FEDERAL RESERVE SYSTEM

Wells Fargo & Company
San Francisco, California

Order Approving Acquisition of a Bank Holding Company

Wells Fargo & Company ("Wells Fargo"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all the voting shares of National Bancorp of Alaska ("National Bancorp") and thereby acquire National Bank of Alaska ("Alaska Bank"), both of Anchorage, Alaska.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (65 Federal Register 20,168 (2000)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Wells Fargo, with total consolidated assets of approximately $222 billion, is the seventh largest commercial banking organization in the United States.[1/] Wells Fargo operates a large network of banking and nonbanking subsidiaries and operates banks in 21 western and midwestern states, but does not have a subsidiary bank in Alaska. National Bancorp, with total consolidated assets of approximately $3 billion, operates in the States of Alaska and Washington. National Bancorp is the largest banking organization in Alaska, controlling deposits of $2.1 billion, representing approximately 45.2 percent of total deposits in

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[1/] Asset and ranking data are as of March 31, 2000.

depository institutions in the state ("state deposits").[1/] On consummation of the proposal, Wells Fargo would become the largest banking organization in Alaska.

In the State of Washington, Wells Fargo is the fifth largest banking organization, controlling deposits of $2 billion, representing approximately 3.4 percent of state deposits. National Bancorp is the 103rd largest banking organization, controlling $2 million in deposits, representing less than 1 percent of state deposits. On consummation of the proposal, Wells Fargo would remain the fifth largest banking organization in the state.

Interstate Analysis

[2/] Deposit data are as of June 30, 1999. In this context, depository institutions include commercial banks, savings banks, and savings associations.

Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company provided that certain conditions are met.[1/] For purposes of the BHC Act, the home state of Wells Fargo is California, and Wells Fargo proposes to acquire a bank in Alaska that operates a branch in the State of Washington.[1/] All the conditions for an interstate acquisition enumerated in section 3(d) are met in this case.[1/] In light of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

Competitive Considerations

The BHC Act prohibits the Board from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking. The BHC Act also prohibits the Board from approving a proposed combination that would

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

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

[5/] See 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). Wells Fargo is adequately capitalized and adequately managed, as defined by applicable law. Alaska Bank has been in existence and operated continuously for the minimum period of time required under applicable state law. See Alaska Stat. Ann. § 06.05.570 (Lexis 2000) (three years). On consummation of the proposal, Wells Fargo would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States and less than 30 percent of total deposits held by insured depository institutions in Washington, where Wells Fargo and National Bancorp both operate branches of insured depository institutions. All other requirements under section 3(d) of the BHC Act would be met on consummation of the proposal.

substantially lessen competition or tend to create a monopoly in any relevant banking market, unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effects of the proposal in meeting the convenience and needs of the community to be served.[1/]

[6/] 12 U.S.C. § 1842(c).

Wells Fargo and National Bancorp own depository institutions that compete directly in the Seattle, Washington, banking market ("Seattle banking market").[1/] Wells Fargo is the fifth largest depository institution in the Seattle banking market, controlling deposits of $1.5 billion, representing approximately 4.9 percent of total deposits of depository institutions in the market ("market deposits").[1/] National Bancorp is the 55th largest depository institution in the market, controlling deposits of $2 million, representing less than 1 percent of market deposits. On consummation of the proposal, Wells Fargo would remain the fifth largest depository institution in the Seattle banking market, controlling deposits of $1.5 billion, representing approximately 4.9 percent of market deposits. The concentration of market deposits in the market, as measured by the Herfindahl-Hirschman Index ("HHI") would remain unchanged at 1675 and would be consistent with approval under the Department of Justice Merger Guidelines ("DOJ

[7/] The Seattle banking market is defined as the Seattle-Tacoma Ranally Metropolitan Area and the towns of Camano City and Eatonville, Washington.

[8/] Market share data are as of June 30, 1999.

Guidelines") and the Board's precedent.[1/]

[9/] Under the DOJ Guidelines, 49 Federal Register 26,823 (June 29, 1984), a market in which the post-merger HHI is more than 1000 and less than 1800 is considered to be moderately concentrated. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial entities.

Several commenters asserted that Wells Fargo's acquisition of National Bancorp would have an adverse effect on competition in home mortgage and consumer finance lending in Alaska, because several nondepository institution affiliates of Wells Fargo provide these products in Alaska. The Board concludes that this contention does not accurately reflect the competitive effects of a proposal by a banking organization to acquire a bank. As stated previously by the Board, the appropriate product market for analyzing the competitive effects of a proposal to acquire a bank is the complete cluster of banking products and services provided by banks, and not submarkets for individual products or services.[1/] On this basis, and for the reasons discussed above, the Board concludes that this proposal would not have a significantly adverse effect on competition in any relevant banking market.

The Board also has considered that, even under the framework suggested by the commenters, the level of market share, number of competitors, and characteristics of the home mortgage and consumer finance lending markets indicate that the proposal would not likely have a significantly adverse effect on competition in either of these markets. An analysis of these factors is included in

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[10/] For bank mergers and acquisitions, the Board and the courts have recognized consistently that the appropriate product market for analyzing the competitive effects of a transaction is the cluster of products (various kinds of credit) and services (such as checking accounts and trust administration) offered by banking institutions. See Chemical Banking Corporation, 82 Federal Reserve Bulletin 239 (1996); United States v. Philadelphia National Bank, 374 U.S. 321, 357 (1963). According to the Supreme Court, the clustering of banking products and services facilitates convenient access to these products and services and vests the cluster with economic significance beyond the individual products and services that constitute the cluster. See United States v. Phillipsburg National Bank, 399 U.S. 350, 361 (1969). Several studies support the conclusion that households continue to seek this cluster of services. See Elliehausen and Wolken, Banking Markets and the Use of Financial Services by Households, 78 Federal Reserve Bulletin 169 (1992).

the Appendix.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board is required to consider the effect of the proposal on the convenience and needs of the community to be served and take into account the records of the relevant depository institutions under the Community Reinvestment Act ("CRA").[1/] The CRA requires the federal financial supervisory authorities 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 Wells Fargo and National Bancorp in light of all the facts of record, including public comments on the proposal.

Comments on the proposal were submitted by several community groups and individuals. Some commenters expressed concern that Wells Fargo would close branches and fail to provide adequate service to National Bancorp's customers in sparsely populated or remote areas of Alaska, including Alaskan Native communities. Other commenters questioned whether Wells Fargo's experience serving rural areas and Native American reservations elsewhere in the United States prepared it to address the unique banking needs of residents of remote areas of Alaska.[1/]

[11/] 12 U.S.C. § 2901 et seq.

[12/] One commenter criticized NBA for its alleged practice of requiring collateral in excess of the loan amount when securing loans in remote communities. Wells Fargo has indicated that it is investigating the allegations, that its own collateral requirements apply uniformly in urban and rural areas, and that it regularly extends credit to isolated tribal borrowers without such a requirement.

Several commenters also asserted, based in part on their analyses of data filed under the Home Mortgage Disclosure Act ("HMDA"),[1/] that Wells Fargo's record of housing-related lending inside and outside Alaska indicated disparities between the organization's treatment of white and minority loan applicants, including the origination of subprime loans.[1/] These commenters alleged that Wells Fargo and, to a lesser extent, National Bancorp, have inadequate records of meeting the banking and credit needs of the communities they serve.[1/]

A. CRA Performance Examinations

[13/] 12 U.S.C. § 2801 et seq.

[14/] Wells Fargo also was criticized for its association as bond indenture trustee for certain unaffiliated subprime lenders. Wells Fargo has stated that as trustee it has no knowledge of or control over the credit criteria of the bond issuer.

[15/] According to some commenters, Wells Fargo and National Bancorp improperly excluded Alaskan Natives in their conventional housing-related lending.

As provided in the CRA, the Board has evaluated the records of Wells Fargo and National Bancorp in serving the convenience and needs of their communities in light of examinations by the appropriate federal supervisors of the CRA performance records of their respective subsidiary depository institutions. An institution's most recent CRA performance review 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 supervisory agency.[1/] Wells Fargo's lead bank, Wells Fargo Bank, NA, San Francisco, California ("Wells Fargo Bank"), received an "outstanding" rating in its most recent CRA examination by its primary federal banking supervisory agency, the Office of the Comptroller of the Currency ("OCC"), as of June 8, 1998.[1/] National Bancorp's only bank subsidiary, Alaska

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16/ The Interagency Questions and Answers Regarding Community Reinvestment (64 Federal Register 23,641 (1999)) provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record.

17/ Wells Fargo Bank operates in California, where it derives 81 percent of its deposits, and eight other western states. The bank accounts for 45 percent of the total consolidated assets of Wells Fargo. As of March 31, 2000, Wells Fargo subsidiary banks with "outstanding" ratings in their most recent CRA examinations accounted for 84 percent of the organization's total consolidated assets.

Bank, also received an "outstanding" rating in its most recent CRA examination by the OCC, as of March 8, 1999.

Wells Fargo has stated that it would adopt and continue all of Alaska Bank's CRA programs designed to meet the credit needs of rural Alaskans. Wells Fargo also has represented that, after a transition period, it would apply its own marketing program, which includes initiatives for meeting the convenience and needs of the communities it serves, to Alaska Bank.

1. CRA Performance Record of Wells Fargo Bank

Lending Test. Wells Fargo Bank received an examination rating of "outstanding" for its lending activities. Examiners stated that the bank's lending record was strong and based on innovative underwriting of small business loans that enabled it to penetrate most segments of the small business community, an excellent level of community development lending, and good penetration in LMI communities and among LMI borrowers. During the review period, which included 1996, 1997, and the first quarter of 1998, Wells Fargo Bank made approximately 239,000 small business loans, totaling $9.3 billion.[1/] Ninety-two percent of these loans were in amounts less than $100,000, with an average loan amount of $39,000, and 26 percent were made to businesses located in LMI census tracts. The bank originated 149 community development loans, totaling approximately $651 million. Wells Fargo Bank made 6,862 residential mortgage loans, or 36 percent of all such loans it made, totaling $240 million, to LMI borrowers. In the aggregate, the bank made 25 percent by number and 27 percent by dollar amount of its small business, community development, and residential mortgage loans in LMI census tracts.

[18/] In this context, "small business loans" means loans in amounts less than $1 million. Wells Fargo Bank also made 33 percent of its small business loans to businesses with gross annual revenues less than $1 million ("loans to small businesses").

Examiners found that Wells Fargo Bank had a strong lending record in California, the bank's primary geographic market, based on a large volume of community development lending to support low-income and very low-income housing development and a large volume of small business loans in LMI areas. In California, the bank originated 99 community development loans, totaling $469 million, including 64 loans to affordable housing projects to create more than 4,300 LMI housing units.[1/] The bank also made more than 198,000 small business loans, totaling approximately $8 billion, in the state. Wells Fargo Bank's market share of small business loans in LMI areas exceeded its market share of small

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[19/] In rural areas, Wells Fargo Bank provided $7.3 million of construction financing for 81 affordable single-family housing units in a very low-income community of farm workers and extended a $1.5 million line of credit to a nonprofit developer of self-help housing in an area with a large population of farm workers.

business loans in its assessment area overall, and the bank made a larger proportion of its small business loans in LMI areas than the proportion of small businesses in its assessment area to be found in LMI areas.[1/]

[20/] Commenters expressed concern that Wells Fargo's lending policies and practices developed outside Alaska would not take local needs and conditions fully into account. Wells Fargo has stated that all decisions about small business models, risks, and pricing strategies would be made in Alaska.

The examination report also stated that, for more than ten years, Wells Fargo Bank has provided financing, including complex arrangements using low-income housing tax credits ("LIHTC"), for affordable housing projects.[21/] Examiners commended Wells Fargo Bank for its assistance to these transactions and also cited the volume and complexity of financing packages in which Wells Fargo Bank participated.

Examiners also commented favorably on Wells Fargo Bank's record of innovation in small business lending. During the review period, Wells Fargo Bank developed new loan products, including a low-documentation small business loan, and marketing programs focused on underserved groups of small business customers, including women- and minority-owned small businesses. Wells Fargo Bank also took a leading role in developing and promoting the Capital Access Program, a partnership of state government and private lenders created to increase the availability of credit to small business borrowers through guaranty fund arrangements.

Investment Test. Wells Fargo Bank received an "outstanding" examination rating for its investment activities. The examination report stated that Wells Fargo Bank exhibited strong levels of community development investments,

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[21/] In 2000, Wells Fargo Bank committed to make a $6 million LIHTC investment to provide affordable single-family rental housing in rural areas to Native Americans.

especially in California, Arizona, and Washington, where the bank made 83 percent by number and 76 percent by dollar volume of its total investments. Overall, the bank made approximately 2,400 qualifying investments, totaling more than $227 million. Examiners noted that, for many community development projects in California, Wells Fargo Bank was either the first, the largest, or the only investor. Through its affordable housing investments, Wells Fargo Bank helped create more than 6,500 housing units for LMI households. The bank also invested almost $26 million in regional and national organizations addressing affordable housing and small business credit needs in the bank's assessment areas. In addition, Wells Fargo Bank contributed more than $21 million to government-subsidized programs, nonprofit developers, and social service groups.

Service Test. Wells Fargo Bank received an examination rating of "high satisfactory" for its retail banking services in its CRA assessment areas. Examiners reported that, during the review period, Wells Fargo Bank's service delivery systems were reasonably accessible to individuals of different income levels and often were located in popular shopping areas that were accessible by public transportation.[1/]

Wells Fargo Bank used a variety of formats for its branches, but the formats it used most frequently offered the full array of the bank's products and services. According to the examination report, Wells Fargo Bank maintained branch hours that were reasonable and convenient to LMI communities and individuals, including Saturday hours at most branches.

The report stated that Wells Fargo Bank offered a variety of loan and

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[22/] One commenter alleged that Wells Fargo failed to hire additional community development loan officers to serve LMI and predominately minority communities despite Wells Fargo's indication in a previous transaction that it would do so. Wells Fargo has indicated in this case that it has achieved those hiring goals.

deposit products through its branch network and also maintained alternative delivery systems, including 24-hour telephone banking, internet banking, and banking by mail. Wells Fargo Bank offered products and services such as no-fee checking accounts for individuals, basic small business checking, ATM-based international remittance services, and home mortgage loan centers in LMI communities.

Examiners found that Wells Fargo Bank had a satisfactory record of branch openings and closings. The bank's branch closure policy provided for local management to review the impact of any proposed branch closing, and branch closings during the review period did not adversely affect the accessibility of the bank's delivery systems. During the review period, the bank opened 78 branches, or 17 percent of all its new branches, in LMI communities, and installed seven off-site ATMs in LMI communities. The bank retained 22 branches in LMI areas that were experiencing low growth and profitability to ensure adequate service in these communities. Wells Fargo Bank also closed 63 branches, or 25 percent of all branches that it closed, in LMI communities.[1/] Wells Fargo has indicated to the Board that it does not intend to close any rural branches of Alaska Bank or reduce Alaska Bank's array of services to rural areas.

2. Alaska Bank's CRA Performance Record

Examiners commended Alaska Bank for its responsiveness to the

[23/] Section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1), as implemented by the Joint Policy Statement Regarding Branch Closings (64 Federal Register 34,844 (1999)), requires that a bank provide its customers and the appropriate federal supervisory agency with at least 90 days notice before the date of the proposed branch closing and the general public with at least 30 days notice. 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. The law does not authorize federal regulators to prevent closing of any branch.

lending, investment, and service needs of businesses and individuals throughout its service area, including LMI individuals. Alaska Bank received high ratings for offering a range of residential loan products and for meeting the credit needs of communities in a state whose geography posed significant challenges. Examiners stated that Alaska Bank received its "outstanding" rating in large part because of its performance in the rural portion of its assessment area, which constitutes all the state outside the Anchorage MSA.

Lending Test. Alaska Bank had a strong record of lending to individuals and businesses throughout its assessment area, including those in LMI communities. According to examiners, Alaska Bank made a high volume of residential mortgage, consumer, community development, and small business loans, particularly home improvement and home refinancing loans. During the review period, which extended from 1997 through 1998, the institution made approximately 11,000 home purchase, rehabilitation, and refinance loans, totaling more than $1 billion, and 20 loans, totaling $39 million, to support the development of affordable housing and other community revitalization projects.[1/] The examination report noted that Alaska Bank was the leader in home mortgage originations in each of its assessment areas and had an excellent system for distributing home purchase and home improvement loans to borrowers at various income levels in rural communities. Despite the inclusion of large rural regions with low population densities in its assessment areas, and a severe shortage of affordable housing in those areas, Alaska Bank had no significant gaps in its lending activities. In fact, Alaska Bank's market share of home purchase and home

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[24/] Funded projects included the development of 24 housing units for very low-income households, the purchase of a power generation system for a subsistence-level fishing village, and the purchase of a primary health care center to serve native villages.

improvement lending in LMI communities in rural areas was larger than its overall market share for these types of loans. Alaska Bank also originated or purchased 3,415 small business loans, totaling $254.6 million.[1/]

[25/] Examiners also noted that Alaska Bank had the largest portfolio of consumer loans in the state, which was particularly significant because such loans in rural areas often helped to provide equipment and supplies needed for subsistence-level occupations.

Alaska Bank used flexible underwriting procedures consistent with safe and sound lending practices to help meet the credit needs of LMI home buyers and small businesses in its assessment area. Alaska Bank participated in eight flexible lending programs, including a U.S. Department of Agriculture ("USDA") rural development program, a U.S. Department of Housing and Urban Development program focused to assist Native American and Alaskan Native borrowers, state-sponsored housing finance programs, a partnership with Anchorage Neighborhood Housing Services, and a proprietary consumer loan program.[1/]

Investment Test. Alaska Bank received a rating of "high satisfactory" on the investment test of its CRA examination. The examination report stated that Alaska Bank had a favorable record of investing and making grants in communities in its assessment area. The bank made approximately $20.8 million in qualified investments, including $279,000 in grants and donations to community housing and

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[26/] Under the Alaska Housing Finance Corporation ("AHFC") Tax-Exempt First-Time Home Buyers Program, featuring reduced interest rates and down payments, and the AHFC Interest Rate Reduction for Low-Income Borrowers Program, featuring reduced interest rates determined by the borrower's income, the bank made 832 loans, totaling $75.8 million. In 1999, the bank made 369 loans, totaling $36.3 million. Alaska Bank was the first bank in Alaska to be certified under a USDA partial guarantee program for small business loans and loans to nonprofit organizations in small rural communities, and made 23 loans, totaling $22 million, under this program during the review period.

development organizations. The bank also assisted a rural municipality in a complex bond transaction that raised $18 million to provide construction financing for two rural health clinics and an administrative center to serve low-income communities.

Service Test. Alaska Bank received an "outstanding" examination rating for providing retail banking services to its assessment areas. Examiners stated that the bank was a leader in providing community development services throughout the state.[1/] In addition, 70 percent of Alaska Bank's branches and 64 percent of its ATMs were located outside the Anchorage MSA. In the Anchorage MSA, although only approximately 26 percent of the population were LMI individuals, almost half of Alaska Bank's branches were located in LMI census tracts. Nineteen of the bank's branches maintained Saturday business hours. Alaska Bank did not close any branches during the review period.

Alaska Bank also operated 122 ATMs within its assessment area, 55 of which were deposit-taking facilities. Examiners found that the ATM distribution was reasonable for both the Anchorage MSA and the rural regions in the bank's assessment area.

Examiners noted that the geography of Alaska presented major obstacles for Alaska Bank and other Alaskan banking organizations, including high transportation and communication costs, particularly in remote areas; lack of a developed infrastructure; a fragmented population; and fragile economic conditions. To meet these challenges, Alaska Bank developed alternative products and service delivery systems, including telephone loan origination programs, internet banking,

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[27/] For example, Alaska Bank entered into a partnership with the Arctic Development Council to plan and promote regional economic development in the North Slope borough and participated in several consortia to expand affordable housing opportunities in areas outside Anchorage.

and banking by mail.[1/] Alaska Bank's Community Agent Program assigned five employees to remote village locations to provide basic banking services and financial education to residents and ongoing advice to the bank about the credit needs of the villages.

Alaska Bank also offered bilingual services through a network of employees throughout the bank who spoke Chinese, Tagalog, Korean, Russian, Spanish, and Yupik. The bank also created a Yupik-language loan application for use in branches in southwest Alaskan villages.

[28/] Although the area outside the Anchorage MSA provided 42 percent of the bank's deposits, it accounted for 67 percent of the bank's loans and 61 percent of its lending by dollar volume.

The bank offered a range of home-buying and financial education classes at locations in the Anchorage MSA. More than 500 prospective homeowners, 50 percent of whom were LMI individuals, attended the program during the review period. Alaska Bank also supported and subsidized affordable housing programs and groups throughout its assessment area.[1/]

B. Fair Lending Records

1. Wells Fargo Bank

OCC examiners analyzed Wells Fargo Bank's compliance with federal fair lending laws. The examination included a sampling of residential home improvement and automobile loans and a review of fair housing complaints registered against the bank.

Examiners found no evidence of prohibited discrimination or illegal credit practices at Wells Fargo Bank in the underwriting of home improvement and automobile loans. Examiners reported that the bank's loan review process and training of employees were adequate to ensure compliance with federal fair lending laws and that the bank complied with fair lending laws and regulations.

2. Alaska Bank

Examiners evaluated Alaska Bank's compliance with federal fair lending laws by reviewing a sample of applications for mobile home financing made by white and Alaskan Native applicants. Examiners concluded that Alaska

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[29/] For example, Alaska Bank provided free loan servicing for loans originated by Habitat for Humanity.

Bank complied with fair lending laws and found no evidence of disparate treatment. Examiners found no violations of fair lending laws by Alaska Bank and also determined that the bank had satisfactory procedures in place to ensure compliance with federal fair lending laws.

C. HMDA Data

The Board also has considered carefully the lending records of Wells Fargo and National Bancorp in light of comments regarding 1998 HMDA data for certain subsidiaries of the organizations. In general, the HMDA data indicate good penetration by both organizations of all geographic areas they serve, including LMI areas, and of groups of borrowers at all income levels. The data also reflect, however, certain disparities in the rates of loan applications, originations, and denials by racial group.[1/]

[30/] For example, in certain MSAs, Wells Fargo's denial rate for African-American applicants for home mortgage loans is higher than its denial rate for white applicants.

The Board is concerned when the record of an institution indicates such disparities in lending and believes that all banks are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound lending but also equal access to credit by creditworthy applicants regardless of their race. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community, because these data cover only a few categories of housing-related lending. HMDA data, moreover, provide only limited information about the covered loans.[1/] HMDA data, therefore, have limitations that make them an insufficient basis, absent other information, for concluding that an institution has not adequately assisted in meeting its community's credit needs or has engaged in illegal lending discrimination.

Because of the limitations of HMDA data, the Board has considered these data carefully in light of other information, including examination reports that provide an on-site evaluation of the compliance by the subsidiary banks of National Bancorp and Wells Fargo with fair lending laws and the overall lending and community development activities of the banks. As discussed, examiners found compliance with fair lending laws at the most recent examinations of the subsidiary depository institutions of Wells Fargo and National Bancorp. The Board also has considered the HMDA data in light of the overall lending records of Wells Fargo and National Bancorp. Both organizations have records that demonstrate strong CRA performance and the provision of substantial assistance in meeting the credit needs of their communities.

D. <u>Conclusion on Convenience and Needs Analysis</u>

[31/] 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 the creditworthiness of applicants.

In reviewing the proposal's effect on the convenience and needs of the communities to be served by the combined organization, the Board has considered carefully all facts of record, including the public comments received, responses to comments, and reports of examinations of the CRA performance of the institutions involved. Based on a review of the entire record, and for the reasons discussed above, the Board concludes that convenience and needs considerations, including CRA performance records of the subsidiary depository institutions of Wells Fargo and National Bancorp, are consistent with approval.

Financial , Managerial, and Other Supervisory Factors

The BHC Act also requires the Board, in acting on an application, to consider the financial and managerial resources and future prospects of the companies and banks involved in a proposal, and certain other supervisory factors. The Board has carefully considered the financial and managerial resources and future prospects of Wells Fargo and National Bancorp and their respective subsidiary depository institutions, and other supervisory factors in light of all the facts of record, including confidential reports of examination and other supervisory information received from the primary federal supervisors of the organizations.

Based on these and other facts of record, the Board concludes that considerations relating to the financial and managerial resources and future prospects of Wells Fargo, National Bancorp, 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.

Conclusion

Based on the foregoing, the Board has determined that the application should be, and hereby is, approved.[1/] The Board's approval of the proposal is

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[32/] Commenters requested that the Board hold a public meeting or hearing on the proposal and extend the public comment period. Section 3(b) of the BHC Act does not require the Board to 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. The Board has not received such a recommendation from the appropriate supervisory authorities.

Commenters also allege that public meetings or hearings are necessary to present the views of residents of remote native villages in which English is not spoken fluently. Under its rules, the Board may, in its discretion, hold a public meeting or hearing on an application to acquire a bank if a meeting or hearing is necessary or appropriate to clarify factual issues related to the application and to provide an opportunity for testimony. 12 C.F.R. § 225.16(e). The Board has considered carefully the commenters' requests in light of all the facts of record. In specifically conditioned on compliance by Wells Fargo with all the commitments made in connection with the proposal. These commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decisions and, as such, may be enforced in proceedings under applicable law.

The acquisition may not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the

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the Board's view, commenters have had ample opportunity to submit their views, and have submitted written substantial comments that have been considered carefully by the Board in acting on the proposal. Commenters' requests fail to demonstrate why their comments do not present their views adequately and fail to identify disputed issues of fact that are material to the Board's decision that would be clarified by a public meeting or hearing or to indicate the additional material issues that would be brought forward by other members of the public. Commenters also have not demonstrated, in view of the substantial record in this case, the need to extend the public comment period. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing and an extension of the public comment period are not required or warranted in this case. Accordingly, the requests for a public meeting or hearing and an extension of the comment period are denied.

effective

date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors,[1/] effective June 21, 2000.

(Signed)

Jennifer J. Johnson
Secretary of the Board

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

APPENDIX

Competitive Analysis of Individual Banking Products

Home mortgage lending. The Board has determined previously that the geographic market for home mortgage lending is local.[1/] The Anchorage, Alaska, MSA is the only area of Alaska for which all home mortgage lenders are required to report lending data under the HMDA. Based on 1998 HMDA data, National Bancorp originated 18.2 percent of all home mortgage loans made in the Anchorage MSA, and Wells Fargo originated 5.4 percent of all such loans. Were an HHI constructed for home mortgage lending in the Anchorage MSA, consummation of the proposal would increase the HHI by 195 points to 1247, and the market for home mortgage lending would remain moderately concentrated. During 1999, Wells Fargo closed all its home mortgage lending offices in Anchorage. Accordingly, the competitive effects of the proposal in the Anchorage MSA apparently would be smaller than indicated by the HHI.[1/]

Outside the Anchorage MSA, HMDA data are not a reliable basis for calculating the market share of home mortgage lenders, because in non-MSA areas only larger depository institutions are required to report. For example, in the borough of Juneau, Alaska, where Wells Fargo has its only home mortgage lending office in the state, there are five commercial banks, of which the second and fifth largest are not HMDA reporters. There also are more than 30 home mortgage lenders in the borough of Juneau that are not banks. In addition, barriers to entry into home mortgage lending in the borough appear to be low. The competitive

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[34/] See Norwest Corporation, 82 Federal Reserve Bulletin 683 (1996) ("Norwest Order").

[35/] Barriers to entry also appear to be low. There are six depository institutions in the Anchorage MSA, but 199 lenders reported under the HMDA that they received mortgage loan applications from the MSA in 1998.

effects of the proposal on home mortgage lending in the borough of Juneau, therefore, are not expected to be significantly adverse.

The Wells Fargo home mortgage lending office in Juneau does not serve areas outside the borough of Juneau to a significant degree.[1/] Wells Fargo serves Alaska outside Juneau through a variety of remote delivery channels, including mortgage brokers, national telephone centers, solicitation of affinity groups and existing customers, corporate relocation services, and the internet. These delivery channels do not use marketing strategies focused on geographic markets, and their loan pricing is not based on local market conditions.[1/] The number and dollar volume of home mortgage loans made by Wells Fargo through these delivery channels is less than 1 percent of all such loans made by Wells Fargo in Alaska. In the less populated or more inaccessible areas of Alaska, therefore, Wells Fargo participates only in a submarket of remotely delivered home mortgage lending that is regional or national in scope and for which barriers to entry are low. Consummation of the proposal would not have a significantly adverse effect on competition in this submarket.

Consumer lending. The market for consumer lending includes many competitors of depository institutions, including credit card companies, consumer finance companies, and seller financing affiliates of commercial firms, that operate on a regional or national level. Many local competitors of depository institutions also exist, including credit unions in particular and smaller consumer finance companies, and Wells Fargo's market share is small. For example, at yearend 1999, Wells Fargo's consumer finance subsidiary, Norwest Financial, Inc., had approximately $32.3 million of loans and sales finance contracts booked at its three offices in the Anchorage MSA, while Alaska USA Federal Credit Union, Anchorage, Alaska, the largest credit union in the Anchorage MSA, held $659 million of non-mortgage loans. The competitive effects of the proposal on consumer lending are not expected to be significantly adverse.

[36/] In 1999, the office originated 268 loans, totaling $42.5 million, of which 215, totaling $34.8 million, were made in the borough.

[37/] See Norwest Order at 683 n.8.