

Danielle Nugent
Panel II

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

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

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

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

Fewer banks mean fewer choices, and according to our research, higher fees. In our report last fall, The Big Fees Squeeze, we showed that the bigger the bank, the bigger the fee. For example, in Minnesota, the cost of maintaining a regular checking account is 46% higher at a large bank than a credit union, and 4% higher than a small bank. A "no frills" checking account at a big bank cost 54% more than a credit union, and 13% more

than a small bank. Bank fees for overdrafts and ATM withdrawals were also on average higher at larger banks. Large banks are also more likely to charge these service fees, which impact low and fixed income consumers, such as students and seniors, especially hard.

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

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

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