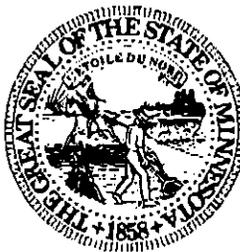


Karen Clark
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Minnesota House of Representatives

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

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

September 17, 1998

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

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

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

Last year in the state legislature we had an opportunity to help both rehabilitate and construct more affordable housing and had an unprecedented alliance with the private sector to do so. We proposed to that the state invest \$40 million in a combination of State Housing Finance Agency funds and tax credits and the private sector, with strong leadership provided by the Minnesota Family Housing Funds, proposed to match that with \$20 million. Together that would have leveraged another \$180 million in private and federal funding for a total of \$240 million in housing rehabilitation and new construction dollars for both home-ownership and rental housing. The result would have create 3000 affordable housing units. Unfortunately Governor Carlson vetoed all but \$5 million for construction and rehabilitation. My understanding is that Wells Fargo recently pledged that if the merger is approved, they will lend \$5 billion a year in California to minority and low-income customers for home mortgages, small businesses, and community development. Before Norwest moves its headquarters out of Minnesota to California, we need

them to make a similar commitment to the people of the Phillips Neighborhood, to the people of Minneapolis and St. Paul, and to all Minnesotans. With their new savings and combined wealth they should become a major private sector leader to match the public commitment the legislature has already shown it would provide. Norwest and Wells Fargo have announced that this merge will save them \$630 million a year on top of the already large profits these banks make. We clearly need them to put more money back into our community.

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

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

On the House Financial Institutions Committee, I have fought for fairer bank fees for low-income

consumers and senior citizens. Many of my constituents have complained about exorbitant bounced check fees and how hard that is on a fixed income. We heard testimony in particular from many of our military veterans and pensioners. Now Norwest just raised their bounced check fee from \$21 to \$25.

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

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

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

NORWEST BANK SPEECH

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

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

NAVAJO NATION COMMITMENT:

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

1. Open two full service banking facilities on the Navajo Nation and improve the two existing banking locations.
2. Originate \$60 million in loans over a 10-year period.
3. Annual contribution of \$5,000 to the Navajo Nation college scholarship program.
4. Establish a community advisory board comprised of seven member representatives from the Navajo Nation.

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

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

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

Navajo Agricultural Products

- \$7,000,000 Term Loan
- 3,000,000 Line of Credit

Navajo Arts and Crafts

- 129,998.77 Term Loan

Navajo Nation

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

Navajo Housing Authority

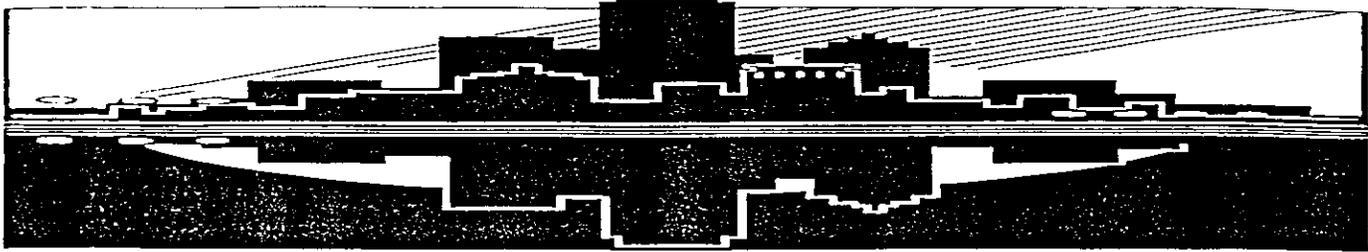
- 1,395,000

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

3. Norwest has contributed to the Navajo Nation college scholarship program each year, in addition to various other charitable contributions to Navajo Nation events and non-profit organizations.
4. Norwest has had an active community advisory board in place on the Navajo Nation since 1994. The members of which are Navajo business and community leads. The community advisory board works with the local bank to provide input and to ensure that the bank stays in touch with local needs and is able to be responsive to those needs.

Conclusion

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



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Community Reinvestment

Wells Fargo CRA Pledge Puts NationsBank on the Defensive

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

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

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

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

NationsBank Strategy Repudiated

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

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

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

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

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

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

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

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

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

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

"absentee landlord" is a success.

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

No To CRA Pacts

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

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

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

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

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

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

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