-0118: Office, (219) 886-3690: Fax

August 10, 1998

Mr. John B. McCoy
President and CEO
Banc One Corporation
Department H1-0158
100 East Broad Street
Columbus, Ohio 43271

Dear Mr. McCoy:

The Marshall Plan for Gary (MPG) is requesting that Banc One Corporation address the needs of the Gary community and give serious consideration to the MPG's proposal for solutions to the problems that presently exist in Gary, Indiana as it relates to banking.

MPG is requesting that Banc One Corporation:

1. Banc One is presently advertising in its Northwest Indiana branch banks that it has revenues totaling $2 billion dollars available for lending. MPG is asking that $1 billion dollars be designated for lending and community reinvestment projects in the City of Gary over a period of eight years to begin in of 1998.

The $1 billion dollars should be targeted for student loans, mortgage lending, small business loans, franchise loans, and reinvesting dollars back into the community, as well as loans for export/import businesses. Also grants should be given to local community development corporations and for educational scholarships for Gary residents.

2. On the first of every month senior citizens in Gary stand in long lines to receive bank services. Bank One has seven (7) teller windows available at the 6th and Broadway branch location. However, most frequently only two (2) windows are manned with tellers forcing the seniors to stand in line for much too long a period of time. Therefore, we are requesting that you do not close this branch and that during the first of the month all teller windows are manned.

3. We are asking Banc One Corporation to establish a direct working relationship with MPG and designate a Banc One liaison who has the authority to make decisions and to expedite our requests in this document.

4. We are asking Banc One Corporation to collaborate with MPG to negotiate and develop a "second chance scoring system" for those who are disqualified by not scoring high enough under the existing scoring system.

5. We are requesting Banc One Corporation to develop a contract with MPG establishing MPG as the executor/administrator of this lending and reinvestment program. We are also asking the Federal Reserve to monitor all agreements made throughout the contractual period.

We are looking forward to your immediate attention and response to this request.

Sincerely,

Bennie Simmons, Jr.
Founder, President and CEO
Marshall Plan for Gary
2700 Jackson Street
P.O. M-541
Gary, Indiana 46401
(219) 880-0118: Office
(219) 886-3690: Fax

xc: Steven A. Bennett
Verne Istock
Daniel P. Cooney
Joe Barnett
Bank One-Merrillville
Federal Reserve System
President William Clinton

July 9, 1998

Board of Governors of the Federal Reserve System
Attn: Mr. William W. Wiles, Secretary
20th Street and Constitution Avenue
Washington, D.C. 20551

RE: ATTACHED PETITION AND HEARING REQUEST IN OPPOSITON TO BANC ONE CORPORATION'S PROPOSED ACQUISITION OF FIRST CHICAGO NBD AND ITS SUBSIDIARIES AND ALL RELATED APPLICATIONS AND NOTICES

Dear Secretary Wiles and others at the FRB:

On behalf of the Marshall Plan for Gary and its members and affiliates and business owners, attached please find a timely comment opposing and requesting hearings on Banc One Corporation's (Banc One's) proposed acquisition of First Chicago NDB and its banking and non-banking subsidiaries (First Chicago) and all related Applications and notices.

Banks are Billion Dollar corporations! Banks take billions of dollars of deposits from African Americans, Hispanics and poor people who live in the inner cities. They take deposits every week from churches in these cities and use that money to lend to businesses outside their neighborhoods and cities where, African Americans, Hispanics and poor people live. Our money is used to build other communities. Those businesses attract these consumers out of their neighborhoods and/or cities to buy merchandise not sold in their areas.

Businesses say they cannot locate in these neglected communities because there is too much crime. But Walgreens, medical centers, fast foods, liquor stores are all successful businesses which operate in these communities. Grocery stores owned by people from the Middle East, wigs and hair products retail stores owned by Koreans, and also cosmetic nail shops owned by Vietnamese all flourish and make incredible profits in African American, Hispanic and poor communities. While at the same time none of these businesses owners neither live nor shop in the communities where they own and operate these businesses which thrive off of African American, Hispanic and poor consumer dollars. Therefore there is only a one-way flow of revenue; and that is, immediately OUT OF THE COMMUNITIES WITH NO REINVESTMENT BACK INTO THE THESE COMMUNITIES. SO WE NEED BANKS TO LEND MONEY IN OUR AREAS TO THE PEOPLE LIVING IN THE COMMUNITY.

I am fifty years old, my father is seventy-five and we have lived in Gary, Indiana all of our lives. We have not seen banks make business loans to African Americans to enable them to open or expand their businesses on the same basis as they have loaned money to whites. IT'S NOT EVEN CLOSE! Bank One and First Chicago NBD have branches in the most blighted section of the city. Their bank branches are located adjacent to abandoned and burnt out buildings. Their main interest is in collecting money. An example of their insensitivity towards Gary resident is seen at the first of the month when senior citizens stand in long lines where there are six (6) windows available, but only one or two of the windows are manned with tellers.

So our money is not being invested in our community . I'm not necessarily talking about investments in housing developments (even though that is important and should not be neglected). If a person had a successful business or a good job, he could afford to buy a house. What I'm specifically speaking of is banks lending money to start up businesses, franchises, and for expanding existing businesses to minorities who want to or already own and operate businesses in their communities. I am referring to communities such as Gary, Indiana and the west side of Chicago. These are two areas I am very familiar with. They have about the same population, same crime rate and same rate of attrition of people leaving because of lack of available jobs or business opportunities because banks won't lend to help build the community.

Bank One and First Chicago NBD, who make billions of dollars, claim to be doing a great job in cities like Gary, Indiana and communities like the west side of Chicago. But go there and see with your own eyes how business people who have been struggling for years, working hard and can't get a business loan. These fine people who have the spirit of Sam Walton of Wal-Mart can't get integrity loans, and yet they are hard working people.

IT IS TIME that the federal government, regardless of which party, stop rubber stamping these large bank mergers at the expense of the poor and minority people in the inner cities. IT IS TIME that the federal government draw a line in the sand and let the Bank One, First Chicago merger not happen until there is a commitment made to the people of the community and its African American and/or Hispanic minority business owners. We want our concerns heard, addressed and a mutual agreement made before any merger takes place. IT IS TIME to stop all these bank mergers at the expense of the poor community residents and business owners.

Usually before banks merge they consolidate their departments, move their operations to their national or regional headquarters, and as a result minority community people lose jobs. Then after the merger takes place, branches close and more jobs are lost. But isn't it ironic how they maintain a few branches to take our deposits and then lend the money to businesses and homeowners in the suburbs or to downtown areas of big cities like Chicago.

IT IS TIME for the federal government and federal reserve board to call a spade a spade and look at this problem from a logical, realistic, humanistic and moral standpoint. If a city or inner city looks like Europe at the end of World War II and it has been that way for years, and yet there are branch banks operating in these areas what criteria is used to get these banks good CRA ratings? Statistics show that African Americans and other community minorities do not apply for loans. This is because they have been disenfranchised and discouraged by unfair lending practices by the American banking industry for many decades. In order to remedy and address this injustice to minority Americans, before this merger is allowed to happen, Bank One and First Chicago NBD must meet with community groups and the African American and Hispanic minority business owners to make a contractual agreement to determine how much money will be set aside for student loans, mortgage lending, small business loans, franchise loans, and commitments for reinvesting dollars back into the community, as well as loans for export/import businesses. Also, grants should be given to local community development corporations.

Capitalism at its best is all inclusive. During reconstruction African Americans owned 134 banks and many small businesses. These banks loaned money to struggling white farmers. But in order for African Americans and Hispanics to be economically empowered, our government needs the spirit of Presidents Lincoln and Johnson. Let's do for Gary and the West Side of Chicago and other struggling American communities what was done for Europe through the Marshall Plan. The question is what was the outcome of the Marshall Plan? It made Europe a capitalistic democracy and eventually tore down the walls of communism and made this world a better place for life, liberty and the pursuit of happiness.

Sincerely for the progress of our nation,

Bennie Simmons, Jr.
Founder, President and CEO
Marshall Plan for Gary
2700 Jackson Street
P.O. Box M-541
Gary, Indiana 46401
(219) 880-0118: Office
(219) 884-1533: Home
(219) 886-3690: Fax

cc: President William Clinton
Chairman Alan Greenspan

July 9, 1998

The Honorable William Clinton
President
United States of America
1600 Pennsylvania Avenue N.W.
Washington D. C., 20550

Dear President Clinton:

Enclosed is a copy of a protest written to Mr. William W. Wiles, Secretary of the Board of Governors of the Federal Reserve System. We are petitioning you to assist us in our efforts to request a public hearing regarding Banc One Corporation's proposed acquisition of First Chicago NBD and its subsidiaries.

This is a very critical and serious issue for the citizens of Gary, Indiana. Thank you for your interest in the welfare of our community. We are looking forward to hearing from you regarding this matter.

Respectfully,

Bennie Simmons, Jr.
Founder, President and CEO
Marshall Plan for Gary
2700 Jackson Street
P.O. Box M-541
Gary, Indiana 46401
(219) 880-0118: Office
(219) 884-1533: Home
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August 13, 1998

Testimony to the Federal Reserve Board
by Clinton A. Krislov on Behalf of Milea C. Robinson
concerning the FIRST CHICAGO NBD CORP./BANC ONE CORP merger

Introduction/Summary

There is no benefit for consumers in this merger. There is only the elimination of competition and the certainty of increased fee charges and lowered benefits.

Average middle class consumers will be injured by the approval of the proposed merger of First Chicago NBD and Banc One. Banking consumers are witnessing the continued and dramatic shrinking of the number of banks and the concentration of banks, and as a result have less banking choices. The availability of banking choices has been terribly reduced; in the 1940s and 1950s there were over 30,000 banks and now there are just over 9,000 nationwide. In the last six years alone the number of banks has fallen dramatically from just under 12,000 to just over 9,000. Therefore, when people hear about Banc One, unfortunately they are in some places literally served by only one bank.

Because of the reduction in the number of banking choices and the increasing concentration of banks, average banking customers, the middle class, has less consumer options and face increased fees and decreased interest rates.

This merger should be rejected by the board because it fails to meet the standards set forth in the U.S. Antitrust Law, the Bank Holding Company Act, and the Bank Merger Act. This merger will result in a monopoly, lessen competition, in ways that are not "clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served." 12 U.S.C. § 1842(c).

Divestiture plans for Indianapolis branches has not yet been fully disclosed. In the latest press reports there is industry speculation that although the sale of the Indianapolis branches will create the third or fourth largest bank in the area, the sale of the branches will be to a new bank with no local presence, thereby strengthening the merged banks position. See, Eileen Ambrose, 2 Banks Out of Running for NBD Deposits, Assets, The Indianapolis Star, July 15, 1998; Brett Chase, Banc One Indiana Branch Sale Down to A Few Final Bidders, American Banker July 29, 1998.

Furthermore, the merging banks have not reveled divestiture plans or addressed the issue facing communities where the merger will essentially create one bank towns in Illinois. Entire elimination of the only competition between banks will be the result if this Board approves the merger. Overlap of branches created by this merger that has not been addressed for Northern Indian or for Illinois, specifically in Chicago, northern Cook county, and the collar counties.

Lastly, because banking is local[1], the board should examine the relevant markets of this merger in the context of the impact of the merger; that is, local areas and neighborhoods rather than solely by state, city, or county boundaries.

The following testimony is made on behalf of a First Chicago NBD Corp. customer, Milea C. Robinson, and is based upon a complaint filed in Federal Court[2], but voluntarily dismissed, pending the decision of this body and the other governmental agencies entrusted to enforce the Bank Holding Act, The Bank Merger Act, and the U.S. Antitrust Laws. Our comment and complaint (filed as an exhibit with our comment to the Board) is incorporated to our testimony by reference.

I. The Basis for Opposition

We oppose the First Chicago/NBD Corp. - Banc One Corp. merger because it violates federal antitrust laws under the Sherman Act, 15 U.S.C. § 1 et. al., the Bank Merger Act of 1966, §12 U.S.C. 1828, and The Bank Holding Company Act, § 12 U.S.C. 1841 et. al. by a direct and immediate lessening of competition among banks in the two banks' present markets.

<u>The Merging Banks</u>

First Chicago NBD Corp. (First Chicago) is a Bank Holding Company and is a Delaware Corporation, with its principal executive offices in Chicago, Illinois. First Chicago transacts business in hundreds of cities in Illinois, Indiana, Delaware, New York, Michigan, and Florida. Banc One Corp. is a Bank Holding Company and is an Ohio corporation, with its principal executive office in Columbus, Ohio. Banc One Corp. (Banc One) transacts business in hundreds of cities in Illinois, Indiana, Ohio, Arizona, Colorado, Kentucky, Louisiana, Oklahoma, Texas,

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[1]In this testimony and in our previous filings it has been demonstrated that banking customers on average only travel 2 to 5 miles for their banking needs.

[2]This testimony is based upon Ms. Robinson's complaint previously filed, but voluntarily dismissed in favor of this comment, as the one available forum for the challenge (attached and incorporated by reference) and in response to the merger application on file with this body.

usual interest charges. Very recently, First Chicago reported record profits "as gains in the bank's fee income offset declines in loan income." See, First Chicago profits rise 8%, Chicago Sun Times, July 14, 1998, at 49.

Similarly, Banc One reported increasing its return on equity to above 20%. Although its net interest margins decreased from 5.53 to 5.36%, fee based business revenues increased to nearly one-third of all revenues. See, Moyer, Fee Income Drove Surge in Profits At biggest Banks in First Quarter, 163 American Banker No. 101, May 29, 1998, at 1.

Monopoly Power of the Merged Bank

This merger will immediately, directly, and substantially lessen competition and/or tend to create a monopoly in which the new bank will have and will exercise a monopoly power in the Illinois; Indianapolis, Indiana, and other cities banking markets in the Midwest. The merged banks as a result of the lessened competition created by the monopoly and the concentrated market cause substantial fee increases for banking services such as ATM use, checking, human teller transaction, and other transactions. This is a major concern because these two banks are the major consumer banks in Illinois and Indiana as leaders in profiting from charging fees rather than interest compensation.

Adverse Impact on Local Banking Consumers

The most recent studies confirm that consumer banking relationships are overwhelming local (within 3 to 5 miles) for both deposit and borrowing, that increased concentration in those local markets results in both lower payments to depositors and higher fees charged consumers in those markets. Has Antitrust Policy in Banking Become Obsolete?, New England Economic Review, Federal Reserve Bank of Boston, March April 1998 (Attached).

The Federal Reserve bank fee report to Congress found that fees are "significantly higher" at multi-state banks (i.e. average fee for stop payment orders were $4 higher for multi-state banks and $3 higher for not sufficient funds checks and overdrafts; annual non-interest checking fees were over $18 higher at large banks compared to small banks.) "Bank fees" can be, but are not limited to, a minimum balance requirement fee; ATM service charge; bounced check fees; fee for interest bearing checking account; account maintenance fee; human teller fee; ATM card fee; deposit item return fee; ATM only fee; early account closure fee; and telephone call center fee.

In the article Has Antitrust Policy in Banking Become Obsolete? the authors address the ability of banks to exercise market power by setting prices. They conclude that banks do exercise market power in pricing market deposits and CDs in their local markets. In fact, they summarize, "banks pay lower deposit interest rates in markets that are more concentrated." Id at 25.

The merger of these banks, and the resulting increased concentration of market power, presents absolutely no benefits to consumers. Rather the merger will result in a limitation on banking services, coupled with power in the remaining banks to levy new and increased fees and other charges. The threat of lessening competition created by the monopoly and the concentrated market power will result in a limitation of banking choices. The combined bank fosters the trend of increased concentration among banks, the continued decline in the number of banks, and fosters an environment of more mega-bank mergers and lessened customer service at greater costs.

In short, we ask that this merger be rejected unless and until the following concern are addressed in a manner that preserves competition.

1. Domination of Relevant Markets, Chicago. The merger is likely to result in the combined bank's ownership of about 32 bank branches in Chicago.

2. Domination of Relevant Markets, Cook County Excluding Chicago. The merger is likely to result in the combined bank's ownership of about 66 bank branches in Cook County, Illinois, excluding Chicago.

3. Domination of Relevant Markets, Collar Counties, Illinois. The merger is likely to result in the combined bank's ownership of about 82 bank branches in the Collar Counties of Illinois (DuPage, McHenry, Kane, Will, and Lake).

4. Domination of Relevant Markets, Indianapolis. The merger is likely to result in the combined bank's ownership of about 80 bank branches in Indianapolis, Indiana.

5. In Indianapolis, Banc One is currently the market leader and First Chicago is third, the combined company would have $5.63 billion in deposits, for a 52% share.

6. Domination of Relevant Markets, Marion County Indiana, Excluding Indianapolis. The merger is likely to result in the combined bank's ownership of about 21 bank branches in Marion County, Indiana excluding Indianapolis.

7. Domination of Relevant Markets, Southern Indiana. The merger is likely to result in the combined bank's ownership of about 29 branches in six southern Indiana counties.

8. Domination of Relevant Markets, Lake County Indiana. The merger is likely to result in the combined bank's ownership of 42 bank branches in Lake County, Indiana (Gary, Indiana).

9. Domination of Relevant Markets, Midwest. The merger is likely to result in the

combined bank's ownership of 2,270 bank branches in the Midwest.

The bank's merger is a violation of the Antitrust laws because within the area of competitive overlap, the effect of the merger on competition will be direct and immediate. The bank's merger is a violation of the Sherman Act, because competition for banking services in Illinois; Indianapolis, Indiana; Lake County Indiana; and other cities banking markets in the Midwest will be eliminated, and, at the very least, "the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly" and threatens injury to all consumers similarly situated.

The merger will not serve consumer interests or promote competition in that small banks may be content to follow the high prices set by the dominant merged bank. The merger will not serve consumer interest's or promote competition and will lessen competition and be use of the monopoly power because banking analysts anticipate that the bank merger will heighten banks ability to cross sell products and cause consumers to purchase bank products that they do not need or want from one bank in order to get the products they have chosen they need or want to purchase. The merger will not serve consumer interests or promote competition and will lessen competition in that bank watchers have reported that their is a lack of banking service in low-income areas. The application for merger should be denied as a violation of the Antitrust laws.

Alternatively, in the event of approval, the board should condition approval upon 1) divestiture of bank branches in each of the relevant markets, not just Indianapolis, including Chicago, and the Chicagoland area; and 2) other protective steps, such as fee freezes to protect consumer over the entire market and fee elimination for customers with multiple bank products.

II. FC/NBD and Banc One application: specific areas of overlap that need to be addressed.

The Banks' application concedes that divestiture is necessary in Indianapolis. However their divestiture plans do not go far enough. The first problem is that in the public version of the application we can not identify who are the potential purchaser of the divested banks. Are the banks going to divest these branches in parts or as a whole? The answer to this question is paramount to evaluating the Indianapolis divestiture plan.

Second, the merging banks have not addressed the serious overlap, monopoly power, and lessening of competition in the rest of Indiana. The Bank's refuse to concede the need for divestiture in all counties outside of Marion County, Indiana, and the Gary and Hammond, Indiana, area. The Board should focus on these areas.

Third, the Chicago relevant market has not been defined with any specificity. There are serious concerns as to the definition of the relevant market to be addressed before approval should be granted by this body. There is an open question as to the actual relevant market in the Chicago area. We assert that this market might include, Elgin or Aurora, Illinois, and a strong case can be made that it should include Gary and Hammond, Indiana.

Although it may seem contradictory, and in consideration to local banking patterns identified in the afore mentioned New England Economic Review article, the relevant market in Chicago may actually be much smaller than the city taken as a whole, and must also reflect the distinctness of each of Chicago's diverse neighborhoods, collar counties, and each or groupings of suburban Cook County. The relevant market should reflect the competition that consumers actually encounter, thus it might be the proper determination to find numerous relevant markets in the Chicagoland area. However the banks do not recognize these nuances of the relevant market in the application. Determination of numerous markets in the Chicagoland area may unveil serious competitive problems to this merger.

There also are various instances of direct overlap in the Chicago suburbs that have not been addressed by the merging banks in the application. Two examples are in Wilmette, Illinois, and in Evanston, Illinois, where the merging banks constitute almost the only major banks in the central business area. In both, the banks have branches directly across the street from each other. Merger of these branches will convert these and possibly some other overlap locations into virtual one bank towns.

III. The issues raised in the complaint, addressed above and incorporated here by reference, and these omissions in the application lead to the conclusion that this merger will cause a lessening of competition, even in light of any divestiture, slight as it is.

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This merger is not merely the effect of deregulation in the industry. In contrast, this Board should recognize, this is a merger of equals and of competitors. The result of the merger is not enhanced distribution of service and economies of scale, but rather a Midwest monopoly of banking services by lessening competition whether or not the banks declare that there is synergy created by the merger.

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STATEMENT OF BESSIE CANNON

Good Morning, my name is Bessie Cannon. I am President of Local 880 of the Service Employees International Union.

I appreciate the opportunity to testify on Banc One's awful record throughout the Midwest. It is terribly unfortunate that the Federal Reserve is not holding hearings in more than one city. Millions of Americans cannot possibly be represented at one hearing to give input on a merger that will affect citizens from Canada to the Gulf of Mexico. And if anyone has the resources to hold hearings in every city affected by this merger, it is the Federal Reserve.

One thing is clear about both Banc One and First Chicago/NBD: they are first—first of the worst! In Denver, Detroit and Milwaukee minorities were rejected much more frequently than white applicants for every kind of housing loan that the bank makes. Even more troubling, it appears that Bank One routinely steers minorities to more costly and inferior subprime loans.

In Denver, Banc One received no applications from either African Americans or Latinos for conventional mortgages in 1996. Not a single application. In 1995 it took only six applications from either African Americans or Latinos.

Moreover, this is not because Denver is a predominantly white city. Indeed, the <u>majority</u> of the residents of the city of Denver are now members of racial minorities.

Nor is it because the minority population of Denver is so poor that they can't afford to buy homes. Over half of Denver's minority households are homeowners.

The reason that Bank One gets no home loans applications from minorities in Denver is because Bank One doesn't market to minority communities! Instead, Bank One pumps credit into the very whitest parts of Denver like it was water. In 1996, more than forty percent of Bank One's mortgage loans were made to neighborhoods where more than 90% of the residents are white. An additional 40% of the bank's loans went to neighborhoods where whites make up between seventy and ninety percent of the population.

Just 2% of its mortgages were made to neighborhoods where over half the population is non-white. And since the data shows that the bank made no loans to Latinos or Blacks that year, we know that the 2% of the loans that did go to our neighborhoods did not go to us!

In Detroit, First Chicago/NBD's performance is similar but even more sinister given the size of the African American population there. Although the city of Detroit is over 70% Black and the entire metro area is twenty-two percent Black, in 1996 NBD took only two percent of its applications from Blacks. The bank took ninety-three percent of its applications from whites!

In real terms, this means that African Americans are eleven times more likely to reside in Detroit than in First Chicago/NBD's applicant pool.

While there were few applications from minorities, the few that did apply were rejected more frequently than white applicants. African Americans were rejected nearly forty

2[0]

percent more frequently. Incredibly, this disparity widens for the wealthiest minority applicants. Upper income African Americans were rejected twice as frequently as upper income white applicants.

In Milwaukee, Banc One has aggressively pushed its home improvement lending and refinance loans while ignoring conventional mortgages. But with Bank One we find that no matter what type of home loan we look at the pattern is the same: African American applicants are rejected many times more frequently than whites! African Americans were rejected three times more frequently than white applicants for refinance and home improvement loans in 1996.

The rejection disparities for African Americans applying for home mortgages got worse between 1995 and 1996. In 1995, three times as many African Americans were denied mortgages as whites. By 1996, that figure had risen to five times as frequently. These numbers are appalling and represent some of Banc One's worst performance anywhere in America.

Last time I looked, racial discrimination is still against the law in our country. And when a multibillion dollar bank like Bank One breaks the law and denies people access to credit on the basis of their skin color, they should be punished—not rewarded. It is time for the Federal Reserve Board to punish Bank One. It is time for the Federal Reserve to Just Say NO.

Thank YOU.

STATEMENT OF CORA COLEMAN, LOCAL 880, SERVICE EMPLOYEES INTERNATIONAL UNION—CHICAGO, IL.

Good Morning. My name is Cora Coleman and I am a Board Member of Local 880 of the Service Employees International Union. I am here to talk about what things could be like for minorities here in Chicago when Banc One takes over the local control of First Chicago.

If its anything like what went on in Akron, Ohio, it could get ugly.

In the early nineties, Banc One took over the local Central Trust in Akron. Soon after, minority job applicants filed employment discrimination complaints with the Department of Labor. After a two year investigation, the Department found that 31 qualified minority job applicants were unfairly turned down for jobs at Banc One – a clear cut case of employment discrimination.

For five years, Banc One fought the Department of Labor's attempts to reform the banks hiring practices. Finally, just last year, the bank was forced to hire 12 of the complainants and to provide financial compensation to those minority applicants it had refused to hire.

First Chicago/NBD is a larger operation than Central Trust, and squeezing the two companies together is going to involve all sorts of job changes. All sorts of chances for Banc One's record in the lending office of turning down minority applicants to come shining out in the job interview.

We know the Federal Reserve is not sympathetic to this issue, since they themselves are facing a large class action lawsuit from its minority employees. But Banc One should be careful, because we will be watching, with our trial lawyers.

Bank One also has violated lending discrimination laws. In March of this year, Bank One Mortgage Corporation signed a lending discrimination settlement with HUD after the Fort Worth Human Relations Commission filed fair lending complaints. They found that Bank One offered African Americans and Latinos loans at worse terms than offered to Whites by steering them to inferior and more expensive products than their conventional loan product. As a result of this case, Bank One Mortgage committed to provide $10 million in mortgages to low and moderate income and minority borrowers.

This pattern of discrimination continued in Arizona where Bank One recently settled a case with the Attorney General by agreeing to provide $5 million in mortgages to low and moderate income residents of Yuma county. This agreement came only after the State investigated complaints from five Latino families who claimed they were denied mortgages because of their ethnicity. Bank One denied these claims citing internal processing problems. One family said they received the run around from Banc One Mortgage until their application was delayed long enough that they lost their house to another buyer. When a second attempt with Banc One Mortgage met similar delays, they took their application to another bank and were approved within a week.

In another instance that is strikingly similar to the Phoenix example, a Dallas homeowner, who applied for a Banc One home improvement loan in 1996, cannot get his loan processed or even his application rejected. This practice of deterring applications of prospective minority borrowers at the outset helps understate the minority rejection rates.

These cases indicate a pattern of discrimination through a series of delays and deceptions that help BancOne pad their HMDA reporting.

They also show us that under the threat of a lawsuit, Banc One seems able to provide alternative financing to meet the needs of low-income and minority borrowers.

Banc One clearly has a problem when it comes to serving the banking and employment needs of African Americans and Latinos. They don't seem to understand that discrimination is against the law.

The burning issue of today is: Does the Federal Reserve Board understand that discrimination is against the law? Does the Federal Reserve Board have the guts to finally say NO to a renegade like Banc One? On behalf of my Union's 10,000 members, I implore you to do the right thing.

Thank you.

8/10/98

To: The Federal Reserve Board --

My Name is Helen Newman I oppose the Bank One / First Chicago merger. If they dont cooperate with the people they shouldn't be there. They have not made mortgage loans to African-Americans or Latinos in 1996. I urge you to oppose the merger.

Helen Newman
5731 Shields Pl
Denver Colo 80207

Aug 10, 1998

To the Federal Reserve,

I Evenyln Robinson, I'm opposing the Banc One merger with First Chicago because there not support the community with home loans or mortgages.

Evelyn Robinson
4163 Madison St
Denver, Colo 80216

8/10/98

To whom it may concern,

If has if Bank One is nat given it proper respect to the minoriti of the Park Hill area. So i has if they sould not Mearce with other banks

Jo Jessie Hapkins
3238 Clayton
Denver, CO

8-10-98

To Fedreal Resere:

I am writting you to tell you that bancone give me the run around today and they also lie about helping me they talked to me in ~~riddle~~ riddles. and what I hear on the radio ~~was~~ was not what I lear on the phone. and this is why I am pposeing to the meirger between bancone nd First ~~Chic~~ ~~Cheahgo~~ Chicgo.

Betty Soltenberry
12281 E. 4rd Ave

In 1995 applied over the phone for a home improvement loan with Bank One. As tho radio ad said I was told in 24 hrs my loan would be finalized but it took 72 hours for then to turn me down saying my credit report wouldn't allow then to give me the loan the very next month I got a loan with my credit union.

Sandra Sewell
3290 [illegible]
Denver, Co 80[illegible]

Alicia Williams
Vice President and Community Affairs Officer
Consumer and Community Affairs Division
Federal Reserve Chicago
230 S. La Salle St.
Chicago, I L

Dear Ms. Williams:

I am aware of the despairing news that Bank One has been very prejudice toward African American and Latino people in our state of Colorado, as well as in different parts of our country. It is a shame, that because of racism, people have been refused a home loan.

Because of Bank One's history of denying loans to people based on the color of their skin, I am opposed to the merger between Bank One and First Chicago Bank.

We, as all people, have the right to a chance to raise a family in a house to be proud of, a home where children can grow and learn, and in neighborhoods where local businesses support investment in community development.

Until Bank One acknowledges the significance of African American and Latino families, as well as other ethnic people, as an essential part of our society, I will not support this merger. Until Bank one shows respect and concern for our communities, I cannot support this merger. When Bank One puts into practice and policy fairness to all people coming through their door and shows they are making progress, I will support this merger. Until then, I believe Bank One does not deserve the benefits of what a merger can bring.

I strongly urge that you, too, follow your conscience and do not support the merger between Bank One and First Chicago Bank.

Sincerely,

José Jurado

To whom it may concerns
I Alfred Gonzales I'am opposed to
merger between Bank One and
1st Chicago Bank. Because Bank One
is Descrimanting against my Communty.

Alfred S Gonzales
3501 Cook
Denver, CO 80205

Testimony of Walter L. Ellis
Executive Director, United Affirmative Action Development Corporation
August 13, 1998
Federal Reserve Board
Chicago, Illinois

In re: Merger of Bank One and First Chicago

LADIES AND GENTLEMEN. MY NAME IS WALTER ELLIS. I AM THE DIRECTOR OF AN EMERGENT NOT-FOR-PROFIT ORGANIZATION KNOWN AS THE UNITED AFFIRMATIVE ACTION DEVELOPMENT CORPORATION.

IN 1995 UAAD BEGAN NEGOTIATIONS WITH THE THEN PREMIER BANK IN RUSTON, AND BATON ROUGE, LA. TOWARD EXPANDING BANKING OPPORTUNITIES FOR UNDER SERVED COMMUNITIES. THE DISCUSSIONS SPECIFICALLY FOCUSED UPON CREATING MORE

EMPLOYMENT OPPORTUNITIES FOR AFRICAN AMERICANS WITHIN THE BANK, AND MAKING MORE LOAN CAPITAL AVAILABLE TO SUPPORT AFRICAN AMERICAN ENTREPRENEURSHIP.

THE APPROACH OF UAAD WAS THEN AND CONTINUES TO BE PREDICATED UPON THE NOTION THAT INNER COMMUNITY ECONOMIC DEVELOPMENT AND JOB OPPORTUNITY IN THOSE SAME COMMUNITIES ARE INEXTRICABLY INTERWOVEN.

BECAUSE >60% OF ALL NEW JOB OPPORTUNITIES ARE CREATED BY ENTERPRISES EMPLOYING 20 PERSONS OR LESS AND BECAUSE THESE SAME SIZE ENTERPRISES ALSO GENERATE >65% OF THE ENTIRE

GROSS DOMESTIC PRODUCT (GDP), IT IS VIEWED BY UAAD THAT MANY SOCIO-, POLITICO-, AND ECONOMIC ILLS WITHIN THESE COMMUNITIES ARE ADDRESSED BY FOSTERING COMMUNITY ECONOMIC DEVELOPMENT. CERTAINLY A COMMUNITY, SUCH AS THE GREATER GRAMBLING-RUSTON AREA, WHERE UNEMPLOYMENT REMAINS TWO TO THREE TIMES STATE AND NATIONAL AVERAGES, THERE IS SIMPLY A DEARTH OF SMALL BUSINESS DEVELOPMENT, THUS NO NEW JOB OPPORTUNITIES COMING ON LINE. INSTEAD WHAT EXISTS DISPROPORTIONATELY ARE PARASITES FEEDING UPON ONE ANOTHER, STRUGGLING TO FIND NEW HOSTS. CONDITIONS WITHIN SUCH COMMUNITIES CAN ONLY PROVIDE A STATISTICALLY RICH NIGHTMARE OF DESPAIR,

SUBSTANCE DEPENDANCY, ASSOCIATED CRIME, LOW MORALE AND LITTLE SELF-ESTEEM.

THUS, DISCUSSION WITH PREMIER BANK BEGAN HERE, RAISING THE ISSUE OF WHETHER IT WAS MEETING THE NEEDS OF GRAMBLING, CLEARLY AN UNDER SERVED COMMUNITY. DISCUSSIONS CONTINUED OVER A PERIOD OF MONTHS WITH UAAD AND PREMIER BANK ATTEMPTING EFFECT AN AGREEMENT THAT WOULD RESULT IN A CONSULTANT RELATIONSHIP WHEREIN PREMIER WOULD PROVIDE CAPITAL FOR COMMERCIAL LOANS, CREATE AN INTERNSHIP PROGRAM FOR GRAMBLING UNIVERSITY STUDENTS AND GRADUATES, AND UAAD WOULD ASSIST IN PROVIDING APPLICANTS FOR EACH.

THROUGH THE COURSE OF EVENTS, UAAD WORKED WITH GRAMBLING UNIVERSITY AND COMMUNITY OFFICIALS TOWARD BRINGING THE INTERNSHIP PROGRAM TO FRUITION. FOLLOWING WHAT INITIALLY APPEARED TO BE ENTHUSIASTIC INTEREST, THE BANK BEGAN TO STONE WALL UNDER THE PRETEXT OF ITS ACQUISITION BY BANK ONE, SUBSEQUENTLY BREAKING OFF ALL DISCUSSION.

DURING THIS SAME PERIOD UAAD ALSO PRESENTED TO WHAT HAS BECOME BANK ONE OF LOUISIANA SEVERAL COMMERCIAL LOAN APPLICATIONS. NONE OF THESE, AT LEAST ONE OF WHICH HAS BEEN PENDING MORE THAN A YEAR, HAVE BEEN FUNDED, NOR HAS ADVERSE ACTION BEEN TAKEN UPON THEM.

THOUGH BANK ONE ACKNOWLEDGES AN AGREEMENT BETWEEN PREMIER, ITS PREDECESSOR IN INTEREST, AND UAAD, IT NOW ASSERTS THAT IT, BANK ONE, IS NOT BOUND BY THIS AGREEMENT, REFUSING TO HONOR SAME.

IT APPEARS NOW THAT BANK ONE, FIRST, IN ANTICIPATION OF THE PREMIER BANK ACQUISITION, THEN THE FIRST CHICAGO MERGER, CONTINUED DISENGENUOUS DIALOGUE WITH UAAD TO MINIMIZE THE POSSIBILITY OF UAAD FILING A COMPLAINT PURSUANT TO THE COMMUNITY REINVESTMENT ACT OR EXISTING FDIC OR FEDERAL RESERVE REGULATION. I THEREFORE RESPECTFULLY REQUEST THAT MY TESTIMONY BE MADE PART OF THE RECORD

OF THESE PROCEEDINGS, AND THAT FEDERAL RESERVE APPROVAL OF THE SUBJECT MERGER WITH FIRST CHICAGO BE WITHHELD UNTIL SUCH TIME AS A COMPLETE AND THOROUGH AUDIT OF BANK ONE'S COMPLIANCE WITH THE SPIRIT AND LETTER OF THE RELEVANT ACTS AND REGULATIONS GOVERNING ITS BEHAVIOR IN AFRICAN AMERICAN COMMUNITIES THROUGHOUT THE NATION GENERALLY AND IN LOUISIANA PARTICULARLY CAN BE COMPLETED.

FAX

UNITED AFFIRMATIVE ACTION DEVELOPMENT CORP
203 E. 7th Street Perris, CA 92670
(909) 943-3877 [redacted]

TO: Dolores S. Smith
Reserve Bank of Chicago
230 South LaSalle Street
Chicago, ILL 60604

FAX #:312-913-2626

FROM: United Affirmative Action Development Corp (UAAD)
Walter L. Ellis, Executive Director
203 E. 7th Street
Perris, CA 92670
FAX/VOICE: 909-943-3877 Cellular #: 916-296-1680

NUMBER OF PAGES (including coversheet): 24

Ms. Smith:
UAAD's complaint was over night mailed to FDIC Division of Compliance and Consumer Affairs on July 27, 1998. We were not aware of the July 30, 1998 deadline in order that we could appear at the public comment hearing on August 13, 1998. I'm faxing you a summary of our complaint regarding Bank One in hopes that you may allow UAAD to voice its complaint at the August 13, 1998 public comment hearing. You may contact Walter L. Ellis, Executive Director at 909-943-3877(Voice/Fax) or 916-296-1680(cellular).

Thanks,

Walter L. Ellis

Walter L. Ellis

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United Affirmative Action Corporation (UAAD) is a not-for-profit organization, national in its intent and scope. Its purpose, in part, is to address the lack of African American participation in the stream of commerce originated, controlled and maintained by the nation's banks and savings and loans.

UAAD envisions facilitating a working relationship between these financial institutions and the African American community, in a manner workable and beneficial to both. This includes but, is not limited to, the elimination of "redlining" and the increase of commercial and other loans within the African American community.

UAAD is part of a network of organizations and professionals and draws support and expertise from a reservoir of talent resources. It is developing an alliance with a national organization, highly regarded for its training techniques and service to the corporate community. Thus, UAAD contemplates that an aspect of its overall mission will include creating comprehensive effort designed to result in significant numbers of African Americans gaining professional employment in the banking industry. A partnership among UAAD, Premier (Bank One) and Grambling State University is contemplated to facilitate such.

Other aspects of the UAAD mission shall be revealed and discussed as circumstances warrant, on a need to know basis. For additional information please contact Walter L. Ellis at (800) 772-9503. Forward all correspondence to:

United Affirmative Action Development Corporation
203 E. 7th Street
Perris, CA 92570

MEMORANDUM

July 10, 1998

RE: Mr. Nathan Thorton

1. Introduced approximately December 1 - 5, 1995 - talked several time on the phone
2. Met Baton Rouge, Premier Bank - 12/95
3. Met several occasions Premier Bank, Baton Rouge, LA - 1996
4. Met social occasions Lafayette, LA with Mr. Locket, Walter Ellis

RE: Bank One

1. Letters from Julie Johnson
2. Letters from Aline Creed
3. Letters from Nathan Thorton
4. Meeting with Mr. Thorton, Mr. Lee James, Mr. Irvin Robins, Walter Ellis
5. Meeting with Ms. Aline Creed, Irvin Robins, Walter Ellis
6. 3 way conversation - Mr. Thorton, Walter Searcy, Walter Ellis
7. Fax from Aline Creed
8. Many letters received by Premier/Bank One
9. Several 3 way conversations - Mr. Thorton, Dr. Lee, Walter Searcy, Walter Ellis
10. Conversations - Dr. Lee and Mr. Killingsworth
11. Conversation between Mr. Killingsworth, Walter Ellis
12. Conversation Between Mr. Thorton's office and Walter Ellis
13. GSU video

PremierBank

L. Bill Molley
Senior Executive Vice Preside

Post Office Box 1511
Baton Rouge, La. 70821-151

504 332 7021

April 17, 1996

Mr. Walter Ellis
United Affirmative Action Development Corp.
P.O. Box 1076
Grambling, LA 71245

Dear Mr. Ellis,

Thank you for bringing your proposal to Premier Bank. We are always interested in better understanding the financial services needed by the people and the businesses in our community.

Regrettably, Premier cannot provide you with the $300,000 you requested which would be used by your organization as a research grant to fund six month's of operating expenses for a needs assessment study.

However, we have begun to explore the possibilities of a business relationship structured on loan referrals made by the United Affirmative Action Development Corporation. At present we are considering what the appropriate fee arrangement might be based on the dollar amount of the loan closed by the bank as a result of a referral. From our initial investigation a sliding scale appears to be the logical method to employ. Under this method the fee would be a percentage that decreases with the size of the loan with a per transaction cap. As I understand it, your clients would not contribute to the cost of the service your organization would be providing and we would not expect to pass the expense onto the borrower. So to determine a price that is economically justified for the Bank, our business loan administration area will need to further evaluate a fee structure using product profitability models.

Please be advised that any business accepted on referral from United Affirmative Action Development Corporation will need to include acknowledgment from the applicant regarding any business arrangements between your organization and the Bank and waiver allowing the Bank to share the applicant's financial information with third parties.

Thank you again for choosing Premier Bank soon to be known as Bank One, Louisiana, National Association. I look forward to hearing more about the activities of your organization from Nathan Thornton and helping to serve the banking needs of your members and clients.

Sincerely,

L. Biff Motley, EVP

c: Julia Johnson
Nathan Thornton
Aline Creed

LBM/jt

Nathan
FYI

Post-it brand fax transmittal [redacted]

Premier Bank Marketing
☒ Compliance
☐ Creative Services Group
☐ Marketing Information and Research
☐ Marketing Management
☐ Product Management
☐ Retail Delivery Systems Management

Date: May 22, 1996

To: Jim Austin

Aline Creed

Regarding: Request for Ag[redacted]

Jim, I need your help in preparing two agreements. On[redacted]eement would be between the bank and an organization that will be referring commercial loan customers to us. [redacted]ave decided to pay the organization 1% of the principal loan amount up to $5,000 per transaction for business ap[redacted]cants brought to us by the organization and the request is granted and closed. I want to be sure the agreement is clear on the following points:

1. We will not pay if the applicant is an existing customer or comes to us directly without intro... organization.
2. We will only pay for closed loans, not for applications or approvals not booked. I am concerned abo... that might pay off immediately, so we may want to say the payment is for the first loan grante..., it does not include subsequent extensions or renewals.
3. We also want to be sure the applicant knows the organization's role in that they are to help prepare the loan proposal and assist the borrower with the process - services for which they will be paid.

The desire for this kind of disclosure to the ultimate borrower and the need to protect the bank regarding financial privacy issues leads to the need for a second agreement. This second agreement would be between the borrower and the organization acknowledging the fee and permitting the sharing of the borrower's financial information between the bank and the organization. If the organization is to operate as planned, they would be obtaining financials, working up proposals and negotiating with the bank on behalf of the applicant. I want to be sure we are covered for both commercial situations and those that may wind up more consumer oriented, so we can pull a credit bureau, discuss the request, begin valuation of collateral, etc. with the organization as well as the applicant. We also want to make sure the applicant knows the organization is not doing him a favor; that it is in fact being paid.

We have two or three requests for credit under this arrangement currently in process, so it is important that we get the first agreement worked up relatively soon, preferably in the next two weeks. Please let me know if this is not possible, so I can make arrangements with outside counsel. If you've got any questions please call me, Chuck Beard or Nathan Thornton. Thanks for your help.

Date: May 22, 1996

To: Jim Austin

From: Aline Creed

RE: Request for Agreements

Jim, I need your help in preparing two agreements. One agreement would be between the bank and an organization that will be referring commercial loan customers to us. We have decided to pay the organization 1% of the principal loan amount up to $5,000 per transaction for business applicants brought to us by the organization and for whom a loan request is granted and closed. I want to be sure the agreement is clear on the following points:

1. We will not pay if the applicant is an existing customer or comes to us directly without introduction by the organization.

2. We will only pay for closed loans, not for applications or approvals not booked. I am concerned about a loan that might pay off immediately, so we may want to say the payment is for the first loan granted, but does not include subsequent extensions or renewals.

3. We also want to be sure the applicant knows the organization's role in that they are to help prepare the loan proposal and assist the borrower with the process - services for which they will be paid.

The desire for this kind of disclosure to the ultimate borrower and the need to protect the bank regarding financial privacy issues leads to the need for a second agreement. This second agreement would be between the borrower and the organization acknowledging the fee and permitting the sharing of the borrower's financial information between the bank and the organization. If the organization is to operate as planned, they would be obtaining financials, working up proposals and negotiating with the bank on behalf of the applicant. I want to be sure we are covered for both commercial situations and those that may wind up more consumer oriented, so we can pull a credit bureau, discuss the request, begin valuation of collateral, etc with the organization as well as the applicant. We also want to make sure the applicant knows the organization is not doing him a favor that it is in fact being paid.

We have two or three requests for credit under this arrangement currently in process, so it is important that we get the first agreement worked up relatively soon, preferably in the next two weeks. Please let me know if this is not possible, so I can make arrangements with outside counsel. If you've got any questions please call me, Chuck Beard or Nathan Thornton. Thanks for your help.

(UAAD received this fax on 5/25/96 @ 10:57 a.m. from 504-332-7295 Gen Bank Group/ Premier Bank Marketing - Compliance)

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July 27, 1998

FDIC
Division of Compliance & Consumer Affairs
Washington, DC 20429-9990

SUBJECT: Failure of BankOne to honor it's commitment under the Rule of CRA Regulation, 1977.

SPECIFIC REQUEST:

1. That the FDIC investigate and direct BankOne to comply with the spirit of the CRA Act of 1977.
2. That the FDIC investigate the conduct of BankOne officers in their negotiations with UAAD/UEDC personnel over a period of two years. UAAD was led to believe that BankOne had good intent to perform under the CRA Act.

CONCLUSION/RECOMMENDATION:

That the FDIC assist UAAD/UEDC to bring BankOne to the negotiating table and ensure the Bank performs in good faith, meeting the credit needs of the Black community, in particular.

Encl Letter to NAACP

cc ACORN-Black Voice
Commentator
NAACP
Nation of Islam
SCLC
OIC of America
Tran-S-outh Development Corp

Affiliated with United Equity Development Corporation - UEDC
2106 Audubon
New Orleans, LA 70119
(916) 296-1680

July 27, 1998

MEMO: Regarding Bank One CRA Official(s)

There are individuals in the banking industry who, with sincere honesty and commitment, have the potential, influence and power to make a difference in the dreams and goals of many people. One such person is Mr. Jerry Killingsworth. Mr. Killingsworth has the power to approve or reject CDC and CRA funding proposals on behalf of BankOne. The CDC and CRA programs are federally regulated programs that required banks to make funds available for loans to qualified individuals, organizations, and businesses that have been historically discriminated against by the banking industry.

In a recent meeting of representatives (July 9, 1998), Tran-S-outh Development Corp, United Affirmative Action Development Corp, and United Equity Development Corp., Mr. Killingsworth, along with Mr. Nathan Thorton represented the interests of BankOne's CDC and CRA investment departments. When questioned about BankOne's intentions and goals relating to community loans and re-investment activities, Mr. Killingsworth provided vague and confusing statements according to Dr. Robert E. Lee, a representative of Tran-S-outh Development Corporation.

Mr. Walter Ellis, founder of UEDC and UAAD, questions the views and statements of Mr. Killingsworth as well as his intentions and actions. Mr. Ellis states that "BankOne must provide a suitable replacement for this individual, so that progress can be made in our efforts to assist African Americans, native Americans, Latinos and all people of color in securing meaningful financial assistance for worthwhile ventures".

Mr. Ellis goes on to encourage the support of all concerned individuals and organizations that chose to commit themselves to upholding laws and regulations designed to benefit all individuals without regard to race, creed, color, or sex. It is Mr. Ellis' belief that when individuals such as Mr. Killingsworth are allowed to make important financial decisions with prejudice toward an under represented segment of society that such actions are unfair and racist in scope, and should be questioned and put and end to immediately.

MEMORANDUM

RE: Bank One Meeting
Mr. Jerry Killingsworth-Bank One
Mr. Nathan Thorton-Bank One
Dr. Robert Lee and Trans-South Group

DATE: July 10, 1998

A meeting was held to explain the relationship of UAAD/UEDC and Bank One to Trans-South Development.

Dr. Lee expressed his relationship as a present and past consultant with UAAD. Mr. Killinsworth stated that he was satisfied that Bank One would make the $3,000,000 commercial loan under the conditions which would involve an interest rate of 14 to 14.5% for approximately five years.

During a later meeting involving Mr. Killingsworth, Mr. Thorton and myself, Mr. Killingsworth question my relationship with Grambling, Grambling State University and Louisiana, and asked how I alone could assist in this project. I explained my relationship similar to his relationship to Bank One, where he lives in Texas and it may appear that he may be involving himself in this project where he admitted he had never taken the time to stop by over the many years he had observed the Grambling sign on I-20.

Mr. Killings worth stated that there may be an agreement with Premier Bank with the documents I related UAAD/UEDC have, but such an agreement does not pertain to Bank One. Mr. Killingsworth also stated that Bank One never signed any agreements. According to Mr. Killingsworth the bank can still use this project toward their CRA/CDC program.

MEMORANDUM

7/22/98

Regarding BANK ONE
Conversation with Mr.Nathan Thorton VP CRA 7/21/98

Q. Mr. Thorton, are you faxing the letter requested by UAAD as to its status with BaNK One?

A. Mr. Thorton stated that the letter had been drafted,and approved by Mr. Killingsworth and Julie Johnson from Bank One headquarters office. Mr. Thorton sated also that the letter would be mailed to UAAD's California address. Mr. Thorton stated that the letter would indicate that Bank One was uncomfortable with UAAD as an organization as indicated in our meetiing in Ruston, La. Days earlier this month.

Q. What position has the bank taken regarding UAAD's agreement with Bank One?

A. Mr Thorton stated Mr. Killingsworth and Julie Johnson along with himself had determined that there never was an agreement between Premier Bank nor Bank One with UAAD.

Q. When asked about the numerous and recent request for UAAD's and the past 2 years CRA activities, to include files,documents,videos pertaining to UAAD's activities with Bank One Baton Rouge,La.

A. Mr. Thorton stated he was advised by both Mr. Killingsworth and Julie Johnson not to provide copies of the file as he had earlier indicated he himself would provide Monday of this week.

When asked about the deadline for public comment regarding Bank Ones most recent merger, Mr. Thorton stated that comment period ended 7/14/98.

It is my opinion that Bank One officials agreed to enter into negotiations with UAAD in the past several months in order to delay or prevent a complaint with federal bank regulators, and were entered into intentionally in bad faith.