FEDERAL RESERVE SYSTEM

Wells Fargo & Company
San Francisco, California

Order Approving the Acquisition of Bank Holding Companies
Banks and a Nonbanking Subsidiary

Wells Fargo & Company ("Wells Fargo"), a financial holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all the voting shares of Texas Financial Bancorporation, Inc., Minneapolis, Minnesota ("Texas Financial"), and thereby acquire control of certain subsidiary banks of Texas Financial;[1] and to acquire from Marquette Bancshares, Inc., Minneapolis, Minnesota ("Marquette"), all the voting shares of certain subsidiary banks of Marquette, including Marquette's lead bank, Marquette Bank, National

[1] The subsidiary banks of Texas Financial that Wells Fargo proposes to acquire (collectively, the "Texas Financial Banks") are First State Bank of Texas, Denton, and the First National Bank of Texas, Decatur, both in Texas; Bank of Santa Fe, Santa Fe, New Mexico; and Marquette Bank of Monmouth, Monmouth, Illinois. Wells Fargo does not propose to acquire Texas Financial's other two subsidiary banks, Community Bank of Arizona, Wickenburg, Arizona, and Mercantile National Bank, Los Angeles, California. As part of this transaction, Wells Fargo also proposes to acquire Delaware Financial, Inc., Wilmington, Delaware, an intermediate holding company subsidiary. On consummation of the proposal, Texas Financial and Delaware Financial would be wholly owned subsidiaries of Wells Fargo.

Association, Rogers, Minnesota ("Marquette Bank").[2] Wells Fargo also has requested the Board's approval under sections 4(c)(8) and 4(j) of the BHC Act (12 U.S.C. §§ 1843(c)(8) and 1843(j)) to acquire Marquette Financial Group, Inc., Minneapolis, Minnesota ("Marquette Financial"), a nonbanking subsidiary of Marquette that engages in investment advisory and securities brokerage activities.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (66 Federal Register 54,011 (2001)). The time for filing comments has expired, and the Board has considered the proposal and all comments received during the comment period in light of all the factors set forth in sections 3 and 4 of the BHC Act.[3]

Wells Fargo, with total consolidated assets of $298.1 billion, is the fifth largest commercial banking organization in the United States, controlling approximately 4 percent of total banking assets of insured

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[2] The other subsidiary banks of Marquette to be acquired by Wells Fargo (collectively, the "Marquette Banks") are Marquette Bank of Morrison, Morrison, Illinois; Marquette Capital Bank, N.A., Wayzata, Minnesota; Meridian Capital Bank, Milwaukee, Wisconsin; and The First National Bank & Trust Co. of Baraboo, Baraboo, Wisconsin. Wells Fargo would not acquire Marquette Bank of Illinois, Galesburg, Illinois; Marquette Bank of Nebraska, O'Neill, Nebraska; or Business First National Bank, Santa Barbara, California, all subsidiary banks of Marquette.

[3] Thirty commenters opposed and/or expressed concerns about the proposed transactions, generally citing potential anticompetitive effects of the proposal or the effects of the proposal on the convenience and needs of the affected communities.

commercial banks in the United States ("total U.S. banking assets").[4] Wells Fargo operates subsidiary banks in Alaska, Arizona, California, Colorado, Idaho, Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, New York, North Dakota, Ohio, Oregon, South Dakota, Texas, Utah, Washington, Wisconsin, and Wyoming. Wells Fargo is the fourth largest commercial banking organization in Texas, controlling deposits of $17.5 billion, representing approximately 7.2 percent of total deposits in insured depository institutions in the state ("state deposits").[5] Wells Fargo is the largest commercial banking organization in Minnesota, controlling deposits of $21.8 billion, representing approximately 28.8 percent of state deposits.

Texas Financial has total consolidated assets of $2.9 billion and operates subsidiary depository institutions in Texas, Illinois, and New Mexico. Texas Financial is the twelfth largest commercial banking organization in Texas, controlling deposits of $2.1 billion, representing less than 1 percent of state deposits.

Marquette has consolidated assets of $3.2 billion and operates subsidiary depository institutions in Minnesota, California, Illinois, Iowa, Nebraska, South Dakota, and Wisconsin. Marquette is the fifth largest commercial banking organization in Minnesota, controlling deposits of $1.4 billion, representing 1.9 percent of state deposits.

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[4] Asset and national ranking data are as of September 30, 2001.

[5] Asset, deposit, and state ranking data are as of June 30, 2001. In this context, depository institutions include commercial banks, savings banks, and savings associations.

On consummation of the proposal and after accounting for the proposed divestitures discussed in this order, Wells Fargo would remain the fifth largest commercial banking organization in the United States, with total consolidated assets of $304.2 billion, representing approximately 4 percent of total U.S. banking assets. Wells Fargo would remain the fourth largest commercial banking organization in Texas, controlling deposits of $19.6 billion representing approximately 8 percent of state deposits. Wells Fargo would remain the largest commercial banking organization in Minnesota, controlling deposits of $23.2 billion, representing approximately 30.7 percent of state deposits.

Interstate Analysis

Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire control of a bank in a state other than the home state of the bank holding company if certain conditions are met.[6] For purposes of the BHC Act, the home state of Wells Fargo is Minnesota, and the Texas Financial Banks and Marquette Banks are located in Illinois, Iowa, Minnesota, New Mexico, South Dakota, Texas, and Wisconsin.[7] The Board has reviewed the interstate banking laws of each state in which Wells Fargo would acquire banking operations and

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[6] See 12 U.S.C. § 1842(d). A bank holding company's home state is the state in which the total deposits of all banking subsidiaries of such company were the largest on the later of July 1, 1966, or the date on which the company became a bank holding company. 12 U.S.C. § 1841(o)(4)(C).

[7] For purposes of section 3(d) of the BHC Act, the Board considers a bank to be located in the states in which the bank is chartered, headquartered, or operates a branch.

consulted with the appropriate banking regulator in each of those states regarding the permissibility of the proposed transaction under applicable state law.

All the conditions for an interstate acquisition enumerated in section 3(d) of the BHC Act are met in this case. Wells Fargo is adequately capitalized and adequately managed, as defined by applicable law.[8] In addition, the Texas Financial Banks and Marquette Banks have been in existence for the minimum period of time required by applicable law.[9] On consummation of the proposal and after accounting for the proposed divestitures, Wells Fargo and its affiliates 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, or the applicable percentage established by state law, of total deposits in every state except Wells Fargo's home state of Minnesota.[10] All other requirements of section 3(d) would be met on consummation of the proposal. Accordingly, based on all the facts of record, the Board is permitted to approve the proposed transaction under section 3(d) of the BHC Act.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant banking

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[8] See 12 U.S.C. § 1842(d)(1)(A).

[9] See 12 U.S.C. § 1842(d)(1)(B).

[10] See 12 U.S.C. § 1842(d)(2).

market. The BHC Act also prohibits the Board from approving a proposed bank acquisition that would substantially lessen competition in any relevant banking market, unless the Board finds that the anticompetitive effects of the proposal clearly are outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[11]

Wells Fargo competes directly with the Texas Financial Banks and the Marquette Banks in twenty local banking markets primarily in six states.[12] The Board has reviewed carefully the competitive effects of the proposal in each of these banking markets in light of comments received and all the facts of record.[13] In particular, the Board has considered the number of competitors that would remain in the market, the relative share of total deposits in depository institutions controlled by Wells Fargo and the relevant subsidiary banks of Texas Financial or Marquette in the markets ("market deposits"),[14] the concentration level of market deposits and the increase in

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[11] 12 U.S.C. § 1842(c)(1).

[12] These markets are described in Appendix A.

[13] Nine commenters expressed concern that the proposal would have anticompetitive effects in certain banking markets.

[14] Deposit and market share data are as of June 30, 2000, and are based on calculations in which the deposits of thrift institutions, which include savings banks and savings associations, are weighted at 50 percent, unless otherwise noted. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50-percent weighted basis. See, e.g.,

this level as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Guidelines ("DOJ Guidelines"),[15] and other characteristics of the markets.

A. Banking Markets With Divestitures

To reduce the potential for adverse effects on competition in four of the twenty banking markets in which Wells Fargo and the Texas Financial Bank or Marquette Banks compete directly, Wells Fargo has committed to divest nine branches, which account for approximately $304 million in deposits.[16] In light of the proposed divestitures, consummation of the proposal would be consistent with Board precedent

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First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

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

[16] These banking markets are Chamberlain, Huron, and Watertown, South Dakota; and Rochester, Minnesota. The effects of the proposal on the concentration of banking resources in these markets are described in Appendix B.

The Board has considered several comments that expressed concern over potential anticompetitive effects of the proposal and asserted that the city of Chamberlain should not be considered part of the currently designated Mitchell, South Dakota, banking market. In reviewing and the DOJ Guidelines in these banking markets. In addition, numerous competitors would remain in each of these banking markets.[17]

B. Banking Markets Without Divestitures

Consummation of the proposal without divestitures would be consistent with Board precedent and the DOJ guidelines in twelve of the banking markets.[18] After consummation of the proposal, two of these

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Chamberlain's inclusion in the Mitchell market, the Board has considered worker commuting patterns (as indicated by census data), shopping patterns and other indicia of economic integration, relevant banking data, information provided by local chambers of commerce, and the results of a telephone survey of households and small businesses in the Chamberlain area. Based on all the facts of record, the Board concludes that the appropriate market for analyzing the competitive effects of the proposal is a newly designated Chamberlain, South Dakota, banking market ("Chamberlain banking market"), defined as Brule and Buffalo Counties and the eastern half of Lyman County, including the communities of Kennebec and Lower Brule, all in South Dakota.

[17] With respect to each market in which Wells Fargo has committed to divest offices to mitigate the anticompetitive effects of the proposal, Wells Fargo has committed to execute, before consummation of the proposal, a sale agreement for the proposed divestiture with a purchaser determined by the Board to be competitively suitable and to complete the divestiture within 180 days after consummation of the proposal. Wells Fargo also has committed that, if 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).

[18] These markets are Hutchinson, Litchfield, Minneapolis-St. Paul, and Red Wing, Minnesota; Aberdeen, Sioux Falls, and Yankton, South Dakota; Austin, Dallas, Forth Worth, and Houston, Texas; and Milwaukee,

banking markets would remain unconcentrated, two markets would become moderately concentrated, and seven markets would remain moderately concentrated as measured by the HHI.[19] The Minneapolis-St. Paul banking market, which is discussed below, would be highly concentrated as measured by the HHI, but the increase in the HHI would be within the thresholds levels established by the DOJ Guidelines and Board precedent.

In the four remaining banking markets, consummation of the proposed acquisition would exceed the DOJ Guidelines. These banking markets are Cedar Rapids, Iowa; Santa Fe, New Mexico; and Washington County and Victoria, both in Texas. In each of these markets, the Board has 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 the market.[20]

Minneapolis – St. Paul. Although the proposal would not exceed the thresholds in the DOJ Guidelines, the Board previously has recognized the unique structure of the Minneapolis-St. Paul banking market

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Wisconsin. The effects of the proposal on the concentration of banking resources in these markets are described in Appendix C.

[19] The unconcentrated banking markets are Sioux Falls, South Dakota, and Houston, Texas. The banking markets that would become moderately concentrated are Litchfield, Minnesota, and Fort Worth, Texas, and the banking markets that would remain moderately concentrated are Hutchinson, and Red Wing, Minnesota; Aberdeen and Yankton, South Dakota; Austin and Dallas, Texas; and Milwaukee, Wisconsin.

[20] The number and strength of factors necessary to mitigate the competitive effects of a proposal depend on the level and size of the increase in market concentration. See NationsBank Corporation, 84 Federal Reserve Bulletin 129 (1998).

and has indicated that mergers involving one of the two largest depository institutions in the market warrant careful review because of the size of these institutions relative to other market competitors.[21] In the Minneapolis-St. Paul banking market, Wells Fargo is the second largest competitor, controlling deposits of $13 billion, representing approximately 29.6 percent of market deposits.[22] Marquette is the fifth largest competitor in the market, controlling deposits of approximately $964 million, representing 2.2 percent of market deposits. On consummation of the proposal, Wells Fargo would continue to operate the second largest depository institution in the market, controlling deposits of approximately $14 billion, representing approximately 31.8 percent of market deposits. The HHI would increase by 129 points to 2310 and, therefore, would not exceed the thresholds in the DOJ Guidelines in the Minneapolis-St. Paul banking market.[23]

In this case, the Board believes that a number of factors indicate that consummation of the proposed merger is not likely to have a significantly adverse effect on competition in the Minneapolis-St. Paul banking market. As a result of the proposed acquisition, the combined relative strength of the two largest competitors in the Minneapolis-St. Paul

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[21] See Firstar Corporation, 87 Federal Reserve Bulletin 236 (2001) ("Firstar"); see also, Norwest Corporation, 82 Federal Reserve Board 580 (1996); First Bank System, Inc., 79 Federal Reserve Bulletin 50 (1993). U.S. Bancorp is the largest competitor in the market, controlling deposits of approximately $15.6 billion, representing 35.2 percent of market deposits.

[22] Deposit data are as of June 30, 2000, and have been adjusted to reflect subsequent mergers and acquisitions.

[23] A commenter expressed concerns about the potential anticompetitive effects of the proposal in the Minneapolis-St. Paul banking market.

banking market would not increase significantly.[24] In addition, the record of de novo entry into this banking market in the last five years has been unprecedented when compared with other banking markets nationwide and confirms the attractiveness of the Minneapolis-St. Paul banking market to new entry. Since 1996, 39 depository institutions have entered the market, including 23 de novo banks and 16 banks headquartered outside the market that have established branches in the market. Another bank has been granted a charter in the market, but has not begun operations.

Other factors indicate that the Minneapolis-St. Paul banking market remains attractive for entry.[25] From 1990 to 2000, the average increase in population for the Minneapolis-St. Paul Metropolitan Statistical Area ("MSA") exceeded that of the State of Minnesota and the national average.[26] In addition, for each year during the same period, the unemployment rate in the Minneapolis-St. Paul MSA was lower than that of Minnesota and the national average. Moreover, for the one-year period

[24] The combined market share percentage of U.S. Bancorp and Wells Fargo, the two largest competitors, would increase from 64.8 percent to 67 percent. As previously noted, the HHI in the Minneapolis-St. Paul market would increase by 129 points to 2310 on consummation. In Firstar, the Board approved a proposal by Firstar to acquire U.S. Bancorp, which increased the HHI in the Minneapolis–St. Paul market by 187 points to 2308 and resulted in a combined market share of 67 percent for Firstar and Wells Fargo. Since consummation of the Firstar transaction, the combined market share of the two largest competitors in the market has decreased.

[25] See Firstar, at 237.

[26] The population of the Minneapolis-St. Paul MSA increased by 13.4 percent, compared with an increase of 9.7 percent for the State of Minnesota and 10.9 percent for the entire United States.

ending June 30, 1999, the percentage increase in deposits in the Minneapolis-St. Paul MSA was more than three times that of other MSAs in Minnesota and more than four times that of the national average.[27]

Based on all the facts of record and for the reasons discussed above, the Board believes that competitive considerations in the Minneapolis-St. Paul banking market are consistent with approval in this case. However, the Board continues to have concerns about the structure of the Minneapolis-St. Paul banking market and believes that future mergers involving either of the two largest competitors in that banking market would warrant special consideration. The Board intends to scrutinize carefully any future acquisition proposal that would increase the market share of one of the two largest competitors in the Minneapolis-St. Paul banking market.

<u>Cedar Rapids, Iowa</u>. Wells Fargo operates the largest depository institution in the Cedar Rapids banking market, controlling deposits of $537 million, representing approximately 25.1 percent of market deposits. Marquette Bank is the fourth largest depository institution operating in the market, controlling deposits of $147.4 million, representing approximately 6.9 percent of market deposits. On consummation of the proposal, Wells Fargo would continue to operate the largest depository institution in the market, controlling deposits of approximately $684.5 million, representing 32 percent of market deposits. The HHI would increase by 346 points to 1835.

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[27] Deposits in the Minneapolis-St. Paul MSA increased by 16.9 percent, compared with an increase of 2 percent in the Duluth-Superior MSA, 3.3 percent in the St. Cloud MSA, and 5 percent in the Rochester MSA, all in Minnesota. Deposits nationwide increased by 3.4 percent.

Several factors indicate that this increase in market concentration in the Cedar Rapids banking market as measured by the HHI does not reflect a significantly adverse effect on competition in the market. One thrift institution operating in the market serves as a significant source of commercial loans and provides a broad range of consumer, mortgage, and other banking products. Competition from this thrift institution closely approximates competition from a commercial bank. Accordingly, the Board has concluded that deposits controlled by the institution should be weighted at 100 percent in market share calculations.[28] Accounting for the revised weighting of these deposits, Wells Fargo would control 31.8 percent of market deposits and the HHI would increase by 343 points to 1817 on consummation of the proposal

The presence and competitive strength of other bank competitors also is an important factor in this market. After consummation of the proposal, 21 depository institutions besides Wells Fargo would compete in the market, including one large multistate banking organization. The second largest competitor in the banking market would control more than 22 percent of market deposits, and another commercial banking organization would control more than 12 percent.

[28] The Board previously has indicated that it may consider the competitiveness of a thrift institution at a level greater than 50 percent of the savings association's deposits, if appropriate. <u>See</u>, <u>e.g.</u>, <u>Banknorth Group, Inc.</u>, 75 Federal Reserve Bulletin 703 (1989). The thrift in this case has a 16-percent ratio of commercial and industrial loans to assets, which is equivalent to the national average for all commercial banks. <u>See</u> <u>First Union Corporation</u>, 84 Federal Reserve Bulletin 489 (1998).

The significant number of recent entries into the Cedar Rapids banking market confirm that the market is attractive for entry. Since 1996, six depository institutions have entered the market de novo, including two in 2001.

The Board also has considered that the market has a large and active credit union and six smaller credit unions that each offer a full range of retail banking products. These credit unions have street-level branches similar to those of local banks and thrifts, and their memberships are open to all in market residents.[29]

Santa Fe, New Mexico. Wells Fargo operates the third largest depository institution in the market, controlling deposits of $151.8 million, representing approximately 14.6 percent of market deposits.
Texas Financial operates the fourth largest depository institution in the market, controlling deposits of $120.1 million, representing approximately 11.6 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the largest depository institution in the market, controlling deposits of approximately $271.9 million, representing approximately 26.2 percent of market deposits. The HHI would increase by 338 points to 1832.

Certain factors indicate that the increase in concentration in the Santa Fe banking market as measured by the HHI does not reflect a significantly adverse effect on competition. In particular, one thrift institution operating in the market is actively involved in providing a broad

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[29] If the Board were to include the deposits of the seven credit unions at 50 percent, the HHI would increase by 288 points to 1555 as a result of this transaction.

range of banking products, including commercial loans. Based on the facts of record in this case, the Board has concluded that deposits controlled by this institution should be weighted at 100 percent in market share calculations.[30] Accounting for the revised weighting of these deposits, Wells Fargo would control 24 percent of market deposits and the HHI would increase 282 points to 1750, which is within the DOJ Guidelines. After consummation of this proposal, a significant number of depository institutions besides Wells Fargo would compete in the Santa Fe banking market.[31]

Washington County, Texas. Wells Fargo operates the third largest depository institution in the market, controlling deposits of $77.9 million, representing approximately 15.7 percent of market deposits. Texas Financial operates the fourth largest depository institution in the market, controlling deposits of $55 million, representing approximately 11.1 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the largest depository institution in the market, controlling deposits of approximately $133 million, representing

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[30] The thrift institution is the largest thrift operating in the Santa Fe banking market and has a 15-percent ratio of commercial and industrial loans to assets which compares favorably with the 16-percent average ratio of commercial and industrial loans to assets for commercial banks nationwide.

[31] On consummation of the proposal, eight depository institutions besides Wells Fargo would compete in the Santa Fe banking market, including a large multistate banking organization. The second largest competitor in the banking market would control more than 20.8 percent and two other competitors would each control more than 17 percent of market deposits. Two of the five other remaining commercial banking organizations would each control more than 8 percent of market deposits.

approximately 26.7 percent of market deposits. The HHI would increase by 347 points to 1961.

Several factors indicate that the increase in concentration in the Washington County banking market as measured by the HHI does not reflect a significantly adverse effect on competition. In particular, two thrift institutions operating in the market are actively involved in providing a broad range of banking products, including commercial loans. Based on the facts of record in this case, the Board has concluded that deposits controlled by these institutions should be weighted at 100 percent in market share calculations.[32] Accounting for the revised weighting of these deposits, Wells Fargo would control 23 percent of market deposits and the HHI would increase 257 points to 1759, which is within the DOJ Guidelines. After consummation of this proposal, a significant number of depository institutions besides Wells Fargo would compete in the Washington County banking market.[33]

Victoria, Texas. Wells Fargo operates the second largest depository institution in the market, controlling deposits of $246.7 million, representing approximately 25.3 percent of market deposits.

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[32] One of the thrifts is the largest thrift in the market and has a 14-percent ratio of commercial and industrial loans to assets. The other thrift has exhibited rapid growth in this ratio and has greatly expanded its commercial lending business.

[33] On consummation of the proposal, seven depository institutions besides Wells Fargo would compete in the market, including a large multistate banking organization. The second largest competitor in the banking market would control approximately 20.3 percent and three other competitors would each control more than 10 percent of market deposits.

Texas Financial operates the fifth largest depository institution in the market, controlling deposits of $56.8 million, representing approximately 5.8 percent of market deposits. On consummation of the proposal, Wells Fargo would remain the second largest depository in the market, controlling deposits of approximately $303.5 million, representing approximately 31.1 percent of market deposits. The HHI would increase 294 points to 2962.

Several factors indicate that the increase in concentration in the Victoria banking market as measured by the HHI does not reflect a significantly adverse effect on competition. Two thrift institutions operating in the market offer a full range of banking products and services, including commercial loans. Based on a review of their activities, the Board has concluded that deposits controlled by these two institutions should be weighted at 100 percent in market share calculations.[34] Accounting for the revised weighting of these deposits, Wells Fargo would control approximately 28.3 percent of market deposits and the HHI would increase 242 points to 2580.

After consummation of this proposal, nine depository institutions besides Wells Fargo would compete in the market, including a large multistate banking organization. The largest competitor in the banking market would control more than 38.6 percent of market deposits, and

[34] One of the institutions is the largest thrift in the market and has a 13-percent ratio of commercial and industrial loans to assets. The other thrift has aggressively pursued its commercial lending business in the last year, quadrupling to 4 percent its ratio of commercial and industrial loans to assets. The Board has given 100 percent weight to this thrift's deposits in a recent proposal. Texas Regional Bancshares, Inc., 85 Federal Reserve Bulletin 683, 684 (1999).

two other competitors would each control more than 10 percent.

The attractiveness of the Victoria banking market has been confirmed by the entry since 1998 of three depository institutions through de novo branching. Other factors indicate that the Victoria banking market is attractive for entry. For example, from 1990 to 2000, the percentage increase in employment in the Victoria MSA exceeded the average percentage increase for all Texas MSAs and the percentage increase statewide.[35] Moreover, in 2000, deposits per banking office and deposits per capita for the Victoria MSA exceeded the average for all Texas MSAs and for the entire state.[36]

C. Views of Other Agencies and Conclusion

The Department of Justice also has conducted a detailed review of the anticipated competitive effects of the proposal. The Department has advised the Board that, in light of the proposed divestitures, the Department believes that consummation of the proposal is not likely to 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") have been afforded an opportunity to comment and have not objected to consummation of the proposal.

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[35] From 1990 to 2000, employment in the Victoria MSA increased approximately 20.2 percent compared with an average of 18.8 for all Texas MSAs.

[36] In 2000, deposits per banking office and deposits per capita for the Victoria MSA totaled $71 million and $10,127, respectively, compared with an average of $53 million and $8,479, respectively, for all MSAs in Texas and $49 million and $8,705, respectively, for the entire state.

After carefully reviewing all the facts of record, including public comments on the competitive factors, and for reasons discussed in this order, the Board has concluded that consummation of the proposal is not likely to result in a significantly adverse effect on competition or on the concentration of banking resources in any of the twenty banking markets in which Wells Fargo and the Texas Financial Banks or Marquette Banks compete directly or in any other relevant banking market. Accordingly, based on all the facts of record and subject to completion of the proposed divestitures, the Board has determined that competitive factors are consistent with approval of the proposal.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board is required to consider the effects of the proposal on the convenience and needs of the communities to be served and to take into account the records of the relevant insured depository institutions under the Community Reinvestment Act ("CRA").[37] 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 safe and sound operation, and requires the appropriate federal financial supervisory agency to take into account an institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals. The Board has carefully considered the convenience and needs factor and the CRA performance records of the subsidiary depository institutions of Wells Fargo, Texas Financial, and Marquette in light of all the facts of

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[37] 12 U.S.C. § 2901 et seq.

record, including public comments received on the effect the proposal would have on the communities to be served by the organizations resulting from this proposal.

Two community groups submitted comments opposing the proposal and expressing concerns about the record of Wells Fargo in meeting the convenience and needs of the communities it serves. One of the commenters criticized Wells Fargo's record of home mortgage lending to LMI and minority borrowers and in LMI and predominantly minority communities in the Minneapolis-St. Paul MSA. This commenter also expressed concerns that the proposal would result in the loss of Marquette Bank's community development programs in this metropolitan area.[38] Based on data submitted under the Home Mortgage Disclosure Act ("HMDA"),[39] the two commenters also alleged that Wells Fargo engaged in disparate treatment of minority applicants in certain markets with respect to home mortgage loans. In addition, one of the commenters expressed concern about the potential closure of branches and fourteen commenters expressed concern about the loss of a particular branch of Marquette Bank in an LMI neighborhood of Minneapolis.[40]

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[38] In addition, the commenter also alleged that Wells Fargo has committed a smaller percentage of its resources to community development lending than other lenders in the Minneapolis-St. Paul MSA.

[39] 12 U.S.C. § 2801 et seq.

[40] Twenty commenters also expressed general concern about the loss of Marquette's subsidiary banks in Minneapolis and Chamberlain. Several of these commenters also expressed concern that the proposal might result in the loss of jobs in Chamberlain. The factors that the Board can consider when reviewing an application or notice are limited by applicable law. The effect of a proposed transaction on employment in a community is not

A. CRA Performance Evaluations

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of examinations by the appropriate federal supervisors of the CRA performance records of the relevant insured depository 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 its appropriate federal supervisor.[41]

All the subsidiary banks of Wells Fargo received either "outstanding" or "satisfactory" ratings at their most recent CRA performance evaluations.[42] In particular, Wells Fargo's lead bank, Wells Fargo Bank, N.A., San Francisco, California ("WF Bank"), which accounts for approximately 43 percent of the total consolidated assets of Wells Fargo, received an "outstanding" rating at its most recent CRA performance evaluation by the OCC, as of June 8, 1998. In addition, Wells Fargo Bank Minnesota, National Association, Minneapolis,

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among the factors included in the acts administered by the Board. Moreover, the convenience and needs factor has been consistently interpreted by the federal financial supervisory agencies, the courts, and Congress to relate to the effects of a proposal on the availability and quality of banking services in the community. See Wells Fargo & Company, 82 Federal Reserve Bulletin 455, 457 (1996).

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

[42] See Appendix D for the CRA ratings of the subsidiary banks of Wells Fargo.

Minnesota ("WFB-MN"), received an "outstanding" rating at its most recent CRA performance examination by the OCC, as of October 17, 1996.[43] WF Bank and WFB-MN represent 58 percent of Wells Fargo's total consolidated assets. Each of the subsidiary banks of Texas Financial and Marquette to be acquired by Wells Fargo also received either "outstanding" or "satisfactory" ratings at their most recent CRA performance examinations.[44] Examiners found no evidence of prohibited discrimination or other illegal credit practices at any of the insured depository institutions involved in this proposal and found no violations of the substantive provisions of the fair lending laws.

The Board has carefully reviewed the most recent CRA performance examinations of each of the subsidiary banks of Wells Fargo, including those in Minnesota, Texas, New Mexico, Iowa, and Wisconsin, where the banks Wells Fargo proposes to acquire are located. In addition, the Board has consulted with the OCC and has considered confidential supervisory information on the CRA performance and fair lending records of Wells Fargo's subsidiary banks since their last CRA performance examinations. The Board has considered the policies, practices, and data and confidential supervisory information on the fair lending record of Wells Fargo's affiliates, including its primary mortgage affiliate,

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[43] Norwest Bank Minnesota, National Association, Minneapolis, Minnesota, was renamed "Wells Fargo Bank of Minnesota, National Association" on July 8, 2000, after the merger of Wells Fargo and Norwest Corporation, all in Minneapolis.

[44] See Appendix E for the CRA ratings for the Texas Financial Banks and Marquette Banks.

Wells Fargo Home Mortgage, Inc., Des Moines, Iowa ("WFHM"). WFHM is a wholly owned subsidiary of WFB-MN.

B. CRA Performance Record of Wells Fargo

In light of the relative size of WF Bank in Wells Fargo's banking organization and the comments expressing concerns about the CRA performance of WFB-MN in Minneapolis, the discussion of Wells Fargo's CRA performance record below focuses on these two banks. In addition to CRA evaluation reports, the Board has reviewed substantial information submitted by Wells Fargo concerning the CRA performance of WF Bank and WFB-MN since their last performance evaluations.

Wells Fargo stated that the banks to be acquired would adopt Wells Fargo's community banking approach in evaluating and addressing credit needs and implementing their CRA-related activities. Wells Fargo explained that this approach recognizes local decisionmaking and outreach to all segments of its subsidiary banks' communities, including LMI neighborhoods. In addition, Wells Fargo stated that it intends to continue to offer many of the lending and community development products and programs of the Texas Financial Banks and Marquette Banks or offer a comparable product or program of Wells Fargo to ensure that community banking needs are met in a manner consistent with safe and sound lending, market demand, and local community credit needs.

WF Bank. WF Bank received an examination rating of "outstanding" under the lending test in its most recent CRA performance evaluation. Examiners reported that WF Bank's lending record during the review period demonstrated good penetration in LMI communities and among LMI borrowers in its assessment areas.[45] In the aggregate, the bank made 25 percent by number and 27 percent by dollar volume amount of its residential mortgage, small business, and community development loans in LMI census tracts. WF Bank originated 36 percent of all its residential mortgage loans, totaling $240 million, to LMI borrowers.

Examiners noted that WF Bank had adopted a business strategy that concentrated on small business lending and de-emphasized residential lending.[46] Since the last CRA performance evaluation, Wells Fargo has increased its residential mortgage lending activity overall in WF Bank's assessment areas. For example, in 1998 Wells Fargo's home mortgage lending in California totaled approximately $5.2 billion and, by 2000, this amount had increased to more than $11 billion.[47]

Through its mortgage subsidiary, WFHM, WF Bank currently offers a number of affordable mortgage loan products designed to assist LMI borrowers and communities throughout its assessment areas, including loans

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[45] The review period for WF Bank's CRA evaluation was January 1, 1996, through March 31, 1998. During the review period, WF Bank's assessment areas included Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Utah, Washington, the Las Vegas-Mohave Multistate MSA, and the Portland-Vancouver Multistate MSA. Since this last CRA performance evaluation, Wells Fargo generally has reorganized its subsidiary banks into separate statewide charters, resulting in assessment areas for WF Bank that currently include California and several MSAs outside California.

[46] During the review period, the bank's residential lending in California decreased by $2.2 billion, while its small business lending in the state increased by $2.7 billion.

[47] This summary of recent home mortgage lending volume is based on data provided by Wells Fargo.

guaranteed or sponsored by government agencies or government-sponsored enterprises, loans sponsored by various state or local government agencies, and some proprietary loan products.[48] Wells Fargo stated that, during 1999 through the third quarter of 2001, WFHM's funding of such loan products and programs in California totaled approximately $1.6 billion. Wells Fargo also stated that, during this time period, its total home purchase lending to LMI individuals and in LMI census tracts in California totaled more than $2.7 billion and $2.5 billion, respectively.

Examiners particularly commended the small business lending record of WF Bank and noted that its innovative underwriting of small business loans enabled the bank to penetrate most segments of the small business community in its assessment areas. Examiners commended WF Bank for developing new loan products, including a low-documentation small business loan, and marketing programs focused on underserved groups of small business customers, including small businesses owned by women and minorities. During the review period, WF Bank originated small business loans totaling $9.3 billion, of which 92 percent were in amounts less than $100,000 and 26 percent were made to businesses in LMI census tracts.[49]

Since the last CRA performance evaluation, Wells Fargo has continued its high level of small business lending. Wells Fargo stated that

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[48] WFHM (formerly Norwest Mortgage, Inc.) offers housing-related loan products and programs through the retail network of all Wells Fargo's subsidiary banks.

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

WF Bank made small business loans totaling more than $2.5 billion to businesses in LMI census tracts in California during 1998 through the third quarter of 2001. This represented approximately 30 percent of the bank's total dollar amount of small business loans in the state during this time period.

Examiners commended WF Bank for its excellent level of community development lending during the review period, noting that the bank provided community development loans totaling $651 million in its assessment area. In California, WF Bank originated approximately 100 community development loans, totaling $469 million, including 64 loans to affordable housing projects to build more than 4,300 LMI housing units.

WF Bank has maintained a high level of community development lending since its most recent CRA evaluation. Wells Fargo stated that it made community development loans totaling almost $1.3 billion in California during 1998 through the third quarter of 2001.

WF Bank received an "outstanding" rating for investment activities in its last CRA performance evaluation. Examiners noted that, for many community development projects in California, WF Bank was either the first, the largest, or the only investor. WF Bank funded more than 6,500 housing units for LMI households through affordable housing investments. Examiners reported that the bank 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, WF Bank contributed more than $21 million to government-subsidized programs, nonprofit developers, and social service groups.

Since the last CRA performance evaluation, Wells Fargo has maintained a high level of CRA investment activity. Wells Fargo stated that it currently maintains an $855 million portfolio of CRA-qualified investments and that it made CRA-qualified investments and grants totaling more than $262 million in California during 1998 through the third quarter of 2001.[50]

WF Bank received a rating of "high satisfactory" for its retail banking services in its last CRA performance evaluation. Examiners stated that WF Bank's service delivery systems were reasonably accessible to individuals of different income levels and often were in popular shopping areas that were accessible by public transportation. In addition, examiners reported that the bank maintained branch hours that were reasonable and convenient to LMI communities and individuals. Examiners also noted that WF Bank maintained alternative delivery systems, including 24-hour telephone banking, internet banking, and banking by mail.

WF Bank has continued to offer products and services such as no-fee checking accounts for individuals, ATM-based international remittance services, and home mortgage loan centers in LMI communities. To increase its banking services in Hispanic communities, Wells Fargo began in 2001 to accept the Mexican government's Matricula Consular Card (the Certificate of Consular Registration) as an acceptable form of primary

[50] Wells Fargo has a community development corporation ("CDC") that makes CRA-qualified investments for all Wells Fargo's subsidiary banks. This CDC focuses particularly on affordable housing initiatives. In addition, the Wells Fargo Housing Foundation, which is a division of WFHM, provides contributions to local housing organizations that create affordable housing opportunities for LMI families.

identification for opening new banking accounts and conducting over-the-counter transactions at its retail branches.[51]

WFB-MN. As noted above, WFB-MN received an "outstanding" rating for CRA performance in its most recent evaluation. Examiners commended WFB-MN for offering and originating a comprehensive array of loan products to meet community credit needs.[52] Examiners reported that the bank and WFHM were the leading originators of HMDA-reportable loans in LMI census tracts and to LMI borrowers in the Minneapolis-St. Paul MSA during the review period.[53] Since the last CRA performance evaluation, WFB-MN has continued a high level of home mortgage lending particularly to LMI borrowers. Wells Fargo stated that, during 1997 through the third quarter of 2001, its home mortgage loans in the Minneapolis-St. Paul MSA totaled more than $20 billion, of which approximately 24 percent were to LMI borrowers.

Examiners particularly noted that WFB-MN offered flexible real estate credit terms and conditions to LMI individuals through its

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[51] The Mexican government issues the Matricula Consular card to Mexican nationals through its consular representatives in local offices throughout the United States.

[52] A commenter expressed concern about the loss of Marquette Bank in Minneapolis, alleging that Marquette's record of home mortgage lending to LMI and minority individuals and in LMI and predominantly minority census tracts in the Minneapolis-St. Paul MSA is better than that of Wells Fargo.

[53] The review period for this CRA performance evaluation of WFB-MN was 1994 and 1995. The evaluation included the lending of Norwest Mortgage, Inc., the predecessor of WFHM.

Community Homeownership Program ("CHOP"). During 1994 and 1995, WFB-MN provided purchase money CHOP loans totaling $51 million in the Minneapolis-St. Paul MSA, as well as down payment assistance to 257 applicants.

In Minnesota, WFB-MN currently offers affordable mortgage loan products through its Community Homeownership Affordable Mortgage Program ("CHAMP") and Neighborhood CHAMP programs, which feature low down payments, a waiver of private mortgage insurance requirements, and flexible underwriting criteria that include liberal consideration of the borrower's employment history and credit experience, and higher total debt-to-income ratios. Wells Fargo stated that, during 2000 through the third quarter of 2001, WFB-MN made loans totaling $49 million in Minnesota through the CHAMP program.

WFB-MN also participates in the Minnesota Housing Finance Agency ("MHFA") Purchase Mortgage Bond Programs that are designed for first-time LMI homebuyers and feature below-market interest rates with conventional or Federal Housing Authority ("FHA") underwriting guidelines, and in MHFA's related Homeowner's Assistance Fund Programs ("HAF") that provide financial assistance to borrowers under the agency's Purchase Mortgage Bond Programs.[54] In addition, WFB-MN participates in the MHFA's Community Fix-Up Fund Program, a home improvement bond

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[54] Marquette Bank also participates in various Community Activity Set Aside ("CASA") Programs of the MHFA in Minneapolis and other communities in Minnesota. Wells Fargo stated that it intends to honor any existing CASA Program commitments of Marquette Bank and would continue to participate in any existing CASA and HAF programs in the bank's assessment areas.

program designed for LMI borrowers that offers flexible underwriting criteria such as 100 percent loan-to-value ratios and high debt-to-income ratios.[55] WFB-MN also participates in neighborhood revitalization programs ("NRP") that provide low interest rate loans for improvements on multifamily and single-family residences in LMI neighborhoods in Minneapolis.[56]

Examiners noted that WFHM was the leading originator of government-related home mortgage loans, including through programs sponsored by the FHA, the Department of Veterans Affairs ("VA"), and the Farmers Home Administration.[57] During 1994 and 1995, WFHM originated almost 5,900 such loans, totaling approximately $492 million, in WFB-MN's assessment areas.

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[55] Wells Fargo stated that it plans to expand its participation in this program to include all Marquette Bank's assessment areas.

[56] Wells Fargo stated that it intends to honor the NRP commitments of Marquette Bank, and that it would continue the bank's participation in existing NRPs in its assessment areas.

[57] A commenter alleged that Wells Fargo provides minority homebuyers with a disproportionate number of FHA or other government-backed mortgage loans compared with the number of such loans it provides to nonminority homebuyers. The Board notes that such mortgage loan products provide many homebuyers with opportunities for lower lending costs, and that the CRA does not require banks to provide any particular types of loan products or programs to meet the credit needs of their communities. As previously noted, examiners found no evidence of prohibited discrimination or other illegal credit practices at any subsidiary banks of Wells Fargo and found no violation of substantive provisions of the fair lending laws.

Since the last CRA performance evaluation of WFB-MN, WFHM has continued to actively participate in these government-related home mortgage programs. During 1999 and 2000, WFHM originated more than $1 billion in loans sponsored by FHA, VA, and other government agencies in the Minneapolis-St. Paul MSA, of which more than 50 percent were made to LMI borrowers.

Examiners also commended WFB-MN for its small business lending performance, particularly for actively participating in government-related lending programs for small businesses. During 1994 and 1995, WFB-MN made more than $46 million Small Business Administration ("SBA") loans.

Since the last CRA performance evaluation of WFB-MN, Wells Fargo has continued its high level of small business lending in Minnesota. Wells Fargo stated that it originated approximately $2 billion in total small business loans in the Minneapolis-St. Paul MSA during 1997 through the third quarter of 2001. Wells Fargo was the largest SBA lender in both the number and dollar amount of loans in Minnesota during fiscal year 2001.

Examiners commended WFB-MN for actively participating in community development and redevelopment programs and providing leadership, technical expertise, and financial support for community development throughout its assessment area during the review period. Examples of such community development activity included a $3.3 million investment in low-income housing projects and a $1.2 million loan for a senior citizen condominium project in a LMI census tract in Minneapolis.

Since the last CRA performance evaluation of WFB-MN, Wells Fargo has continued a high level of community development lending and investment activity in the Minneapolis-St. Paul MSA and elsewhere in Minnesota. Wells Fargo stated that, during 2000 through the third quarter of 2001, it made community development loans totaling almost $34 million in the Minneapolis-St. Paul MSA and CRA-qualified investments and grants totaling more than $56 million in this MSA and elsewhere in Minnesota.

Examiners reported that WFB-MN's banking offices were readily accessible to all segments of its delineated community. Examiners noted that many branch locations had Spanish-speaking staff, and that other locations had staff fluent in certain Asian and African languages. Examiners indicated that WFB-MN management regularly reviewed service delivery and branch hours to ensure that local needs were met.

C. HMDA Data and Fair Lending Record

The Board also has carefully considered Wells Fargo's lending record in light of comments on HMDA data reported by its subsidiaries.[58] The HMDA data for 1999 and 2000 indicate that the percentage of

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[58] A commenter alleged that Wells Fargo's 1999 and 2000 HMDA data in 12 MSAs indicated that Wells Fargo disproportionately excluded and denied African-American and Hispanic applicants for home mortgage loans. The commenter noted that Wells Fargo's denial rates for minority applicants were higher than the denial rates for nonminority applicants and that those alleged disparities compared unfavorably with those of the aggregate lenders in the MSAs. Wells Fargo stated that, in each of these MSAs, Wells Fargo had a higher approval rate and a lower denial rate for conventional home purchase loans to minorities than that of the aggregate of lenders in the MSAs. Loans made by the aggregate of lenders refers to all HMDA-reportable loans made in a given market by all lenders required to report under HMDA.

Wells Fargo's housing-related loans to African-American and Hispanic borrowers and in predominantly minority census tracts generally was comparable with or lagged that of the aggregate of lenders in many of the markets reviewed. In addition, this HMDA data show that Wells Fargo's denial disparity ratios for African-American or Hispanic applicants generally were comparable with or higher than the denial disparity ratios for the aggregate of lenders with respect to the total HMDA-reportable loans in these markets.[59]

Although the HMDA data reflect certain disparities in the rates of loan applications, originations, and denials among members of different racial groups, the data do not indicate that Wells Fargo is excluding any segment of the population or geographic areas on a prohibited basis. The Board nevertheless is concerned when the record of an institution indicates disparities in lending and believes that all banks are obligated to ensure that their lending practices are based on criteria to ensure not only safe and sound lending, 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 these data cover only a few categories of housing-related lending. HMDA data, moreover, provide only limited information about covered loans.[60] HMDA data, therefore, have limitations

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[59] The denial disparity ratio compares the denial rate for minority loan applicants with that for nonminority applicants.

[60] 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

that make them an inadequate basis, absent other information, for concluding that an institution has not assisted adequately 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 compliance by the Wells Fargo bank subsidiaries with fair lending laws. Examiners found no evidence of prohibited discrimination or other substantive violations of the fair lending laws at any subsidiary depository institution of Wells Fargo.

The record also indicates that Wells Fargo has taken a number of affirmative steps to ensure compliance with fair lending laws. Each of Wells Fargo's business units, whether those units are separate companies or line-of-business departments in a subsidiary bank or nonbanking subsidiary, develop and maintain comprehensive compliance programs for all laws and regulations applicable to their business, including fair lending compliance programs. The Law Department of Wells Fargo provides oversight for and guidance on these compliance programs, and a corporate fair lending committee comprised of senior manager representatives from Wells Fargo's banking and nonbanking subsidiaries meets regularly to identify and provide guidance on best practices for fair lending compliance throughout the company. Wells Fargo's subsidiary banks and home mortgage lending subsidiaries, including WFHM, provide fair lending training for their employees; conduct self-assessments, audits, and periodic comparative file analyses to verify compliance and consistent underwriting

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credit was, in fact, creditworthy. Credit history problems and excessive debt levels relative to income (reasons most frequently cited for a credit denial) practices; and generally provide second-review programs for credit applications designated for denial.

Moreover, the Board has consulted with the OCC, the primary federal supervisory agency of the Wells Fargo subsidiary banks, concerning the banks' fair lending compliance records since their most recent compliance examinations.[61] The Board also has consulted with the FTC, HUD, and Department of Justice concerning the fair lending records of Wells Fargo's nonbank lending subsidiaries.

In addition, the Board has considered the HMDA data in light of Wells Fargo's overall lending and community development activities, which show that the Wells Fargo subsidiary banks significantly assist in

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are not available from HMDA data.

[61] A commenter argued that racial disparities in Wells Fargo's home mortgage lending record is evidenced by a pending lawsuit in a federal court in Texas alleging that WFHM violated the Fair Housing Act by providing an insufficient number of home loans in predominantly African-American communities in Dallas and using of racial classifications and stereotypes on the mortgage company's internet site. WFHM has denied all allegations of the complaint. Wells Fargo stated that the allegedly offensive content was on the internet site of an unaffiliated company that was linked to the WFHM's internet site, and that WFHM has removed the link. Wells Fargo also noted that it has expanded its internal policies and procedures for ensuring that nothing on any internet site associated with a Wells Fargo entity has content that might be considered offensive. The Board has forwarded the comment to the OCC, the primary federal supervisory agency of WF Bank. In addition, the Board has forwarded the comment to the Federal Trade Commission ("FTC"), the Department of Housing and Urban Development ("HUD"), and the Department of Justice, the agencies responsible for enforcing the compliance with fair lending laws of nondepository institutions.

helping to meet the credit needs of their entire communities.[62] The Board believes that, viewed in light of the entire record, the HMDA data indicate that Wells Fargo's record of performance in helping to serve the needs of its communities is consistent with approval of the proposal. [63]

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[62] Two commenters expressed concern about Wells Fargo's subprime mortgage lending activities, alleging that Wells Fargo engages in subprime mortgage lending without sufficient standards and questioning whether Wells Fargo may be focusing on LMI or minority individuals for subprime loan products. Wells Fargo originates subprime mortgage loans through two business units of WFHM, joint ventures in which WFHM has a direct or indirect ownership interest, Wells Fargo Financial, Inc. ("WFFI") and its subsidiaries, and Island Finance. As previously noted, WFHM is a wholly owned subsidiary of WF Bank. WFFI and Island Finance are nonbanking subsidiaries of Wells Fargo.

The Board notes that subprime lending is a permissible activity that provides needed credit to consumers who have difficulty meeting conventional underwriting criteria. The Board, however, expects bank holding companies and their affiliates to conduct their subprime lending operations without any abusive lending practices. See Citigroup Inc., 87 Federal Reserve Bulletin 600 (2001). Wells Fargo has provided information about the policies and procedures of its subprime lenders to help ensure compliance with fair lending and other consumer protection laws and regulations. In addition, Wells Fargo has provided information about steps that WFHM and WFFI and its subsidiaries take to ensure that applicants who qualify for conventional loans are given the opportunity to apply for prime credit products. The Board has forwarded the comments to the OCC, the primary federal supervisory agency of WF Bank, and to the FTC, HUD, and the Department of Justice. The Board also has consulted with these agencies.

[63] Two commenters also expressed concern about Wells Fargo's indirect support of unaffiliated subprime lenders. Wells Fargo and its affiliates have provided lending warehouse credit facilities and commercial loans to unaffiliated subprime lenders and acted as custodian, servicer, and trustee for securitized assets, warehouse lines of credit, and whole loans issued or originated by subprime lenders.

D. Branch Closings

Commenters expressed concern about the effect of possible branch closings that might result from this proposal. Wells Fargo has provided the Board with its branch closing policy, and the Board has considered the public comments about potential branch closings in light of all the facts of record. The Board has considered carefully Wells Fargo's branch closing policy, its record of opening and closing branches, and its preliminary review of potential branch closures after consummation of the proposal. Wells Fargo stated that it has not made final decisions on any branches that might be closed as a result of the proposed transaction. The Board has forwarded to Wells Fargo the comments expressing concern about the possible closure of branches, including a branch in an LMI community in Minneapolis.

Wells Fargo stated that its policy on branch closures, consolidations, and relocations will apply to any such actions at the subsidiary banks of Wells Fargo, Texas Financial, and Marquette after consummation of the proposal. In addition, Wells Fargo stated that any decisions to close or consolidate branches will be made in accordance with the interagency policy statement on branch closings and will be attentive to

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The Board has considered all the facts of record, including the relationships of Wells Fargo and its affiliates with unaffiliated subprime lenders. Wells Fargo stated that neither it nor its affiliates participate or play any role in the lending practices or credit review processes of the unaffiliated subprime lenders. Wells Fargo also noted that it requires the unaffiliated subprime lender or issuer to represent and warrant in an agreement that such unaffiliated entity has complied and will comply with all applicable laws in the conduct of its operations.

the need for financial services in LMI communities to be served by the combined organization.[64]

The most recent CRA examinations of Wells Fargo's subsidiary banks indicated that the banks had satisfactory records of opening and closing branches. In addition, the Board consulted with the OCC concerning the banks' records of opening and closing branches since their last CRA performance examinations.

The Board expects that the subsidiary banks of Wells Fargo will continue to use a satisfactory branch closing policy for any branch closings that might result from the proposed transaction. The Board also has considered that federal banking law provides 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 supervisory agency before closing a branch.[65] The Board also notes that the appropriate federal supervisor for each of Wells Fargo's subsidiary banks will, in the course of conducting CRA performance examinations, continue to review the branch closing record of these banks.

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[64] Joint Policy Statement Regarding Branch Closings (64 Federal Register 34,844 (1999).

[65] Section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1), as implemented by the Joint Policy Statement Regarding Branch Closings, 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 closing, consistent with the institution's written policy for branch closings.

E. Conclusion on Convenience and Needs Considerations

In reviewing the effect of the proposal on the convenience and needs of the communities to be served, the Board has carefully considered the entire record; all the information provided by the commenters and Wells Fargo; evaluations of the performance of the subsidiary banks of Wells Fargo, Texas Financial, and Marquette under the CRA; and confidential supervisory information.[66] Based on all the facts of record and for reasons discussed above, the Board concludes that considerations relating to the convenience and needs factor, including the CRA performance records of the relevant depository institutions, are consistent with approval.

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[66] A commenter also expressed concern that Wells Fargo offers payday advance programs to its customers and provides credit facilities to unaffiliated entities engaged in payday lending and check cashing activities. Wells Fargo stated that Wells Fargo Bank Nevada, National Association, Las Vegas, Nevada ("WFB Nevada"), provides an open-end credit product to its checking account customers who have monthly direct deposits into their accounts. Under this product, customers may obtain an advance on their directly deposited monthly income, subject to certain limitations, other terms, and disclosures. In addition, Wells Fargo noted that it has provided credit facilities to unaffiliated entities whose activities include payday lending. Wells Fargo stated that it does not participate in the lending practices or credit review processes of these unaffiliated entities, but customarily requires them to represent and warrant in an agreement that they have complied and will continue to comply with all applicable laws in the conduct of their business. The Board has forwarded the comment to the OCC, the primary federal supervisory agency of WFB Nevada, and consulted with the OCC regarding this matter.

Financial, Managerial, and Other Supervisory Factors

Section 3 of the BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in the proposal and certain other supervisory factors. The Board has carefully considered these factors in light of all the facts of record, including public comments, reports of examination, and other confidential supervisory information assessing the financial and managerial resources of the organizations and other information provided by Wells Fargo.[67]

In evaluating financial factors in expansion proposals by banking organizations, the Board consistently has considered capital adequacy to be especially important. The proposed acquisition of Texas Financial, Delaware Financial, and the Texas Financial Banks is structured as an exchange of shares of Wells Fargo for shares of Texas Financial. Wells Fargo would purchase all the outstanding common stock of the Marquette Banks and Marquette Financial from Marquette. Funds to acquire the outstanding common stock of the Marquette Banks and

[67] A commenter criticized Wells Fargo for lobbying against state and local efforts to enact antipredatory lending laws and ordinances. The Board notes that this commenter's contention does not allege any illegal activity or other action that would affect the safety and soundness of the institutions. This matter also is outside the limited statutory factors that the Board is authorized to consider when reviewing an application under the BHC Act. See Western Bancshares, Inc. v. Board of Governors, 480 F.2d 749 (10th Cir. 1973).

Marquette Financial would come from the issuance of short-term debt. The Board notes that Wells Fargo and its subsidiary banks, Texas Financial, and each of the subsidiary banks to be acquired by Wells Fargo are, and on consummation of the proposal would continue to be, well capitalized, as defined in the relevant regulations of federal banking agencies.

The Board also has considered the managerial resources of Wells Fargo and Texas Financial and the examination records of those organizations and the subsidiary depository institutions to be acquired, including their risk management systems and other policies.[68] The Board also has considered the plans of Wells Fargo to implement the proposed acquisition, including its available managerial resources. In addition, the Board has considered that Wells Fargo recently acquired other bank holding companies and that Wells Fargo's management successfully integrated the acquired institutions into its existing operations.

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[68] A commenter cited press reports of two lawsuits filed against WF Bank alleging prohibited discrimination in the refusal by a bank teller to cash a check presented by a minority individual and failure to accommodate a branch employee's disability. The commenter also noted a press report of a lawsuit filed by Mexican laborers who worked in the United States during the 1940s under a joint program of the American and Mexican governments under which a portion of the laborers' wages were withheld and made available on their return to Mexico. The lawsuit claims that some laborers did not receive their withheld wages when they returned to Mexico and names the United States, Mexico, Wells Fargo, and three banks in Mexico as defendants. WF Bank has denied all the allegations in each of these lawsuits, and there has been no finding by a court that the bank has violated any laws in connection with these matters.

Based on all the facts of record, including confidential reports of examination and other supervisory information received from the primary federal banking agency that supervises each institution, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of Wells Fargo, Texas Financial, and the subsidiary banks to be acquired by Wells Fargo are consistent with approval, as are the other supervisory factors that the Board must consider under section 3 of the BHC Act.

Nonbanking Activities

Wells Fargo also has filed a notice under sections 4(c)(8) and 4(j) of the BHC Act to acquire Marquette Financial, a nonbanking subsidiary of Marquette that engages in investment advisory and securities brokerage activities. The Board has determined by regulation that the types of activities for which notice has been provided are closely related to banking for purposes of section 4(c)(8) of the BHC Act and, therefore, permissible for bank holding companies.[69] Wells Fargo has committed to conduct these activities in accordance with the Board's regulations and orders governing these activities for bank holding companies.

To approve this notice, the Board also must determine that the acquisition of Marquette Financial and the performance of the proposed activities by Wells Fargo can reasonably be expected to produce benefits to the public that outweigh possible adverse effects, such as undue

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[69] See 12 C.F.R. 225.28(b)(6), and (7).

concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.[70]

Wells Fargo has indicated that the proposal would enable it, through its bank and nonbank subsidiaries, to provide Marquette Financial customers with access to many products and services, including commercial retail banking, mortgage banking, investment banking, insurance agency, venture capital, consumer finance, trust, international trade finance leasing, and asset-backed lending products and programs that Marquette Financial currently does not offer. Furthermore, customers of Marquette Financial would have an expanded service area, with numerous offices and branches nationwide.

The Board has carefully considered the competitive effects of the proposed transaction under section 4 of the BHC Act. To the extent that Wells Fargo and Marquette Financial offer different types of nonbanking products or services, the proposal would result in no loss of competition. Marquette Financial and certain nonbanking subsidiaries of Wells Fargo, however, compete in some areas for certain investment advisory and securities brokerage products or services. The markets for these nonbanking activities are regional or national and are unconcentrated. The record in this case also indicates that there are numerous providers of these services. Based on all the facts of record, the Board concludes that consummation of the proposal would have a de minimis effect on competition for the relevant nonbanking activities.

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[70] See 12 U.S.C. § 1843(j)(2)(A).

The Board also concludes that the conduct of the proposed nonbanking activities within the framework established in this order and Regulation Y 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 not be outweighed by 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 it must consider under the standard of section 4(j) of the BHC Act is favorable and consistent with approval of the proposal

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the proposed transaction should be, and hereby is approved.[71] In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the

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[71] A commenter requested that the Board hold a public meeting or hearing on the proposal. 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 banks to be acquire makes a timely written recommendation of denial of the application. The Board has not received such a recommendation from the appropriate supervisory authorities.

Under its rule, the Board also 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). Section 4 of the BHC Act and the Board's rule thereunder provide for a hearing on a notice to acquire nonbanking companies if there are disputed issues of material fact that cannot be resolved in some other manner. 12 U.S.C. § 1843(c)(8); 12 C.F.R. 225.25(a)(2). The Board has considered carefully the commenter's request in light of all the facts of

BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by Wells Fargo with all commitments made in connection with the application and notice, including the divestiture commitments discussed in this order. The Board's approval of the nonbanking aspects of the proposal also is subject to all the 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. These commitments 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 the Texas Financial Banks and Marquette Banks may not be consummated before the fifteenth calendar day after the effective date of this order, and the proposal may not be

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record. In the Board's view, commenters have had ample opportunity to submit their views, and they submitted written comments that have been considered carefully by the Board in acting on the proposal. The commenter's request fails to demonstrate why its written comments do not present its evidence adequately and fails to identify disputed issues of fact that are material to the Board's decision that would be clarified by a public meeting or hearing. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing is not required or warranted in this case. Accordingly, the request for a public meeting or hearing on the proposal is denied.

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

By order of the Board of Governors,[72] effective December 20, 2001.

(signed)
Robert deV. Frierson
Deputy Secretary of the Board

[72] Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley, Meyer, Gramlich, Bies, and Olson.

APPENDIX A

Banking Markets in which Wells Fargo Competes Directly with the Texas Financial Banks or Marquette Banks

A. Iowa Banking Markets

Cedar Rapids	Linn County; and Jefferson Township in Johnson County.

B. Minnesota Banking Markets

Hutchinson	McLeod County, excluding Round Grove and Penn Townships; and Brookfield, Boon Lake, Hector, and Preston Lake Townships in Renville County.
Litchfield	Meeker County; and Wright County, excluding Monticello, Ostego, Buffalo, Frankfort, Rockford, and Franklin Townships.
Rochester	Olmsted and Fillmore Counties; Wanamigo, Minneola, Zumbrota, Cherry Grove, Roscoe, and Pine Island Townships in Goodhue County; Wabasha County, excluding Mount Pleasant, Lake, Pepin, Glasgow, Greenfield, Watopa, and Minneiska Townships and the City of Wabasha; Dodge County, excluding Ellington, Claremon, Ripley, and Westfield Townships.

C. Banking Markets in Minnesota and Wisconsin

Minneapolis – St. Paul	Anoka, Hennepin, Ramsey, Washington, Carver, Scott, and Dakota Counties; Lent, Chisago Lake, Shafer, Wyoming, and Franconia Townships in Chisago County; Blue Hill, Baldwin, Orrock, Livonia, and Big Lake Townships and the City of Elk River in Sherburne County; Monticello, Otsego, Buffalo, Frankfort,

Rockford, and Franklin Townships in Wright County; Lanesburgh Township in Le Sueur County, all in Minnesota; and the Town of Hudson in St. Croix County, Wisconsin.

Red Wing	Goodhue County, Minnesota, excluding Warsaw, Holden, Wanamingo, Minneola, Zumbrota, Kenyon, Cherry Grove, Roscoe, and Pine Island Townships; Mount Pleasant and Lake Townships in Wabasha County, Minnesota; the Towns of Stockholm and Pepin in Pepin County, Wisconsin; and Pierce County, Wisconsin, excluding the Towns of Clifton, River Falls, Martell, Gilman, and Spring Lake.

D. <u>New Mexico Banking Markets</u>

Santa Fe	Santa Fe Ranally Metro Area (“RMA”).

E. <u>South Dakota Banking Markets</u>

Chamberlain	Brule and Buffalo Counties; and the eastern half of Lyman County, including the communities of Kennebec and Lower Brule.
Huron	Hand, Beadle, Jerauld, and Sanborn Counties; Le Sueur, Spirit Lake, Iroquois, Manchester, De Smet, Esmond, and Matthews Townships in Kingsbury County; Redstone, Carthage, Miner, Green Valley, Clinton, Roswell, Beaver, and Rock Creek Townships in Miner County.

F. <u>Banking Markets in South Dakota and Minnesota</u>

Sioux Falls	Moody, McCook, Minnehaha, Turner, and Lincoln Counties; Pleasant, Silver Lake, Wolf Creek, Grandview, Kassel, Valley, Sweet, and Molan Townships in

	Hutchinson County; Star, Riverside, and Glenwood Townships in Clay County; Prairie, Elcester, and Virginia Townships in Union County, all in South Dakota; and Rock County in Minnesota.
Watertown	Roberts, Clark, Codington, Grant, Hamlin, and Deuel Counties, South Dakota; Traverse and Big Stone Counties, in Minnesota; and Lac qui Parle County, Minnesota, excluding Riverside, Baxter, Camp Release, Maxwell, and Ten Mile Lake Townships.

G. Banking Markets in South Dakota and Nebraska

Yankton	Bon Homme and Yankton Counties, South Dakota; Knox County, Nebraska; and Cedar County, Nebraska, excluding Precincts 19 and 20.

H. Banking Markets in South Dakota and North Dakota

Aberdeen	McPherson, Edmunds, Faulk, Brown, Spink, Marshall, and Day Counties, South Dakota; Albertha, Lorraine, Elm, Ellendale, Van Meter, and Ada Townships in Dickey County, North Dakota.

I. Texas Banking Markets

Austin	Austin MSA.
Dallas	Dallas and Rockwall Counties; the southeastern quadrant of Denton County, including the communities of Denton and Lewisville; the southwestern quadrant of Collin County, including the communities of McKinney and Plano; the communities of Forney and Terrell in Kaufman County; the communities of Midlothian, Waxahachie, and Ferris in Ellis County, and the

	communities of Grapevine and Arlington in Tarrant County.
Fort Worth	Johnson and Parker Counties; Tarrant County excluding the communities of Arlington and Grapevine; the communities of Boyd, Newark, and Rhome in Wise County, and the southwestern quadrant of Denton County including the communities of Roanoke and Justin.
Houston	Houston RMA.
Victoria	Victoria MSA.
Washington County	Washington County.

J. Wisconsin Banking Markets

Milwaukee	Milwaukee RMA.

APPENDIX B

Banking Markets with Divestitures

South Dakota

Chamberlain[73]

Wells Fargo operates the second largest depository institution in the market, controlling deposits of approximately $50.1 million, representing approximately 39.8 percent of market deposits. Marquette Bank is the largest depository institution in the market, controlling deposits of approximately $54 million, representing approximately 42.8 percent of market deposits. Wells Fargo proposes to divest the two Marquette Bank branches in the market to an out-of-market competitor. These branches had deposits of $54 million as of June 30, 2000. Wells Fargo has committed to divest no less than $41.5 million in deposit liabilities. After the proposed divestiture, Wells Fargo would continue to operate the second largest depository institution in the market, controlling deposits of $50.1 million, representing approximately 39.8 percent of market deposits. The HHI would remain unchanged at 3478. At least three other commercial banking organizations besides Wells Fargo would remain in the market.

[73] The designations for three banking markets have been amended to account for the formation of the Chamberlain banking market. These markets are the Mitchell, Pierre, and Huron banking markets, all in South Dakota. The Mitchell market is now defined as Aurora, Davison, Hanson, Charles Mix, and Douglas Counties; and Hutchinson County, excluding Pleasant, Silver Lake, Wolf Creek, Grandview, Kassel, Valley, Sweet, and Molan Townships. The Pierre banking market is now defined as Sully, Hyde, Stanley, Hughes, and Jones County; the southern half of Potter County; and the Western half of Lyman County, including Presho Township. The revised Huron banking market is described in Appendix A.

Huron

Wells Fargo operates the second largest depository institution in the market, controlling deposits of approximately $84 million, representing approximately 17.9 percent of market deposits. Marquette Bank is the largest depository institution in the market, controlling deposits of approximately $94.3 million, representing approximately 20.1 percent of market deposits. Wells Fargo proposes to divest two branches in the market to an out-of-market competitor or an in-market competitor besides the banking organization that currently has the third largest share of market deposits. These branches had deposits of $81.8 million as of June 30, 2000. Wells Fargo has committed to divest no less $50 million in deposit liabilities. After the proposed divestiture, Wells Fargo would operate the largest depository institution in the market, controlling deposits of approximately $96.5 million, representing approximately 20.6 percent of market deposits. The HHI would increase by not more than 411 points to 1787. At least eight commercial banking organizations besides Wells Fargo would remain in the market.

Watertown

Wells Fargo operates the third largest depository institution in the market, controlling deposits of approximately $138.5 million, representing approximately 12 percent of market deposits. The Marquette Bank is the fourth largest depository institution in the market, controlling deposits of approximately $131.1 million, representing approximately 11.4 percent of market deposits. Wells Fargo proposes to divest two branches in the market, with deposits of $41.6 million. After the proposed divestiture, Wells Fargo would continue to operate the second largest depository institution in the market, controlling deposits of $228 million, representing approximately 19.8 percent of market deposits. The HHI would increase by not more than 225 points to 976. At least 24 commercial banking organizations besides Wells Fargo would remain in the market.

Minnesota

Rochester

Wells Fargo operates the largest depository institution in the market, controlling deposits of approximately $416 million, representing approximately 21.6 percent of market deposits. Marquette Bank is the third largest depository institution in the market, controlling deposits of approximately $174.6 million, representing approximately 9.1 percent of market deposits. Wells Fargo proposes to divest three branches in the market, with deposits of $126.6 million. After the proposed divestiture, Wells Fargo would continue to operate the largest depository institution in the market, controlling deposits of approximately $464.1 million, representing approximately 24.1 percent of market deposits. The HHI would increase by not more than 197 points to 1014. At least 30 other commercial banking organizations besides Wells Fargo would remain in the market.

APPENDIX C

Certain Banking Markets without Divestitures

Minnesota

Hutchinson	Wells Fargo operates the tenth largest depository institution in the market, controlling deposits of approximately $12.2 million, representing approximately 2.2 percent of market deposits. Marquette Bank is the fifth largest depository institution in the market, controlling deposits of approximately $41.2 million, representing approximately 7.4 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the fifth largest depository institution in the market, controlling deposits of approximately $53.4 million, representing approximately 9.6 percent of market deposits. The HHI would increase by 32 points to 1500.
Litchfield	Wells Fargo operates the fifth largest depository institution in the market, controlling deposits of approximately $41.4 million, representing approximately 9.1 percent of market deposits. Marquette Bank is the twelfth largest depository institution in the market, controlling deposits of approximately $14.5 million, representing approximately 3.2 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the third largest depository institution in the market, controlling deposits of approximately $55.9 million, representing approximately 12.3 percent of market deposits. The HHI would increase by 57 points to 1032.
Red Wing	Wells Fargo operates the second largest depository institution in the market, controlling deposits of approximately $93.9 million, representing approximately 13.6 percent of market deposits. Marquette Bank is the

seventh largest depository institution in the market, controlling deposits of approximately $30.9 million, representing approximately 4.5 percent of market deposits. On consummation of the proposal, Wells Fargo would continue to operate the second largest depository institution in the market, controlling deposits of approximately $124.8 million, representing approximately 18.1 percent of market deposits. The HHI would increase by 123 points to 1384.

South Dakota/North Dakota

Aberdeen — Wells Fargo operates the largest depository institution in the market, controlling deposits of approximately $226.3 million, representing approximately 23 percent of market deposits. Marquette Bank is the fifteenth largest depository institution in the market, controlling deposits of approximately $17 million, representing approximately 1.7 percent of market deposits. On consummation of the proposal, Wells Fargo would continue to operate the largest depository institution in the market, controlling deposits of approximately $243.3 million, representing approximately 24.7 percent of market deposits. The HHI would increase by 80 points to 1199.

South Dakota/Minnesota

Sioux Falls — Wells Fargo operates the second largest depository institution in the market, controlling deposits of approximately $582.1 million, representing approximately 10.9 percent of market deposits. One of the Marquette Banks is the tenth largest depository institution in the market, controlling deposits of approximately $104.8 million, representing approximately 2 percent of market deposits. On consummation of the proposal, Wells Fargo would continue to operate the second largest depository institution in the market, controlling deposits of approximately $686.9 million, representing approximately 12.9 percent of market deposits. The HHI would increase by 88 points to 871.

South Dakota/Nebraska

Yankton	Wells Fargo operates the ninth largest depository institution in the market, controlling deposits of approximately $26.4 million, representing approximately 3.2 percent of market deposits. Marquette Bank is the sixteenth largest depository institution in the market, controlling deposits of approximately $10 million, representing approximately 1.2 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the seventh largest depository institution in the market, controlling deposits of approximately $36.4 million, representing approximately 4.4 percent of market deposits. The HHI would increase by 8 points to 1250.

Texas

Austin	Wells Fargo operates the second largest depository institution in the market, controlling deposits of approximately $1.6 billion, representing approximately 15.7 percent of market deposits. Texas Financial operates the eighteenth largest depository institution in the market, controlling deposits of approximately $66.9 million, representing less than 1 percent of market deposits. On consummation of the proposal, Wells Fargo would continue to operate the second largest depository institution in the market, controlling deposits of approximately $1.6 billion, representing approximately 16.4 percent of market deposits. The HHI would increase by 21 points to 1140.
Dallas	Wells Fargo operates the seventh largest depository institution in the market, controlling deposits of

approximately $938.6 million, representing approximately 2.3 percent of market deposits. Texas Financial operates the eighth largest depository institution in the market, controlling deposits of approximately $808.5 million, representing approximately 2 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the sixth largest depository institution in the market, controlling deposits of approximately $1.7 billion, representing approximately 4.3 percent of market deposits. The HHI would increase by 9 points to 1197.

Fort Worth	Wells Fargo operates the third largest depository institution in the market, controlling deposits of approximately $1.4 billion, representing approximately 13.8 percent of market deposits. Texas Financial operates the eighth largest depository institution in the market, controlling deposits of approximately $369.6 million, representing approximately 3.6 percent of market deposits. On consummation of the proposal, Wells Fargo would operate the second largest depository institution in the market, controlling deposits of approximately $1.8 billion, representing approximately 17.4 percent of market deposits. The HHI would increase by 99 points to 1002.
Houston	Wells Fargo operates the third largest depository institution in the market, controlling deposits of approximately $4.6 billion, representing approximately 10.3 percent of market deposits. Texas Financial operates the twenty-sixth largest depository institution in the market, controlling deposits of approximately $194 million, representing less than 1 percent of market deposits. On consummation of the proposal, Wells Fargo would continue to operate the third largest depository institution in the market, controlling deposits of approximately $4.8 billion, representing approximately

10.7 percent of market deposits. The HHI would increase by 9 points to 897.

Wisconsin

Milwaukee

Wells Fargo operates the eighth largest depository institution in the market, controlling deposits of approximately $487.8 million, representing approximately 1.9 percent of market deposits. One of the Marquette Banks is the forty-eighth largest depository institution in the market, controlling deposits of approximately $16 million, representing less than 1 percent of market deposits. On consummation of the proposal, Wells Fargo would continue to operate the eighth largest depository institution in the market, controlling deposits of approximately $503.8 million, representing approximately 2 percent of market deposits. The HHI would remain unchanged at 1340.

APPENDIX D

CRA Performance Evaluations of Wells Fargo

Subsidiary Bank	CRA Rating	Date	Supervisor
Wells Fargo			
1. Wells Fargo Bank, N.A., San Francisco, California	Outstanding	June 1998	OCC
2. Wells Fargo Bank Alaska, N.A., Anchorage, Alaska (formerly National Bank of Alaska)	Outstanding	March 1999	OCC
3. Wells Fargo Bank Arizona, N.A., Phoenix, Arizona (formerly Norwest Bank Arizona, N.A.)	Satisfactory	August 1999	OCC
4. Wells Fargo Financial Bank, Sioux Falls, South Dakota (formerly Dial Bank)	Outstanding	June 1999	OCC
5. Wells Fargo Financial National Bank, N.A., Las Vegas, Nevada (formerly Dial National Bank, Des Moines, Iowa)	Outstanding	March 1997	OCC
6. Wells Fargo Bank Illinois, N.A., Galesburg, Illinois (formerly Norwest Bank Illinois, N.A.)	Satisfactory	May 1997	OCC

Subsidiary Bank	CRA Rating	Date	Supervisor
7. Wells Fargo Bank Indiana, N.A., Fort Wayne, Indiana (formerly Norwest Bank Indiana, N.A.)	Outstanding	June 2000	OCC
8. Wells Fargo Bank Iowa, N.A., Des Moines, Iowa (formerly Norwest Bank Iowa, N.A.)	Outstanding	July 1996	OCC
9. Wells Fargo Bank Michigan, N.A., Marquette, Michigan (formerly MFC First National Bank)	Outstanding	April 1999	OCC
10. Wells Fargo Bank Minnesota, N.A., Minneapolis, Minnesota (formerly Norwest Bank Minnesota, N.A.)	Outstanding	October 1996	OCC
11. Wells Fargo Bank Montana, N.A., Billings, Montana (formerly Norwest Bank Montana, N.A.)	Outstanding	October 1997	OCC
12. Wells Fargo Bank Nebraska, N.A., Omaha, Nebraska (formerly Norwest Bank Nebraska, N.A.)	Outstanding	May 1996	OCC

Subsidiary Bank	CRA Rating	Date	Supervisor
13. Wells Fargo Bank Nevada, N.A., Las Vegas, Nevada (formerly Norwest Bank Nevada, N.A.)	Satisfactory	August 1999	OCC
14. Wells Fargo Bank New Mexico, N.A., Albuquerque, New Mexico (formerly Norwest Bank New Mexico, N.A.)	Satisfactory	September 1997	OCC
15. Wells Fargo Bank North Dakota, N.A., Fargo, North Dakota (formerly Norwest Bank North Dakota, N.A.)	Outstanding	September 1996	OCC
16. Wells Fargo Bank Northwest, N.A., Ogden, Utah (formerly First Security Bank, N.A., Salt Lake City, Utah)	Outstanding	May 1999	OCC
17. Wells Fargo Bank Ohio, N.A., Van Wert, Ohio (formerly Norwest Bank Ohio, N.A.)	Satisfactory	February 1996	OCC
18. Wells Fargo Bank South Dakota, N.A., Sioux Falls, South Dakota (formerly Norwest Bank South Dakota, N.A.)	Outstanding	December 1996	OCC

Subsidiary Bank	CRA Rating	Date	Supervisor
19. Wells Fargo Bank Texas, N.A., San Antonio, Texas	Satisfactory	November 1999	OCC
20. Wells Fargo Bank West, N.A., Denver, Colorado (formerly Norwest Bank Colorado, N.A.)	Satisfactory	November 1999	OCC
21. Wells Fargo Bank Wisconsin, N.A., Milwaukee, Wisconsin (formerly Norwest Bank Wisconsin, N.A.)	Outstanding	November 1996	OCC
22. Wells Fargo Bank Wyoming, N.A., Casper, Wyoming (formerly Norwest Bank Wyoming, N.A.)	Satisfactory	October 1997	OCC
23. Wells Fargo HSBC Trade Bank, N.A., San Francisco, California	Satisfactory	February 1996	OCC

APPENDIX E

CRA Performance Evaluations for the Marquette Banks and Texas Financial Banks

Subsidiary Bank	CRA Rating	Date	Supervisor
Marquette			
1. Marquette Bank, N.A., Rogers, Minnesota	Satisfactory	October 1999	OCC
2. Marquette Bank of Morrison, Morrison, Illinois	Outstanding	August 1999	FDIC
3. Marquette Capital, Bank, N.,A., Wayzata, Minnesota	Satisfactory	October 1999	OCC
4. Meridian Capital Bank, Milwaukee, Wisconsin (formerly State Bank of Edgar, Edgar, Wisconsin)	Outstanding	December 1995	FDIC
5. The First National Bank & Trust Co. of Baraboo, Baraboo, Wisconsin	Satisfactory	March,1998	OCC
Texas Financial			
1. First State Bank of Texas, Denton, Texas	Outstanding	April 1999	FDIC
2. First National Bank of Texas, Decatur, Texas	Satisfactory	July 1998	OCC
3. Bank of Santa Fe, Santa Fe, New Mexico	Satisfactory	February 1999	FDIC

Subsidiary Bank	CRA Rating	Date	Supervisor
4. Marquette Bank of Monmouth, Monmouth, Illinois	Satisfactory	March 1999	FDIC