Verne G. Istock
Testimony
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Thank you, and good morning. I'm Verne Istock, Chairman, President and CEO of First Chicago NBD, and with me today is John McCoy, Chairman and CEO of BANC ONE CORPORATION.

The banking business, even when you're talking about banks the size of the new BANK ONE, is an intensely local business. As with customers, you have to understand the needs of your communities, and then try to design solutions that will work.

This doesn't happen quickly or easily. It takes time, effort and commitment. It takes bankers who know their communities, who care, and who get involved.

At First Chicago NBD, we have had a long history of community commitment. Over time, we have built solid working relationships with organizations that know and understand their neighborhoods and who can partner with us to design products and programs that respond to community needs.

It's pretty obvious that we can't please everyone, but those organizations that have chosen to work with us have found us to be good partners. We've learned a lot from each other, and together we've achieved meaningful results.

Let me quote from a letter from Sokoni Karanja, president of the Centers for New Horizons here in Chicago that really captures that spirit. He writes, "This partnership, in my 30-plus years of community development experience, has been a unique one, for no other lending institution I have worked with over the years has demonstrated the capacity to first listen to the community, and then, find ways to make philanthropic as well as 'strictly business' investments that generate 'wins' to both the community and the bank."

There's a synergy between what we do that's "strictly business," as Dr. Karanja puts it, and what we do because these are the communities where we live, work and raise our families. We recently published a booklet titled "Your Community/Our Community" that highlights some of the ways in which First Chicago NBD supports its many communities, and I've submitted a copy for the record.

We are especially proud of our record of lending in our major urban markets, Chicago, Detroit and Indianapolis. In Chicago and Detroit, for example, we are by far the largest locally based small-business lender. In Indianapolis, we are the leading SBA lender, and we are the number-one participant in Capital Access programs in Michigan, Illinois and Indiana. We're also a leader in mortgage credit in all three markets.

First Chicago NBD has developed many innovative lending practices to serve the needs of all applicants. For example, we offer a number of flexible mortgage loan programs that include either down payment assistance or support for closing costs. Our "Community Pride" loan is targeted to households with less than 50 percent of median family income. This loan can be used for home improvements, new or used car financing, or as a home equity loan for any purpose, including business development and education.

Sometimes, traditional bank lending isn't enough. We have chartered community development corporations that can also make direct investments in community projects. In Detroit, for example, our CDC partnered with the City and a local hospital group to develop Virginia Park, a subdivision of new single family homes in the core city.

We have for 15 years been an active participant, and are the largest investor in Chicago's Community Investment Corporation, a non-profit mortgage banking organization that specializes in affordable housing development. In July, CIC announced a $500 million loan pool – the largest in the Midwest – including a $100 million "flex-fund," to finance deals that stretch the limits on what we can accomplish in distressed neighborhoods.

And we've been an important partner in the Indianapolis Neighborhood Housing Partnership, providing leadership in operating support and participation in affordable loan pools.

Microlending is an important tool to spur business development, and one we're using throughout our business areas. Through support of non-profit lending organizations, such as ACCION in Chicago, the Detroit Entrepreneurship Institute, the Lake County Small Business Center, and the Collier County Economic Development Council in Naples, Florida, First Chicago NBD is helping to strengthen our communities by giving entrepreneurs a start.

Education is an important priority for us, and we're particularly interested in programs that promote financial literacy. Through a program called "Credit: Tool or Trap?" NBD Bank in Michigan teaches high school, community college and adult education students about the power of using credit wisely. This program is offered in partnership with non-profit organizations and churches throughout the state.

We sponsor more than 130 in-school banks in Michigan, Indiana and Illinois, where grade-school students learn money management, math and employment skills.

The merger of First Chicago NBD and BANC ONE CORPORATION is a "merger of equals." Neither company is "taking over" the other by paying an extraordinary premium. We think that's important, because it means that we don't have to do the kinds of extraordinary cost-cutting that could damage our franchise, hurt our employees and compromise our ability to serve our communities. Certainly, there will be efficiencies, and, yes, we <u>will</u> reduce costs, but this merger is about growth.

And that growth benefits our customers, our employees and our communities as well as our shareholders. It promotes innovation – the creation of new and better products and services. It allows the creation of new jobs, including many at entry levels, and the opportunity for achievement and advancement. And growing earnings allow growing support of communities.

I know that when companies merge, communities always fear loss of support. We heard that concern when First Chicago and NBD merged three years ago. But, as the earnings of the combined First Chicago NBD Corporation have grown, so have our contributions to the civic, educational and cultural institutions of all our communities.

Whether it's lending, investment or philanthropy, it means being part of the community, being involved, knowing and understanding its needs, its hopes and its dreams – and being part of making it all happen.

And that's our goal for the new BANK ONE.

Now it's my pleasure to introduce my colleague, John McCoy.

JOHN B. McCOY TESTIMONY

Thank you, Verne. BANC ONE couldn't be more pleased to join with First Chicago NDB in creating the *new* BANC ONE. Verne has talked about some of the strengths of First Chicago and I would like to talk about a few of the great things BANC ONE will bring to the table. The first of these is our legacy of innovation. BANC ONE is an entrepreneurial company. Thirty-two years ago in 1966, we introduced the first credit card outside California and in 1971 we launched the first automatic teller machine in the nation. Eight years later, in 1979, we experimented with one of the first home banking systems. Today credit cards, ATMs and home banking are commonplace. BANC ONE's culture of innovation has created important new products and services in all lines of business including community reinvestment. Some of the CRA products may even seem commonplace today while other leading edge initiatives could become tomorrow's standard.

CRA at BANC ONE means business - it means designing products that meet the needs of our customers and constantly refining them to make them better - more affordable and more accessible while providing a fair return to the shareholder. Today, you will hear many success stories from our markets, where we continue to innovate, and also from our partners who are working with us to find new ways to finance affordable housing and small business. Our CRA record is one we are proud to stand on and I think you will agree that BANC ONE's entrepreneurial spirit has elevated this record to one of distinction.

I'd like to review just a few of our singular achievements. In 1987, BANC ONE was one of the first banks in the nation to finance a project utilizing low-income housing tax credits. Over the last eleven years we have refined our expertise in this area so that today we can deliver direct assistance to projects which could not otherwise be accomplished because of their size or complexity. These projects include the rehabilitation of a former crack house in Wheeling, West Virginia across the street from an elementary school. With BANC ONE's technical and investment support that crack house is now a three unit affordable housing project utilizing low income housing tax credits. This project may rank as the smallest tax credit deal in the country but to the kids and parents in Wheeling, its huge.

In Louisville, the City struggled for twenty years with a severely troubled HUD Section 8 project. After entering Louisville market in 1992, BANC ONE's community development team went to work with the City, HUD and a private developer to create a solution. The turning point was an $8.8 million bridge loan structured by BANC ONE and participated to more than thirteen lenders. Following our entry into Delaware, BANC ONE was approached to provide the expertise and financing for an affordable housing project serving low-income chronically mentally ill residents of Wilmington. This project is now underway.

In Colorado, BANC ONE resources are assisting the Southern Ute Indians in developing fifty single family homes which will be available on a lease-purchase basis to low income members of the tribe.

Elsewhere, our CDC designed a small loan program to provide long term fixed rate financing for small affordable multi-family projects but lacked a way to deliver the product efficiently. We teamed up with the Wisconsin Housing and Economic Development Authority and put together a partnership where WHEDA markets and underwrites the loans while BANC ONE's CDC provides the funding. Together, BANC ONE and WHEDA share the risk. Together we created a delivery system that is a win-win for BANC ONE and WHEDA. The people of Wisconsin are the beneficiaries. We are now exploring opportunities to take what we have developed in Wisconsin and roll it out in other Bank One states including Kentucky, Texas and Illinois.

In the small business arena, BANC ONE stepped forward to pilot the SBA's Fastrack and Micro-Loan programs. Today, BANC ONE is recognized as a national leader in both programs and has an established reputation as a leading micro-enterprise expert. BANC ONE is generating more SBA Micro-loans than any other bank in the nation and has established a network of micro-enterprise experts extending from Milwaukee all the way to Mexican border. Recently, these experts joined BANC ONE in Cleveland to help the City reinvent their local micro-lending program. In another first, BANC ONE is the lead investor in Capital Across America, the first small business investment company focused on providing capital to women-owned businesses.

There are two special ingredients in BANC ONE's recipe for a successful CRA program. One is knowledgeable employees who devote all of their time and expertise to designing sustainable and profitable solutions that meet community credit needs. The other is strong and respected local partners who are knowledgeable about their markets and share our commitment to sustainable solutions. At BANC ONE, community needs represent business opportunities and collaboration creates customers.

Finally, I would like to take a moment to address a concern which has been expressed by certain community groups during the comment period. As you know, BANC ONE has entered a partnership with HomeSide Lending to provide servicing for Banc One Mortgage Corporation loans. The servicing of our portfolio by HomeSide does not negatively impact BANC ONE's loan origination business. The new BANC ONE will continue to originate mortgage loans and I think it is important that this be clearly understood. In fact, we recently entered a new partnership with Self-Help to assist low income and minority home buyers in all of our bank markets. This new program is a joint initiative between Fannie Mae, the Ford Foundation and four lenders to generate 35,000 affordable mortgages over the next five years. This program is focused on serving home buyers who have difficulty meeting conventional lending standards because of inadequate savings or weaker credit. While HomeSide will service the loans, BANC ONE will be the originator.

We are excited about serving new markets - new places where the next CRA innovations may develop with new partners. We look forward to sharing our expertise and to learning from new partners in Chicago and Detroit.

Thank you.