FEDERAL RESERVE press release

For immediate release October 14, 1998

The Federal Reserve Board today announced its approval of the proposal of Norwest Corporation, Minneapolis, Minnesota, to acquire Wells Fargo & Company, San Francisco, California, and thereby acquire all of Wells Fargo's bank, non-bank, and foreign subsidiaries.

The Board's approval is conditioned on the divestiture of 26 branches in 14 banking markets in Arizona and Nevada. Norwest also must report to the Federal Reserve System semiannually during the two-year period after consummation of the merger all branch closings that occur as a result of this proposal.

Attached is the Board's Order relating to this action.

Attachment

FEDERAL RESERVE SYSTEM

Norwest Corporation
Minneapolis, Minnesota

Wells Fargo & Company
San Francisco, California

Order Approving the Merger of Bank Holding Companies

Norwest Corporation, a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), and its wholly owned subsidiary, WFC Holdings Corporation (collectively "Norwest"), have requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire by merger Wells Fargo & Company ("Wells Fargo") and thereby acquire Wells Fargo's subsidiary banks, including its lead bank subsidiary, Wells Fargo Bank, N.A., San Francisco, California.[1/] Norwest also has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire the domestic nonbank subsidiaries of Wells Fargo.[2/] In addition, Norwest has filed applications and notices under

[1/]Norwest also would acquire Wells Fargo's other subsidiary banks, which are Wells Fargo Bank (Texas), N.A., Houston, Texas; Wells Fargo Bank (Arizona), N.A., Phoenix, Arizona; Wells Fargo Bank, Ltd., Los Angeles, California; Wells Fargo Central Bank, Calabasas, California; and Wells Fargo HSBC Trade Bank, N.A., San Francisco, California.

[2/]These subsidiaries are Wells Fargo Equity Capital, Inc., San Francisco, California, which makes loans and direct equity investments in companies in connection with such loans in accordance with section 225.28(b)(1) of Regulation Y (12 C.F.R. 225.28(b)(1)) and prior Board precedent; and Crocker Life Insurance Company, Brisbane, California, which underwrites optional credit life and disability

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section 4(c)(13) of the BHC Act (12 U.S.C. § 1843(c)(13)), sections 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 601 et seq., 611 et seq.), and the Board's Regulation K (12 C.F.R. 211) to acquire the foreign subsidiaries of Wells Fargo.[3/]

Norwest, with total consolidated assets of approximately $93.1 billion, is the 12th largest commercial banking organization in the United States.[4/] Norwest operates 44 subsidiary banks in 16 states,[5/] and it engages through nonbanking subsidiaries in a number of permissible nonbanking activities nationwide, including securities underwriting and dealing, consumer finance, mortgage banking, venture capital, insurance brokerage, and commercial finance.

Wells Fargo, with total consolidated assets of approximately $93.2 billion, is the 11th largest commercial banking organization in the United States.

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insurance in connection with extensions of credit by affiliated lending entities in accordance with section 225.28(b)(11)(i) of Regulation Y (12 C.F.R. 225.28(b)(11)(i)).

[3/]Norwest also has requested the Board's approval to hold and exercise options to acquire up to 19.9 percent of Wells Fargo's voting shares, if certain events occur. The options would not be exercised if the merger is consummated.

[4/]Rankings are based on financial data as of June 30, 1998, and reflect the merger of NationsBank Corporation with BankAmerica Corporation, approved by the Board on August 17, 1998, the merger of Banc One Corporation with First Chicago NBD Corporation, approved by the Board on September 14, 1998, and the merger of Citicorp with Travelers Group, approved by the Board on September 23, 1998. All deposit data are as of June 30, 1997.

[5/]Norwest's subsidiary banks are located in Arizona, Colorado, Illinois, Indiana, Iowa, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, Ohio, South Dakota, Texas, Wisconsin, and Wyoming.

Wells Fargo operates six subsidiary banks in ten states[6], and engages in a number of permissible nonbanking activities nationwide.

The proposed transaction would create a combined organization that, after accounting for proposed divestitures, would be the seventh largest commercial banking organization in the United States. On a pro forma basis, the combined organization would have total consolidated assets of approximately $188.4 billion, and would operate under the name "Wells Fargo & Company" ("New Wells Fargo").

Factors Governing Board Review of Transaction

Under the BHC Act, the Board must consider a number of specific factors when reviewing the merger of bank holding companies or the acquisition of banks. These factors are the competitive effects of the proposal in the relevant geographic markets; the financial and managerial resources and future prospects of the companies and banks involved in the transaction; the convenience and needs of the community to be served, including the records of performance under the Community Reinvestment Act (12 U.S.C. § 2901 et seq.)("CRA") of the insured depository institutions involved in the transaction; and the availability of information needed to determine and enforce compliance with the BHC Act.[7] In cases involving interstate bank acquisitions, the Board must also consider the concentration of deposits in the nation and certain states and compliance with other provisions of the

[6]Wells Fargo's subsidiary banks operate in Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Texas, Utah, and Washington.

[7]In cases involving a foreign bank, the Board also must consider whether the foreign bank is subject to comprehensive supervision or regulation on a consolidated basis by appropriate authorities in the foreign bank's home country.

Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 ("Riegle-Neal Act").[8/]

Public Comment on the Proposal

To give interested members of the public an opportunity to submit comments to the Board on the statutory factors that it is charged with reviewing, the Board published notice of the proposal and provided a period of time for public comment.[9/] The Board extended the initial period for public comment by 27 days to accommodate public interest. The extended public comment period provided interested parties more than 56 days to submit written comments on the proposal.

Because of public interest in the proposal--particularly in Minnesota, where the combined organization would remain a significant competitor and where the merger would result in the loss of the corporate headquarters of Norwest--the Board also held a public meeting in Minneapolis, Minnesota, on September 17, 1998. The public meeting gave interested persons an opportunity to present oral testimony on the various factors the Board is charged with reviewing under the BHC Act. Sixty people appeared and testified at the public meeting, and many of the commenters who testified also submitted written comments.

In total, approximately 150 organizations and individuals submitted comments on the proposal through oral testimony, written comments, or both. Commenters included federal, state, and local government officials; community groups and nonprofit organizations; small business owners; union representatives and

[8/]Pub. L. No. 103-328, 108 Stat. 2338 (1994).

[9/] Notice of the proposal was published in the Federal Register (63 Federal Register 39,570 (1998)) and in local newspapers in accordance with the Board's Rules of Procedure. See 12 C.F.R. 262.3(b). Notice of the proposal was also listed on the Board's Internet Home Page.

members; customers of Norwest and Wells Fargo; and other interested organizations and individuals from Arizona, California, Iowa, Minnesota, New Mexico, Oregon, South Dakota, Texas, Wisconsin, and other states. Commenters filed information and expressed views supporting and opposing the merger.

In evaluating the statutory factors under the BHC Act, the Board carefully considered the information and views presented by all commenters, including the testimony presented at the public meeting and the information submitted in writing. The Board also considered all the information presented in the application, notices, and supplemental filings by Norwest and Wells Fargo, as well as various reports filed by the relevant companies, publicly available information, and other reports. In addition, the Board reviewed confidential supervisory information, including examination reports on the bank holding companies and the depository institutions involved, and information provided by the other federal banking agencies and the Department of Justice ("DOJ"). After a careful review of all the facts of record, and for the reasons discussed in this order, the Board has concluded that the statutory factors it is required to consider under the BHC Act and other relevant banking statutes are consistent with approval of the proposal, subject to the conditions noted in this order.

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 the bank holding company if certain conditions are met. For purposes of the BHC Act, the home state of Norwest is Minnesota,[10] and Wells Fargo's subsidiary banks are located in California and other states.[11]

Section 3(d) of the BHC Act provides that the Board may not approve a proposal if, after consummation, the applicant would control more than 10 percent of the total deposits of insured depository institutions in the United States.[12] In addition, the Board may not approve a proposal if, on consummation of the proposal, the applicant would control 30 percent or more of the total deposits of insured depository institutions in any state in which both the applicant and the organization to be acquired operate an insured depository institution, or such higher or lower percentage established by state law.[13]

On consummation of the proposal, New Wells Fargo would control approximately 3.6 percent of the total amount of deposits of insured depository institutions in the United States. New Wells Fargo would control less than 30 percent or the appropriate percentage established by applicable state law of total deposits held by insured depository institutions in Arizona, Colorado, Nevada, New Mexico, and

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[10] A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

[11] For purposes of the Riegle-Neal Act, the Board considers a bank to be located in the states in which the bank is chartered, headquartered, or operates a branch.

[12] 12 U.S.C. § 1842(d)(2)(A). For this purpose, insured depository institutions include all insured banks, savings banks, and savings associations.

[13] 12 U.S.C. § 1842(d)(2)(B)-(D).

Texas, the states in which Norwest and Wells Fargo both operate an insured depository institution.[14/]

All other requirements of section 3(d) of the BHC Act also would be met after consummation of the proposal.[15/] In view of all the facts of record, the Board is permitted under section 3(d) of the BHC Act to approve the proposal.

Competitive Factor

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly, or that would substantially lessen competition in any relevant banking market if the anticompetitive effects of the proposal are not clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[16/] The Board has carefully considered the competitive effects of the proposal in light of the facts of record, including public comments on the proposal.

[14/] Nevada law does not impose a limitation on deposit concentration in the state. As a consequence of the proposed merger, New Wells Fargo would control more than 30 percent of the total deposits in Nevada. The applicant has committed to divest an amount of deposits sufficient to comply with the 30 percent limitation imposed by federal law. The combined company would comply with the deposit limitations imposed by state law in the other states. See Ariz. Rev. Stat. § 6-328; Colo. Rev. Stat. § 11-6.4-103; N.M. Stat. Ann. § 58-1C-5; and Tex. Fin. Code § 38.002.

[15/] Norwest is adequately capitalized and adequately managed as defined by applicable law. 12 U.S.C. § 1842(d)(1)(A). Wells Fargo's subsidiary banks have been in existence and have been continuously operated for the period of time required by applicable state laws. See 12 U.S.C. § 1842(d)(1)(B). Wells Fargo has subsidiary banks that have been in existence for less than five years in California and Arizona, but those states do not impose state age requirements applicable to the proposed transaction.

[16/] 12 U.S.C. § 1842(c)(1).

A number of commenters expressed concern that the proposed merger would have adverse competitive effects. Many of these commenters expressed concern that large bank mergers in general, or this proposed merger in particular, would reduce competition for banking services and result in higher fees or reduced customer convenience. In addition, a number of commenters claimed that the proposed merger of Norwest and Wells Fargo would have significantly adverse effects on competition in Arizona and Nevada where Norwest and Wells Fargo both compete.[17/]

In order to determine the effect of a particular transaction on competition, it is necessary to designate the area of effective competition between the parties, which the courts have held is decided by reference to the relevant "line of commerce" or product market and a geographic market. The Board and the courts have consistently recognized that the appropriate product market for analyzing the competitive effects of bank mergers and acquisitions is the cluster of products (various kinds of credit) and services (such as checking accounts and trust administration) offered by banking institutions.[18/] The Board and the courts have

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[17/]Several commenters argued that branch divestitures would be required in connection with this merger and objected that portions of the divestiture proposal were not disclosed and subject to public comment. Release of this information is subject to the Freedom of Information Act and the Board's Rules Regarding Availability of Information, 12 C.F.R. Part 261, and, in fact, the Board has considered the objections under these procedures.

[18/]See Chemical Banking Corporation, 82 Federal Reserve Bulletin 230 (1996) ("Chemical"), and the cases and studies cited therein. The Supreme Court has emphasized that it is the cluster of products and services that, as a matter of trade reality, makes banking a distinct line of commerce. See United States v. Philadelphia National Bank, 374 U.S. 321, 357 (1963) ("Philadelphia National"); accord United States v. Connecticut National Bank, 418 U.S. 656 (1974); United

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consistently found that the geographic markets for analyzing the competitive effects of a proposal on the supply and demand of the cluster of banking products and services is local in nature.[19/]

The Board concludes, based on all the facts of record, that the appropriate product market for considering the competitive effects of this case is the cluster of banking products and services, and that the appropriate geographic markets for considering the competitive effects of this proposal are the 30 local banking markets in the six states in which the subsidiary banks of Norwest and Wells Fargo operate and compete. The local banking markets are defined in Appendix A.[20/]

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States v. Phillipsburg National Bank, 399 U.S. 350 (1969) ("Phillipsburg National").

[19/]See Philadelphia National, 374 U.S. at 357; Phillipsburg National; First Union Corporation, 84 Federal Reserve Bulletin 489 (1998) ("First Union"); Chemical; St. Joseph Valley Bank, 68 Federal Reserve Bulletin 673 (1982) ("St. Joseph"). In determining the geographic scope of local banking markets, the Board considers a number of factors, including population density, worker commuting patterns (as indicated by census data), shopping patterns, the availability and geographic reach of various modes of advertising, the presence of shopping, employment, health care and other necessities, the availability of transportation systems and routes, branch banking patterns, deposit and loan activity, and other indicia of economic integration and the transmission of competitive forces among depository institutions that affect the pricing and availability of banking products and services. See Crestar Bank, 81 Federal Reserve Bulletin 200, 201 n.5 (1995); Pennbancorp, 69 Federal Reserve Bulletin 548 (1983); St. Joseph.

[20/]As discussed in this order, the Board has considered the projected increase in the concentration of total deposits in depository institutions in these banking markets ("market deposits" or "market share"). Market share data is based on calculations that include the deposits of thrift institutions at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competition of commercial banks. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve
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A. Analysis of Banking Markets

Consummation of the proposal, without divestitures, would be consistent with the Department of Justice Merger Guidelines ("DOJ Guidelines")[21] and prior Board precedent in 13 banking markets. These markets are discussed in Appendix B. In 11 of these markets, consummation of the proposal would increase market concentration, as measured by the HHI, by less than half of the 200-point threshold in the DOJ Guidelines.[22] Seven of the markets also would remain unconcentrated or moderately concentrated, as measured by the HHI, after consummation of the proposal. In each of these markets a large number of competitors relative to the size of the market would remain after consummation of the proposal.

Consummation of the proposal would exceed the DOJ Guidelines as measured by the HHI in the remaining 17 banking markets. To mitigate the

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Bulletin 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

[21] Under the DOJ Guidelines, 49 Federal Register 26,823 (June 29, 1984), a market in which the post-merger Herfindahl-Hirschman Index ("HHI") is less than 1000 is considered to be unconcentrated, and a market in which the post-merger HHI is between 1000 and 1800 is considered to be moderately concentrated. The DOJ 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 or acquisition increases the HHI by at least 200 points. The DOJ has stated that the higher than normal HHI thresholds for screening bank mergers or acquisitions for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial institutions.

[22] The HHI for the Bullhead City market would increase 192 points on consummation of the proposal to 2010. The HHI for the South Lake Tahoe market would increase 204 points on consummation of the proposal, but the market would remain only moderately concentrated, with a post-merger HHI of 1792.

anticompetitive effects of the proposal in these markets, Norwest has committed to divest a total of 26 branches, which account for a total of approximately $1.18 billion in deposits.[23/] After accounting for the proposed divestitures, consummation of the proposal would be consistent with the DOJ Guidelines and prior Board precedent in at least nine of the 17 markets. In addition, numerous competitors would remain in most of these banking markets after consummation of the proposal, and many of these markets are attractive for entry. These banking markets are discussed in Appendix C.

In the eight remaining banking markets, consummation of the proposal could increase the level of market concentration, as measured by the HHI, to levels that exceed the DOJ Guidelines. The Board has conducted a careful review of the competitive effects of the proposal in these markets, and considered whether other factors either mitigate the competitive effects of the proposal in the market or indicate that the proposal would have a significantly adverse effect on competition in any of these markets.[24/]

[23/]With respect to each market in which Norwest has committed to divest offices to mitigate the anticompetitve effects of the proposal, Norwest has committed to execute sales agreements for the proposed divestitures with a purchaser determined by the Board to be competitively suitable prior to consummation of the proposal, and to complete the divestiture within 180 days of consummation. Norwest also has committed that, in the event it is unsuccessful in completing any divestiture within 180 days of consummation, it will transfer the unsold branch(es) to an independent trustee that is acceptable to the Board and will instruct the trustee to sell the branch(es) promptly to one or more alternative purchasers acceptable to the Board. See BankAmerica Corporation, 78 Federal Reserve Bulletin 338 (1992); United New Mexico Financial Corporation, 77 Federal Reserve Bulletin 484 (1991).

[24/]The number and strength of factors necessary to mitigate the competitive effects of a proposal depend on the level of concentration and size of the increase in market concentration. See NationsBank Corporation, 84 Federal Reserve Bulletin 129

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Arizona Banking Markets

Casa Grande. Norwest is the third largest of eight depository institutions in the Casa Grande banking market, and controls deposits of $38.1 million, representing 12.3 percent of market deposits. Wells Fargo is the sixth largest depository institution in the market, controlling $28.6 million in deposits, representing 9.2 percent of market deposits. On consummation of the proposal, New Wells Fargo would be the second largest depository institution in the market, controlling 21.5 percent of market deposits, and the HHI would increase by less than 228 points to a level that would not exceed a post-merger HHI of 2101.

Seven depository institutions would remain in the banking market after consummation of the proposal. Moreover, several large multistate banking organizations, other than New Wells Fargo, would compete in this market, including one organization that would remain the largest depository institution in the market with 33.2 percent of market deposits, and another organization that would control 12.2 percent of market deposits. After the proposed merger, four depository institutions in the market other than New Wells Fargo would control market shares of 10 percent or more.

In addition, the Casa Grande banking market has characteristics that make it attractive for entry. The market is in Pinal County, which is an area of population and economic growth approximately 40 miles south of Phoenix and 60 miles north of Tucson. Since 1990, the market's population has increased 26 percent, including a 15-percent increase in population in the town of Casa Grande. Employment in the market has increased by 16 percent since 1990, compared with a national rate of increase of 14 percent in employment during the same period. Recent

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(1998) ("NationsBank/Barnett").

entries by depository institutions also appear to confirm that the Casa Grande banking market is attractive for entry. One bank entered the market de novo in 1996, and the second largest depository institution in the market entered in 1997 by acquiring two branches from the largest competitor in the market.

Phoenix. Wells Fargo is the third largest of 36 depository institutions in the Phoenix banking market, and controls deposits of $3 billion, representing 12.5 percent of market deposits. Norwest is the fourth largest depository institution in the market, controlling $2.5 billion in deposits, representing 10.8 percent of market deposits. Norwest proposes to divest eight branches in this market, with $256.8 million in deposits (representing 1.1 percent of market deposits), to an out-of-market commercial banking organization or to an in-market commercial banking organization that currently controls 2.1 percent or less of market deposits. After the proposed merger and divestiture, New Wells Fargo would be the third largest depository institution in the market, controlling 22.2 percent of market deposits, and the HHI would increase by less than 227 points to a level that would not exceed a post-merger HHI of 2511.

At least 35 depository institutions would remain in the market after consummation of the proposal. Nine large multistate banking organizations, other than New Wells Fargo, would compete in this market, including one organization that would remain the largest depository institution in the market, with 33.3 percent of market deposits, and another organization that would be the second largest with 29.8 percent of market deposits. The proposed divestiture of 1.1 percent of market deposits to a new entrant or a smaller competitor would either add a new competitor or would enhance the competitive presence of a smaller competitor.

In addition, the Phoenix banking market has characteristics that make it attractive for entry. Phoenix is the sixth largest city in the country by population and has had the fifth largest increase in population of major American cities during the last decade. Maricopa County, the county containing the Phoenix market, is the fastest growing county in the United States. The Phoenix unemployment rate in May 1998 was 2.5 percent, which is less than the state and national rates of 4.1 percent and 4.3 percent, respectively. In general, unemployment in the Phoenix area over the last decade has been low and the increase in the rate of employment has been high. The increase in the rate of employment from 1990 to 1997 was 24 percent, which is higher than the national rate of 14 percent. Recent entries by depository institutions appear to confirm that the Phoenix banking market is attractive for entry by depository institutions. Since 1995, nine depository institutions have entered the market de novo.

Prescott. Wells Fargo is the third largest of 12 depository institutions in the Prescott banking market, and controls deposits of $111.6 million, representing 13.5 percent of market deposits. Norwest is the fourth largest depository institution in the market, controlling $100.2 million in market deposits, representing 12.1 percent of market deposits. On consummation of the proposal, New Wells Fargo would be the second largest depository institution in the market, controlling 25.5 percent of market deposits, and the HHI would increase by less than 326 points to a level that does not exceed a post-merger HHI of 1890.

Eleven depository institutions would remain in the banking market after consummation of the proposal. Moreover, several large multistate banking organizations, other than New Wells Fargo, would compete in this market, including one organization that would remain the largest depository institution in the market with 25.8 percent of market deposits, and another organization that would rank third with 19.9 percent of market deposits. After the proposed merger, three competitors other than New Wells Fargo would control market shares 10 percent or more.

In addition, the Prescott banking market has characteristics that make it attractive for entry. The population of the market increased by 48 percent from 1990 to 1997, making the Prescott area one of the fastest-growing regions by population in Arizona. Increase in employment in the Prescott market since 1990 has been approximately 40 percent, significantly higher than the national rate of 14 percent. Recent entries by depository institutions also appear to confirm that the Prescott banking market is attractive for entry by depository institutions. One firm entered the Prescott banking market de novo in 1996. Two other firms entered the market by acquisition in 1997 and 1998, respectively.

Sierra Vista. Wells Fargo is the third largest of seven depository institutions in the Sierra Vista banking market, and controls $72.7 million of market deposits, representing 16.1 percent of market deposits. Norwest is the fourth largest depository institution in the market, controlling $61 million in market deposits, representing 13.5 percent of market deposits. Norwest proposes to divest one branch in this market, with $43.1 million in deposits (representing approximately 9.6 percent of market deposits), to an out-of-market commercial banking organization or an in-market commercial banking organization that currently controls 8.9 percent or less of market deposits. After the proposed merger and divestiture, New Wells Fargo would be the third largest depository institution in the market, controlling 20.1 percent of market deposits, and the HHI would increase by less than 222 points to a level that does not exceed a post-merger HHI of 2428.

At least six depository institutions would remain in the market after consummation of the proposal. Three large multistate banking organizations, other than New Wells Fargo, would compete in this market, including one organization that would remain the largest depository institution in the market with 29.7 percent of market deposits, another organization that would remain the second largest depository institution in the market with 28.2 percent of market deposits, and another organization with 8.9 percent of market deposits. Norwest has committed to divest one branch controlling 9.6 percent of market deposits to an out-of-market firm or to a small in-market competitor. The proposed divestiture of 9.6 percent of market deposits to a new entrant or a smaller competitor would either add a new competitor or would enhance the competitive presence of a smaller competitor.

In addition, the Sierra Vista banking market has characteristics that make it attractive for entry. The population of the market increased by 17.1 percent from 1990 to 1997. In the past two years, two depository institutions have entered the market de novo.

Tucson. Wells Fargo is the third largest of thirteen depository institutions in the Tucson banking market, and controls deposits of $762.5 million, representing 13.9 percent of market deposits. Norwest is the fifth largest depository institution in the market, controlling $478.3 million in deposits, representing 8.7 percent of market deposits. On consummation of the proposal, New Wells Fargo would be the second largest depository institution in the market, controlling 22.6 percent of market deposits, and the HHI would increase by less than 244 points to a level that does not exceed a post-merger HHI of 2007.

Twelve depository institutions would remain in the banking market after consummation of the proposal. Moreover, several large multistate banking organizations, other than New Wells Fargo, would compete in this market, including one organization that would remain the largest depository institution in the market with 29.5 percent of market deposits, and another organization that would be the third largest depository institution in the market with 21.7 percent of market deposits. After the proposed merger, three depository institutions other than New Wells Fargo would control market shares of 10 percent or more and two depository institutions other than New Wells Fargo would control market shares of 20 percent or more.

In addition, the Tucson banking market has characteristics that make it attractive for entry. Tucson is the second largest market in Arizona by population and its population has increased 13 percent since 1990. Population in the surrounding parts of Pima County have increased 18 percent during the same period. In May 1998 the unemployment rate in the Tucson area was 2.5 percent, lower than the national average of 4.3 percent. Two depository institutions entered the market de novo since 1994, and four more depository institutions entered by acquisition. Also, another group has applied to the Arizona Banking Department for permission to organize a de novo bank in the Tucson banking market.

Nevada Banking Markets

Carson City. Norwest is the third largest of 11 depository institutions in the Carson City banking market, and controls deposits of $160 million, representing 18.8 percent of market deposits. Wells Fargo is the largest depository institution in the market, controlling deposits of $204 million, representing 24 percent of market deposits. Norwest proposes to divest one branch in this market, with deposits of approximately $104.9 million (representing more than 12 percent of market deposits), to an out-of-market commercial banking organization or to an in-market commercial banking organization that currently controls 3.9 percent or less of market deposits. After the proposed merger and divestiture, New Wells Fargo would be the largest depository institution in the market, controlling 30.5 percent of market deposits, and the HHI would increase by less than 247 points to a level that does not exceed a post-merger HHI of 1886.

At least ten depository institutions would remain in the market after consummation of the proposal. Three large multistate banking organizations, other than New Wells Fargo, would compete in the market, including one organization that would remain the second largest depository institution in the market with 21.9 percent of market deposits, and another organization with 10.1 percent of market deposits. The proposed divestiture of 12.3 percent of market deposits to a new entrant or a smaller competitor would either add a new competitor or would enhance the competitive presence of a smaller competitor.

In addition, the Carson City banking market has characteristics that make it attractive for entry. From 1990 to 1996, the population of Carson City increased by 14 percent, approximately twice the rate of increase in population nationally during that period.

Las Vegas. Wells Fargo is the second largest of 20 depository institutions in the Las Vegas banking market, and controls deposits of $1.53 billion, representing 15 percent of market deposits. Norwest is the third largest depository institution in the market, controlling $1.51 billion in deposits, representing 14.8 percent of market deposits. Norwest proposes to divest five branches in this market, with $268.7 million in deposits, to an out-of-market commercial banking organization or to an in-market commercial banking organization that currently controls 7.1 percent or less of market deposits. After the proposed merger and divestiture, New Wells Fargo would be the second largest depository institution in the market, controlling 27.2 percent of market deposits, and HHI would increase by less than 341 points to a level that would not exceed a post-merger HHI of 1978.

At least 19 depository institutions would remain in the market after consummation of the proposal. Several large multistate banking organizations, other than New Wells Fargo, would compete in this market, including one organization that would remain the largest depository institution in the market with 31.4 percent of market deposits, and another organization with a 8.8 percent of market deposits.

After the proposed merger and divestiture, at least four competitors in the market other than New Wells Fargo would control market shares of 5 percent or more. The proposed divestiture of 2.6 percent of market deposits to a new entrant or a smaller competitor would either add a new competitor or would enhance the competitive presence of a smaller competitor.

In addition, the Las Vegas banking market has characteristics that make it attractive for entry. According to the U.S Bureau of the Census, the population of Las Vegas increased 46 percent from 1990 to 1996. Over the last decade, the Las Vegas unemployment rate has been consistently low compared with the national rate. Seven of the 20 depository institutions in the market entered de novo since 1994. Two depository institutions have entered by acquisition in the past five years, and one existing depository institution has expanded in the market by opening seven new branches since 1994. Three additional groups have applications to organize de novo banks pending before the state banking authority.

Reno. Wells Fargo is the second largest of ten depository institutions in the Reno banking market, and controls deposits of $566.7 billion, representing 20.1 percent of market deposits. Norwest is the third largest depository institution in the market, controlling $536.8 million in deposits, representing 19.1 percent of market deposits. Norwest proposes to divest two branches in this market, with $208.4 million in deposits (representing 7.4 percent of market deposits), to an out-of-market banking organization or to an in-market banking organization that currently controls 3.8 percent or less of market deposits. After the proposed merger and divestiture, New Wells Fargo would be the largest firm in the market, controlling 31.8 percent of market deposits, and the HHI would increase by less than 353 points to a level that would not exceed a post-merger HHI of 2001.

At least nine depository institutions would remain in the market after consummation of the proposal. Three large multistate banking organizations, other than New Wells Fargo, would compete in this market, including one organization that would become the second largest depository institution in the market with 20.6 percent of market deposits, and another organization that would become the third largest depository institution in the market with 17.4 percent of market deposits. After the proposed merger and divestiture, at least three competitors in the market other than New Wells Fargo would control market shares of 10 percent or greater. The proposed divestiture of 7.4 percent of market deposits to a new entrant or a smaller competitor would either add a new competitor or would enhance the competitive presence of a smaller competitor.

In addition, the market has characteristics that make it attractive to entry. According to the U.S. Bureau of the Census, Reno's population increased 16.2 percent from 1990 to 1996. The unemployment rate for Reno in May 1998 was 4.1 percent, slightly lower than the national rate of 4.3 percent. Over the past three years, the Reno unemployment rate has been consistently low relative to the national rate. Per capita income in the Reno-Sparks MSA in 1995 was $27,866, slightly above the average of $24,361 for Nevada and the national average of $22,788. Two large banks have entered the market by acquisition since 1992 (including the fourth-ranked depository institution), and one de novo bank is in the process of formation in the market.

B. View of Other Agencies and Conclusion

DOJ has conducted a detailed review of the proposal and advised the Board that, in light of the proposed divestitures, consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market. The Office of the Comptroller of the Currency ("OCC") and the Federal

Deposit Insurance Corporation ("FDIC") also have been afforded an opportunity to comment and have not objected to consummation of the proposal.

As discussed in this order, the Board has considered the competitive effects of the transaction in light of a number of factors that measure or affect the likely competitive effects of the proposal in each relevant banking market. These factors include the relative market share that would be controlled by New Wells Fargo in each relevant banking market; the level of market concentration and change in concentration that would result from this transaction; the number, size and relative resources of competitors remaining in each market; and the structure, characteristics and attractiveness of each market. The Board also has carefully weighed the divestitures proposed by Norwest to address the potential competitive effects on various markets.

After carefully reviewing these and all the other facts of record, including public comments on the competitive effects of the proposal, and for the reasons discussed in this order and appendices, the Board concludes that consummation of the proposal would not be likely to result in a significantly adverse effect on competition or on the concentration of banking resources in any of the 30 banking markets in which Norwest and Wells Fargo both compete or in any other relevant banking market.[25/] Accordingly, based on all the facts of record and subject

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[25/]One commenter expressed concern about the method by which the Board determines the appropriate levels of divestitures and the Board's use of mitigating factors. The commenter presented an alternative approach to assessing the competitive effects of the merger proposal, which the commenter has presented to the Board in other merger proposals. For the reasons previously stated by the Board, the Board concludes that its current approach provides a more complete economic analysis of the competitive effects in a local banking market than the approach suggested by the commenter. See NationsBank Corporation, 84 Federal Reserve Bulletin 129 (1998).

to completion of the proposed divestitures, the Board has determined that competitive factors are consistent with approval of the proposal.[26]

Financial, Managerial, and Other Supervisory Factors

The Board has carefully considered the financial and managerial resources and future prospects of Norwest, Wells Fargo, and their respective subsidiary banks, and other supervisory factors in light of all the facts of record. In considering the financial and managerial factors, the Board has reviewed relevant reports of examination and other information prepared by the supervising Reserve Banks and other federal financial supervisory agencies. The Board also has reviewed information on the programs that Norwest and Wells Fargo have implemented to prepare their systems for the Year 2000, including confidential examination and

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[26] One commenter expressed concern that financial institutions that operate very large numbers of ATMs may decide to handle their own ATM transaction processing functions, rather than relying on an ATM network or third parties for such processing, and that financial institutions that engage in significant levels of credit card lending may seek to establish a separate brand identity for the credit cards that they issue. Commenter has presented no evidence to demonstrate that, if such actions were to occur, they would significantly reduce competition in any relevant market or result in a violation of antitrust laws, and the Board notes that the events discussed by the commenter could, in fact, increase competition for ATM transaction processing or credit card lending by creating a new competitor for such services.

Commenter also expressed concern that combinations of large banking organizations that are significant members of separate regional ATM networks may lead to the merger of the ATM networks and, thereby, result in a reduction in competition for ATM network services. Under section 4 of the BHC Act, a bank holding company is required to obtain the Board's approval before acquiring more than 5 percent of the voting shares of any company engaged in activities that are closely related to banking, including a company formed by the merger of two or more ATM networks. In the event that a merger of regional ATM networks controlled by bank holding companies is proposed at some time in the future, the Board would have the opportunity to address the issues raised by the commenter in the context of the specific facts presented at that time.

supervisory information assessing the efforts of the two banking organizations to ensure Year 2000 readiness, both before and after the proposed transaction.

In evaluating financial factors in expansion proposals by bank holding companies, the Board consistently has considered capital adequacy to be an especially important factor.[27] The Board notes that Norwest and Wells Fargo are well capitalized and New Wells Fargo would be well capitalized on a pro forma basis after consummation of the proposal. The Board has considered that the proposed merger is structured as a stock-for-stock transaction and would not increase the debt service requirements of the combined company.

The Board also has considered the managerial resources of the entities involved and the proposed combined organizations. Norwest, Wells Fargo, and their subsidiary depository institutions currently are well managed, with appropriate risk management processes in place. Senior management of New Wells Fargo would draw from the senior executives of Norwest and Wells Fargo, based on the individual management strengths of each company. Senior executives of the two companies also would form a transition team to manage and plan the integration of the bank holding companies. Norwest and Wells Fargo have experience with merger transactions and have indicated that they are devoting significant resources to address all aspects of the merger process.

In addition, the Board has considered other aspects of the financial condition and managerial resources of the two organizations, including the Board's extensive supervisory experience with Norwest and Wells Fargo, plans for integration of the two companies, plans for achieving Year 2000 readiness, and records of

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[27] See, e.g., Banc One Corporation, 84 Federal Reserve Bulletin __ (Order dated September 14, 1998); NationsBank Corporation, 84 Federal Reserve Bulletin 858 (1998).

compliance with relevant banking laws. Based on all the facts of record, including careful review of the comments received, the Board concludes that considerations relating to the financial and managerial resources and future prospects of Norwest, Wells Fargo, and their respective subsidiaries are consistent with approval of the proposal, as are the other supervisory factors that the Board must consider under section 3 of the BHC Act.

Convenience and Needs Considerations

In acting on the proposal, the Board also must consider the convenience and needs of the communities to be served and take into account the records of the relevant depository institutions under the CRA. The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of local communities in which they operate, consistent with their safe and sound operation, and requires the appropriate federal supervisory authority 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 bank expansion proposals. The Board has carefully considered the convenience and needs factor and the CRA performance records of the subsidiary depository institutions of Norwest and Wells Fargo in light of all the facts of record, including public comments on the proposal.

A. Summary of Public Comments Regarding Convenience and Needs Factor

The Board provided an extended public comment period and convened a public meeting in Minneapolis to aid in the collection of information on the aspects of the proposed merger that the Board is required to consider under the BHC Act and other relevant statutes. As noted above, approximately 150 interested persons submitted written comments and testified at the public meeting on all aspects of the proposal and, in particular, the effect of the proposal on the convenience and needs of the affected communities and the CRA performance records of the depository institutions involved.

Approximately 70 commenters either expressed support for the proposal or commented favorably on the CRA-related activities of Norwest and Wells Fargo.[28/] Two commenters who supported the proposal were community groups that have opposed other mergers of banking organizations in the past, and a number of others were former First Interstate Bancorp customers who had been particularly impressed by Wells Fargo's performance after it acquired First Interstate.

Commenters in support of the merger commended Norwest, Wells Fargo, or both for providing home mortgage products, offering financial and technical assistance for small and rural businesses, sponsoring and supporting community development activities and affordable housing initiatives, and participating in programs designed to assist LMI and minority individuals and communities with predominantly LMI and minority residents ("LMI and minority communities"). The

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[28/] The commenters included: (1) the Commissioner of the City of Portland, Oregon, and a representative from the Navajo Nation Council, Window Rock, Arizona; (2) a number of community groups, including the Greenlining Institute, San Francisco, California; the Hmong American Political Association and the Hmong American Community, both of Fresno, California; the Twin Cities Neighborhood Housing Services, the Minnesota Housing Partnership, and the Development Corporation for Children, all of Minneapolis, Minnesota; the Oregon Corporation for Affordable Housing, Portland, Oregon; (3) a number of small businesses and groups that support businesses, including the Metropolitan Economic Development Association, Minneapolis, Minnesota; the Latin Business Association and the Black Business Association of Southern California, both of Los Angeles, California; the Greater Phoenix Urban League, Phoenix, Arizona; and the Black State Employees Association of Texas, Dallas, Texas; and (4) representatives of other community, civic, and nonprofit organizations based in Minnesota, California, Wisconsin, Arizona, Texas, and other states.

commenters also praised Norwest and Wells Fargo for the service and expertise bank officers and staff provide to community groups as volunteers, counselors, and board members.

Many community-based groups and nonprofit organizations commended one or both banking organizations for their mortgage lending efforts in LMI and minority communities, or for their participation in other programs and projects designed to increase affordable housing opportunities. Several groups praised the efforts of Norwest and Wells Fargo to meet the needs of specific underserved segments of the population and to participate in particularly innovative projects. Other commenters praised the records of Norwest and Wells Fargo in fulfilling their commitments to communities, and some expressed approval of recent commitments made in California and New Mexico.

Small business owners and groups supporting small businesses reported favorably on the small business and agricultural lending of one or both banking organizations. Some commenters particularly emphasized the support that Wells Fargo had provided to businesses owned by women or minorities. Several commenters who generally supported the merger encouraged the merging organizations to make additional CRA commitments and to continue their current patterns of local lending and community support.

Approximately 80 commenters opposed the proposed merger.[29] These commenters either expressed general concerns about the effects of large merger proposals on the convenience and needs of the communities to be served or expressed specific concerns about the performance records of Norwest and Wells Fargo.

A number of commenters opposed to the merger contended that Norwest and Wells have inadequate records of performance under the CRA, particularly with respect to serving the banking and credit needs of LMI and minority individuals and communities. Some commenters expressed concern that Norwest inappropriately refers loan applicants rejected by its subsidiary banks to its nonbank finance companies, which generally charge higher rates of interest.

Commenters opposing the merger also expressed concern about either Norwest's or Wells Fargo's denial rates and origination rates for loans to LMI and minority individuals. Other commenters criticized the amount and scope of rural and agricultural lending by Norwest or Wells Fargo, particularly Norwest's record of lending in rural LMI areas.

Several commenters alleged that Norwest and Wells Fargo had generally poor consumer service records. Some commenters expressed concern that post-

[29] The commenters included: (1) several members of the U.S. Senate and the U.S. House of Representatives; (2) state and local government officials, including the Minnesota Attorney General and a Minnesota State Representative; (3) various community-based groups and nonprofit organizations, including representatives from the national and Minnesota offices of the Association of Community Organizations for Reform Now ("ACORN"); Inner City Press/Community on the Move, Bronx, New York; the Wisconsin Rural Development Center, Mt. Horeb, Wisconsin; Citizens for Community Improvement of Des Moines and Iowa Citizens for Community Improvement, both of Des Moines, Iowa; (4) union members, including individuals from the United Steelworkers of America, Local Union 2101 and Local Union 3267; and (5) individual bank customers describing their negative experiences with the organizations.

merger branch closures could negatively affect LMI communities and individuals. Many commenters expressed concern about the fees charged for various services by Norwest and Wells Fargo and about the no-cost checking accounts offered by their subsidiary banks. Some commenters argued that such banking fees disproportionately affected persons likely to be on a fixed income, such as senior citizens, students, and individuals with disabilities. Other individuals claimed that Wells Fargo used high-technology banking services, such as ATMs and Internet banking, to replace rather than enhance traditional banking services to the detriment of LMI and minority consumers.

Many commenters from the Minneapolis area were concerned about the effect of relocating Norwest's headquarters from Minneapolis to San Francisco after the merger. These commenters feared a decrease in the combined company’s involvement in Minnesota, particularly the Minneapolis-St. Paul area, and job losses. Some commenters were concerned that the merger would result in loss of local control over lending decisions.

B. Overview of CRA Policies of New Wells Fargo

In its consideration of the convenience and needs of the communities to be served by New Wells Fargo, the Board has reviewed in detail the CRA performance records of Norwest and Wells Fargo, including their mortgage and small business lending records, community development and investment programs, and their initiatives to increase lending in LMI areas in states served by their subsidiary depository institutions.[30] The Board has carefully reviewed the examinations

[30] Some commenters claimed that evidence suggests that, as a general matter, large banks engage in less small business lending, relative to their size and total lending activities, than small banks. The Board has considered these comments in light of the specific records of lending performance of Norwest and Wells Fargo, including their (continued...)

conducted by the appropriate federal banking agencies under the Community Reinvestment Act of 1977 of the performance records of the insured depository institutions involved in this case. In addition, the Board has reviewed substantial data regarding the lending and other activities of these institutions since the conclusion of these examinations.

The Board also has considered the record and ability of the organizations to adapt programs to special local credit needs. In addition, the Board has considered the record of Norwest and Wells Fargo in implementing CRA programs and policies effectively after an expansion proposal, as well as the current plans of New Wells Fargo for implementing CRA policies and programs after consummation of the proposal.

Norwest and Wells Fargo have indicated that the CRA policies and programs of New Wells Fargo would draw on the CRA policies and programs currently in effect at both institutions. Wells Fargo has stated, for example, that New Wells Fargo would honor all of Wells Fargo's current CRA pledges and continue the lending programs of Wells Fargo that focus on lending to LMI and minority individuals and small businesses owned by minorities.

Norwest states that the New Wells Fargo's CRA activities would include local initiatives with community organizations with established records of community service. The combined organization will continue to manage and solicit input from the community on its CRA activities at a local level with some oversight functions conducted centrally so as to most effectively allocate resources. An annual CRA plan will be prepared to direct activities that will have measurable goals and

(...continued)
records of assisting in meeting the credit needs of small businesses.

quantifiable results at the local level. Meetings with local community organizations will continue at the local level.

Norwest states that the New Wells Fargo will manage and direct CRA activities at the market level by evaluating local needs identified through community contacts and market data. Community development lending and investment opportunities will continue to be identified and assessed locally. In addition, Norwest states the New Wells Fargo will continue to perform analyses of lending, services, and investments at the market level using demographic and business data to ensure awareness of and prompt attention to local issues.[31/] Norwest also indicates that local CRA programs, such as the portfolio mortgage program for LMI home buyers or participation in specific programs, will continue to be managed at the market or state level.

C. CRA Performance Examinations

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of evaluations by the appropriate federal supervisors of the CRA performance records of the relevant institutions. 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 the appropriate federal financial supervisory agency.

All Norwest's subsidiary banks that have been examined for CRA performance since being acquired by Norwest received "outstanding" or

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[31/] Norwest states that regulatory reporting, including data collection, will be performed centrally as needed to ensure data integrity.

"satisfactory" ratings in the most recent examinations of their CRA performance.[32/] In particular, Norwest's lead bank, Norwest Bank Minnesota, N.A., Minneapolis, Minnesota ("Norwest Minnesota") received an "outstanding" performance rating from the OCC, as of October 17, 1996.

All Wells Fargo's subsidiary banks that are subject to CRA also received "outstanding" or "satisfactory" ratings in the most recent examinations of their CRA performance.[33/] For example, Wells Fargo Bank, N.A., Wells Fargo's lead bank, and Wells Fargo Bank (Texas), N.A., received "outstanding" ratings from the OCC, as of March 31, 1996. Wells Fargo Bank (Arizona), N.A., received a "satisfactory" rating from the OCC, as of March 31, 1996.

D. Norwest's CRA Performance Record

Overview. Norwest's banks offer several products that focus on small businesses. In 1996, Norwest's banks reported more than 43,100 small business loans totaling $3.8 billion, with an average loan amount of approximately $90,000. During the same period, Norwest's banks made more than 9,300 small business loans totaling $896.1 million in LMI census tracts and more than 28,800 small business loans totaling $1.6 billion to firms with less than $1 million in revenues. In 1997, Norwest's banks reported approximately 40,450 small business loans, totaling $3.7 billion, with an average loan amount of approximately $94,000. During the same

[32/] Norwest Bank Minnesota Fairbault N.A., Fairbault, Minnesota, is a special purpose bank engaged in cash management activities that is not subject to CRA. In addition, Norwest Bank North Country N.A., Brainard, Minnesota, was acquired by Norwest in October 1997, and has not been examined for CRA performance.

[33/] Wells Fargo Bank, Ltd. and Wells Fargo Central Bank are engaged only in controlled disbursements for business depositors of affiliates. They do not make loans and offer no other deposit services and, thus, are not subject to CRA.

period, Norwest's banks reported more than 8,300 small business loans totaling $836 million in LMI census tracts and more than 27,000 small business loans totaling $1.5 billion to firms with less than $1 million in revenues. In the first five months of 1998, Norwest's banks reported approximately 16,000 small business loans totaling $1.6 billion with an average loan amount of $101,000. During the same period, Norwest made more than 3,200 small business loans totaling more than $347 million in LMI census tracts.

In 1996, Norwest's banks made more than 18,700 small farm loans totaling more than $952 million, with an average loan amount of approximately $51,000; in 1997, Norwest's banks made more than 17,800 small farm loans totaling more than $982 million, with an average loan amount of approximately $55,000; and in the first five months of 1998, Norwest's banks made more than 9,200 small farm loans totaling more than $613 million, with an average loan amount of approximately $66,000.

Norwest's banks offer all types of personal credit, including credit cards and secured and unsecured loans. In 1997, Norwest's banks made more than 131,000 consumer loans totaling more than $855 million to LMI borrowers and, as of May 31, 1998, made more than 46,000 consumer loans totaling more than $316 million to LMI borrowers.

With respect to home mortgage lending, in 1996, Norwest's banks made approximately 14,200 loans reported under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 et seq.) ("HMDA") loans to LMI borrowers totaling $327.3 million and more than 7,100 HMDA loans in LMI census tracts totaling $200.5 million. In 1997, Norwest's banks made more than 13,800 HMDA loans totaling $287.4 million to LMI borrowers and more than 6,800 HMDA loans totaling $179.6 million in LMI census tracts. In the first five months of 1998, Norwest's subsidiary banks made approximately 5,800 HMDA loans totaling $129.6 million to LMI borrowers, and more than 2,900 HMDA loans totaling $79.7 million in LMI census tracts.

Norwest Mortgage, Inc. ("NMI"), a nonbank subsidiary of Norwest, and Norwest Funding, Inc., a nonbank subsidiary of Norwest Bank, account for the majority of Norwest's HMDA lending. In 1996, Norwest's mortgage subsidiaries made approximately 109,200 HMDA loans totaling $8.4 billion to LMI borrowers and approximately 48,000 HMDA loans totaling $4.2 billion in LMI census tracts. During the same period, Norwest's mortgage subsidiaries made more than 83,900 HMDA loans totaling $9.1 billion to minority borrowers. In 1997, the Norwest mortgage subsidiaries made more than 104,000 HMDA loans totaling more than $8.3 billion to LMI borrowers and approximately 45,000 HMDA loans totaling $4.2 billion in LMI census tracts. During the same period, Norwest's mortgage subsidiaries made approximately 77,700 HMDA loans totaling approximately $9 billion to minority borrowers. In the first five months of 1998, Norwest's mortgage subsidiaries made more than 64,000 HMDA loans totaling $5.4 billion to LMI borrowers and approximately 31,000 HMDA loans totaling $3.3 billion in LMI census tracts. During the same period, Norwest's mortgage subsidiaries made over 38,000 HMDA loans totaling $4.8 billion to minority borrowers.

Lending Record in General. CRA performance examinations of Norwest's subsidiary banks conducted by the appropriate federal supervisory agencies generally found that each bank, either directly or in conjunction with its affiliates, offered a variety of housing-related loan products with flexible credit terms and underwriting guidelines, including mortgages with low down-payment requirements and mortgages insured or guaranteed by the Federal Housing Authority ("FHA") or the Veterans Administration ("VA"). The examinations also found that Norwest's subsidiary banks affirmatively solicited loan applications from all segments of their communities, especially LMI neighborhoods, and that the banks' lending activities had effectively reached LMI communities and individuals. In addition, examiners determined that the loan originations and denials of Norwest's subsidiary banks were reasonably distributed throughout the banks' communities.

The examinations also concluded that Norwest's subsidiary banks had effectively identified potentially underserved areas in their communities and designated the areas for priority attention. Examiners noted that Norwest's subsidiary banks also maintained an ongoing dialogue with local government officials and community groups representing neighborhoods, small businesses and minorities to ascertain the credit needs of the local community and participated in loan pools and programs with local governments and community development organizations to promote affordable housing opportunities in local communities.

Examiners concluded that Norwest's subsidiary banks continued to help meet the credit needs of small businesses in their communities, including LMI communities. The examiners also found that the banks actively participated in community development activities in their communities and noted that the banks frequently had taken a leadership role in corporate or local initiatives designed to promote community development.

Examiners concluded that Norwest's subsidiary banks reasonably served the credit needs of all segments of their communities, including LMI communities, through their branch structure, ATM networks, and alternative delivery systems. The examinations reviewed the branch closing policies and record of branch closings of Norwest's subsidiary banks and concluded that each of the banks had a good record of opening, closing, and relocating branch offices while providing all segments of its communities, including LMI areas, with reasonable access to bank services.

Importantly, examiners found no evidence of prohibited discriminatory or other illegal credit practices by Norwest's subsidiary banks. In reaching this conclusion, examiners, in some cases, conducted a comparative analysis of loan applications submitted by minority and nonminority applicants.

CRA Performance in Home State. As noted above, Norwest's lead bank in Minnesota, Norwest Bank Minnesota, N.A. ("Norwest Bank"), received an "outstanding" rating from the OCC in its most recent CRA performance evaluation. Norwest Bank represents approximately 23 percent of Norwest's consolidated assets.

Examiners commended Norwest Bank for its role in making real estate loans, including purchase money mortgages, refinancings, and home improvement loans during 1994 and 1995. In 1995, Norwest Bank, in conjunction with NMI, made HMDA loans totaling more than $1 billion. Examiners also stated that Norwest Bank, in conjunction with NMI, was a market leader in originating HMDA loans to LMI census tracts. Based on 1995 HMDA data, the examiners found that Norwest Bank and NMI had made 23 percent of the total dollar volume of HMDA loans in LMI census tracts. In addition, according to the examiners, Norwest Bank/NMI HMDA originations to LMI applicants constituted approximately 22 percent by number and by dollar volume of loans made to LMI applicants in 1995.

Norwest reports that, in 1996, Norwest Bank made approximately 10,000 HMDA loans totaling more than $270 million, with approximately 1,100 loans totaling more than $33 million in LMI census tracts and more than 2,500 loans totaling more than $55 million to LMI borrowers. Norwest reports that, in 1997, Norwest Bank made a total of more than 9,500 HMDA loans totaling more than $263 million, with almost 900 loans totaling more than $27 million in LMI census tracts and more than 2,300 loans totaling more than $52 million to LMI borrowers.

Examiners also noted that, as of June 30, 1995, Norwest Bank had $1.3 billion in loans outstanding to small businesses and $5 million in loans outstanding to small farms. By number, 59 percent of the small business and small farm loans were originated in amounts of less than $100,000. The examination report states that Norwest Bank was an active Small Business Administration ("SBA") lender. As a "Preferred Lender," Norwest Bank had been ranked as the top SBA lender in Minnesota for three consecutive years. According to the examination report, in 1995, Norwest Bank participated in the SBA's 504, 7(a), and "Low Doc" loan programs, with loans in these programs totaling more than $22 million.

Norwest reports that, in 1996, Norwest's banks in Minnesota made approximately 9,000 small business loans totaling almost $950 million, with an average loan amount of approximately $105,000. During the same period, Norwest's banks made almost 1,150 small business loans totaling almost $105 million in Minnesota LMI census tracts, with an average loan amount of approximately $91,000. During 1996, Norwest's banks in Minnesota also made almost 6,000 small business loans totaling approximately $290 million to firms with less than $1 million in revenues. In 1997, Norwest's banks in Minnesota made more than 8,000 small business loans totaling more than $850 million, with an average loan amount of approximately $102,000. During the period, Norwest's banks in Minnesota made approximately 1,100 small business loans totaling more than $108 million in LMI census tracts, with an average loan amount of approximately $97,000. During 1997, Norwest's banks in Minnesota made more than 5,700 small business loans totaling approximately $280 million to firms with less than $1 million in revenues.

In 1996, Norwest's banks in Minnesota made almost 2,800 small farm loans totaling more than $145 million, with an average loan amount of $52,000. In 1997, Norwest made more than 2,900 small farm loans totaling approximately $165 million in Minnesota, with an average loan amount of $56,000. This represents more than twice as many small farm loans for more than twice the dollar volume of any other lender in 1996 and 1997.

Examiners also found that Norwest Bank actively participated in community development and redevelopment programs, providing leadership, technical expertise and financial support throughout its community. For example, during 1994 and 1995, Norwest Bank committed a total of $2 million to the National Equity Fund ("NEF").

Norwest states that it also has implemented several programs to enhance its service to the communities in Minnesota since its most recent CRA evaluation. These programs include affordable mortgage financing provided by NMI that is funded through the Community Activity Set-Aside Program ("CASA") sponsored by that Minnesota Housing Finance Agency ("MHFA"). The CASA Program provides sellers, cities, and nonprofit housing providers with a set-aside of funds from MHFA mortgage revenue bond to assist in meeting specific, project-oriented needs in communities. In addition, Norwest collaborates with Consumer Credit Counseling Services ("CCCS") to provide financial management seminars throughout the metropolitan community. CCCS is a nonprofit organization that provides counseling and education to consumers on topics such as debt repayment, budgeting, and money management. Norwest reports that, since 1996, 26 seminars have been held for LMI individuals. Norwest also reports that Norwest Bank Minnesota North, N.A. is a SBA Preferred Lender and originated 16 SBA loans totaling $1.7 million and six loans totaling $798,000 in 1996 and 1997, respectively.

Arizona. OCC examiners found that Norwest Bank Arizona, N.A. ("Norwest-Arizona") and NMI offered and originated a variety of conventional loan products to meet community credit needs, including housing-related, consumer, small business, and small farm loans. In particular, examiners noted that the bank had originated or purchased from NMI a significant amount of home purchase loans to LMI individuals and in LMI areas through its Community Homeowners Program ("CHOP").[34] Since the program's inception in 1994, through June 30, 1996, Norwest-Arizona and NMI originated 488 CHOP loans totaling $25 million. The examiners also noted that the Norwest-Arizona and NMI ranked third among HMDA reporting lenders in the market in 1995, with 7.4 percent of all HMDA originations. Norwest reports that, in 1996, its banks and NMI made 22,429 HMDA loans totaling approximately $2 billion in Arizona, with more than 3,000 loans totaling more than $206 million in LMI census tracts and more than 5,800 loans totaling more than $360 million to LMI borrowers. In 1997, Norwest's banks and NMI made more than 20,100 HMDA loans totaling more than $1.9 billion in Arizona, with more than 2,500 loans totaling more than $180 million in LMI census tracts and more than 4,800 loans totaling more than $300 million to LMI borrowers. Through May 31, 1998, Norwest's banks and NMI made more than 12,000 HMDA loans totaling more than $1.3 billion in Arizona, with more than 1,300 loans totaling more than $96 million in LMI census tracts and more than 3,100 loans totaling more than $220 million to LMI borrowers.

The CRA performance examinations indicated that Norwest-Arizona also was actively engaged in consumer lending. According to the examination record, the bank made more than 19,900 direct and indirect consumer loans totaling $100 million in 1995, and made more than 11,700 direct and indirect consumer loans totaling $75 million through June 30, 1996. Norwest reports that, in 1996, its banks

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[34] Examiners indicated that the CHOP program uses flexible underwriting criteria to help LMI borrowers obtain home purchase mortgages.

made more than 7,500 consumer loans totaling more than $28 million to LMI borrowers in Arizona.

In addition, examiners noted that the bank was an active lender to small businesses and small farms. The examination report indicated that, as of June 30, 1996, Norwest-Arizona had $183 million in loans outstanding to small businesses and $202 million in loans outstanding to small farms, with 66 percent of the small business and small farm loans in amounts less than $100,000. Norwest reports that, in 1996, its banks made more than 700 small business loans in Arizona totaling more than $81 million, with an average loan amount of $116,000. During the period, Norwest's banks made more than 230 small business loans totaling more than $30 million in Arizona LMI census tracts and more than 420 loans totaling more than $34 million to firms in Arizona with revenues of less than $1 million. In 1997, Norwest's banks made more than 900 small business loans in Arizona totaling more than $108 million, with an average loan amount of $115,000. During this period, Norwest's banks made more than 240 small business loans totaling more than $32 million in Arizona LMI census tracts and more than 590 loans totaling more than $47 million to firms in Arizona with revenues of less than $1 million. Norwest also reports that, in 1997, Norwest's banks made 49 small farm loans totaling more than $6 million in Arizona, with 15 small farm loans totaling more than $1.8 million in Arizona LMI census tracts.

Examiners noted that Norwest-Arizona frequently participated in government-related lending programs for small business and affordable housing. According to the examination report, NMI made a significant amount of home-purchase and refinancing loans under programs sponsored by the FHA and VA, originating 11.3 percent of such loans made in Arizona's Metropolitan Statistical Areas ("MSAs"). In the Phoenix MSA, Norwest-Arizona/NMI ranked first in government-sponsored loan originations, with 11 percent of such loans. Examiners also noted that the bank supported SBA loan programs. Specifically, Norwest-Arizona was ranked ninth by the SBA Phoenix district office for the six months ending June 30, 1996, in total number of loans originated and fifteenth in total dollar amount of loans originated.

Examiners also determined that Norwest Bank Arizona, N.A., in cooperation with NMI, showed a reasonable distribution of loans throughout its delineated communities, including LMI areas. In 1995, Norwest-Arizona and NMI originated 9 percent of the total number of HMDA loans and 10 percent of the total dollar amount of loans to LMI borrowers in Arizona's MSAs.

Examiners also found that Norwest-Arizona made investments in community development and redevelopment programs, such as Norwest's contribution of $1.3 million to capitalize the Arizona Multibank. The Multibank is a nonprofit community development corporation that provides financial and technical assistance to support small businesses, LMI housing, and economic development.

Examiners found no practice intended to discourage applicants for any type of credit listed in Norwest-Arizona's CRA Statement and determined that the bank solicited applications from all portions of its communities, including LMI areas. Examiners also determined that Norwest-Arizona met the substantive provisions of antidiscrimination laws and regulations.

Norwest states that, since the completion of the most recent CRA performance evaluation, it has implemented several programs to enhance its service to its communities in Arizona. Norwest has formed, for example, a partnership with Neighborhood Housing Services of Phoenix and Neighborhood Housing Services of America and makes reduced rate mortgages to LMI families in Phoenix. Norwest-Arizona also serves as the shareholder bank for a $150,000 subsidy under the Federal

Home Loan Bank Affordable Housing Program which is used to reduce the interest rates on a borrower's home purchase mortgage to 5.5 percent. In addition, Norwest indicates that Norwest-Arizona is investing $1 million in the NEF Limited Partnership to support the purchase of Low Income Housing Tax Credits and thereby financially assist affordable multifamily housing projects in Arizona.

Colorado. Examiners found that Norwest Bank Colorado, N.A. ("Norwest-Colorado") offered and originated a variety of loan products to meet community credit needs, including loans for housing-related, consumer, small business and small farm loans. Examiners commended Norwest-Colorado for its participation in Norwest's CHOP mortgage program. From 1991 through August 30, 1996, Norwest-Colorado originated 2,649 CHOP loans totaling $152 million. In addition, examiners noted that, based on 1995 HMDA data for all lenders, Norwest-Colorado, in conjunction with NMI, was the market leader in its six delineated MSA markets, with a total of 7,885 HMDA loan originations in the MSA delineations representing 9 percent of all conventional HMDA originations. Norwest reports that, in 1996, its banks and NMI made more than 26,900 HMDA loans totaling more than $2.5 billion in Colorado, with more than 3,800 loans totaling more than $252 million in LMI census tracts and more than 7,500 loans totaling more than $492 million to LMI borrowers. In 1997, Norwest's banks and NMI made more than 25,000 HMDA loans totaling more than $2.6 billion in Colorado, with more than 3,300 loans totaling more than $232 million in LMI census tracts and more than 6,300 loans totaling more than $430 million to LMI borrowers.

Examiners also noted that Norwest-Colorado was active in lending to small businesses and small farms. As of June 30, 1996, Norwest-Colorado had $626 million in loans outstanding to small businesses and $66 million in loans outstanding to small farms. According to the examination report, 82 percent of these small business and small farm loans were originated in amounts less than $100,000. Norwest reports that, in 1996, its banks made more than 6,000 small business loans in Colorado totaling more than $470 million, with more than 1,600 loans totaling more than $137 million in LMI census tracts and more than 4,500 loans totaling more than $256 million to firms with revenues less than $1 million. In addition, Norwest reports that, in 1996, its banks made more than 700 small farm loans in Colorado totaling more than $50 million, with 90 loans totaling approximately $6 million in LMI census tracts and almost 700 loans totaling more than $47 million to farms with revenues less than $1 million. Norwest reports that, in 1997, its banks made more than 700 small farm loans in Colorado totaling approximately $35 million, with 75 loans totaling approximately $3 million in LMI census tracts and more than 600 loans totaling more than $28 million to farms with revenues less than $1 million.

Examiners also noted that Norwest-Colorado actively participates in government-sponsored loan programs. For example, examiners commended Norwest-Colorado for its strong support for SBA loan programs, noting that Norwest-Colorado had been designated as a SBA "Preferred Lender" and participated in the SBA's 7A and "Low Doc" loan programs. Examiners also noted that, as of the evaluation period, Norwest-Colorado had been the number one SBA loan originator in Colorado for four consecutive years. As of June 30, 1996, Norwest-Colorado had 411 SBA loans in its portfolio totaling $54 million. According to the examination report, based on 1995 HMDA data, Norwest-Colorado, in conjunction with NMI, made government-sponsored loans totaling $230 million in the MSAs in Colorado served by the bank, representing 8.78 percent of the total of such loans.

Examiners also noted that Norwest-Colorado actively engaged in extending credit to LMI consumers and in LMI neighborhoods. In 1994 and 1995, Norwest/NMI originated more HMDA loans in LMI tracts and to LMI borrowers than any other lender. In 1995, Norwest originated 36 percent of its HMDA loans to LMI applicants and 26 percent in LMI census tracts. In 1995, Norwest-Colorado also had retail loans outstanding in 75 percent of all LMI census tracts in its assessment area. In the first half of 1996, the bank had retail loans outstanding in 98 percent of its LMI census tracts.

Since the completion of the most recent CRA performance evaluation, Norwest states that it has implemented several programs to enhance service to its communities in Colorado. Norwest-Colorado is participating, for example, in Barrio Aztlan Homeownership Program, which provides mortgage lending, down payment assistance, and bilingual prepurchase counseling to low-income families in Denver's predominantly Latino neighborhoods. As of July 31, 1998, Norwest-Colorado has funded 18 loans totaling $1.4 million through this program. In addition, Norwest reports that in the City of Grand Junction, Norwest-Colorado participates in the Self-Help program with the U.S. Department of Agriculture ("USDA"), a pilot program that leverages government funds for the provision of subsidized mortgages to LMI borrowers. Under this program, the USDA subordinates its subsidized second mortgage to the bank's first mortgage, which is priced at, or slightly below, market rates. This permits USDA to use more of the Self-Help funds for additional first mortgages.

Nevada. Examiners concluded that Norwest Bank Nevada, N.A. ("Norwest-Nevada") and its predecessor institutions[35] had a strong volume of lending over a broad range of products, that the majority of its lending was in its delineated

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[35] Norwest-Nevada was chartered as a federal thrift when it was acquired by Norwest in 1996. It was renamed Norwest Bank Nevada, F.S.B. and subsequently was merged with another Norwest federal thrift subsidiary. Norwest converted the thrift subsidiary to a national bank in 1997. The most recent CRA evaluation of the institution occurred before its conversion to a national bank.

community, and that a formal structure was in place for CRA compliance. Examiners noted that the institution was able to offer a broader range of products to assist LMI customers after its acquisition by Norwest.

Examiners commented favorably on the broad range of credit products offered by Norwest-Nevada and its affiliates, including mortgage loans for the purchase or refinance of 1-4 unit and multiunit residential properties.[36/] Examiners noted that although Norwest-Nevada did not underwrite and originate FHA and VA housing loans, NMI continued to do so. Based on HMDA data, the examiners also concluded that Norwest-Nevada had a reasonable geographic distribution of loan products throughout its delineated community. Norwest reports that, in 1996, its banks and NMI made more than 10,000 HMDA loans totaling more than $1.1 billion in Nevada, with more than 600 loans totaling more than $54 million in LMI census tracts and more than 2,600 loans totaling more than $217 million to LMI borrowers. Norwest reports that, in 1997, its banks and NMI made a total of more than 6,900 HMDA loans totaling more than $753 million in Nevada, with approximately 530 loans totaling more than $46 million in LMI census tracts and almost 1,700 loans totaling more than $128 million to LMI borrowers.

Examiners commented favorably on the commercial credit products offered by Norwest-Nevada to businesses and farms. Examiners also noted that the institution was an active SBA lender. According to the report, the institution received approval to offer loans under a number of SBA programs, including the SBA's 7A-Capline, "Low Doc", 7A, and 504 loans. In addition, the institution participated in a program to lend to minority and small business owners in an enterprise zone in Las Vegas under a $750,000 grant from the Department of Housing and Urban

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[36/] The report noted that mortgage loans were processed and originated by NMI, but that the loans were underwritten and immediately purchased by Norwest-Nevada.

Development. Norwest reports that, in 1996, its banks made a total of almost 250 small business loans totaling more than $25 million in Nevada, with more than 70 loans totaling approximately $9 million in LMI census tracts and approximately 180 loans totaling more than $15 million to firms with revenues less than $1 million. Norwest reports that, in 1997, its banks made a total of more than 330 small business loans totaling almost $30 million in Nevada, with 80 loans totaling more than $9 million in LMI census tracts and more than 250 loans totaling more than $14 million to firms with revenues of less than $1 million.

In addition, Norwest reports that, in 1996, its banks made a total of 27 small farm loans totaling more than $1.5 million in Nevada, with 24 loans totaling $1.4 million in LMI census tracts and 25 loans totaling more than $1.4 million to farms with revenues less than $1 million. Norwest reports that, in 1997, its banks made a total of 71 small farm loans totaling approximately $7 million in Nevada, with 34 loans totaling more than $3.4 million in LMI census tracts and more than 60 loans totaling more than $6.7 million to farms with revenues less than $1 million.

Examiners also concluded that Norwest-Nevada had a high level of participation in community development and redevelopment programs, often in a leadership role. The institution maintained two Community Outreach Centers in or adjacent to underserved areas. The centers had a staff of three Community Outreach Managers, who were responsible for identifying credit and financial needs in LMI areas, forming partnerships with communities and organizations, and soliciting loans from LMI customers. Examiners noted that the managers routinely worked with community-based organizations and local governments, including the Fund Urban Northern Nevada Development, Southern Nevada Reinvestment and Accountable Banking Committee, the City of North Las Vegas, and the City of Sparks, to assist in developing special housing or credit programs. In addition, the managers provided financial education workshops for residents in the local communities. Examiners noted that Norwest-Nevada, in conjunction with Volunteers of America, had submitted a financing proposal that was instrumental in obtaining a $750,000 grant to develop a small business loan guarantee program for a newly designated Enterprise Zone in the Las Vegas MSA. Norwest-Nevada also cashed social assistance checks for noncustomers without charge, waived fees for nonprofit organizations, and offered a free checking account with no monthly fee or minimum balance.

Norwest states that, since the most recent CRA performance evaluation, it has implemented several programs to enhance services to its Nevada communities. Norwest-Nevada has doubled its commitment to lend under the Affordable Loan Program to a total of $20 million per year. Norwest reports that, since 1997, Norwest-Nevada has allocated portions of the total commitment to various local nonprofit community development organizations that provide down payment assistance, and that for 1998, approximately 90 percent of the total allocation has been reserved for nonprofit organizations. In addition, in late 1997, Norwest-Nevada established a Community Business Banking Department to specifically address the needs of the small business owner with a gross annual revenue of $500,000 to $3 million and credit needs of up to $250,000. Norwest also reports that Norwest-Nevada participates in the USDA Self-Help program for Nevada communities discussed above.

New Mexico. Examiners concluded that Norwest's subsidiary banks in New Mexico generally met the credit needs of the communities they served. Examiners noted that Norwest Bank New Mexico, N.A. ("Norwest-NM"), in conjunction with NMI, originated more conventional home purchase loans, refinancings, and home improvement loans in its delineated communities in 1995 than any other lender, with 10.5 percent of the HMDA loans in the market. Norwest-

NM's volume of HMDA loans increased from $291 million in 1995 to more than $328 million in 1996. During 1995 and 1996, 100 percent and 98 percent, respectively, of Norwest-NM's conventional real estate-related loans were made in the bank's delineated communities. Examiners also determined that Norwest-NM reasonably served LMI areas in its communities. According to the examination report, in 1996, Norwest-NM made 21 percent of its HMDA loans in LMI census tracts and 31 percent of its HMDA loans to LMI applicants. Norwest reports that, in 1997, its banks and NMI made a total of more than 6,100 HMDA loans totaling more than $480 million in New Mexico, with more than 1,000 loans totaling more than $72 million in LMI census tracts and more than 1,400 loans totaling more than $65 million to LMI borrowers.

Examiners also noted that Norwest-NM was an active lender to small businesses and small farms. In 1996, Norwest-NM made 2,969 small business loans totaling approximately $208 million, with 83 percent by number and 38 percent by dollar amount in loan amounts of $100,000 or less. Norwest reports that, in 1997, its banks made more than 3,500 small business loans totaling more than $330 million in New Mexico, with almost 1,000 loans totaling more than $106 million in LMI census tracts and more than 2,700 loans totaling more than $181 million to firms with revenues less than $1 million.

Examiners indicated that, in 1996, Norwest-NM made small farm loans totaling $36.1 million, with 88 percent in loan amounts of less than $100,000. Norwest reports that, in 1997, its banks made a total of more than 800 small farm loans totaling more than $45 million in New Mexico, with more than 200 loans totaling more than $11 million in LMI census tracts and almost 800 loans totaling approximately $40 million to farms with revenues less than $1 million.

Examiners also noted that Norwest-NM, in conjunction with NMI, actively participated in government-related lending programs for small business and housing. In 1996, Norwest-NM originated 448 home purchase loans and refinancings totaling $40 million under programs sponsored by government authorities, such as the FHA, the VA, and the Farmers Home Administration ("FmHA"). Examiners also noted that Norwest-NM was an active SBA lender with "Preferred Lender" status. More than half the $10.2 million in SBA loans made by Norwest-NM in the 1996 fiscal year were originated in the Albuquerque area where Norwest-NM ranked first in SBA lending.

Texas. Examiners noted that Norwest Bank El Paso, N.A. ("Norwest-El Paso") used innovative products and flexible underwriting guidelines to assist in meeting the need for home mortgage loans in its assessment area. In particular, the examiners noted that the bank offered affordable mortgages and home improvement loans designed specifically for LMI borrowers through programs like the Affordable Home Mortgage Loan Program. Norwest reports that, in 1996, its banks and NMI made a total of more than 20,000 HMDA loans totaling more than $1.8 billion in Texas, with more than 1,800 loans totaling more than $102 million in LMI census tracts and almost 3,500 loans totaling more than $182 million to LMI borrowers. Norwest also reports that, in 1997, its banks and NMI made a total of almost 30,000 HMDA loans totaling more than $2.7 billion in Texas, with more than 2,400 loans totaling more than $140 million in LMI census tracts and more than 4,800 loans totaling more than $254 million to LMI borrowers.

Examiners stated that Norwest-El Paso's level of small business and small farm loans reflected a significant number of loans throughout its assessment area. Data for 1996 showed that Norwest-El Paso made 31 percent of its small business and small farm loans to businesses in LMI census tracts that had annual revenues of less than $1 million. In 1996, Norwest-El Paso also introduced the Small Business Banking Center to assist in meeting the credit needs of small businesses. The center originated 91 loans totaling $2.7 million in 1996, with an average loan amount of $30,000. Norwest states that, in 1996, its banks made more than 5,200 small business loans totaling more than $256 million in Texas, with approximately 1,100 loans totaling more than $51 million in LMI census tracts and almost 3,500 loans totaling almost $150 million to firms with revenues less than $1 million. Norwest reports that, in 1997, its banks made more than 7,600 small business loans totaling more than $520 million in Texas, with more than 1,600 loans totaling more than $138 million in LMI census tracts and more than 4,700 loans totaling more than $243 million to firms with revenues less than $1 million.

Norwest reports that, in 1996, its banks made a total of approximately 2,000 small farm loans totaling almost $83 million in Texas, with 300 loans totaling more than $12 million in LMI census tracts and more than 1,600 loans totaling almost $65 million to farms with revenues less than $1 million. Norwest also reports that, in 1997, its banks made a total of more than 1,600 small farm loans totaling more than $84 million in Texas, with more than 230 loans totaling more than $14 million in LMI census tracts and more than 1,300 loans totaling more than $64 million to farms with revenues less than $1 million.

Examiners noted that Norwest Bank Texas, N.A. ("Norwest-Texas") actively participated in development and redevelopment programs in its communities by providing loans and financial expertise to the community. Examiners also commented favorably that Norwest-Texas had been recognized by the Federal Home Loan Bank of Dallas for its community support. Norwest reports that, in 1998, Norwest-Texas became a sponsor of the Texas Capital Access Program established by the Texas Economic Development Corporation. Under this program, state funds are used to create a loan loss reserve account for bank loans to small businesses that permits banks to use underwriting guidelines for qualifying applicants that are more flexible than conventional guidelines.

E. Wells Fargo's CRA Performance Record

Overview. Wells Fargo offers a variety of products specifically designed for small business customers. Wells Fargo's Business Banking Group focuses on small businesses with annual revenues of less than $10 million in which the owner is the primary financial decision maker. Wells Fargo reports that, in 1996, its banks made more than 138,000 small business and small farm loans totaling more than $5.4 billion, with more than 33,000 small business and small farm loans totaling more than $1.5 billion in LMI census tracts. In 1997, Wells Fargo reports that its banks made more than 195,000 small business and small farm loans totaling more than $5.8 billion, with more than 45,700 small business and small farm loans totaling $1.7 billion in LMI census tracts. During 1996 and 1997, Wells Fargo reports that 95 percent of its small business and small farm loans were for amounts less than $100,000, and that the average loan amount was approximately $33,000. Through June 30, 1998, Wells Fargo made a total of approximately 69,000 small business and small farm loans totaling $2.7 billion, with more than 14,000 small business and small farm loans totaling approximately $668 million in LMI census tracts.

In 1996, Wells Fargo made more than 15,000 HMDA loans totaling approximately $960 million. During the same period, Wells Fargo made approximately 1,900 HMDA loans totaling $118 million in LMI census tracts, more than 5,200 HMDA loans totaling more than $180 million to LMI borrowers, and more than 1,800 HMDA loans totaling approximately $96 million to minority borrowers. In 1997, Wells Fargo made approximately 4,800 HMDA loans totaling $540 million. During this period, Wells Fargo made more than 600 HMDA loans totaling $10 million in LMI census tracts, approximately 1,600 HMDA loans totaling more than $53 million to LMI borrowers, and more than 800 HMDA loans totaling more than $36 million to minority borrowers. Through June 30, 1998, Wells Fargo made a total of approximately 4,400 HMDA loans totaling more than $220 million. During this period, Wells Fargo made more than 490 HMDA loans totaling more than $21 million in LMI census tracts, more than 1,400 HMDA loans totaling more than $53 million to LMI borrowers, and more than 600 HMDA loans totaling $25 million to minority borrowers. As of March 1998, Wells Fargo reports that it has loaned more than $14.5 billion or 33 percent of its lending goal under a $44.5 billion, 10-year CRA pledge announced in December 1995.

Lending Record in General. Examiners generally determined that Wells Fargo's banks had an effective program to ascertain the credit needs of their communities. In addition, the examiners found that the banks' level of lending reflected a responsiveness to the credit needs of their communities. The banks were generally active participants in government-guaranteed or sponsored loan programs that addressed housing, consumer, and small business credit needs. Examiners also determined that Wells Fargo's geographic distribution of loan originations was reasonable and generally consistent with demographic patterns in the community, including LMI communities. Examiners generally found that Wells Fargo's banks participated in financing community development and redevelopment projects.

California. As noted above, Wells Fargo Bank, N.A. ("WFB"), Wells Fargo's lead bank, received an "outstanding" rating from the OCC at its most recent CRA performance evaluation. WFB accounts for approximately 90 percent of Wells Fargo's consolidated assets.

Examiners noted that the largest component of WFB's lending activities was small business loans. Examiners found that WFB's record of making loans for less than $50,000, which accounted for 75 percent of WFB's small business lending during the evaluation period, evidenced the bank's commitment to small business lending. Examiners noted that, in 1995, WFB's loan growth was almost evenly divided between loans less than and loans more than $50,000. Examiners also noted that WFB made a significant number of small business loans in LMI census tracts.

In 1996, WFB made approximately 72,600 small business and small farm loans in California totaling $3.1 billion, with more than 18,800 small business and small farm loans totaling more than $960 million in California LMI census tracts. In 1997, WFB made approximately 108,300 small business and small farm loans in California totaling $3.6 billion, with more than 27,000 small business and small farm loans totaling $1.1 billion in California LMI census tracts. Through June 30, 1998, WFB made approximately 32,700 small business and small farm loans in California totaling $1.7 billion, with approximately 8,000 small business and small farm loans totaling more than $451 million in California LMI census tracts.

Examiners stated that WFB was an active participant in government-guaranteed or sponsored loan programs that addressed housing-related, consumer, and business credit needs. According to the examination report, in 1994 and 1995, WFB government-guaranteed loans totaled over $1 billion. During the evaluation period, the SBA recognized WFB as California's leading originator of loans under the SBA's 504 Program. Examiners also noted that, during the evaluation period, WFB funded approximately 90 percent of all loans in the California Capital Access Program. Wells Fargo reports that, as of year-end 1997, WFB was the largest lender in the California Capital Access Program, providing funding for approximately 84 percent of the program's loans in the state.

Examiners found that WFB offered a variety of lending products, with many specifically designed to help meet the credit needs of the LMI community.

Examiners noted that, during the evaluation period, WFB was the leading lender in LMI areas in the Los Angeles MSA. Based on 1994 HMDA data, WFB made 33 percent of its home purchase loans in Los Angeles's LMI census tracts and increased the percentage to 36 percent in 1995. Examiners commended WFB for its consumer loan products designed for LMI borrowers, which included flexible underwriting or extended terms. In 1996, WFB and Wells Fargo Bank (Arizona), N.A. ("WFBA"), its credit card bank affiliate, made more than one million consumer loans in California totaling more than $4.3 billion, with approximately 214,200 consumer loans totaling $620 million in California LMI census tracts. In 1997, WFB and WFBA made more than 655,000 consumer loans in California totaling more than $4 billion, with more than 130,000 consumer loans totaling more than $490 million in California LMI census tracts. Through the second quarter of 1998, WFB and WFBA made approximately 184,200 consumer loans in California totaling $1.6 billion, with more than 37,000 consumer loans totaling $175 million in California LMI census tracts.

Examiners also commended WFB for its leadership, innovation, and participation in financing community development and redevelopment projects in its delineated community. Examiners noted WFB's use of a variety of lending and investment opportunities to finance more than $694 million in community development ventures during the evaluation period. WFB also committed to develop 57 LMI housing projects totaling $253 million during the same period. In 1994, WFB made a $50 million loan commitment for the construction of affordable housing through a partnership formed with Bridge, a California nonprofit developer of affordable housing; the World Savings Bank; and the California Public Employees Retirement System.

Examiners noted that WFB's management decided in 1995 to begin to phase-out direct mortgage lending. Wells Fargo primarily originates HMDA affordable mortgage loans through Wells Resource Real Estate Services ("WRRES"), a joint venture with PHH Mortgage Services.[37/] To maintain community access to mortgages, WFB established local loan centers in LMI communities in South Central Los Angeles, the Fruitridge community of Sacramento, and Southeast San Diego to provide access and counseling through its joint venture partners and in partnership with nonprofit organizations providing credit counseling and down payment assistance. Wells Fargo opened a fourth home mortgage loan center in Fresno in 1998.[38/]

In 1996, WFB made approximately 4,400 HMDA loans in California totaling more than $439 million. During this period, the bank made 575 HMDA loans totaling more than $50 million in California LMI census tracts, more than 1,500 HMDA loans totaling more than $80 million to California LMI borrowers, and more than 700 HMDA loans totaling approximately $56 million to California minority borrowers. In 1997, WFB made a total of approximately 2,100 HMDA loans in California totaling more than $236 million. During this period, the bank made more than 290 HMDA loans totaling more than $42 million in California LMI census tracts, more than 700 HMDA loans totaling more than $24 million to California LMI borrowers, and approximately 500 HMDA loans totaling more than $24 million to California minority borrowers. Through June 30, 1998, WFB made a total of almost 1,500 HMDA loans in California totaling more than $83 million. During this period, the bank made almost 170 HMDA loans totaling more than $6 million in California LMI census tracts, approximately 500 HMDA loans totaling more than $20 million to

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[37/] Wells Fargo has a 24 percent interest in WRRES and PHH Mortgage Services has a 76 percent interest.

[38/] Wells Fargo operates the home loan centers in California in partnership with WRRES.

California LMI borrowers, and more than 300 HMDA loans totaling more than $12 million to California minority borrowers.

Examiners also noted that WFB, through the California Community Reinvestment Corporation, committed more than $30 million to a revolving loan pool to provide financing for the development or rehabilitation of LMI housing projects throughout California. Examiners noted that, since 1990, WFB's annual financing activities for affordable housing development had consistently exceeded $100 million. During the evaluation period, WFB made 193 business loans totaling $353 million to borrowers in designated Enterprise Zones and 19 business loans totaling $33 million to nonprofit community organizations involved in community development activity, businesses producing affordable housing, and businesses sponsored by a public agency to promote community development. In 1995, WFB committed to invest $12 million in equity capital through the Local Initiatives Support Corporation's California Equity Fund, and an additional $6 million through the federal tax-exempt credit program.

Wells Fargo reports that, since its most recent CRA performance evaluations WFB has taken several steps to enhance its service to its communities. Wells Fargo reports that, in 1996 and 1997, WFB's Real Estate Group provided more than $1.1 billion to 291 affordable housing and economic development financing projects, and its Commercial Banking Group made more than 2,000 loans totaling more than $4.4 billion to economic development projects. During the same period, Wells Fargo reports that WFB financed 30 transactions totaling more than $70 million for rural projects, including self-help housing projects. Wells Fargo also reports that, from 1996 through June 30, 1998, it provided $39.3 million in contributions that qualified as community development activity under the CRA.

Wells Fargo states that, in mid-1997, WFB introduced its "Business Center" program. The program's centers are smaller than traditional branches, but are full-service facilities with business specialists trained to provide specialized services to small businesses. By the end of 1997, WFB had opened 30 Business Centers in California, Arizona, Nevada, and Oregon.

Wells Fargo also reports that, by September 1996, and through an alliance with the National Association of Women Business Owners, WFB met its $1 billion goal in the Women's Loan Program designed for creditworthy and established women entrepreneurs. At that time, WFB expanded its commitment to the program to $10 billion over 10 years. In addition, in August 1998, Wells Fargo made a $15 billion, three-year CRA-related lending and investment commitment for California, including a separate $100 million goal for CRA-related investment and contributions in the state. This pledge also included a 35 percent minority mortgage outreach goal for California.

Texas. Examiners commented favorably on the special efforts of Wells Fargo Bank (Texas), N.A. ("WFBT") in 1995 to expand its small business lending and to address the needs of its small business customers through the development of several new products. Examiners noted that WFBT introduced a "Business Advance" line of credit for small businesses and the "Quick Step Small Business Loan," which includes an abbreviated application process for loans of less than $50,000. In addition, examiners noted that WFBT committed $550,000 to five programs offering below-market rate loans to promote initiatives to help maintain a strong central business district. Wells Fargo reports that, in 1996, WFBT made a total of more 1,900 small business and small farm loans totaling more than $96 million in LMI census tracts in Texas. Wells Fargo also reports that, in 1997, WFBT made more than 2,100 small business and small farm loans totaling more than $168 million in LMI census tracts in Texas.

Examiners also found that WFBT actively participated in government-guaranteed and sponsored loan programs. Examiners noted that, for the fiscal year ended September 30, 1995, WFBT was the most active lender in Texas under the SBA's 7A Program, and that it was ranked sixth nationally for number of loans and fifth nationally for dollar amount of loans under this program. Examiners found that the number of SBA loans made by WFBT increased by 165 percent from 1994 to 1995. In addition, examiners stated that WFBT was also active in government-guaranteed student loan programs. During the evaluation period, WFBT originated $89 million in student loans and, as a result, was the leading bank in Texas for lending under the PLUS Student Loan Program.

Examiners determined that WFBT had a reasonable number of consumer and small business loans in LMI census tracts in 1994 and 1995. Examiners stated that, in 1995, the bank originated 35 percent of its business loans and 24 percent of its consumer loans in LMI census tracts in its delineated communities that were the focus of the examination. Examiners also noted that, at the time of the examination, 27 percent of WFBT's branches were located in LMI census tracts. Examiners also commended the bank for conducting an analysis of credit distribution between LMI and non-LMI census tracts for each area in its delineated community and for using the analysis in assessing the bank's CRA performance. Wells Fargo reports that, in 1996, WFBT and WFBA made more than 13,000 consumer loans totaling more than $62 million in LMI census tracts in Texas, and, in 1997, made more than 15,000 consumer loans totaling more than $55 million in LMI census tracts in Texas.

Examiners also noted that WFBT had a high level of participation in community development and redevelopment activities and commended WFBT's use of innovative solutions to assist in meeting community development needs. Examiners noted that WFBT's total commitments to community development and redevelopment projects and programs during the evaluation period exceeded $115 million. As an example of WFBT's community development investments, examiners noted WFBT's commitment of $1 million to the Greater Houston Small Business Equity Fund, a multibank community development corporation that provides loan and equity financing to small businesses in the greater Houston area to stimulate economic growth and create jobs. In addition, examiners stated that, in 1996, WFBT committed $1.5 million to MESBIC Venture Holding Company, a small business investment corporation that provides venture capital financing for small businesses owned by minorities. Examiners also noted that WFBT made 59 loans totaling $3.6 million through its Community Assistance Program, which provides financing with flexible underwriting standards to organizations that serve basic social needs, create jobs, provide technical assistance, or develop affordable housing. Examiners also noted that, during the evaluation period, WFBT made more than $1 million in charitable contributions to a variety of community-based organizations.[39/]

Arizona. As mentioned above, Wells Fargo Bank (Arizona), N.A. is a special purpose bank that extends credit to consumers and small businesses, primarily through credit cards. WFBA has delineated its service community as the Phoenix MSA, but has no branch offices in the area. In its most recent CRA performance evaluation, examiners stated that WFBA had a comprehensive program to ascertain the credit needs of its community. As part of this program, management initiated direct contact with a variety of local organizations. Examiners also found that

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[39/]In addition, Wells Fargo reports that, in 1997, it made a $100,000 contribution to the National Council of La Raza Foundation's credit counseling program for low-income Hispanic homeowners in Arizona, Colorado, Texas, and California.

WFBA's board of directors supported the bank's CRA efforts, which included flexible and innovative underwriting guidelines designed to help meet the need for consumer credit in its delineated community. Examiners also found that WFBA's board monitored the bank's CRA performance through WFB's Corporate Community Development Group.

Examiners noted that WFBA offered a variety of products that were specifically designed to help meet the needs of LMI communities, including a secured credit card for low-income borrowers with little credit history. Examiners also noted that WFB had been working with community organizations to develop sites in LMI communities to provide the use of computers so that individuals who do not own computers can have Internet access.

Examiners noted that, in 1995, WFBA invested $3 million in equity capital through LISC's National Equity Fund. Examiners also found that, during the evaluation period, WFBA contributed more than $161,000 to five community groups involved in a variety of activities, including CDC housing development training and predevelopment costs, mortgage loan counseling for LMI home buyers, and the construction of a single-room-occupancy housing project.

F. <u>HMDA Data</u>

The Board also has carefully considered the lending records of Norwest and Wells Fargo in light of comments on the 1996 and 1997 HMDA data reported by the subsidiaries of the organizations. The data for 1996 and 1997 generally show that Norwest adequately assisted in meeting the credit needs of the communities it serves with respect to HMDA-related loans, including minority and LMI borrowers and borrowers in LMI census tracts. As stated above, Wells Fargo began phasing out its direct residential mortgage lending activities in 1995. Although from 1996 to 1997, Wells Fargo's actual number of applications from and loan originations in LMI census tracts decreased in Arizona, California, Idaho, Nevada, New Mexico, Oregon, and Texas, Wells Fargo was either consistent with or exceeded lenders in the aggregate in the percentage of LMI originations during the same period. Wells Fargo's percentage of loan originations to LMI individuals also was either consistent with or exceeded lenders in the aggregate in those states during the same period. Similarly, while the number of applications received from and originations made to African-American and Hispanic applicants decreased from 1996 to 1997 in those states, Wells Fargo's percentage of loan originations to African-American and Hispanic borrowers was consistent with lenders in the aggregate in those states during the same period. The data also generally do not indicate that the banking organizations are excluding any geographic areas or population segments on a prohibited basis.

The data for 1996 and 1997 also reflect certain disparities in the rates of loan applications, originations, and denials among members of different racial groups and persons at different income levels, both generally and in certain states and local areas. The Board is concerned when an institution's record indicates such disparities in lending, and believes that all banks are obligated to ensure that their lending practices are based on criteria that assure not only safe and sound banking, but also equal access to credit by creditworthy applicants regardless of their race or income level. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community because the data cover only a few categories of housing-related lending. HMDA data, moreover, provide only limited information about the covered loans.[40] HMDA data, therefore, have limitations that

[40] 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 (continued...)

make the data an inadequate basis, absent other information, for concluding that an institution has not adequately assisted in meeting its communities' credit needs or has engaged in illegal discrimination in making lending decisions.

Because of the limitations of HMDA data, the Board has carefully considered the data in light of other information, including examination reports that provide an on-site evaluation of the compliance by the subsidiary banks of Norwest and Wells Fargo with the fair lending laws and the overall lending and community development activities of the banks. The examinations revealed no evidence of prohibited or illegal credit practices at the Norwest banks, and the banks were in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act, the Fair Housing Act, and the Home Mortgage Disclosure Act. In the most recent CRA examination report for Norwest Bank, examiners stated that all employees involved in making lending decisions received regular, comprehensive training on fair lending practices, and the bank had an independent second review program for all denial recommendations on HMDA-reportable loans.

The examinations of Wells Fargo's subsidiary banks also found no illegal discrimination in the credit practices at the banks. For example, in the CRA examination of WFB, examiners stated that compliance and credit officers performed a second-level review of declined residential loan applications from minorities and low-income individuals, reviewed loan files to analyze primary reasons for denials, regularly reviewed HMDA and comparable data for other types of credit to evaluate

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

lending activity by census tract and race, and implemented ongoing sensitivity and cultural diversity training for all bank personnel.

The Board notes that examiners reviewed the fair lending policies, procedures, and training maintained by the depository institutions of Norwest and Wells Fargo and found them to be appropriate for monitoring compliance with fair lending laws. The Board also has considered the HMDA data in light of the overall lending records of Norwest and Wells Fargo, which show that their subsidiary depository institutions assist in meeting the credit needs of their entire communities, including LMI neighborhoods.

G. Branch Closings

Several commenters contended that branch closings by Norwest or Wells Fargo in their respective service areas, particularly in LMI neighborhoods, had adversely affected local communities. These commenters and other commenters also expressed concern that this proposal would result in additional branch closings in LMI and other neighborhoods. Norwest has stated that although it is expected that some branches will be relocated, or consolidated as a result of the proposed merger, no determinations have been made as to which branches may be sold, consolidated, relocated or closed over the next two years as a result of the proposed transaction, other than branches that are proposed to be divested for antitrust purposes.

The Board has carefully considered the branch closing policies of Norwest and Wells Fargo and the record of the institutions in opening and closing branches. The Board also has carefully considered the public comments regarding past and potential branch closings in light of all the facts of record.

Examiners reviewed the branch closing policies and record of opening and closing branches of Norwest's banks during the examination periods. Examiners concluded that its subsidiary banks generally had good records of opening, closing, and relocating their offices while providing all segments of their communities with reasonable access to banking services. Examiners also reviewed the branch closing policies and record of opening and closing branches of WFB and WFBT during the CRA examination periods.[41] Examiners concluded that the branches of both banks were readily accessible to all segments of their delineated communities, and that the closing of branches during the evaluation period did not adversely affect the banks' ability to provide services to their communities, including LMI neighborhoods.[42]

The Board also has considered that federal banking law requires a specific mechanism for addressing branch closings. Federal law requires an insured depository institution to provide notice to the public and to the appropriate federal regulatory agency before closing a branch.[43] The law does not authorize federal regulators to prevent the closing of any branch. Any branch closings resulting from the proposed transaction will be considered by the appropriate federal supervisor at the next CRA examination of the relevant subsidiary bank.

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[41] WFBA and Wells Fargo HSBC Trade Bank, N.A. do not operate branch offices in their delineated communities.

[42] According to examination reports, WFB's branch closing policy required that, prior to closing, management complete an in-depth analysis of the closing's possible effect on the community. The policy also required bank management to assess potential CRA concerns and required approval of the bank's board of directors before closure.

[43] Section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1), as implemented by the Joint Policy Statement Regarding Branch Closings (58 Federal Register 49,083 (1993)), requires that a bank provide the public with at least 30 days notice and the appropriate federal supervisory agency with at least 90 days notice before the date of the proposed branch closing. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

To permit the Board to monitor the effectiveness of the branch closing policies of New Wells Fargo, the Board conditions its action on this proposal on the requirement that New Wells Fargo report to the Federal Reserve System, on a semiannual basis during the two-year period after consummation, all branch closings, including consolidations, that occur as a result of this proposal. For branches closed in LMI census tracts, New Wells Fargo should indicate the proximity of the closed branch to the closest branch of New Wells Fargo and the steps New Wells Fargo took to mitigate the impact of the branch closure.[44/]

H. Community Development Corporation Activities

Norwest states that New Wells Fargo intends to form a community development corporation (the "CDC") as a subsidiary of the parent holding company to engage in general community development activities. The CDC will purchase at fair market value the existing CRA-related loans and investments of the combined company's subsidiaries. Thereafter, the CDC will work to source, package, and structure loans and investments, which will be allocated geographically to the various New Wells Fargo subsidiary banks for CRA examination purposes. Norwest indicates that the proposed CDC will allow New Wells Fargo to increase the amount of community development lending in all the communities it serves, engage in innovative and flexible lending, develop new products, and work with affordable housing developers and technical assistance providers to increase market opportunities for all segments of the communities it serves.

[44/] Several commenters contended that the merger of Norwest and Wells Fargo would result in the loss of jobs, particularly in Minnesota. The effect of a proposed transaction on employment in a community is not among the factors included in the BHC Act, and the federal banking agencies, courts, and Congress consistently have interpreted the convenience and needs factor to relate to the effect of a proposal on the availability and quality of banking services in the community. See, e.g., Wells Fargo & Company, 82 Federal Reserve Bulletin 445, 457 (1996).

The proposed CDC will provide short- and longer-term financing for community development projects, such as financing for multifamily affordable housing for terms of 15 to 30 years, and other types of nontraditional financing. The CDC also will invest in Low Income Housing Tax Credits, purchase exempt housing debt instruments, and invest in other secondary community development funds, such as the NEF. In addition, the CDC will provide debt and equity funding for organizations engaged in community development activities, including constructing affordable housing, financing small and very small businesses, providing services to LMI individuals, and revitalizing LMI communities.

I. Norwest's Nonbank Lending Subsidiaries

NMI participates in more than 600 mortgage-related programs, including down payment assistance programs and bond programs. A number of special products available through NMI are designed for LMI families. The Norwest Homeownership Assistance Program ("NHAP"), for example, is designed to assist first-time buyers and LMI residents in purchasing a home. As discussed in this order, Norwest's CHOP program is designed to meet the credit needs of LMI families. Loans made under the CHOP programs typically feature flexible qualifying guidelines with higher debt ratios and less stringent credit requirements, minimal down payment and higher loan-to-value ratios, no cash reserve requirement, and no private mortgage insurance. The program also offers comprehensive education programs on home ownership and budget management.

Some commenters contended that Norwest has smaller percentages of originations to minority and low-income home buyers than its competitors, has higher rejection ratios for African-American and Hispanic applicants than its competitors, and lends minimally in LMI neighborhoods and racially diverse census tracts. In addition, some commenters claimed that applicants who are denied a loan by a

Norwest subsidiary bank are referred to one of Norwest's nonbank finance companies, but that qualified customers of the finance companies are not referred to a Norwest bank subsidiary where they might obtain a lower interest rate.

The Board has carefully considered the comments in light of all the facts of record, including the OCC's fair lending examination findings and Norwest's fair lending policies and procedures. As noted, these examinations found no evidence of illegal discrimination by Norwest's subsidiary banks, and examiners commented favorably on Norwest's fair lending policies and procedures to prevent illegal practices.[45]

NMI, Norwest's principal mortgage lender, originated $5.3 billion in 1-4 family mortgages to LMI families in 1997, which includes loans under Norwest's CHOP program for LMI families. FHA has designated NMI as the nation's top lender to minority first-time home buyers for three consecutive years. In late 1996, NMI initiated an Affordable Housing Program, which employs loan originators to focus on LMI and ethnically diverse communities by using nontraditional marketing techniques to reach underserved communities. Prepurchase counseling, through the Norwest Homebuyers Club, and down payment assistance programs are important aspects of the Affordable Housing Program.[46] In addition, the Norwest Housing Foundation has committed $16 million over five years to Habitat for Humanity.

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[45] Written submissions alleging improper referrals of customers by Norwest Bank to its finance affiliates have also been forwarded to the OCC, the bank's primary supervisor.

[46] The Homebuyers Club is a prepurchase counseling service that helps people solve credit problems that might prevent them from qualifying for a mortgage.

J. Conclusion on Convenience and Needs Factor

The Board recognizes that the proposal represents a significant increase in the size of the resulting institution and expansion of the geographic areas of the country the resulting institution would serve. Accordingly, an important component of the Board's review of the proposal is consideration of the effects of the proposal on the convenience and needs of all communities served by Norwest and Wells Fargo.

In conducting its review, the Board has carefully considered all the comments on the convenience and needs factor. A significant number of commenters have expressed support for the proposal based on the records of Norwest and Wells Fargo in helping serve the banking and, in particular, the lending needs of their entire communities, including LMI areas. Other commenters have expressed concern about specific aspects of Norwest's record of performance under the CRA in its current service areas and have expressed reservations about whether Norwest and Wells Fargo have been, and New Wells Fargo would be, responsive to the banking and credit needs of all their communities, particularly in the Midwest.[47/] The Board has

[47/] A number of commenters criticized Norwest for not entering into agreements with community-based organizations that would provide separate monetary goals for CRA performance for a particular geographic area. The Board recognizes that communications by depository institutions with community groups provide a valuable method of assessing and determining how best to meet the credit needs of a community. Neither the CRA nor the CRA regulations of the federal supervisory agencies, however, require depository institutions to enter into agreements with any organization. The Board, therefore, has viewed such agreements and their enforceability as private contractual matters between the parties and has focused on the existing record of performance by the applicant and the programs that the applicant has in place to serve the credit needs of its communities. The Board also notes that New Wells Fargo will have a responsibility to help serve the credit needs of its entire community, including LMI neighborhoods, with or

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carefully considered these concerns and weighed them against the overall CRA records of Norwest and Wells Fargo, reports of examinations of CRA performance, and information provided by the two banking organizations, including their responses to comments.[48/]

As discussed in this order, the record in this case demonstrates that Norwest and Wells Fargo have established records of helping to meet the convenience and needs of the communities that each currently serves. Norwest has indicated that New Wells Fargo will draw on the CRA policies and programs of both organizations. The Board notes that, in 1997, the Norwest and Wells Fargo organizations loaned and invested, in the aggregate, more than $20 billion in qualified community reinvestments, including more than $5.2 billion in single family mortgages to LMI families and more than $10 billion in loans to small businesses and small farms. The Board expects that New Wells Fargo will demonstrate the same commitment to helping to serve the banking needs of its communities, including LMI neighborhoods, that Norwest and Wells Fargo have demonstrated to date. The Board also expects that New Wells Fargo will continue the policies of Norwest and Wells

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without private CRA agreements.

[48/]A number of commenters expressed concern about the current fee policies of one or both banking organizations. In addition, several commenters expressed concern that the proposal would result in increased fees for banking services or in the loss of low-cost banking products, and some requested that the Board require the merging entities to commit to preventing increases in banking fees and decreases in banking services as a condition of the merger. Norwest and Wells Fargo offer a full range of banking products and services. Moreover, although the Board has recognized that banks help serve the banking needs of communities by making basic services available at nominal or no charge, neither the CRA nor the primary federal supervisors of the banks involved in this case require an institution to limit the fees charged for its services or to provide any specific types of banking products.

Fargo that give priority to addressing the banking needs of local communities, including LMI neighborhoods through programs and policies that recognize the needs of different communities.

Based on a review of the entire record, the Board concludes that convenience and needs considerations, including the CRA records of performance of both organizations' subsidiary depository institutions, are consistent with approval of the proposal.

Nonbanking Activities

Norwest also has filed a notice under section 4(c)(8) of the BHC Act to acquire Wells Fargo's nonbanking companies and thereby to engage in lending and making related equity investments, and selling credit life and disability insurance.[49/] The Board has determined by regulation or order that the activities for which notice has been provided are closely related to banking for purposes of section 4(c)(8) of the BHC Act.[50/]

In order to approve Norwest's notice to engage in nonbanking activities, the Board must determine that the acquisition of the nonbanking subsidiaries of Wells Fargo and the performance of those activities by New Wells Fargo is a proper incident to banking. That is, the Board must determine that the proposed transaction "can reasonably be expected to produce benefits to the public . . . that outweigh

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[49/]Norwest currently engages in insurance activities grandfathered under section 4(c)(8)(G) of the BHC Act (12 U.S.C. § 1843(c)(8)(G)) ("Exemption G"). Norwest will be the legal entity surviving the merger with Wells Fargo and, based on the structure of the transaction and all of the other facts of this case, the Board has determined that Norwest would retain its exemption to engage in Exemption G activities after consummation of the proposed merger and the change of its name to Wells Fargo & Company.

[50/]See 12 C.F.R. 225.28(b)(1) and (11)(i).

possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[51]

As part of its evaluation of these factors, the Board considers the financial condition and managerial resources of Norwest and its subsidiaries, including the companies to be acquired, and the effect of the proposed transaction on those resources. For the reasons noted above, and based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of the notice.

The Board also has considered the competitive effects of the proposed acquisition by Norwest of the nonbanking subsidiaries of Wells Fargo in light of all the facts of record, including the public comments received. The markets in which the nonbanking subsidiaries of Norwest and Wells Fargo compete are national or regional and are unconcentrated. The Board concludes that consummation of this proposal would have a de minimis effect on the markets for lending and credit life and disability insurance. The Board notes that numerous competitors would remain in each of these markets. Based on all the facts of record, the Board concludes that it is unlikely that significantly adverse competitive effects would result from the nonbanking acquisitions proposed in this transaction.

Norwest has indicated that the combined company will be a stronger organization with increased capacity to serve its customers' credit needs and will be better able to provide existing and potential customers with a broader range of services through an expanded delivery system and enhanced technology. Norwest states that significant cost savings are expected to produce comparable incremental earnings and increased retained earnings, which will create additional lending capacity and thereby enable the combined entity to provide additional credit to

[51] 12 U.S.C. § 1843(c)(8).

consumers and businesses. Norwest also states that the combined company will have a more complete, efficient and effective delivery system in each of the markets where Norwest and Wells Fargo offer their products and services, thereby creating greater convenience for customers and permitting the combined company to meet the needs of its communities more effectively and efficiently.

In addition, as the Board has previously noted, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies can make potentially profitable investments in nonbanking companies and from permitting banking organizations to allocate their resources in the manner they consider to be most efficient when such investments and actions are consistent, as in this case, with the relevant considerations under the BHC Act.[52]

The Board also believes that the conduct of the proposed nonbanking activities within the framework of Regulation Y and prior Board precedent is not likely to result in adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that would outweigh the public benefits of the proposal, such as increased customer convenience and gains in efficiency. Accordingly, based on all the facts of record, the Board has determined that the balance of public interest factors that the Board must consider under the proper incident to banking standard of section 4(c)(8) of the BHC Act is favorable and consistent with approval of Norwest's notice.

Norwest also has provided notice, in accordance with section 4(c)(13) of the BHC Act and section 211.5(c) of the Board's Regulation K (12 C.F.R. 211.5(c)), to acquire Wells Fargo's foreign nonbanking subsidiaries. The Board concludes that all of the factors required to be considered under the Federal Reserve Act, the BHC

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[52] See, e.g., Banc One Corporation, 84 Federal Reserve Bulletin 553 (1998); First Union Corporation, 84 Federal Reserve Bulletin 489 (1998).

Act, and the Board's Regulation K in connection with the foregoing notices are consistent with approval of the proposal.

Requests for Additional Public Meetings

A number of commenters requested that the Board hold additional public meetings or hearings on the proposal in areas that may be affected by the merger, including California, Texas, and other states. The Board has carefully considered these requests in light of the BHC Act, its Rules of Procedure, and the substantial record developed in this case.[53/]

As explained above, the Board held a public meeting on the proposal in Minneapolis to clarify issues related to the application and notices and to provide an opportunity for members of the public to testify.[54/] More than 50 interested persons appeared and provided oral testimony at the public meeting, including representatives and members of community groups from cities and towns throughout the Midwest and from a number of other states, including California, Texas, and Oregon. In addition, the public comment period provided 56 days for interested persons to submit written comments on the proposal, and the Board received and considered written comments from more than 90 interested persons who did not testify at the public hearing.

In the Board's view, all interested persons have had ample opportunity to submit their views either in writing or orally at the public meeting. Numerous commenters have, in fact, submitted substantial materials that have been carefully considered by the Board in acting on the proposal. Commenters requesting additional

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[53/] Section 3(b) of the BHC Act does not require that the Board hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. 12 U.S.C. § 1842(b). In this case, the Board has not received such a recommendation from any state or federal supervisory authority.

[54/] See 12 C.F.R. 262.3(e) and 262.25(d).

public meetings have failed to show why their written comments do not adequately present their views, evidence, and allegations. They also have not shown why the public meeting in Minneapolis and the 56-day comment period did not provide an adequate opportunity for all interested parties to present their views and voice their concerns. Moreover, the Board has carefully considered the lending records of Norwest and Wells Fargo separately in many of the states where commenters requested public meetings, particularly California and Texas. For these reasons, and based on all the facts of record, the Board has determined that additional public meetings or hearings are not required and are not necessary or warranted to clarify the factual record on the proposal. Accordingly, the requests for additional public meetings or hearings on the proposal are hereby denied.

Conclusion

Based on the foregoing, and in light of all the facts of record, the Board has determined that the transaction should be, and hereby is, approved. In reaching this conclusion, the Board has carefully considered all oral testimony and the written comments regarding this proposal in light of the factors that the Board is required to consider under the BHC Act and other applicable statutes and concludes that the comments do not warrant a delay or denial of the proposal.[55/]

[55/]A number of commenters requested that the Board delay action, extend the public comment period on the proposal, or deny the proposal until (i) the pending CRA examination of Wells Fargo is completed, (ii) the Board conducts additional investigations on prices charged by subprime lenders in mega mergers, (iii) Norwest and Wells Fargo make additional CRA commitments, either throughout their market areas or in specific communities that would be affected by the merger, or (iv) the banking organizations publicly disclose their complete divestiture plan.

The requests for delay do not warrant postponement of the Board's consideration of the proposal. The Board has accumulated a significant record in this case, including reports of examinations, supervisory information, public reports and

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The Board's approval is specifically conditioned on compliance by Norwest with all the commitments made in connection with this application and notice and with the conditions stated or referred to in this order, including Norwest's divestiture commitments. The Board's determination on the nonbanking activities also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) of Regulation Y (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this transaction, the commitments and conditions referred to above 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 acquisition of Wells Fargo's subsidiary banks shall not be consummated before the fifteenth calendar day after the effective date of this order, and the proposal may not be consummated later than three months after the effective

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information, and considerable public comment. In the Board's view, for the reasons discussed above, commenters have had ample opportunity to submit their views, and, in fact, have provided substantial written submissions and oral testimony that have been considered carefully by the Board in acting on the proposal. Based on a review of all the facts of record, the Board concludes that the record in this case is sufficient to warrant Board consideration and action on the proposal at this time, and that further delay of consideration of the proposal, extension of the comment period, or denial of the proposal on the grounds discussed above or on the basis of informational insufficiency is not warranted.

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,[56] effective October 14, 1998.

(signed)

Robert deV. Frierson
Associate Secretary of the Board

[56] Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Meyer, Ferguson, and Gramlich. Absent and not voting: Governor Kelley.

APPENDIX A

Banking Market Definitions

A. *Arizona Banking Markets*

The Bullhead City banking market is approximated by the towns of Bullhead City, Dolan Springs, Golden Valley, Kingman, Mohave Valley, and Riviera, Arizona; Laughlin, Nevada; and Needles, California.

The Casa Grande banking market is approximated by the towns of Arizona City, Casa Grande, Coolidge, Eloy, Florence, and Sacaton.

The Flagstaff banking market is approximated by the towns of Flagstaff and Williams.

The Lake Havasu City banking market is approximated by the towns of Havasu Lake and Lake Havasu City.

The Payson banking market is approximated by the towns of Payson and Pine.

The Phoenix banking market is approximated by the Phoenix Ranally Metropolitan Area ("RMA").

The Prescott banking market is approximated by the towns of Prescott, Prescott Valley, Chino Valley, and Mayer.

The Show Low banking market is approximated by the towns of Pinetop, Show Low, Snowflake, and Taylor.

The Sierra Vista banking market is approximated by the towns of Bisbee, Douglas, Fort Huachara, Sierra Vista, and Tombstone.

The Tucson banking market is approximated by the Tucson RMA and the town of Green Valley.

The Winslow banking market is approximated by the towns of Holbrook and Winslow.

The Yuma banking market is approximated by the Yuma RMA and the town of Welton.

B. *California Banking Markets*

The Riverside banking market is approximated by the Riverside-San Bernadino RMA and the towns of Banning, Beaumont, Blue Jay, Lake Arrowhead, Nuevo, Perris, and Running Springs.

The South Lake Tahoe banking market is approximated by the towns of South Lake Tahoe, California; and Stateline and Zephyr Cove, Nevada.

The Truckee-Tahoe banking market is approximated by the towns of King's Beach, Tahoe City, and Truckee, California; and Incline Village, Nevada.

C. *Colorado Banking Market*

The Denver banking market is approximated by the Denver RMA, Boulder County, the towns of Erie, Fredrick, and Keenesburg in Weld County, and the non-RMA portions of Adams and Arapahoe Counties.

D. *Nevada Banking Markets*

The Carson City banking market is approximated by the towns of Carson City, Dayton, Gardnerville, Minden, and Virginia City.

The Elko banking market is approximated by the towns of Carlin and Elko.

The Fallon banking market is approximated by the town of Fallon.

The Las Vegas banking market is approximated by the Las Vegas RMA.

The Reno banking market is approximated by the Reno RMA and the town of Fernley.

The Winnemucca banking market is approximated by the town of Winnemucca.

The Yerington banking market is approximated by the town of Yerington.

E. *New Mexico Banking Market*

The Santa Fe banking market is approximated by the Santa Fe RMA.

F. *Texas Banking Markets*

The Austin banking market is approximated by the Austin RMA.

The Brazos County banking market is approximated by Brazos County.

The Dallas banking market is approximated by Dallas County, the southeastern quadrant of Denton County, the southwestern quadrant of Collins County, Rockwell County, and the towns of Forney, Terrell, Midlothian, Waxahachie, Fort Ferria, Grapevine, and Arlington.

The Fort Worth banking market is approximated by Tarrant County (excluding the towns of Grapevine and Arlington), the northern half of Johnson County, the eastern half of Parker County, the southwestern quadrant of Denton County, and the towns of Boyd, Neward, and Rhome.

The Houston banking market is approximated by the Houston RMA.

The San Antonio banking market is approximated by the San Antonio Metropolitan Statistical Area (“MSA”) and Kendall County.

APPENDIX B

Certain Banking Markets With No Divestitures

A. *Arizona Banking Markets*

Bullhead City – Norwest is the fifth largest depository institution in the market, controlling deposits of $47.6 million, representing 7.4 percent of total market deposits. Wells Fargo is the third largest depository institution in the market, controlling deposits of $84.4 million, representing 13 percent of total market deposits. On consummation of the proposal, New Wells Fargo would be the third largest of nine depository institutions in the market, controlling deposits of $132 million, representing approximately 20.4 percent of total market deposits. The HHI would increase 192 points to 2010.

Winslow – Norwest is the second largest depository institution in the market, controlling deposits of $29.4 million, representing 28.4 percent of total market deposits. Wells Fargo is the third largest depository institution in the market, controlling deposits of $235 thousand, representing less than 1 percent of total market deposits. On consummation of the proposal, New Wells Fargo would be the second largest of two depository institutions in the market, controlling deposits of $29.6 million, representing approximately 28.6 percent of total market deposits. The HHI would increase 13 points to 5916.

B. *California Banking Markets*

Riverside – Norwest is the 26th largest depository institution in the market, controlling deposits of $27 million, representing less than 1 percent of total market deposits.[57] Wells Fargo is the second largest depository institution in the market, controlling deposits of $594.3 million, representing 10.5 percent of total market deposits. On consummation of the proposal, New Wells Fargo would be the second largest of 34 depository institutions in the market, controlling deposits of $621.2

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[57] Norwest has a 24.9 percent interest in Mission Savings and Loan Association, A F.A., a thrift institution operating in the Riverside market. The Board has previously stated that one company need not acquire control of another company in order to substantially lessen competition between them. See North Fork Bancorpoation, Inc., 81 Federal Reserve Bulletin 734 (1995).

million, representing approximately 11 percent of total market deposits. The HHI would increase 10 points to 1469.

South Lake Tahoe – Norwest is the eighth largest depository institution in the market, controlling deposits of $16.8 million, representing 5.3 percent of total market deposits. Wells Fargo is the second largest depository institution in the market, controlling deposits of $61.8 million, representing 19.4 percent of total market deposits. On consummation of the proposal, New Wells Fargo would be the second largest of seven depository institutions in the market, controlling deposits of $78.6 million, representing approximately 24.7 percent of total market deposits. The HHI would increase 204 points to 1792.

Truckee-Tahoe – Norwest is the sixth largest depository institution in the market, controlling deposits of $20.9 million, representing 4.2 percent of total market deposits. Wells Fargo is the fourth largest depository institution in the market, controlling deposits of $53.4 million, representing 10.8 percent of total market deposits. On consummation of the proposal, New Wells Fargo would be the third largest of seven depository institutions in the market, controlling deposits of $74.3 million, representing 15 percent of total market deposits. The HHI would increase 91 points to 2522.

C. *Colorado Banking Market*

Denver – Norwest is the largest depository institution in the market, controlling deposits of $4.7 billion, representing 21.7 percent of total market deposits. Wells Fargo is the 13th largest depository institution in the market, controlling deposits of $350.4 million, representing 1.6 percent of total market deposits. On consummation of the proposal, New Wells Fargo would be the largest of 62 depository institutions in the market, controlling deposits of $5.1 billion, representing 23.3 percent of total market deposits. The HHI would increase 69 points to 1135.

D. *New Mexico Banking Market*

Santa Fe – Norwest is the tenth largest depository institution in the market, controlling deposits of $21.9 million, representing 2.4 percent of total market deposits. Wells Fargo is the fourth largest depository institution in the market, controlling deposits of $86.4 million, representing 9.3 percent of total market deposits. On consummation of the proposal, New Wells Fargo would be the third largest of nine depository institutions in the market, controlling deposits of $108.3

million, representing 11.7 percent of total market deposits. The HHI would increase 44 points to 2007.

E. *Texas Banking Market*

Austin – Norwest is the third largest depository institution in the market, controlling deposits of $884.3 million, representing 11.6 percent of total market deposits. Wells Fargo is the ninth largest depository institution in the market, controlling deposits of $176.4 million, representing 2.2 percent of total market deposits. On consummation of the proposal, New Wells Fargo would be the third largest of 44 depository institutions in the market, controlling deposits of $1.1 billion, representing 13.1 percent of total market deposits. The HHI would increase 48 points to 1181.

Brazos Country – Norwest is the largest depository institution in the market, controlling deposits of $234.9 million, representing 27.6 percent of total market deposits. Wells Fargo is the ninth largest depository institution in the market, controlling deposits of $7.6 million, representing less than 1 percent of total market deposits. On consummation of the proposal, New Wells Fargo would be the largest of nine depository institutions in the market, controlling deposits of $242.5 million, representing 28.5 percent of total market deposits. The HHI would increase 49 points to 1836.

Dallas – Norwest is the 39th largest depository institution in the market, controlling deposits of $80.1 million, representing less than 1 percent of total market deposits. Wells Fargo is the eighth largest depository institution in the market, controlling deposits of $596.9 million, representing 1.6 percent of total market deposits. On consummation of the proposal, New Wells Fargo would be the seventh largest of 100 depository institutions in the market, controlling deposits of $676.9 million, representing 1.7 percent of total market deposits. The HHI would increase 1 point to 1983.

Fort Worth – Norwest is the third largest depository institution in the market, controlling deposits of $1.1 billion, representing 12.4 percent of total market deposits. Wells Fargo is the eighth largest depository institution in the market, controlling deposits of $351.3 million, representing 3.8 percent of total market deposits. On consummation of the proposal, New Wells Fargo would be the third largest of 48 depository institutions in the market, controlling deposits of $1.5 billion, representing 16.2 percent of total market deposits. The HHI would increase 95 points to 1046.

Houston – Norwest is the 27th largest depository institution in the market, controlling deposits of $192.3 million, representing less than 1 percent of total market deposits. Wells Fargo is the third largest depository institution in the market, controlling deposits of $3.6 billion, representing 9.4 percent of total market deposits. On consummation of the proposal, New Wells Fargo would be the third largest of 89 depository institutions in the market, controlling deposits of $3.8 billion, representing 9.9 percent of total market deposits. The HHI would increase 9 points to 979.

San Antonio – Norwest is the fourth largest depository institution in the market, controlling deposits of $786.2 million, representing 6.7 percent of total market deposits. Wells Fargo is the 16th largest depository institution in the market, controlling deposits of $82.9 million, representing less than 1 percent of total market deposits. On consummation of the proposal, New Wells Fargo would be the fourth largest of 37 depository institutions in the market, controlling deposits of $869.1 million, representing 7.5 percent of total market deposits. The HHI would increase 10 points to 1313.

APPENDIX C

Certain Banking Markets with Divestitures

A. *Arizona Banking Markets*

Flagstaff – Norwest is the second largest depository institution in the market, controlling deposits of $77.3 million, representing 20 percent of market deposits. Wells Fargo is the third largest depository institution in the market, controlling deposits of $69.4 million, representing 17.9 percent of market deposits. Norwest proposes to divest one branch controlling deposits of approximately $50.4 million. After the proposed merger and divestiture, New Wells Fargo would be the second largest of at least six depository institutions in the market, controlling deposits of $96.4 million, representing 24.9 percent of market deposits. The HHI would not increase more than 157 points or exceed a post-merger HHI of 2135.

Lake Havasu City – Norwest is the fifth largest depository institution in the market, controlling deposits of $35.9 million, representing 9.4 percent of market deposits. Wells Fargo is the third largest depository institution in the market, controlling deposits of $52.4 million, representing 13.7 percent of market deposits. Norwest proposes to divest one branch controlling deposits of approximately $35.9 million. After the proposed merger and divestiture, New Wells Fargo would be the third largest of at least five depository institutions in the market, controlling deposits of $52.4 million, representing 13.7 percent of market deposits. The HHI would not increase more than 34 points or exceed a post-merger HHI of 2399.

Payson – Norwest is the fifth largest depository institution in the market, controlling deposits of $29.5 million, representing 12.3 percent of market deposits. Wells Fargo is the fourth largest depository institution in the market, controlling deposits of $36.5 million, representing 15.2 percent of market deposits. Norwest proposes to divest one branch controlling deposits of approximately $29.5 million. After the proposed merger and divestiture, New Wells Fargo would be the fourth largest of five depository institutions in the market, controlling deposits of $36.5 million, representing 15.2 percent of market deposits. The HHI would not increase and would remain 2502.

Show Low – Norwest is the fifth largest depository institution in the market, controlling deposits of $26.8 million, representing 12.6 percent of market deposits.

Wells Fargo is the third largest depository institution in the market, controlling deposits of $38.8 million, representing 18.2 percent of market deposits. Norwest proposes to divest one branch controlling deposits of approximately $12.8 million. After the proposed merger and divestiture, New Wells Fargo would become the second largest of at least four depository institutions in the market, controlling deposits of $52.8 million, representing 24.7 percent of market deposits. The HHI would increase 160 points to 2419.

Yuma – Norwest is the fifth largest depository institution in the market, controlling deposits of $75.9 million, representing 10.9 percent of market deposits. Wells Fargo is the third largest depository institution in the market, controlling deposits of $130.6 million, representing 18.7 percent of market deposits. Norwest proposes to divest one branch controlling deposits of approximately $28.7 million. After the proposed merger and divestiture, New Wells Fargo would be the second largest of at least eight depository institutions in the market, controlling deposits of $177.8 million, representing 25.4 percent of market deposits. The HHI would not increase more than 199 points or exceed a post-merger HHI of 2112.

B. *Nevada Banking Markets*

Elko – Norwest is the fifth largest depository institution in the market, controlling deposits of $28.2 million, representing 12.3 percent of market deposits. Wells Fargo is the largest depository institution in the market, controlling deposits of $62.2 million, representing 27.1 percent of market deposits. Norwest proposes to divest one branch controlling deposits of approximately $28.2 million. After the proposed merger and divestiture, New Wells Fargo would be the largest of at least six depository institutions in the market, controlling deposits of $62.2 million, representing 27.1 percent of market deposits. The HHI would not increase more than 90 points or exceed a post-merger HHI of 2034.

Fallon – Norwest is the second largest depository institution in the market, controlling deposits of $52 million, representing 25.3 percent of market deposits. Wells Fargo is the third largest depository institution in the market, controlling deposits of $40 million, representing 19.5 percent of market deposits. Norwest proposes to divest one branch controlling deposits of approximately $39.8 million. After the proposed merger and divestiture, New Wells Fargo would be the second largest of five depository institutions in the market, controlling deposits of $52.3 million, representing 25.4 percent of market deposits. The HHI would increase 2 points to 2405.

Winnemucca – Norwest is the third largest depository institution in the market, controlling deposits of $31.9 million, representing 24.2 percent of market deposits. Wells Fargo is the second largest depository institution in the market, controlling deposits of $38.7 million, representing 29.3 percent of market deposits. Norwest proposes to divest one branch controlling deposits of approximately $31.9 million. After the proposed merger and divestiture, New Wells Fargo would be the second largest of four depository institutions in the market, controlling deposits of $38.7 million, representing 29.3 percent of market deposits. The HHI would not increase and would remain 2641.

Yerington – Norwest is the second largest depository institution in the market, controlling deposits of $37.9 million, representing 49.6 percent of market deposits. Wells Fargo is the largest depository institution in the market, controlling deposits of $38.4 million, representing 50.4 percent of market deposits. Norwest proposes to divest one branch controlling deposits of approximately $38.4 million. After the proposed merger and divestiture, New Wells Fargo would be the second largest of two depository institutions in the market, controlling deposits of $37.9 million, representing 49.6 percent of market deposits. The HHI would not increase and would remain 5000.