FEDERAL RESERVE SYSTEM

Wells Fargo & Company
San Francisco, California

Order Approving the Acquisition of a Bank Holding Company

Wells Fargo & Company ("Wells Fargo"), a financial holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act to acquire First Community Capital Corporation ("FCCC"), Houston, and its subsidiary banks, First Community Bank, National Association, Houston, and First Community Bank San Antonio, National Association, San Antonio, all in Texas.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (69 Federal Register 60,877 (2004)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in the BHC Act.

Wells Fargo, with total consolidated assets of approximately $434.6 billion, is the fifth largest depository organization in the United States,[2] controlling deposits of approximately $267.8 billion, which represents approximately 4.7 percent of the total amount of deposits of insured depository institutions in the United States.[3] Wells Fargo is the third largest depository institution in Texas, controlling $22.7 billion in deposits, which represents

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[1] 12 U.S.C. § 1842.

[2] Asset data are as of March 31, 2005, and national ranking data are as of December 31, 2004, and reflect consolidations through that date.

[3] Deposit data reflect the total of the deposits reported by each organization's insured depository institutions in their Consolidated Reports of Condition and Income or Thrift Financial Reports for June 30, 2004. In this context, insured depository institutions include commercial banks, savings banks, and savings associations.

approximately 7.3 percent of the total amount of deposits of insured depository institutions in the state ("state deposits"). Wells Fargo operates subsidiary depository institutions in 23 states, including Texas, and engages in numerous nonbanking activities that are permissible under the BHC Act.

FCCC, with total consolidated assets of approximately $604.6 million, is the 76th largest depository organization in Texas, controlling deposits of $446 million. FCCC operates subsidiary insured depository institutions only in Texas. On consummation of the proposal, Wells Fargo would remain the third largest depository organization in Texas, controlling deposits of approximately $23.2 billion, which represents 7.5 percent of state deposits.

Interstate Analysis

Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company if certain conditions are met.[4] For purposes of the BHC Act, the home state of Wells Fargo is Minnesota, and FCCC's subsidiary banks are located in Texas.[5]

Based on a review of all the facts of record, including a review of relevant state statutes, the Board finds that all the conditions for an interstate acquisition enumerated in section 3(d) of the BHC Act are met in this case.[6]

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[4] A bank holding company's home state is the state in which the total deposits of all subsidiary banks of the company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. 12 U.S.C. § 1841(o)(4)(C).

[5] For purposes of section 3(d), the Board considers a bank to be located in the states in which the bank is chartered or headquartered or operates a branch. See 12 U.S.C. §§ 1841(o)(4)-(7) and 1842(d)(1)(A) and (d)(2)(B).

[6] See 12 U.S.C. §§ 1842(d)(1)(A) & (B), and (d)(2)(A) & (B). Wells Fargo is adequately capitalized and adequately managed, as defined by applicable law. FCCC's subsidiary depository institutions have been in existence and operated for the minimum period of time required by applicable law. On consummation of the

Accordingly, in light of the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposed bank acquisition that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant banking market. In addition, section 3 prohibits the Board from approving a proposed bank acquisition that would substantially lessen competition in any relevant banking market unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by its probable effect in meeting the convenience and needs of the community to be served.[7]

Wells Fargo competes directly with FCCC's subsidiary banks in the Brazoria, Grimes County, Houston, and San Antonio banking markets in Texas.[8] The Board has reviewed the competitive effects of the proposal in each of these banking markets in light of all the facts of record. In particular, the Board has considered the number of competitors that would remain in the banking markets, the relative shares of total deposits in depository institutions in the markets ("market deposits") controlled by Wells Fargo and FCCC,[9] the concentration level

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proposal, Wells Fargo would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States and less than 30 percent of the total amount of deposits of insured depository institutions in Texas. All other requirements pursuant to section 3(d) of the BHC Act also would be met on consummation of the proposal.

[7] 12 U.S.C. 1842(c)(1).

[8] These banking markets are described in Appendix A.

[9] Deposit and market share data are as of June 30, 2004, adjusted to reflect mergers and acquisitions through May 20, 2005, and on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. See, e.g., Midwest Financial Group,

of market deposits and the increase in this level as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines"),[10] and other characteristics of the markets.

Consummation of the proposal would be consistent with Board precedent and the DOJ Guidelines in each of these banking markets.[11] After consummation of the proposal, the Brazoria and San Antonio banking markets would remain moderately concentrated, and the Grimes and Houston banking markets would remain highly concentrated, as measured by the HHI.[12] In each of the four banking markets, the increase in market concentration would be small, and numerous competitors would remain.

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75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

[10] Under the DOJ Guidelines, 49 Federal Register 26,823 (1984), a market is considered unconcentrated if the post-merger HHI is less than 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI is more than 1800. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial institutions.

[11] The effects of the proposal on the concentration of banking resources in these banking markets are described in Appendix B.

[12] Analysis of the Houston banking market is based on the Summary of Deposits for June 30, 2004, without the adjustments reflected in the Board's analysis of the Houston Market in J.P. Morgan Chase, 90 Federal Reserve Bulletin 352, 354 (2004). If such adjustments were made to the deposit data for the Houston banking market, the market would be moderately concentrated on consummation of the proposal.

The Department of Justice also has conducted a detailed review of the anticipated competitive effects of the proposal and has advised the Board that consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in any of the four banking markets where Wells Fargo and FCCC compete directly or in any other relevant banking market. Accordingly, based on all the facts of record, the Board has determined that competitive considerations are consistent with approval.

Financial, Managerial, and Supervisory Considerations

Section 3 of the BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and depository institutions involved in the proposal and certain other supervisory factors. In reviewing these factors, the Board has considered, among other things, confidential reports of examination and other supervisory information from the primary federal and state supervisors of the organizations involved in the proposal. The Board also has considered publicly reported and other financial information, comments received on the proposal, and information provided by Wells Fargo.[13]

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[13] A commenter criticized Wells Fargo's relationships with unaffiliated payday and car title lenders and other nontraditional providers of financial services. Wells Fargo represented that it has acted as a lender or provider of credit facilities and in other ordinary business relationships to unaffiliated consumer finance businesses, which may include payday and title lenders. Wells Fargo stated that it does not participate in the credit review process of such lenders and customarily requires the entities to represent, warrant, and covenant to Wells Fargo in credit agreements that such entities have and will comply with all applicable laws in the conduct of their business.

In addition, the Board has consulted with the Office of the Comptroller of the Currency ("OCC"), the primary supervisor of Wells Fargo's lead bank, Wells Fargo Bank, N.A. ("WF Bank"), Sioux Falls, South Dakota, and FCCC's subsidiary banks.

In evaluating financial factors in expansion proposals by banking organizations, the Board reviews the financial condition of the organizations involved on both a parent-only and consolidated basis and the financial condition of the subsidiary banks and significant nonbanking operations. In this evaluation, the Board considers a variety of areas, including capital adequacy, asset quality, and earnings performance. In assessing financial factors, the Board consistently has considered capital adequacy to be especially important. The Board also evaluates the financial condition of the combined organization on a pro forma basis, including its capital position, asset quality, and earnings prospects, and the impact of the proposed funding of the transaction.

Based on its review of the financial factors in this case, the Board finds that Wells Fargo has sufficient financial resources to effect the proposal. Wells Fargo, FCCC, and their subsidiary depository institutions currently are well capitalized and the resulting organization and its subsidiary banks would remain so on consummation of the proposal. The proposed transaction is structured as a share exchange.

The Board also has considered the managerial resources of Wells Fargo, FCCC, and the banking subsidiaries to be acquired and the effect of the proposal on these resources. In reviewing this proposal, the Board has assembled and considered a broad and detailed record, including substantial confidential and public information about Wells Fargo, FCCC, and their subsidiaries. The Board has carefully reviewed assessments and examinations of the organizations' management, risk-management systems, and compliance records by, and consulted with, relevant federal and state supervisors.[14] In addition, the Board has considered Wells Fargo's plans for implementing the proposal, including its proposed management after consummation, and the company's record of successfully integrating acquired institutions into its existing operations.

In evaluating the managerial resources of a banking organization in an expansion proposal, the Board considers assessments of an organization's risk management—that is, the ability of the organization's board of directors and senior management to identify, measure, monitor, and control risk across all business and corporate lines in the organization—to be especially important.[15] As part of an appropriate risk-management system, the Board expects each banking organization, including Wells Fargo, to implement and operate effective, enterprise-wide compliance risk assessment and management programs and internal audit programs to identify, manage, address, and monitor the risks of the organization's activities. As part of compliance risk management, banking organizations operating in the United States are required to implement and operate effective anti-money laundering programs.

In this case, the Board has considered the existing compliance risk-management systems and internal audit programs at Wells Fargo and the assessment of these systems and programs by the relevant federal and state supervisory agencies. The Board has also considered information provided by Wells Fargo on enhancements it has made and is currently making to its systems

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[14] This included consultations with relevant state agencies with oversight authority for Wells Fargo's nonbank consumer finance subsidiaries and the appropriate functional regulators of Wells Fargo's securities-related activities.

[15] See Revisions to Bank Holding Company Rating System, 69 Federal Register 70,444 (2004).

and programs as part of the ongoing review, development, implementation, and maintenance of effective enterprise-wide risk-management systems.

Based on all the facts of record, including a review of the comments received, the Board concludes that considerations relating to the financial and managerial resources and future prospects of Wells Fargo, FCCC, and their respective subsidiaries are consistent with approval, as are the other supervisory factors under the BHC Act.[16]

Convenience and Needs Considerations

Section 3 of the BHC Act requires the Board to consider the effects of a proposal on the convenience and needs of the communities to be served and to take into account the records of the relevant insured depository institutions under the Community Reinvestment Act ("CRA").[17] The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation, and requires the appropriate federal financial supervisory agency to take into account an institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating depository institutions' expansionary proposals.[18]

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[16] A commenter expressed concern about Wells Fargo's and WF Bank's information-security systems and cited a press report describing three instances of theft of computers containing information relating to customers of Wells Fargo's subsidiaries. Wells Fargo represented that it is not aware of actual identity theft or fraudulent activity as a result of these incidents and that it provided potentially affected customers with notice of the thefts and credit bureau monitoring and identity theft insurance services. In reviewing Wells Fargo's application, the Board has considered the enhancements Wells Fargo is making to its information security systems and has consulted with the OCC, the primary federal supervisor of WF Bank.

[17] 12 U.S.C. § 2901 et seq.

[18] 12 U.S.C. § 2903.

The Board has considered carefully the convenience and needs factor and the CRA performance records of the subsidiary depository institutions of Wells Fargo and FCCC in light of all the facts of record, including public comments received on the proposal. A commenter opposing the proposal asserted, based on data reported under the Home Mortgage Disclosure Act ("HMDA"),[19] that Wells Fargo engages in discriminatory treatment of African-American and Hispanic individuals in its home mortgage operations.[20]

A. CRA Performance Evaluations

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of the evaluations by the appropriate federal supervisors of the CRA performance records of the insured depository institutions of both organizations. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.[21]

Wells Fargo Bank, N.A. ("WF Bank CA"), San Francisco, California, received an "outstanding" rating at its performance evaluation from the OCC, as of October 1, 2001.[22] In addition, Wells Fargo's subsidiary depository institutions

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[19] 12 U.S.C. § 2801 et seq.

[20] A commenter included in its comment three individual customer complaints concerning mortgage loans from WF Bank and Wells Fargo Home Mortgage, Des Moines, Iowa ("WF Mortgage"), a former subsidiary of WF Bank that became a division of the bank in May 2004. The complaints provided by the commenter have been forwarded to the OCC, the primary federal supervisor of WF Bank.

[21] See Interagency Questions and Answers Regarding Community Reinvestment, 66 Federal Register 36,620 and 36,639 (2001).

[22] In 2001, WF Bank CA was the largest subsidiary depository institution of Wells Fargo in terms of deposits and assets. In the performance evaluation, examiners weighted WF Bank CA's performance in California more heavily than its performance in other areas in its overall rating because more than 98 percent of

that were evaluated under the CRA received either "outstanding" or "satisfactory" ratings at their most recent CRA performance evaluations.[23] FCCC's lead bank, First Community Bank, N.A., received a "satisfactory" rating at its most recent CRA performance evaluation by the OCC, as of June 18, 2004.[24] Wells Fargo has represented that it will implement its program for managing community reinvestment activities at FCCC's subsidiary depository institutions on consummation of the proposal.

B. CRA Performance of Wells Fargo

As noted above, WF Bank CA received an overall "outstanding" rating for CRA performance in the OCC's most recent CRA performance evaluation.[25] WF Bank CA received an "outstanding" rating under each of the lending, investment, and service tests.

Examiners commended the excellent lending performance of WF Bank CA overall and reported that the bank had good distribution of home

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its deposits and more than 87 percent of its loans were in California during the evaluation period. On February 20, 2004, Wells Fargo consolidated 18 of its subsidiary depository institutions, including WF Bank CA, with and into WF Bank. Wells Fargo currently operates 10 subsidiary depository institutions, including WF Bank.

[23] Appendix C lists the most recent CRA ratings of Wells Fargo's subsidiary depository institutions that are subject to the CRA.

[24] In 2004, FCCC transferred the San Antonio operations of First Community Bank, N.A., to the newly chartered First Community Bank San Antonio, N.A., which has not yet been examined under the CRA by the OCC.

[25] The evaluation period was April 1, 1998, through September 20, 2001. At the time of the 2001 Evaluation, WF Bank SF had 60 assessment areas in nine states (Arizona, California, Colorado, Idaho, Minnesota, Nevada, Oregon, Utah, and Washington), including 16 that received full-scope reviews.

mortgage loans to borrowers of different income levels. They noted that WF Bank CA had excellent geographic distribution of small loans to small businesses.[26]

Examiners reported that WF Bank CA demonstrated a significant responsiveness overall to the needs of its assessment areas through community development lending. They found that WF Bank CA helped address a significant need for affordable housing in California through its community development lending. WF Bank CA's community development loans for affordable housing in its assessment areas subject to a full-scope review totaled $312 million during the evaluation period.

Examiners commended WF Bank CA for its excellent level of qualified investments and noted that the investments were highly responsive to the needs of the bank's assessment areas. They reported that WF Bank CA's investment and grant activities helped address essential identified needs in the full-scope assessment areas subject to review, particularly with respect to financing of affordable housing. Community development investments in those assessment areas totaled $162.4 million during the evaluation period.

Examiners reported that WF Bank CA's banking services were readily accessible to essentially all portions of the bank's assessment areas. They noted that WF Bank CA's alternative delivery systems included ATMs, banking by phone or mail, and Internet banking. Examiners also reported that Wells Fargo provided numerous community development services such as financial educational community seminars.

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[26] Small businesses are businesses with gross annual revenues of $1 million or less. Small loans to businesses include loans with original amounts of $1 million or less that are either secured by nonfarm, nonresidential properties or classified as commercial and industrial loans.

C. HMDA Data and Fair Lending Record

The Board has carefully considered the lending record of Wells Fargo in light of public comments received on the proposal. A commenter alleged, based on a review of 2003 data reported pursuant to the Home Mortgage Disclosure Act, 12 U.S.C. 2891 et seq. ("HMDA"), that Wells Fargo engages in discriminatory lending by directing African-American and Hispanic applicants in certain markets to Wells Fargo Financial, Inc. ("WF Financial"), Des Moines, Iowa, a subsidiary of Wells Fargo that is engaged primarily in subprime lending, rather than to Wells Fargo's subsidiary banks and other prime lending channels. The commenter further alleged, based on a review of 2003 HMDA data, that there are systemic disparities in Wells Fargo's lending because it disproportionately excludes or denies applications for HMDA-reportable loans by African-American and Hispanic applicants.[27]

The Board reviewed HMDA data reported by the lending subsidiaries of Wells Fargo in 2002 and 2003 in certain areas.[28] An analysis of the HMDA data

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[27] Specifically, the commenter's allegations are based on 2003 HMDA data by WF Bank CA and WF Financial. The commenter cited Well Fargo's HMDA data for lending to African Americans and Hispanics in the Los Angeles and San Francisco Metropolitan Statistical Areas ("MSAs"), in California, and the Austin, Dallas, El Paso, San Antonio, and Houston MSAs, in Texas.

[28] The Board reviewed 2002 and 2003 HMDA data reported by all of Wells Fargo's lending subsidiaries, including WF Financial, in California and Texas and in the MSAs that comprise the major assessment areas of WF Bank CA and Wells Fargo's depository institutions in those states, which are noted above in Footnote 27. For WF Financial in the Texas MSAs, the Board's review included only 2003 HMDA data. Wells Fargo's lending subsidiaries that offered prime mortgage products in California and Texas in 2002 and 2003 included WF Bank CA; Wells Fargo Bank Texas, N.A., San Antonio, Texas; Wells Fargo Bank Nevada, N.A., Las Vegas, Nevada; Wells Fargo Funding, Inc., Minneapolis, Minnesota; and WF Mortgage ("WF Prime Lenders"). Although some of these entities made some loans that could be considered subprime, these loans represented a small portion of their loan portfolios. In the MSAs reviewed, the

does not support the contention that Wells Fargo disproportionately directs African-American and Hispanic borrowers to WF Financial or that WF Prime Lenders have disproportionately denied applications of African-American or Hispanic individuals.[29] The 2003 HMDA data show that the WF Prime Lenders extended more HMDA-reportable loans to African-American and Hispanic borrowers than WF Financial in most of the MSAs reviewed. Moreover, the data show that the percentages of the WF Prime Lenders' total home mortgage applications that were received from African American and Hispanic applicants at the WF Prime Lenders exceeded the percentages received at WF Financial in all of the markets reviewed.

In addition, the origination rates[30] for the WF Prime Lenders' total HMDA-reportable loans to African-American and Hispanic borrowers was comparable to or exceeded the rates for the aggregate of lenders ("aggregate lenders") in most of the markets reviewed.[31] The HMDA data indicate that the percentages of the WF Prime Lenders' total HMDA-reportable loans to African Americans and Hispanics increased or remained constant from 2002 to 2003 in

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Board compared the HMDA data reported by the WF Prime Lenders with the HMDA data reported by WF Financial.

[29] The commenter also alleged that Wells Fargo engaged in discriminatory lending based on a review of the prices of loans extended to African-American and Hispanic borrowers as compared to white borrowers in 2004. The commenter based this allegation on 2004 HMDA data derived from loan application registers that it obtained from Wells Fargo. These data are preliminary and 2004 data for lenders in the aggregate are not yet available. See Frequently Asked Questions About the New HMDA Data (March 31, 2005) available at (http://www.federalreserve.gov/boarddocs/press/bcreg/2005).

[30] The origination rate equals the total number of loans originated to applicants of a particular racial category divided by the total number of applications received from members of that racial category.

[31] The lending data of the aggregate lenders represent the cumulative lending for all financial institutions that have reported data in a particular area.

most of the markets reviewed. The percentages of the WF Prime Lenders' total HMDA-reportable loan originations in minority census tracts also increased during this time period in all the markets reviewed.

Moreover, a review of the 2003 HMDA data indicates that the WF Prime Lenders' denial disparity ratios for African-American and Hispanic applicants for the banks' total HMDA-reportable loans in the markets reviewed were generally comparable with the ratios for the aggregate lenders in those areas.[32] In addition, WF Prime Lenders' denial disparity ratios for African-American and Hispanic applicants decreased from 2002 to 2003 in most of the markets reviewed.

Although the HMDA data may reflect certain disparities in the rates of loan applications, originations, and denials among members of different racial groups in certain local areas, the HMDA data do not demonstrate that the WF Prime Lenders are excluding any racial group on a prohibited basis. The Board, nevertheless, is concerned when the record of an institution indicates disparities in lending and believes that all banks are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound lending, but also equal access to credit by creditworthy applicants regardless of race or income level. The Board recognizes, however, that HMDA data alone, even with the recent addition of pricing information, provide an incomplete measure of an institution's lending in its community because these data cover only a few categories of housing-related lending and provide only limited information about covered loans.[33] HMDA data, therefore, have limitations

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[32] The denial disparity ratio equals the denial rate for a particular racial category (e.g., African-American) divided by the denial rate for whites.

[33] The data, for example, do not account for the possibility that an institution's outreach efforts may attract a larger proportion of marginally qualified applicants than other institutions attract and do not provide a basis for an independent assessment of whether an applicant who was denied credit was, in fact, creditworthy. Credit history

that make them an inadequate basis, absent other information, for concluding that an institution has not assisted adequately in meeting its community credit needs or has engaged in illegal lending discrimination. Moreover, HMDA data indicating that one affiliate is lending to minorities or LMI individuals more than another affiliate do not, without more information, indicate that either affiliate has engaged in illegal discriminatory lending activities.

Because of the limitations of HMDA data, the Board has considered these data carefully in light of other information, including examination reports that provide on-site evaluations of compliance with fair lending laws by the subsidiary depository and lending institutions of Wells Fargo and FCCC. Examiners noted no substantive violations of applicable fair lending laws in the examinations of the depository institutions controlled by Wells Fargo or FCCC. Moreover, the Board has consulted with the OCC about the consumer compliance records of the WF Prime Lenders and with relevant state supervisors about the consumer compliance records of WFFI.

The record also indicates that Wells Fargo has taken various measures to help ensure compliance with fair lending laws and other consumer protection laws at all its lending subsidiaries, including WF Financial.[34] Wells Fargo

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problems and excessive debt levels relative to income (reasons most frequently cited for a credit denial) are not available from HMDA data.

[34] A commenter criticized the customer service and complaint procedures of a Wells Fargo subsidiary engaged in subprime lending in Puerto Rico and urged the Board, without specific allegations, to closely scrutinize the subprime lending operations of Wells Fargo in general. Wells Fargo originates subprime mortgage loans through WF Financial and Island Finance, and numerous joint ventures originate subprime loans that are underwritten and processed through WF Mortgage's unit, Wells Fargo Mortgage Resource. WF Financial and Island Finance are nonbanking subsidiaries of Wells Fargo. As the Board has previously noted, subprime lending is a permissible activity that provides needed credit to consumers who have difficulty meeting conventional underwriting criteria. The Board, however, continues to expect all bank holding companies and their affiliates

represented that it has implemented corporate-wide policies and procedures to help ensure compliance with all fair lending and other consumer protection laws and regulations. These policies and procedures apply to all of Wells Fargo's prime and subprime lending subsidiaries. Wells Fargo's corporate Fair Lending Policy requires each business unit to adopt and implement fair lending policies and procedures, including control standards related to marketing, pricing, and referrals. Wells Fargo's Compliance Risk Management Group guides, maintains, and monitors compliance of business units with fair lending and consumer protection laws. Wells Fargo's Law Department provides oversight and guidance on the fair lending policies and on the business unit compliance programs. Furthermore, Wells Fargo's Corporate Fair Lending Steering Committee, which includes senior management representatives from its bank and non-bank subsidiaries, meets regularly to identify and provide guidance on fair lending practices throughout the company.

Wells Fargo represented that each of its lending operations has developed, implemented, and maintained compliance programs for fair lending and other consumer protection laws. These fair lending compliance programs include components such as pricing limits, programs for second review of initially declined applications, analysis of decision and pricing data, and comparative file analysis. All lending operations are required to include compliance training in employee training programs. Wells Fargo's internal audit unit conducts audits for compliance with fair lending and consumer law that involve an independent evaluation of results through data analysis or comparative file review.

The Board also has considered the HMDA data in light of other information, including the CRA performance records of the subsidiary depository

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to conduct their subprime lending operations without any abusive lending practices. See, e.g. Royal Bank of Canada, 88 Federal Reserve Bulletin 385, 388 n. 18 (2002).

institutions of Wells Fargo and FCCC. These records demonstrate that Wells Fargo and FCCC are active in helping to meet the credit needs of their entire communities.

Conclusion on Convenience and Needs Considerations

The Board has carefully considered all the facts of record, including reports of examination of the CRA records of the institutions involved, information provided by Wells Fargo and FCCC, comments on the proposal,[35] confidential supervisory information, and Well Fargo's plans to implement its CRA-related policies, procedures, and programs at FCCC's subsidiary banks. The Board notes that the proposal would expand the availability and array of banking products and services to the customers of Wells Fargo and FCCC, including access to expanded branch and ATM networks and internet banking services. Based on a review of the entire record, and for the reasons discussed above, the Board concludes that considerations relating to the convenience and needs factor and the CRA performance records of the relevant depository institutions are consistent with approval.

Conclusion

Based on the foregoing and in light of all the facts of record, the Board has determined that the application should be, and hereby is, approved. In reaching this conclusion, the Board has considered all the facts of record in light of the factors it is required to consider under the BHC Act and other applicable statutes.[36] The Board's approval is specifically conditioned on compliance by

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[35] A commenter expressed concern that the length of the Board's review of the proposal negatively affected the customers, stockholders, and employees of FCCC.

[36] A commenter requested that the Board hold a public hearing or meeting on the proposal. Section 3 of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for any of the banks to be acquired makes a timely written recommendation of denial of the application. The Board has not received such a recommendation from any supervisory authority. Under its rules, the Board also may, in its discretion, hold a public meeting or hearing on an application to acquire a bank if a meeting or

Wells Fargo with the conditions in this order and all the commitments made to the Board in connection with this proposal. For purposes of this action, the commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The proposal shall not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors,[37] effective June 23, 2005.

(signed)

Jennifer J. Johnson
Secretary of the Board

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hearing is necessary or appropriate to clarify factual issues related to the application and to provide an opportunity for testimony. 12 C.F.R. 225.16(e). The Board has considered carefully the commenter's requests in light of all the facts of record. In the Board's view, the public has had ample opportunity to submit comments on the proposal and, in fact, the commenter has submitted written comments that the Board has considered carefully in acting on the proposal. The commenter's requests fail to demonstrate why its written comments do not present its views adequately or why a meeting or hearing otherwise would be necessary or appropriate. The requests also fail to identify disputed issues of fact that are material to the Board's decision that would be clarified by a public hearing or meeting. For these reasons, and based on all the facts of record, the Board has determined that a public hearing or meeting is not required or warranted in this case. Accordingly, the requests for a public hearing or meeting on the proposal are denied.

[37] Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Gramlich, Bies and Olson. Absent and not voting: Governor Kohn.

APPENDIX A

Texas Banking Markets Where Wells Fargo and FCCC Subsidiary Depository Institutions Compete Directly

Brazoria

Brazoria County, excluding the cities of Alvin and Pearland and the surrounding unincorporated area in the Houston Ranally Metropolitan Area ("RMA").

Grimes County

Grimes County.

Houston

Houston RMA, including the portion of Montgomery County not included in the Houston RMA.

San Antonio

Bexar, Comal, Guadalupe, Kendall, and Wilson counties.

APPENDIX B

Market Data for Banking Markets

Moderately Concentrated Banking Markets

Brazoria
Wells Fargo operates the fifth largest depository institution in the market, controlling deposits of approximately $68.2 million, which represent approximately 8.3 percent of market deposits. FCCC operates the 12th largest depository institution in the market, controlling deposits of approximately $12.4 million, which represent approximately 1.5 percent of market deposits. After the proposed merger, Wells Fargo would operate the fifth largest depository institution in the market, controlling deposits of approximately $80.6 million, which represent approximately 9.8 percent of market deposits. Fifteen depository institutions would remain in the banking market. The HHI would increase by 25 points to 1,279.

San Antonio
Wells Fargo operates the fourth largest depository institution in the market, controlling deposits of approximately $1.4 billion, which represent approximately 6.8 percent of market deposits. FCCC operates the 42nd largest depository institution in the market, controlling deposits of approximately $13.4 million, which represent less than 1 percent of market deposits. After the proposed merger, Wells Fargo would remain the fourth largest depository institution in the market, controlling deposits of approximately $1.4 billion, which represent approximately 6.8 percent of market deposits. Fifty-one depository institutions would remain in the banking market. The HHI would increase by 1 point to 1,574.

Highly Concentrated Banking Markets

Grimes
Wells Fargo operates the fourth largest depository institution in the market, controlling deposits of approximately $23.4 million, which represent approximately 10.2 percent of market deposits. FCCC operates the sixth largest depository institution in the market, controlling deposits of approximately $4.9 million, which represent approximately 2.1 percent of market deposits. After the proposed merger, Wells Fargo would remain the fourth largest depository institution in the market, controlling deposits of approximately $28.3 million, which represent approximately 12.4 percent of market deposits. Five depository institutions would remain in the banking market. The HHI would increase by 44 points to 2,408.

Houston
Wells Fargo operates the third largest depository institution in the market, controlling deposits of approximately $6.1 billion, which represent approximately 8.1 percent of market deposits. FCCC operates the 23rd largest depository institution in the market, controlling deposits of approximately $415.3 million, which represent less than 1 percent of market deposits. After the proposed merger, Wells Fargo would remain the third largest depository institution in the market, controlling deposits of approximately $6.5 billion, which represent approximately 8.7 percent of market deposits. Ninety depository institutions would remain in the banking market. The HHI would increase by 9 points to 1,912.

APPENDIX C

CRA Performance Evaluations of Wells Fargo

Subsidiary Bank	CRA Rating	Date	Supervisor
1. Wells Fargo Bank, N.A. San Francisco, California (now Sioux Falls, South Dakota)	Outstanding	October 2001	OCC
2. Wells Fargo Bank Northwest, N.A. Ogden, Utah	Outstanding	May 1999	OCC
3. Wells Fargo HSBC Trade Bank, N.A. San Francisco, California	Satisfactory	August 2000	OCC
4. Wells Fargo Financial National Bank Las Vegas, Nevada	Outstanding	March 2003	OCC
5. Wells Fargo Financial Bank Sioux Falls, South Dakota	Outstanding	March 2005	FDIC