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First Nations Development Institute

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Testimony of Rebecca Adamson
President
First Nations Development Institute
before the
Board of Governors
Federal Reserve System
Federal Reserve Bank of Chicago
August 13, 1998

Governors and Members of the Federal Reserve System:

Greetings. My name is Jerry Reynolds. I will be delivering the remarks of Rebecca Adamson, President of First Nations Development Institute, a Native American economic development organization of 18 years' standing headquartered in Fredericksburg, Va. Ms. Adamson could not be here today, but from our Information Services department I monitor Community Reinvestment Act issues as they pertain to Indian Country. I am a board member of the National Community Reinvestment Coalition.

I spoke with a consultant to a tribal council some weeks ago. In the midst of our conversation, he made the statement, "The tribe is isolated. It's a 200-mile round trip for necessities, like cash."

More than three-quarters of one million Native Americans and 91 tribes reside within the market area that would be created in the proposed acquisition of First Chicago NBD Corp. by Banc One Corp. Many of them are as remote as the tribe with a 200-mile round trip to the nearest banking services, and some more so. Sadly, a First Nations Development Institute survey (attached) of Native American banking needs within the merged entity's market area found that much less remote tribes – tribes within a 20- to 40-mile range of Banc One branches – have been regularly neglected by Banc One.

My point is that geography is a major hurdle to the provision of banking and financial services to Native Americans. The proposed merger, if approved, would provide the new entity with the resources to get over this geographic hurdle. With these resources, the bank should be able to absorb the development costs of products and services that would enable it to surmount some of the geographic challenges to lending in Indian Country.

Given that Banc One's record of services to Native American communities, according to our survey findings, is characterized by a concentration on the cream of the crop – on those Native communities whose more evolved economies translate to lower risk for banking activities

– the board's approval of the merger should be contingent upon substantial improvements in BancOne's outreach and delivery of services to Native communities, including urban Native populations who starve for credit in cities with an abundance of Banc One branches. Again, the augmented resources of the merged entity should provide the incentive for business initiatives.

Further, the new Banc One should be required to develop plans for Native-specific loan products in coordination with a diversity of Native American groups, an approach recommended toward other community groups by First Chicago Chairman Verne G. Istock. This would contribute in future to sidetracking such avoidable debacles as Banc One's disastrous and half-hearted experiment with mobile unit banks. When the initiative first began to bring credibility Banc One's way through newspaper articles and conference presentations, First Nations was reluctant to criticize a financial institution that was at least trying to make credit available in Indian Country. Still, we had strong doubts about an initiative that amounted to little more than rolling out 20th Century technology (the automobile) to serve 19th Century needs (personal and consumer loans). Now that Banc One, having reaped a windfall of publicity but no profit, has garaged this antiquated road show and left Indian Country to overcome its failure, we can assert with certainty that sustained collaboration with a diversity of Native groups has been the missing ingredient in Banc One's limited approaches to Indian Country. For starters, mobile units in the 21st Century must be fully operational banks, securitized through satellite communications technology; no one will have to "ride shotgun." In the event the merger is approved, we trust the Federal Reserve to urge the updated approach to mobile unit banking on Banc One's attention.

First Nations wishes to close with an acknowledgment of the outstanding lending and services Banc One provides in more than a dozen Native communities, the significant investments Banc One has made in several Native American organizations, and still other investments that are under consideration. Banc One's greatly appreciated recent grant to North American Native Bankers Association, in support of starting a venture capital company that would assist Indian tribes and Native people in acquiring or creating locally owned and managed financial institutions, is innovative and praiseworthy. In addition, First Nations recently hosted Banc One executives on site visits to underserved Native communities in Wisconsin. Banc One continues to be a bank that tries to make credit available in Indian Country. In particular, its CD-secured lending at Gila River Indian Community and Camp Verde Yavapai Apache Nation in Arizona, as well as its internal appointment of a team to familiarize Banc One Mortgage Corporation with the HUD Section 184 loan guaranty program, show a flexibility and consideration worthy of the merged entity.

Such commitments are considerable in themselves, not to be minimized. But on this momentous occasion, First Nations can affirm the proposed merger only on the understanding that all of Banc One's efforts in Indian Country to date amount to a modest beginning. We call upon bank regulators to ride herd on their post-merger follow-through, and upon Banc One to establish a collaborative task force on Native American lending and services, as other merging entities have done.

That concludes our oral comments; I will be glad to answer questions. First Nations' written testimony is submitted for the public record. Thank you for your consideration.

Testimony of Betty Wilkins
Board President, Colorado ACORN
1760 High St.
Denver, CO 80218 Phone- 303-393-0773

Submitted to the Federal Reserve Board
8/13/98

Good afternoon my name is Betty Wilkins and I'd like to first off thank you for the opportunity to testify today on Banc One's record in Colorado. I am the Board President of Colorado ACORN, an organization of over 1300 low and moderate income families who are working to increase community reinvestment, create jobs and improve city services in our community. The members of Colorado ACORN urge the Federal Reserve Board not to allow this merger because Banc One is not making loans to low and moderate income minority people in Denver.

I live at 3355 Jackson St. in Denver, Colorado. The neighborhood I live in is mostly African-American and Latino. Its a neighborhood of working people. Some of them work two and three jobs just to make ends meet. Just a few blocks from my house is a Banc One bank branch. Yes when it opened I was happy, people in my community could open accounts close to home, to cash their pay checks they had been working so hard all week to earn. Every Friday and Saturday I see lines of people from my community waiting to put their money in the Bank, to try to save a few pennies. We put our money in Banc One, but what is our community getting in return—NOTHING.

Some people in my community are already homeowners, but a lot of people are renters also. Rents in Denver have steadily been going up. I know families paying, $600, $700 even $800 and up for rent. Many of them want to own a home. Those of you here who are homeowners know that if you increase home ownership you rebuild communities. That's what we need in Denver. But while our money is green enough for Banc One to take as we deposit it in our savings and checking accounts, they then take that money and where do they put it? In 1996 in Denver more than 40% of Banc One's mortgages were made to neighborhoods where more than 90% of the residents are white. An additional 40% of the banks loans went to neighborhoods where whites make up between 70% and 90% of the population. 84.1 % of Banc One's applications were taken from whites. I think about those people in my neighborhoods making deposits every week, so these loans can go to the wealthiest, whitest neighborhoods. Correct me if I'm wrong, but I don't think that's what community reinvestment is supposed to be about.

Let me tell you exactly what Banc One gave back to my neighborhood in the form of mortgages. In 1996 Banc One took no application for mortgages from African-Americans or Latinos in the city of Denver, and we all know if you don't take applications you aren't going to make loans. I find it hard to believe that out of all the minorities banking at Banc One in our community, not to mention the fact that our city is 23% Latino and 12.8% African-American that not one Latino or African-American tried to apply to get a mortgage in 1996. Just 2% of its mortgages that year were made to neighborhoods where over half the population in is non-white. Since that didn't make any loans to Latinos of African-Americans that year, we know the 2% of loans that did go to our neighborhoods didn't go to us. 1995 wasn't much better 4 applications were taken from African-Americans and 2 were taken from Latinos. Maybe Banc One has found a way to discourage African-Americans and Latinos from applying for mortgages. I have a few stories from several of our members that show that's exactly what Banc One been doing.

One of our members, Betty Forttenberry, who is African-American, heard an advertisement on the radio that said she could get approved over the phone for a mortgage. She proceeded to call the number and was switched over to three different people and in holding for what would have been a transfer to a fourth person she was disconnected. In calling back she was transferred to two different people and then finally spoke with a person who acted like she knew what she was talking about. The woman asked her a few questions which included name address and zip code, her annual and monthly incomes. The woman proceeded to tell her she would have to have $10,000 of her own money saved to proceed with an application. It seems to me that Banc One basically told her, she need not apply. Ms. Fortennberry currently pays $800 a month in rent.

Sandra Newell who is African-American another of one our members saw an ad on TV about being able to be approved in 24 hours over the phone for a home improvement loan. She called and gave them the information they asked for. It took 72 hours for her to hear back and she was told she was being denied because of problems on her credit report. About a month later Ms. Newell was approved for the same loan from her credit union.

Another Latino member of our organization who at this time does not wish to disclose her name recently came in to the ACORN Housing Corporation program to work on becoming a first time home buyer. She told the loan counselor from ACORN Housing Corporation that she had both her savings and checking accounts at Banc One. She had gone in to her Banc One Branch to apply for a mortgage. She was told she shouldn't apply for a loan because she had problems on her credit report that would disqualify her. She followed up by contacting the credit bureau. They stated that there was nothing to their knowledge that should keep her from applying for a loan. When her credit report was pulled at ACORN Housing Corporation the only item showing on her report was a small charge of $5.00 from Banc One. I guess it was really the color of her skin that caused that Banc One representative to refuse to take her loan application. I thought it was illegal to refuse to take a loan application from someone on the basis of race, not at Banc One in Denver.

Several of our members met with a representative of Banc One on July 14th, after they had canceled scheduled meetings we'd had with them since May. Our sister organization ACORN Housing Corporation has developed successful lending agreements with other banks which have relaxed underwriting standards and lowered downpayments. Through these partnerships hundreds of low and moderate income families have become first time homebuyers. We confronted Banc One on their record of taking no applications for mortgages from Latinos or African-Americans in 1996 and asked if they'd be interested in such a partnership. They told us they'd have to consult their national. We later received a letter stating that they don't doing lending partnerships. It seems like they need to be doing something differently, but I guess they think they can keep getting bigger and making more money by continuing to refuse to lend to minorities.

The Federal Reserve Board has an opportunity with this Bank merger. They can allow a Bank which has completely ignored the minority and low and moderate income communities of Denver and the other cities in which they operate to continue their racist practices, or they can deny Banc One's merger application and send a clear message to Banc One and the rest of the banking industry that you have to serve people of all colors and income levels. That means making loans, not just taking money. I urge you to deny this merger application and thank you for the opportunity to testify.

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CRA Query: Banc One Target Group

Banking and Financial Service Needs and Lending Issues in Native Communities

SURVEY FINDINGS

1998

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Banc One Findings

Affected States, Tribes and Native Population

In the case of Banc One and First Chicago NBD, the merged entity will cut across 14 states, affecting 79 tribes and a Native population of more than 850,000; 615,000 of which live in major urban Indian centers.

A Modified Survey

Banc One CRA officer Ernestine Jackson identified a group of 15 tribes --out of a possible 79 tribes that reside within Banc One states-- that have or had some relationship with Banc One. The 15 select tribes include: 13 tribes in Arizona, one tribe in Colorado and one tribe in Wisconsin.

Given that Banc One admittedly does not have a relationship with any of the other 64 tribes in the remaining 11 states in which they have a banking presence, this group of 15 was selected as the targeted sample in a First Nations query on banking issues and financial service needs among Native communities. A brief questionnaire was utilized in an informal telephone survey to extract information about the tribe or organization and their financial service and banking needs and also to determine the extent to which groups had experience with Banc One. Of the 15 tribes, First Nations collected responses from 14 tribes; 12 from Arizona, one from Colorado and one from Wisconsin. (The remaining tribal representatives were unreachable or inaccessible at the time.) The 14 tribes discussed a variety of banking needs and financial service issues within their communities and expressed varying degrees of satisfaction with the Banc One relationship.

The Needs

The most commonly expressed need among respondents related to the need for educational financial service programs that would inform tribal members about banks' offerings. The needs expressed ranged from personal money management and personal finance to tribal cash management services and investment education programs to home buying and long range saving and credit building programs. The second most commonly expressed need in the target communities centered on microloans for small business development. The third most commonly expressed need was for lending programs for housing construction and improvements. (It is interesting to note that of the 15 tribes that Banc One has selected to develop a relationship with, 10 of the 14 surveyed could be characterized as a "more developed tribe" since those tribal representatives expressed the tribe's capacity to provide many services including financing for home loans and improvements, small business development/microlending, and education and training programs. Three of the 14 tribes surveyed could be characterized as "developing tribes" since they indicated a growing capacity within the tribe to establish programs, seek and obtain investments for lending and economic development projects and education programs. One of the 14 tribes might be characterized as "not as developed" given that they were still wrestling with laying the framework for an efficient tribal infrastructure and had expressed the need for every kind of financial service and banking need possible.)

Level of Satisfaction

Of the 14 surveyed tribes, four respondents stated that they were satisfied with Banc One's services, but of those, one tribal representative indicated that they were currently shopping around for a bank that would provide more complete services for their community members.

Alida Thomas, Gila River Tribe, Arizona
"They (Banc One) had a branch right here that provided services to the community. They moved out and never told us and everyone was upset. We stayed with Banc One because we already had accounts intact, but we are now shopping around for a bank that provides more full services to our community."

Kathy Hughes, Oneida Tribe, Oneida, Wisconsin
"We are still considering establishing our own bank because no bank has gotten close to meeting the needs of our community members or providing full services for our community. We don't have the numbers to prove it, but it seems like our tribal members go through a more stringent loan approval process. Some people have the credit history and collateral and still can't get loans."

One tribe, the Southern Ute of Colorado, indicated that they had just switched from Norwest to Banc One and that it was too soon to tell how the relationship and services might work out for the tribe.

Three tribes stated that they were "relatively satisfied" with Banc One, but two of the three were no longer with Banc One because Banc One had moved out of their communities and sold their branches to Community First Bank. The two tribes expressed a high level of satisfaction with Community First Bank. The third tribal representative indicated that they, the Salt River Pima Maricopa Tribe, are an exception to most cases since they have a good relationship with all of the major banks in the area.

Dick Mathis, Salt River Pima Maricopa, Arizona
"Salt River is fortunate. We're probably one of the tribes that has all of the services we want and need. We've gotten loans and investments from banks to establish significant enterprises. We're the exceptions. If we weren't as successful as we are, we wouldn't be treated as well as we are. We have a very unique situation that is far different than the many other tribes out there and we've taken advantage of our location and market. They (banks) treat us like a business, but that's not true of all tribes."

Four tribes indicated that they had limited experience with Banc One. Three of those tribes indicated that the experience was not a satisfactory one, given the level of services offered, prompting their move to another bank. The fourth of those tribes expressing limited experience with Banc One, was the Navajo Nation.

Marty Ashley, Navajo Nation, Window Rock, Arizona
"Banc One doesn't have a presence in Navajo. One of the greatest banking needs in our community is for general banking services other than the limited number (of banks) where they currently exist. We need a greater presence in the community and a commitment to maintaining that presence and providing services."

Two other tribes, the Pascua Yaqui Tribe and the Ak-Chin Community, stated that Banc One had been their primary bank, but they were not satisfied with the level and quality of service and had switched to another bank.

Marty Wyas, Ak-Chin Indian Council, Maricopa, Arizona
"Banc One does very little outside of holding our money. They failed to give us an indication of what services they might offer to our community members. We asked them and they still have not told us. They take our deposits, but they don't like taking our calls because our deposits are so large and time consuming. We keep coming up against all kinds of outrageous charges. We are in the process of moving our accounts to a smaller community bank and out of Banc One. A bank that will provide the services without all the hassle and fees."

Willard Seskastewa, Hopi, Arizona
"We lack banking services for the Hopi. There has not been a very extensive relationship with Banc One. At one time they brought in a mobile banking unit for loan applications. They did do some consumer and personal loans but not small business loans. And then they moved out. They've got to be more willing to work with the tribe and private entrepreneurs to help develop businesses and for expansion. There is lots of room for opportunity."

Tribes Outside of the Targeted Group
First Nations did contact additional tribes and Native non-profit organizations to gauge the community banking needs outside of Banc One's target group. We collected 53 responses from groups in the following states: Arizona, Colorado, Louisiana, Michigan, Oklahoma, Texas, and Wisconsin. The largest number of responses came from Arizona (22) and Oklahoma (18) groups. A review of the responses found that the most widely expressed need was for low to middle income housing loans. Second in line among the most commonly expressed needs was for educational programs. In particular, respondents named the need for programs that would provide information on how to repair credit; on personal finance; and programs to educate tribal members on securities and investments. The third most commonly identified need was for loans for business and economic development. This was a need expressed on the tribal level and for individual entrepreneurs within a community.

Banc One Branches in Arizona, Oklahoma, Utah and Wisconsin & Zip Code Proximity: Proximity to Tribes
Banc One has stated that they have not reached out to more tribes or Native groups that are found within the states in which they have a presence since those tribes and groups are out of their service areas. We closely examined four states, with the most significant numbers of tribes and/or largest Native population, to determine the proximity of tribes to branches and to obtain a more accurate picture of the bank's market reach to tribes and Native groups. In the four states of Arizona, Oklahoma, Utah and Wisconsin, there are a total of 70 tribes. A total of 17 tribes were found to be "in proximity" to Banc One branches. An additional 14 tribes were found to be within a 25 to 40 mile range of a Banc One branch.

In the case of Arizona, 11 out of 20 tribes were found to be "in proximity" to Banc One branches. We have defined "in proximity" to mean within a 20 mile radius of a branch as indicated by zip code location. Four tribes' zip codes were exact matches with Banc One branch zip codes, and another four tribes had zip code associations with Banc One branches. A zip code association, as defined by the U.S. Postal Service is when two mailing addresses share the same zip code district by virtue of residing in the same city, town or village. Three tribes were found to be "in proximity" only, with neither a zip code match or association, but within a 20 mile radius of a Banc One branch. An additional two tribes in Arizona were found to be within a 25 to 40 mile radius of a Banc One branch.

In the case of Oklahoma, five out of 35 tribes were "in proximity" to Banc One branches, or within a 20 mile radius of a branch. No tribes exactly matched branch listing zip codes and no tribes had a zip code association with a branch zip code. However, 11 additional tribes were found to be within a 25 to 40 mile range of a Banc One branch. It should also be noted that Oklahoma has the largest Native population of any state in the country. Further, Oklahoma City and Tulsa are ranked second and fourth, respectively, among the most populous urban Indian centers in the United States. Banc One is the largest bank in Oklahoma City and one of the top three banking companies in the state. Banc One has stated that it has neglected tribes in Oklahoma because, despite the fact that it is home to more than a quarter of a million Native people, it claims only one reservation.

In the case of Utah, where four tribes reside, no tribes were found to be "in proximity" to a Banc One branch, as we have defined the phrase. The Skull Valley reservation community however, is within a 25 mile range to a Banc One branch in West Jordan, Utah.

In the case of Wisconsin, one out of 11 tribes was found to be "in proximity" to a Banc One branch. The Oneida Tribe, which Banc One has established a relationship with, is located within five miles of six Banc One branches.

Proximity to Native NonProfit Organizations and Groups

In the four state area, a total of 285 Native nonprofit organizations or groups exist. In the research to establish Banc One branch zip code proximity, we found that a total of 155 organizations, or 54 percent of the total are within proximity to a Banc One branch.

In the state of Arizona, a total of 70 out of 131 Native organizations were found to be "in proximity" of a Banc One branch. A total of 37 Native groups are an exact zip code match with Banc One branch zip code listings. An additional 23 organizations have a zip code association with a Banc One branch, meaning they exist within the same zip code zone or city or town. Ten more groups were found to be "in proximity" or within a 20 mile radius of a bank branch. Two more Native groups were found to be within a 25 to 40 mile range of a Banc One branch.

In the state of Oklahoma, a total of 34 out of a possible 80 Native organizations were found to be "in proximity" of a Banc One branch. A total of 14 Native groups are direct zip code matches with Banc One branch zip code listings. An additional 19 organizations have a zip code association with a Banc One branch. One other group was found to be "in proximity" or within a 20 mile radius of a bank branch. Twenty-three additional Native groups in Oklahoma were found to be within a 25 to 40 mile range of a Banc One branch.

In the state of Utah, a total of seven out of 11 Native organizations were found to be "in proximity" of a Banc One branch. A total of five Native groups are exact zip code matches with Banc One branch zip code listings. One organization has a zip code association with a Banc One branch, meaning they exist within the same zip code district. And, one more group was found to be "in proximity" or within a 20 mile radius of a bank branch. In Utah, no Native groups were found to be within the 25 to 40 mile range category.

In the state of Wisconsin, a total of 44 out of 63 possible Native organizations were found to be "in proximity" of a Banc One branch. A total of 20 Native groups were found to be an exact zip code match with Banc One branch zip code listings. An additional 14 organizations were found to have a zip code association with a Banc One branch. Ten more groups were found to be "in proximity" or within a 20 mile radius of a bank branch. Finally, one more Native group in Wisconsin was found to be within a 25 to 40 mile range of a Banc One branch.

Conclusions

What is clear in assessing the 15 select tribes that Banc One indicated having a relationship with, is that 14 of the 15 tribes have more evolved tribal economies on the scale of tribal economic development, with a tribal infrastructure in place that contributes to the communities' capacity to grow and provide services for its own community members. Identifying the cream of the crop among tribes within Banc One's service area is a smart way to do business, however, given the growing success and development in these communities, making loans and investments in such select communities equates to a low risk and opportunistic investment and lending strategy that ignores the needs of other Native communities that have a greater need for loans and investments that would spur economic development. Banc One has had varying degrees of success with the limited number of tribes it has had relationships with. In the end, what can be argued, without dispute, is that Banc One has not conducted the degree of outreach to tribes in the states in which it has a presence, and has not effectively penetrated the Native communities, both reservation and rural communities and urban Indian centers where a substantial opportunity exists to do business. In the state of Wisconsin, where Banc One has had a 10 year presence, the bank has only established a relationship with one tribe, the Oneida. Oklahoma alone represents a tremendous unrealized and virtually unexplored market potential.

It should be noted that Banc One has also established a relationship with the Intertribal Council of Arizona. Executive Director John Lewis gave what may be the best description of Banc One's efforts in Indian Country.

John Lewis, Intertribal Council of Arizona, Phoenix, Arizona

"They (Banc One) seem to work with tribes and are open to working with tribes, but there's more to do. The banks are sitting up and wanting to work with tribes and we have to make note of the progress, but they should be much further along. There are many changes taking place in the banking industry and it doesn't seem to be letting up. It's true, there has been movement, but it has been slow. All of the banks, not just Banc One are in the first phase of a five phase process in working with tribes. The main point is that there is much more room for progress. And, we've got to separate out the commercial lending interests from the housing and small business and community lending needs. The community lending needs to be expanded."

List of Attachments

1. Tribes surveyed

2. Table A: Major Metropolitan Areas with Native Populations and Table B: American Indian Populations and Tribes in the Geographic Areas of Banc One and First Chicago NBD

3. Table C and Table D: Native Populations by State in Banks' geographic areas

4. Table E: Fourteen Merger Affected States

5. Table F: Tribes and Native Organizations Zip Code Associations to Banc One branches

Banc One: Surveyed Tribes

Ak-Chin Indian Community, Maricopa, Arizona
Colorado River Tribe, Parker, Arizona
Gila River Indian Community, Sacaton, Arizona
Hopi Tribe, Kykotsmovi, Arizona
Mohave Apache Community, Ft. McDowell, Arizona
Navajo Nation, Window Rock, Arizona
Pascua Yaqui Tribe, Tucson, Arizona
Salt River Pima-Maricopa Indian Community, Scottsdale, Arizona
San Carlos Tribe, San Carlos, Arizona
White Mountain Apache Tribe, Whiteriver, Arizona
Yavapai, Prescott Board of Directors, Prescott, Arizona
Yavapai Apache Community Council, Camp Verde, Arizona
Southern Ute Tribe, Ignacio, Colorado
Oneida Tribe, Oneida Wisconsin

TABLE A:

Major Metropolitan Areas with Significant Native Populations

Metropolitan Area	Native Population	Ranking
Banc One Region		
Phoenix, AZ	38,017	6
Tucson, AZ	20,330	9
Chicago, IL	15,758	15
Denver, CO	13,884	17
Oklahoma City, OK	45,720	4
Tulsa, OK	48,196	2
Dallas, TX	18,972	11
Houston, TX	11,029	21
Salt Lake City, UT	8,337	25
Milwaukee, WI	8,552	23
TOTALS:	**228,795**	
First Chicago, NBD region		
Chicago, IL	15,758	15
Milwaukee, WI	8,552	23
TOTALS:	**24,310**	

COMBINED URBAN TOTALS: 228,795 *(Chicago & Milwaukee taken into account in Banc One urban totals)*

TABLE C:

Native Populations by State: Banc One geographic area

State	Native Population	Percent of Total State Pop.
Arizona	203,527	5.6%
Colorado	27,776	.8%
Illinois	21,836	.2%
Indiana	12,720	.2%
Kentucky	5,769	.2%
Louisiana	18,541	.4%
Ohio	20,358	.2%
Oklahoma	252,420	8.0%
Texas	65,877	.4%
Utah	24,283	1.4%
West Virginia	2,458	.1%
Wisconsin	39,387	.8%

Total Banc One States
Native population= **694,952**

(First Chigago States
Native Population= 165,916

TOTALS= **786,841** ***(this figure takes into account the 3 state overlap)***
Native Population in combined 14 merger affected states

Table E:

FOURTEEN MERGER AFFECTED STATES: RESERVATION POPULATION AND NUMBER OF TRIBES

STATES	REZ POPULATION	NUMBER OF TRIBES
ARIZONA	198,145	20
COLORADO	2,308	2
FLORIDA	1,424	2
ILLINOIS	0	0
INDIANA	0	0
KENTUCKY	0	0
LOUISIANA	261	4
MICHIGAN	3,760	10
OHIO	0	0
OKLAHOMA	6,161	35
TEXAS	688	3
UTAH	3,005	4
WEST VIRGINIA	0	0
WISCONSIN	12,483	11
TOTALS:	**228,235**	**91 Tribes**

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Introduction

In cooperation with the National American Indian Housing Council, National Congress of American Indians, Native American Rights Fund, ONABEN - A Native American Business and Entrepreneurial Network, North American Native Bankers Association, and the Tunica-Biloxi Indians of Louisiana, First Nations Development Institute offers the present testimony as timely comment conditionally approving the proposed merger of Banc One Corp. and its subsidiaries and First Chicago NBD Corp. and its subsidiaries.

Banking and financial relationships are of the first importance to Indian Country. Geographical remoteness and lack of access to credit and financial services have excluded Native Americans from mainstream financial channels in the past, We have seen distinct improvements in recent years, and we hope to see the merger partners participate in perfecting the delivery of financial services to Indian people.

Their participation cannot be assumed, however. First Chicago NBD's experience in Indian Country is necessarily minimal, given the limited number of Native Americans in the states it serves. Banc One has done more Native American lending, given its presence in states that domicile 91 tribes; yet a First Nations survey (attached) found that before the merger announcement it had developed relationships with only 15 tribes and few Native people or organizations. In assessing the 15 tribes that Banc One indicated having a relationship with, we found that 14 of the 15 have more evolved tribal economies on the scale of tribal economic development, with a tribal infrastructure in place that contributes to the communities' capacity to grow and provide services for its own community members. And even here, in addition to favorable testimonials, we found considerable dissatisfaction with Banc One services.

Identifying the cream of the crop among tribes within Banc One's service areas is a safe way to do business. But it overlooks the convenience and needs of other Native communities that also offer opportunities for investment, lending, and services.

Banc One has not conducted the degree of outreach or demonstrated the commitment to establish a stable footing for banking services in these communities. First Nations understands that Banc One may cite business reasons for this past oversight; but our point here today is to emphasize that the augmented resources of the merged entity will enable the new Banc One to absorb development costs it could not have before as the price of doing business it would not have before. As a condition of this merger, First Nations suggests that overlooked Native communities in proximity to Banc One branches should be among the beneficiaries of these development efforts.

Background

Several of the issues in Native American access to credit and financial services are the same as for low-income people anywhere – unconventional credit records, lack of capital, lack of familiarity with banking practices and expectations and the resultant distrust of banking institutions, and a discomfort with the lack of people like them in bank settings. Many of the strategies in use to address these issues elsewhere would be effective in Indian Country.

Other hindrances to credit and financial services are unique to Indian Country:

* The geographical remoteness of many reservations means that banking relationships there may never have a chance to develop as personal and cultural familiarity is difficult to establish. Overcoming geography is critical to developing the Native American credit market.

* The remoteness of Indian Country from mainstream banking has translated to a sharply reduced level of economic activity on many reservations, which in turn has curtailed the development of financial infrastructure such as Uniform Commercial Codes. Economic development is on the increase, however, and the establishment of UCCs and other financial infrastructure is key to moving this development activity to the next level of community-wide prosperity. One model UCC for tribes is in development and another is ready for enactment; some tribes have adopted UCCs specific to their circumstances; others have adapted state codes. The Federal Reserve Bank of San Francisco is currently poised to address the UCC issue through task force initiatives coming out of its "Sovereign Lending" workshop series.

* The trust status of tribal land. Trust status, which means the federal government holds the land in trust for tribes, is an asset to the tribe as a whole but may stand in the way of home ownership or other individual property disposition because it is not alienable and so cannot be attached as collateral. Models of mortgage lending on trust land are in place, their common feature being tribal first right of refusal on foreclosed properties based on the high number of Native Americans in need of housing. Extending these models to establish secondary markets for Native American housing is an achievable goal of the next 10 years. The need for housing in Indian Country cannot be overstated: 40 percent of housing in tribal areas is substandard, 21 percent of these homes are overcrowded, and 16.5 percent lack complete plumbing, according to the National American Indian Housing Council.

* Tribal sovereignty gives tribal courts jurisdiction over reservation-based business transactions. The unfamiliar legal system means that bank executives must devote good will and resources to bringing Indian Country within the same 'comfort zone' loan officers enjoy in off-reservation transactions. The uptick in banking activity on reservations in recent years has

demonstrated beyond doubt that this 'comfort zone' exists for banks that commit to finding it.

* Native American culture, though by no means impenetrable, is distinct from mainstream American culture in many respects. This raises perceptual barriers as well as practical ones. For example, Native American tribal councils by and large refuse to allow at-will car repossession for reasons derived from the cultural context of reservations, raising a practical barrier for banks in some cases. The perceptual barrier for some bankers is a stereotypical assumption that the lack of at-will provisions simply encourages deadbeats to run a car into the ground while creditors take the time to comply with less expeditious tribal court processes. But in recent years, practice has proved it to be far more often the case that informal tribal processes lead to the payments being made or the car being repossessed without incident.

Recommendations

First Nations offers specific recommendations for the merged entity to act on, as follows. In all cases, our recommendations fall under the category of activities the bank should be engaged in anyway.

* Make a formal commitment to Indian Country and urban Native communities to build on and strengthen work begun by Banc One Arizona.

* Establish a collaborative task force for outreach, product offerings, and lending agreements to Native communities and neighborhoods in proximity to Banc One branches.

* Continue to invest in and provide developmental support for venture capital funds serving Indian Country and Small Business Investment Companies with a stated Native emphasis.

* Invest in tribal- and Native-owned business enterprises.

* Invest in and offer start-up assistance for Native-controlled banks and intermediaries, including microenterprise and small business lending, in underserved portions of Indian Country.

* Offer philanthropic support for enterprise and microenterprise development, housing, financial services, and for Native funds that support development.

* Continue to develop workable mortgage products and investments in Low Income Housing Tax Credits for Native communities.

* Expand financial literacy training seminars for Native communities and education for bank personnel to better understand Indian Country.

* Invest in the technological and financial infrastructure of Indian Country, especially through fully operational mobile unit banks.

Conclusion

Through its considerable lending, services, and investments in more than a dozen Native communities and organizations, Banc One has established a basis for future banking relationships in Indian Country. But a pattern of "creaming" the best business opportunities has emerged from First Nations Development Institute's survey findings, which also show considerable dissatisfaction with Banc One's performance.

From a bank requesting approval as one of the nation's largest, more must be expected than playing it safe with business opportunity while the convenience and need of Indian Country remains unmet. First Nations calls upon the merged entity to form an Indian-specific executive task force for the purpose of collaborating with Native groups and organizations on an outreach program and product offerings to underserved Indian communities in proximity to its branches. A specific financial commitment should support this initiative; and specific goals should attach to its outreach and product offerings. This task force, perhaps modeled after the Banc One Mortgage Corporation team already dedicated to HUD Section 184 loan guaranty home mortgages, would develop plans for Native-specific loan products in coordination with a diversity of Native American groups, an approach already favored for other populations by First Chicago Chairman Verne G. Istock.

We call upon the Federal Reserve System to approve the proposed merger only on condition the task force is agreed to, and to closely monitor its implementation afterward.

Attachment: Survey findings

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NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

Testimony of John Taylor

President and CEO

National Community Reinvestment Coalition

Before the Federal Reserve Bank of Chicago

Thursday, August 13, 1998

Introduction

I am testifying before you this morning as the President and CEO of the National Community Reinvestment Coalition (NCRC). NCRC is the nation's CRA trade association of over 680 community reinvestment organizations from inner city neighborhoods and rural areas. NCRC's members are dedicated to revitalizing low-income and minority communities.

As a trade association, NCRC does not regularly comment on applications to the Federal Reserve Board. NCRC usually provides research and other support to our members when they comment during the application process. However, we will comment on applications like Banc One's if they present significant public policy issues.

I will address two main issues this morning: community reinvestment performance and fair lending.

Community Reinvestment Performance

Simply put, megamergers are harmful for lower income and minority communities if they result in massive branch closures and drastic decreases in lending and investing. This is why NCRC has asked the Federal Reserve Board to require banks to submit community reinvestment plans to the Board and the Reserve Banks as part of their merger applications. These plans would outline how the merging banks plan to maintain and increase the number of loans, investments, and services in lower income and minority communities after mergers. The community reinvestment plans would be developed for each urban and rural community the bank serves. Moreover, they would not be unilateral like the megapledges recently announced by other large banks. Instead, they would be responsive to specific credit needs in various communities because they would be developed with the input of community organizations.

The community reinvestment plans would explain how lenders would preserve their Community Reinvestment Act (CRA) performance in all of their major markets in the wake of post-merger institutional changes. For example, the CRA performance of Banc One and First Chicago could deteriorate substantially in the state of Indiana due to either branch closures or divestiture requirements. As you know, the state of Indiana is the market where the banks' operations substantially overlap. Yet, despite the looming changes confronting Indiana's traditionally underserved communities, Banc One has neither

NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

negotiated a CRA agreement with community organizations in Indiana nor has submitted a community reinvestment plan to the Federal Reserve Board explaining how CRA performance will be maintained in that state.

NCRC is pleased that First Chicago and NBD have worked out CRA agreements with NCRC members in Chicago and Detroit. However, these agreements address CRA performance in two of Banc One's markets. In order for community reinvestment performance to preserved in all of the banks markets, NCRC believes it is the responsibility of the Federal Reserve Board to require the bank to offer a detailed community reinvestment plan explaining how it will maintain and improve its post-merger CRA performance. These plans would also be a starting point for negotiations leading to CRA agreements with community organizations. In addition, the Federal Reserve Board should issue conditional approvals in instances where the applying banks do not satisfactorily outline how CRA performance will be maintained in places like Indiana that are likely to be affected significantly by the merger.

Fair Lending

Over a year ago, the Federal Reserve Board approved Banc One's acquisition of First USA (a credit card lender) despite unresolved fair lending issues. In its approval order, the Federal Reserve stated that it would impose conditions at a later date if its investigation revealed fair lending violations. NCRC and its 680 members strongly believe that this was an abdication of the Federal Reserve's responsibility to enforce the nation's fair lending laws. Fair lending problems will intensify if the Federal Reserve does not complete fair lending investigations and issue any necessary conditions before acting on this latest Banc One application.

Several NCRC members have raised fair lending concerns involving Banc One. For example, Inner City Press/Community on the Move has documented that Banc One Financial Services has a high market share of minority borrowers while Banc One's bank and mortgage subsidiaries have significantly lower market shares of minority borrowers. The Federal Reserve must investigate whether:

1) Banc One is referring minority borrowers to its subprime affiliate, Banc One Financial Services,

2) and whether, Banc One Financial Services has any procedures for referring qualified minorities to Banc One which offers the lower interest rate "prime" home loans.

NCRC has recently finished a study, *Who's Financing the American Dream* , that examines home mortgage lending in the 20 largest metropolitan areas. We find that Banc One Mortgage Company offers a significantly higher percentage of home purchase loans to minorities and lower income borrowers than Banc One's bank subsidiaries in Dallas and Houston. (Attached to my testimony are the relevant pages from our study). We ask the Federal Reserve to examine these lending patterns and investigate for the possibility of fair lending violations. It should be noted that Bank One Mortgage Company recently settled a discrimination lawsuit with the Attorney General of Arizona.

We ask the Federal Reserve to follow the lead of its regulatory counterparts in seriously investigating and issuing fair lending and CRA conditional approvals when necessary (Actually the Federal Reserve should be leading its counterparts, but it should at least follow them.) The OTS' (Office of Thrift Supervision) approval order of the Travelers' application to establish a thrift mandated significant changes in the disclosure procedures of Travelers' loan and brokerage officers as well as requiring periodic reports concerning Travelers' community reinvestment pledge. Likewise, the Office of the Comptroller (OCC) issued a conditional approval of the First Union-Money Store merger that requires access for all applicants of both prime and subprime lending products.

NCRC appreciates this opportunity to express significant reinvestment issues associated with the recently proposed megamergers. NCRC hopes that the Federal Reserve Board does everything in its power to ensure fair lending and continued progress in community reinvestment.

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WHO'S FINANCING THE

AMERICAN DREAM?

A COMPREHENSIVE STUDY OF HOME PURCHASE LENDING IN TWENTY LARGE METROPOLITAN AREAS FROM 1994 TO 1996

PRODUCED BY THE NATIONAL COMMUNITY REINVESTMENT COALITION
MAY 1998

Methodology

NCRC has developed an innovative methodology for comparing the lending records of financial institutions using HMDA (Home Mortgage Disclosure Act) data. The methodology is straightforward yet powerful. It assesses the fair lending performance of lenders by measuring the extent of marketing and lending to minorities. It also answers whether unusually high denial disparity ratios among whites and minorities could be due to discrimination. In addition, the methodology assesses the CRA performance of lenders in the area of home purchase lending. Are lenders marketing aggressively to low- and moderate-income applicants? Are lenders offering a high percentage of their loans to low- and moderate-income households?

As mentioned in the introduction, NCRC has chosen to evaluate home purchase lending activity. In our previous study, we evaluated performance in all types of single family lending activity - home improvement and refinance lending as well as home purchase lending.[2] In addition to the reasons mentioned in the introduction, this study isolates home purchase lending because the market for home purchase loans involves very different underwriting criteria and other product attributes than the markets for home improvement and refinance loans.

In order to capture a substantial amount of lending activity in the nation, the study examines lending in the twenty largest metropolitan statistical areas (MSAs) in the United States. MSAs are typically regarded as distinct markets for lenders because bank customers usually live and work within the boundaries of a metropolitan area. Thus, to effectively compete for customers, lenders need to devise marketing and branch distribution strategies for entire MSAs and not just parts of metropolitan areas. Our study assesses how well lenders vie for the business of traditionally underserved populations within MSAs.

Within each metropolitan area, NCRC scrutinizes lender performance as revealed by six indicators over a three year time period. The six indicators reveal if a financial institution is marketing to traditionally underserved populations, lending to those populations, rejecting an usually high number of minority households, and discriminating against creditworthy minorities. Indicators are computed separately for 1996, 1995, and 1994 for the major lenders in the twenty largest MSAs.

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[2] America's Worst Lenders! A Comprehensive Analysis of Mortgage Lending in the Nation's Top 20

Scoring System

Each lender is ranked on each of the six indicators. For each indicator, lenders are grouped into five equal subsets called quintiles. The lenders who are in the top fifth (or top quintile) on a given indicator receive a score of five for that indicator. The lenders who are in the second fifth receive a score of four for that indicator. The lenders who are in the third fifth receive a score of three for that indicator. Finally, the lenders who are in the second lowest and the lowest quintile receive a score of two or one, respectively, for that indicator.

The highest possible score in any MSA is a "30", meaning that a given lender has scored in the top quintile on all six indicators. The lowest possible score is a "6" meaning that a given lender has scored in the lowest quintile on all six indicators.

Six Indicators

NCRC's six indicators are:

Marketing to Low- and Moderate-Income Households

> This indicator computes the share or percentage of a lender's home purchase applications that are submitted by low- and moderate-income households. High percentages mean that the bank is effectively marketing to low- and moderate-income households since they are aware of the bank and are applying to it in high numbers. (Low- and moderate-income categories conform to the income categories outlined in the regulations implementing the Community Reinvestment Act (CRA). See the Appendix.)

Approvals to Low- and Moderate-Income Households

> This indicator computes the share or percentage of a bank's loans that are issued to low- and moderate-income households. High percentages suggest that the bank has either flexible underwriting criteria or has developed affordable lending products for a population that traditionally lacked established credit histories or savings to qualify for conventional homeownership products.

Marketing to Minorities

> This indicator computes the share or percentage of a lender's applications that are submitted by minorities. For this study, we have defined minorities as Blacks and Hispanics only (see the Appendix for further discussion).

Approvals to Minorities

This indicator computes the share or percentage of a bank's loans that are issued to minorities.

Disparity in Denial Ratio

This indicator is a ratio of the minority denial rate divided by the white denial rate. Lower ratios are awarded good ranks. A ratio close to one means that minority and white denial rates are very similar. In contrast, ratios in the 2 to 3 range mean that the bank(s) in question are denying minorities at a rate two or three times greater than whites. High denial rates could be evidence of either discriminatory treatment or a lack of flexible underwriting criteria.

Discrimination Ratio

This indicator is the ratio of the lender's share of market discrimination to the lender's share of applicants. It is computed by first deriving a measure of discrimination from a logit regression model, yielding differences in treatment of whites and non-whites with similar credit histories. The model estimates the likelihood that whites and minorities with similar qualifications will be rejected for loans. The difference in probability of rejection among similarly qualified minorities and whites yields a market discriminatory residual. The residual for the entire market is computed as well as for individual lenders. We are then able to compute a ratio measure of an individual lender's share of the overall market discrimination relative to the lender's share of all applications in a metropolitan area.

When the discrimination ratio is above one, the lender's share of overall market discrimination exceeds the lender's share of loan applicants in a given MSA. Lenders with ratios of one and above will tend to be in the lower quintiles on this indicator. (See Appendix for a more complete description of the discrimination residual).

Example - Ranking Lenders in the Washington, DC MSA

The results from the analysis of home purchase lending in the Washington, DC area will help illustrate NCRC's methodology. Our study analyzed the performance of 50 lenders doing business in the DC area in 1996 (see the table for the Washington, DC MSA on page 37, and see the Appendix for a discussion of which lenders were included in the study). One of the lenders received a 30, which is the highest possible sum derived by

Legend for MSA Spreadsheets

The following pages will list lenders in each MSA and their rankings. The column headers from left to right are:

Columns

Lender:	Name of the financial institution
Agency:	Agency to which the institution reports HMDA data OCC - Office of the Comptroller of the Currency FRB - Federal Reserve Board FDIC - Federal Deposit Insurance Corporation OTS - Office of Thrift Supervision NCUA - National Credit Union Association HUD - U.S. Department of Housing and Urban Development
Denial Ratio:	The denial ratio indicator (see methodology section for a description) for 1996.
Quintile:	The quintile a lender falls into on for the denial ratio indicator for 1996.
% Min. Apps.	The marketing to minorities indicator for 1996.
Quintile:	The quintile a lender falls into for the marketing to minorities indicator for 1996.
% Min. Approvs.	The approvals to minorities indicator for 1996.
Quintile:	The quintile a lender falls into for the approvals to minorities indicator for 1996.
% L/M Apps:	The marketing to low- and moderate-income households indicator for 1996.
Quintile:	The quintile a lender falls into for the marketing to low- and moderate-income households indicator for 1996.

% L/M. Approvs: The approvals to low- and moderate-income households indicator for 1996.

Quintile: The quintile a lender falls into for the approvals to low- and moderate-income households indicator for 1996.

Disc. Ratio: The discrimination ratio for 1996.

Quintile: The quintile a lender falls into for the discrimination ratio for 1996.

Sum 96: The sum of the quintiles for the six indicators for 1996.

Sum 95: The sum of the quintiles for the six indicators for 1995.

Sum 94: The sum of the quintiles for the six indicators for 1994.

General Notes:

The banks are listed in descending order based on their 1996 sums. Below the last lender are the following two rows:

All lenders in MSA - 1996: This row shows how all lenders active in the MSA performed on all of the indicators except for the discrimination ratio.

Lenders 250+ applications: This row shows how lenders that received 250 or more applications from Blacks, Hispanics, and whites performed on all of the indicators except for the discrimination ratio.

A lender is displayed on the table if it has 250 or more applications from Blacks, Hispanics, and whites in 1996. A lender is not displayed on the table if it exceeded the applications threshold in 1994 and 1995 but did not meet the threshold in 1996. Blank spaces underneath the Sum 95 or Sum 94 columns indicate that the lender did not meet the application threshold in 1995 or 1994, although it did meet the threshold in 1996.

LENDER	AGENCY	DENIAL RATIO	QUINTILE	% MIN. APPS.	QUINTILE	% MIN. APPROVS.	QUINTILE	L/M INC. APPS.	QUINTILE	L/M INC. APPROVS.	QUINTILE	DISC. RATIO	QUINTILE	SUM 96	SUM 95	SUM 94
BANK UNITED	OTS	.81	5	70.44	5	71.35	5	74.36	5	75.17	5	-.07	4	29	28	26
NORTH AMERICAN MORTGAGE CO.	HUD	1.05	5	39.44	5	39.29	5	38.40	4	38.10	4	-.99	5	28	28	17
COMPASS BANK	FDIC	.65	5	55.25	5	55.96	5	54.35	4	54.21	4	-1.85	5	28		
SUMMIT MORTGAGE	HUD	1.34	4	70.10	5	69.26	5	61.35	5	59.31	5	2.52	4	28		
WEYERHAESER MORTGAGE COMPANY	HUD	1.16	4	35.04	5	34.98	5	38.83	4	38.94	4	-2.22	5	27	28	21
CORINTHIAN MORTGAGE CORP.	OTS	1.35	4	31.57	5	31.45	5	44.05	4	43.83	4	.75	4	26		
OAKWOOD ACCEPTANCE CORPORATION	HUD	1.06	5	25.98	4	25.00	4	62.23	5	54.55	5	1.68	2	25	23	23
CENTRAL PACIFIC MORTGAGE CO.	HUD	1.39	4	38.70	5	37.41	5	45.81	4	44.79	4	-.04	3	25	22	
GUARANTY BANK, SSB	FDIC	2.80	2	36.33	5	35.70	5	44.16	4	43.63	4	-.67	4	24		
UNITED COMPANIES FINANCIAL CORP.	HUD	1.09	5	29.24	4	24.46	4	72.06	5	60.56	5	5.57	1	24		
BANC ONE MORTGAGE CORPORATION	FRB	2.22	3	27.92	4	23.95	4	35.60	4	32.80	4	-.82	4	23	28	24
TEXAS COMMERCE BANK	OCC	2.84	2	35.76	5	30.54	5	40.33	4	35.48	4	1.13	3	23	25	26
ACCESS FINANCIAL LENDING CORP.	HUD	.97	5	16.92	3	17.44	3	75.79	5	66.03	5	2.91	2	23		
DEUTSCHE FINANCIAL CAPITAL	HUD	1.13	5	22.23	4	18.31	3	70.63	5	64.14	5	3.94	1	23		
EMPIRE FUNDING CORP.	HUD	.94	5	18.38	3	21.13	4	76.82	5	68.42	5	6.43	1	23		
FORD CONSUMER FINANCE CO., INC.	HUD	1.10	5	18.17	3	15.90	3	65.79	5	58.44	5	3.23	1	22	20	24
COUNTRYWIDE HOME LOANS	HUD	1.72	4	21.95	3	20.37	4	31.02	3	28.51	3	-.87	5	22	17	19
VANDERBILT MORTGAGE	HUD	1.21	4	19.40	3	16.26	3	72.30	5	72.55	5	2.84	2	22		22
FT MORTGAGE CO.	OCC	2.43	2	30.19	4	27.37	5	36.17	4	34.12	4	1.41	2	21		
STERLING CAPITAL MORTGAGE CO.	HUD	2.75	2	31.17	5	28.09	5	76.06	3	23.45	3	.36	3	21		
GREEN TREE FINANCIAL	HUD	1.25	4	17.62	3	13.04	2	67.02	5	60.32	5	3.96	1	20	19	22
MID AMERICA MORTGAGE	HUD	3.81	1	31.50	5	29.53	5	27.99	3	28.26	3	.19	3	20		
TWENTY FIRST CENTURY MORTGAGE	HUD	1.27	4	15.36	2	12.98	2	67.39	5	65.13	5	1.31	2	20		
NATIONSBANC MORTGAGE CORP.	OCC	2.81	2	27.56	4	23.62	4	30.96	3	27.04	3	.98	3	19	19	21
PRINCIPAL RESIDENTIAL MTG., INC.	HUD	2.48	2	26.87	4	24.96	4	32.32	3	30.66	3	.03	3	19	18	18
THE CIT GROUP/SALES FINANCING	FRB	1.12	5	16.87	2	11.02	1	66.65	5	54.88	5	4.97	1	19	17	19
ACCUBANC MORTGAGE CORPORATION	HUD	3.58	1	23.57	4	21.42	4	23.65	3	21.79	3	-.84	4	19		16
G.N. MORTGAGE	FDIC	1.47	4	27.80	4	22.84	4	29.96	3	28.99	3	4.19	1	19		

LENDER	AGENCY	DENIAL RATIO	QUINTILE	% MIN. APPS.	QUINTILE	% MIN. APPROVS.	QUINTILE	L/M INC. APPS.	QUINTILE	L/M INC. APPROVS.	QUINTILE	DISC. RATIO	QUINTILE	SUM 96	SUM 95	SUM 94
GDMFC OF TEXAS INC.	HUD	1.44	4	18.82	3	18.73	3	21.77	2	20.68	2	-1.48	5	19		
NATIONSBANK OF TEXAS, N.A.	OCC	1.96	3	27.51	4	21.24	4	26.35	3	20.77	2	2.17	2	18	17	
AMERICAN NATIONAL BANK	OCC	2.58	2	12.87	2	11.31	2	33.12	4	31.32	4	-.75	4	18		
INLAND MORTGAGE CORPORATION	FRB	1.15	5	26.83	4	19.81	3	26.22	3	20.35	2	6.58	1	18		
THE G.M. GROUP, INC.	HUD	2.27	3	26.86	4	25.61	4	17.57	1	17.05	2	-.64	4	18		
TEMPLE-INLAND MORTGAGE CORP.	OTS	2.98	2	19.13	3	17.70	3	27.29	3	26.29	3	.53	3	17	17	19
WORLD SAVINGS AND LOAN ASSOC.	OTS	1.89	3	17.17	3	16.14	3	19.50	2	18.35	2	-.37	4	17	12	13
HARBOR FINANCIAL MORTGAGE CORP.	HUD	1.22	4	11.57	1	11.41	2	23.40	2	24.06	3	-1.55	5	17		17
BANK OF AMERICA, FSB	OTS	1.62	4	12.01	2	8.64	1	41.90	4	31.43	4	4.21	1	16	17	18
FLEET MORTGAGE CORP.	OCC	2.31	3	19.62	3	15.71	3	26.25	3	25.82	3	3.01	1	16	17	11
PULTE MORTGAGE CORPORATION	HUD	4.00	1	26.93	4	23.58	4	19.86	2	17.03	2	.22	3	16		
FIRST UNION	FDIC	2.19	3	19.86	3	16.62	3	20.00	2	17.54	2	1.61	2	15		
PHH MORTGAGE SERVICES	HUD	1.98	3	12.13	2	11.63	2	16.64	1	15.62	1	-2.69	5	14		
RESOURCE BANCSHARES MTG. GROUP	HUD	5.42	1	15.59	2	15.38	2	19.80	2	18.53	2	-2.65	5	14		
NORWEST MORTGAGE, INC.	FRB	1.91	3	13.73	2	12.47	2	15.35	1	13.17	1	-.77	4	13	15	14
CTX MORTGAGE COMPANY	HUD	4.84	1	14.85	2	13.75	2	20.14	2	19.87	2	-.86	4	13	13	
COLONIAL SAVINGS, F.A.	OTS	2.77	2	14.09	2	12.77	2	21.38	2	19.73	2	.69	3	13	12	19
NATIONAL CITY MORTGAGE CO.	FRB	3.72	1	11.86	1	11.53	2	21.27	2	21.22	2	-2.33	5	13		
CHASE MANHATTAN MORTGAGE CORP.	OCC	2.32	3	14.39	2	12.69	2	17.56	1	15.83	1	.70	3	12	13	14
HOME SAVINGS OF AMERICA, F.A.	OTS	2.53	2	10.23	1	8.56	1	20.24	2	18.18	2	1.53	2	10	9	12
GUARDIAN MORTGAGE COMPANY, INC.	HUD	3.50	1	5.77	1	5.45	1	6.74	1	6.74	1	-1.36	5	10	9	8
MELLON MORTGAGE COMPANY	OCC	3.69	1	11.93	1	9.96	1	18.73	2	18.21	2	1.82	2	9	16	8
GREAT WESTERN MORTGAGE CORP.	OTS	2.28	3	7.36	1	6.13	1	8.45	1	6.95	1	1.95	2	9	10	9
BANK ONE, TEXAS, NA	OCC	2.05	3	10.46	1	8.65	1	15.07	1	14.59	1	1.70	2	9	8	8
MERCANTILE BANK & TRUST, FSB	OTS	15.67	1	11.32	1	10.43	1	10.71	1	10.10	1	-.62	4	9	8	6
HOMESIDE LENDING, INC.	OCC	3.18	2	13.17	2	10.31	1	14.48	1	13.62	1	1.95	2	9		
COLONIAL MORTGAGE COMPANY	FDIC	4.39	1	9.69	1	8.12	1	9.35	1	7.67	1	.76	3	8	9	8
FIRST STATE BANK OF TEXAS	FDIC	5.34	2	3.86	1	5.41	1	19.79	2	15.88	1	4.41	1	8		

LENDER	AGENCY	DENIAL RATIO	QUINTILE	% MIN. APPS.	QUINTILE	% MIN. APPROVS.	QUINTILE	L/M INC. APPS.	QUINTILE	L/M INC. APPROVS.	QUINTILE	DISC. RATIO	QUINTILE	SUM 96	SUM 95	SUM 94
GUARANTY FEDERAL BANK, F.S.B.	OTS	3.62	1	8.42	1	6.37	1	6.43	1	4.23	1	1.71	2	7	10	7
ALL LENDERS IN MSA--1996		1.36		21.22		19.55		35.36		28.34						
LENDERS IN MSA: 250+ APPS--1996		1.33		20.80		19.14		36.91		29.09						

LENDER	AGENCY	DENIAL RATIO	QUINTILE	% MIN. APPS.	QUINTILE	% MIN. APPROVS.	QUINTILE	L/M INC. APPS.	QUINTILE	L/M INC. APPROVS.	QUINTILE	DISC. RATIO	QUINTILE	SUM 96	SUM 95	SUM 94
PRINCIPAL RESIDENTIAL MTG., INC.	HUD	1.41	4	72.77	5	72.12	5	66.67	5	67.38	5	-3.89	5	29	29	
COMPASS BANK	FDIC	1.29	4	52.79	5	52.00	5	51.36	4	50.00	5	-1.78	4	27	25	24
VANDERBILT MORTGAGE	HUD	1.07	5	51.85	5	50.66	5	73.77	5	73.28	5	1.02	2	27		23
NATIONSBANC MORTGAGE CORP.	OCC	1.43	3	43.90	5	42.73	5	47.68	4	47.15	4	-1.10	3	24	24	24
OAKWOOD ACCEPTANCE CORPORATION	HUD	1.14	4	35.19	4	32.12	4	63.46	5	55.54	5	2.65	2	24	21	22
WORLD SAVINGS AND LOAN ASSOC.	OTS	1.46	3	54.34	5	52.88	5	42.56	4	41.68	4	-1.46	3	24	20	18
DEUTSCHE FINANCIAL CAPITAL	HUD	.98	5	29.86	3	30.63	4	62.75	5	49.35	5	2.79	2	24		
GUILD MORTGAGE COMPANY	HUD	1.23	4	37.95	4	36.67	4	33.84	4	32.58	4	-2.82	4	24		
SUMMIT MORTGAGE	HUD	1.46	3	64.77	5	63.58	5	50.33	4	48.54	4	-1.21	3	24		
BANC ONE MORTGAGE CORPORATION	FRB	2.22	1	46.78	5	43.96	5	45.66	4	44.14	4	-2.68	4	23	27	21
EMPIRE FUNDING CORP.	HUD	1.04	5	32.12	3	30.00	4	69.58	5	70.24	5	12.43	1	23		
UNITED COMPANIES FINANCIAL CORP.	HUD	1.09	5	34.41	4	29.14	3	70.61	5	61.25	5	4.03	1	23		
BANK UNITED	OTS	1.68	2	53.66	5	50.31	5	49.10	4	46.73	4	1.54	2	22	27	24
TEXAS COMMERCE BANK	OCC	2.34	1	62.15	5	58.29	5	48.00	4	45.09	4	[illegible]	[illegible]	22	24	24
LIBERTY SAVINGS ASSOCIATION	OTS	1.65	3	43.28	4	41.75	5	26.89	3	25.69	3	-1.53	4	22	24	19
GREEN TREE FINANCIAL	HUD	1.07	5	29.37	3	26.28	3	63.40	5	59.29	5	6.31	1	22	[illegible]	[illegible]
FORD CONSUMER FINANCE CO., INC.	HUD	1.03	5	30.82	3	29.77	3	61.62	5	50.09	5	5.25	1	22	21	24
ACCUBANC MORTGAGE CORPORATION	HUD	1.27	4	33.58	4	32.23	4	25.60	3	24.30	3	3.37	[illegible]	22		[illegible]
TWENTY FIRST CENTURY MORTGAGE	HUD	1.20	4	33.19	4	28.53	3	66.63	5	60.87	5	3.78	1	22		
CROSSLAND MORTGAGE CORPORATION	OCC	1.48	3	41.81	4	39.49	4	43.48	4	40.27	4	1.79	2	21	20	13
NORTH AMERICAN MORTGAGE CO.	HUD	1.71	2	35.61	4	32.88	4	30.92	3	29.16	4	-1.12	3	20	23	18
NATIONSBANK OF TEXAS, N.A.	OCC	1.51	3	45.84	5	40.34	4	34.49	4	28.40	3	3.83	1	20	19	
ACCESS FINANCIAL CORP.	HUD	1.12	4	23.84	2	21.44	2	76.55	5	64.65	5	4.32	1	19	24	
THE CIT GROUP/SALES FINANCING	FRB	1.09	5	26.81	2	19.34	2	60.84	5	47.26	4	10.09	1	19	18	20
CHASE MORTGAGE SERVICES INC.	FRB	1.64	3	27.41	3	25.68	3	25.34	3	24.20	3	-2.36	4	19		
CRESTAR MORTGAGE CORPORATION	FRB	1.82	2	29.53	3	28.00	3	27.34	3	26.21	3	-4.39	5	19		
INLAND MORTGAGE CORPORATION	FRB	1.10	4	33.89	4	31.99	4	26.70	3	24.84	3	5.95	1	19		
HARBOR FINANCIAL MORTGAGE CORP.	HUD	1.71	2	34.16	4	31.88	4	25.66	3	23.46	2	.30	3	18	18	18
BANK OF AMERICA, FSB	OTS	1.29	4	23.39	2	20.01	2	54.66	4	46.54	4	4.41	1	17	20	20

HOUSTON

LENDER	AGENCY	DENIAL RATIO	QUINTILE	% MIN. APPS.	QUINTILE	% MIN. APPROVS.	QUINTILE	L/M INC. APPS.	QUINTILE	L/M INC. APPROVS.	QUINTILE	DISC. RATIO	QUINTILE	SUM 96	SUM 95	SUM 94
COUNTRYWIDE HOME LOANS	HUD	2.12	1	27.39	3	25.54	3	30.08	3	28.52	3	-2.26	4	17	17	19
HAMMERSMITH FINANCIAL CORP.	HUD	2.33	1	46.21	5	41.64	5	22.29	2	19.22	2	2.34	2	17	16	15
CHASE MANHATTAN MORTGAGE CORP.	OCC	1.21	4	25.61	2	25.12	2	23.99	3	23.15	3	-.68	3	17	15	16
STERLING CAPITAL MORTGAGE CO.	HUD	2.24	1	32.79	4	30.78	4	22.71	2	21.02	2	-1.59	4	17		
HOME LOAN CORPORATION	HUD	.00	5	16.96	1	17.04	1	19.86	2	19.95	2	-5.48	5	16	11	8
PHH MORTGAGE SERVICES	HUD	2.40	1	27.76	3	25.78	3	19.66	2	17.04	2	-4.11	5	16		
PULTE MORTGAGE CORPORATION	HUD	3.08	1	31.68	3	29.08	[illegible]	24.21	3	22.59	3	.47	3	16		
FLEET MORTGAGE CORP.	OCC	1.53	3	28.19	3	26.63	3	23.22	2	20.92	2	1.18	2	15	16	20
AMERUS MORTGAGE INC.	HUD	1.46	3	15.91	1	15.13	1	22.60	2	22.54	3	-4.06	5	15		
[illegible] MORTGAGE CO.	OCC	1.54	3	30.83	3	28.85	3	21.38	2	19.54	2	1.36	2	15		
RYLAND MORTGAGE COMPANY	HUD	.51	5	10.39	1	10.65	1	7.22	1	6.49	1	-5.09	5	14	15	9
MELLON MORTGAGE COMPANY	OCC	2.10	2	24.10	2	23.44	2	20.72	2	20.67	2	1.47	4	14	15	6
NVR MORTGAGE FINANCE, INC.	HUD	1.07	5	13.21	1	13.11	1	14.42	1	12.50	1	-4.59	5	14	13	
COLLATERAL MORTGAGE	HUD	2.30	[illegible]	25.16	2	22.13	2	27.30	3	23.48	3	.06	3	14	9	[illegible]
CTX MORTGAGE COMPANY	HUD	1.86	2	21.19	2	20.80	2	13.99	1	13.73	1	-5.28	5	13	9	
FIRST UNION	FDIC	1.75	2	22.19	2	20.90	2	20.94	2	21.57	2	.31	3	13		
PNC MORTGAGE CORP. OF AMERICA	OCC	2.00	2	19.16	1	18.13	2	21.02	2	19.58	2	-.05	3	12		
NORWEST MORTGAGE INC.	FRB	2.09	2	19.19	2	17.44	1	18.67	1	16.53	1	-2.71	4	11	18	11
HOME SAVINGS OF AMERICA, F.A.	OTS	2.65	1	21.50	2	18.16	2	22.38	2	18.41	2	1.68	2	11	12	8
GUARDIAN SAVINGS & LOAN ASSN.	OTS	1.92	2	11.51	1	11.37	1	14.93	1	14.08	1	-4.21	5	11	11	11
HOME TRUST COMPANY	HUD	1.77	2	15.82	1	15.67	1	14.43	1	14.45	1	-4.06	5	11		
GREAT WESTERN MORTGAGE CORP.	OTS	1.27	4	12.18	1	11.51	1	8.83	1	5.94	1	1.25	2	10	7	10
CORNERSTONE MORTGAGE COMPANY	HUD	4.95	1	18.75	1	17.17	1	15.54	1	14.80	1	-1.91	4	9	8	12
BANK ONE, TEXAS, NA	OCC	1.54	1	16.64	1	14.70	1	7.64	1	7.11	1	2.86	1	8	7	10
GUARANTY FEDERAL BANK, F.S.B.	OTS	2.95	1	6.66	1	5.54	1	1.34	1	1.27	1	2.42	2	7	10	
ALL LENDERS IN MSA–1996		1.27		31.84		29.59		39.21		30.91						

HOUSTON

LENDER	AGENCY	DENIAL RATIO	QUINTILE	% MIN. APPS.	QUINTILE	% MIN. APPROVS.	QUINTILE	L/M INC. APPS.	QUINTILE	L/M INC. APPROVS.	QUINTILE	DISC. RATIO	QUINTILE	SUM 96	SUM 95	SUM 94
LEDNERS IN MSA, 250+ APPS-1996		1.23		31.79		29.73		40.47		31.62						

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Delaware Community Reinvestment Action Council, Inc.

601 N. Church Street, Wilmington, DE 19801
Telephone: 302- 654-5024 Fax: 302- 654-5046

TESTIMONY OF
RASHMI RANGAN
DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC., (DCRAC)
IN OPPOSITION TO
THE APPLICATIONS OF BANC ONE CORPORATION TO ACQUIRE FIRST CHICAGO NBD & ITS SUBSIDIARIES

BEFORE THE
FEDERAL RESERVE BANK OF CHICAGO
AUGUST 13, 1998

Our mission is "to ensure equal access to credit and capital
for the under served populations and communities throughout Delaware
through Education, Advocacy, and Legislation"

Good afternoon. My name is Rashmi Rangan. I am the executive director of the Delaware Community Reinvestment Action Council, Inc. ("DCRAC")--an eleven year old non-profit citizens' advocacy organization whose mission is "to ensure equal access to credit and capital for the under served populations and communities throughout Delaware". I am also a Board member of the National Community Reinvestment Coalition--a trade association of approximately 650 organizations nation wide and a member of Inner City Press/Community on the Move--a citizens' consumer advocacy group. We are opposed to the acquisition of FCC by Banc One.

Before I address our concerns with the application, let me share our concern about the Feds. Calling "public hearings", "public meetings" is probably more appropriate and revealing—they do not hear us. Besides, five minutes is not enough time to even scratch at the surface of our concerns with this application.

Have we forgotten the S&L bail-out so soon? Should we not look at Japan and shudder at the prospect of obstinately duplicating the "Godzilla" ? Should we not heed to the warning signs from the stock market's roller-coaster ride? This merger too, like all others before, raises concerns with the larger issue surrounding future financial stability--Who will bail this monster, when it fails?

Based on the factors that the Board must consider, this application calls for denial.

Managerial issues Banc One's absolute disdain for local communities and their predatory and discriminating lending practices reflect very poorly on Banc One's managerial abilities.

1. I refer you to Dr. Kenneth Thomas' comments of July 27, 1998 regarding the management's apparent violation of confidentiality of individual examination ratings on Y2K readiness.
2. In Arizona (Attorney General) and in Texas (HUD) Banc One has been charged with discrimination--this after the Feds own conditional approval in a recent application by Banc One. Apparently, Banc One failed to meet Feds conditions. On these grounds alone, the application should be denied.
3. Banc One, we charged in previous applications and a charge we repeat today, is a predatory lender through its Finance Company subsidiary. While we have raised this issue many times, we sense that the Feds have not really understood the full import of our accusations. Attached as exhibit A is a catalogue of predatory mortgage lending abusive practices prepared by Mr. Bill Brennan of Atlanta Legal Aid Society.
4. We have asked the Feds to review the Finance Company subsidiary of the Bank Holding Company in the past. We, and others, have presented ample evidence that raise enough red-flags that demand such an investigation before the Feds even begin considering the merits of this application. In 1995 BO Finance Company approved 7805 loans. In 1996,

32,712--a 319% increase.

5. Banc One's HMDA analysis has been conducted by ACORN—Illinois (7/14/98), Wisconsin Rural Development Center (6/23/98) where Banc One is the third largest commercial institute, Coalition of Neighborhoods (7/13/98), Central Illinois Organizing Project (7/14/98), etc. These are very revealing. These provide ample evidence that call for a full investigation of Banc One Finance Company.

Convenience and needs issues How can the convenience and needs of my community, be served when the acquirer, Banc One, has shown a remarkable disdain for Delaware. May I remind the Board of concerns we raised when Banc One applied to acquire First USA. First USA, a limited purpose bank, cited its inability to meet its CRA obligations and hence established First USA, FSB. When Banc One acquired First USA, the thrift was gone. Relative to Banc One's First USA (after the merger) record of meeting the convenience and needs of the community, it is abysmal. In comparison, FCC and its CRA officer, Mr. Roland Ridgeway, have not let the limited purpose bank status nor the Delaware's Financial Center Development Act restrictions get in the way of meeting their obligations under the CRA. Loss of FCC to Banc One will have an adverse impact on the convenience and needs of our community.

Community Reinvestment Act record Irrespective of what the respective regulatory agencies grade Banc One's record of meeting the credit needs of its community to be, preying upon our communities, discriminating against our lower income and minority communities, and providing lip service to the Community Reinvestment obligations demonstrates Banc One's poor performance record.

Competition It is already entered into the record, that anti-trust and anti-competitive issues, are severe in Indiana which alone calls for denial of the application. I refer you to Dr. Kenneth Thomas' communication of 7/14/98. However, given the Fed's proclivity to approve merger applications, at a minimum, there is an absolute need for a binding, legally enforceable CRA commitment in Indiana. Without such a commitment, this application must not even be considered.

You will hear, and you have already heard testimony in support of the merger from organizations who have developed partnerships and are hopeful to continue to through these partnerships serve their communities. At issue is not who, where, and how much each bank does/gives individually. At issue here is the who from, where from, and how much, does Banc One take from the community through predatory practices. This alone is a very serious concern. You must deny this application

EXHIBIT "A"

CRAnology: PREDATORY MORTGAGE LENDING ABUSES

In the statement of William J. Brennan, Jr., Director, Home Defense Program of the Atlanta Legal Aid Society, Inc., Before the United States Senate Special Committee on Aging on March 16, 1998, Mr. Brennan testified on the subject of predatory mortgage lending practices directed against the elderly. What follows was attached as an exhibit to Mr. Brennan's statements and downloaded in its entirety from the website of Atlanta Legal Aid Society at www.law.emory.edu.

PREDATORY MORTGAGE LENDING ABUSES

The following is a catalogue of predatory mortgage lending abusive practices. We have divided the practices into abuses associated with the origination of the loan, servicing of the loan, and collection of the loan.

I. ORIGINATION OF LOAN.

1. Solicitations. Predatory mortgage lenders engage in extensive marketing in targeted neighborhoods. They advertise through television commercials, direct mail, signs in neighborhoods, telephone solicitations, door to door solicitations, and flyers stuffed in mailboxes. Many of these companies deceptively tailor their solicitations to resemble social security or other U.S. government checks to prompt homeowners to open the envelopes and otherwise deceive them regarding their predatory intentions.

2. Home Improvement Scams. Predatory mortgage lenders use local home improvement companies essentially as mortgage brokers to solicit business. These companies solicit homeowners for home improvement work. The company may originate a mortgage loan to finance the home improvements and then sell the mortgage to a predatory mortgage lender, or steer the homeowner directly to the predatory lender for financing of the home improvements. The home improvements are often grossly overpriced, and the work is shoddy and incomplete. In some cases, the contractor begins the work before the three-day cooling off period has expired. In many cases, the contractor fails to obtain required permits, thereby making sure the work is not inspected for compliance with local codes.

3. Mortgage Brokers -Kickbacks. Predatory mortgage lenders also originate loans through local mortgage brokers who act as bird dogs (finders) for the lenders. Many predatory mortgage lenders have downsized their operations by closing their retail outlets and shifting the origination of loans to these brokers. These brokers represent to the homeowners that they are working for the homeowners to help them obtain the best available mortgage loan. The homeowners usually pay a broker's fee. In fact, the brokers are working for predatory mortgage lenders and being paid kickbacks by lenders for referring the borrowers to the lenders. On loan closing documents, the industry employs euphemisms to describe these referral fees: yield spread premiums and service release fees. Also, unbeknownst to the borrower, his interest is raised to cover the fee. Within the industry, this is called bonus upselling or par-plus premium pricing.

4. Steering to High Rate Lenders. Some banks and mortgage companies steer customers to high rate lenders, including those customers who have good credit and would be eligible for a conventional loan from that bank or lender. In some cases, the customer is turned away before completing a loan application. In other cases, the loan application is wrongfully denied and the customer is referred to a high rate lender. The high rate lender is often an affiliate of the bank or mortgage company, and kickbacks or referral fees are paid as an incentive to steer the customer in this way.

5. Lending to People Who Cannot Afford The Loans. Some predatory mortgage lenders purposely structure the loans with monthly payments which they know the homeowner cannot afford with the idea that when the homeowner reaches the point of default, they will return to the lender to refinance which provides the lender additional points and fees. Other predatory mortgage lenders, whom we call hard lenders, purposely structure the loans with payments the homeowner cannot afford in order to trigger a foreclosure so that they may acquire the house and the valuable equity in the house at the foreclosure sale.

6. Falsified Loan Applications, Unverified Income. In some cases, lenders knowingly make loans to homeowners who do not have sufficient income to repay the loan. Often, such lenders wish to sell the loan to an investor. To sell the loan, the lender must make the loan package have the appearance to the investor that the borrower has sufficient income. The lender has the borrower sign a blank loan application form. The lender then inserts false information on the form (for example, a job the borrower does not have), making the borrower appear to have higher income than he or she actually has.

7. Adding Co-signers. This is done to create the false impression that the borrower is sufficiently credit worthy to be able to pay off the loan, even though the lender is well aware that the co-signer has no intention of contributing to the repayment of the mortgage. Often, the lender requires the homeowner to transfer half ownership of the house to the co-signer. The homeowner has lost half the ownership of the home and is saddled with a loan she cannot afford to pay.

8. Incapacitated Homeowners. Some predatory lenders make loans to homeowners who are clearly mentally incapacitated. They take advantage of the fact that the homeowner does not understand the nature of the transaction or the papers that she

signs. Because of her incapacity, the homeowner does not understand she has a mortgage loan, does not make the payments, and is subject to foreclosure and subsequent eviction.
9. Forgeries. Some predatory lenders forge loan documents. In an ABC Prime Time Live news segment that aired on April 23, 1997, a former employee of a high cost mortgage lender reported that each of the lender's branch offices had a "designated forger" whose job it was to forge documents. In such cases. the unwary homeowners are saddled with loans they know nothing about.
10. High Annual Interest Rates. The very purpose of engaging in predatory mortgage lending is to reap the benefit of high profits. Accordingly, these lenders always charge unconscionably high interest rates, even though their risk in minimal or non-existent. Such rates drastically increase the cost of borrowing for homeowners. Predatory mortgage lenders routinely charge Atlanta area borrowers rates ranging from 12% to 18%, while other lenders charge rates of 7.0% to 7.5%.
11. High Points. Legitimate lenders charge points to borrowers who wish to buy down the interest rate on the loan. Predatory lenders charge high points but there is no corresponding reduction in the interest rate. These points are imposed through pre-paid finance charges (or points or origination fees), they are usually 5 to 10% of the loan and may be as much as 20% of the loan. The borrower does not pay these points with cash at closing. Rather, the points are always financed as part of the loan. This increases the amount borrowed, which produces more annual interest to the lender.
12. Balloon Payments. Predatory mortgage lenders frequently structure loans so that at the end of the loan period, the borrower still owes most of the principal amount borrowed. The last payment balloons to an amount often equal to 85% or so of the principal amount borrowed. Over the term of the loan, the borrower's payments are applied primarily to interest. The homeowner cannot afford to pay the balloon payment at the end of the term, and either loses the home through foreclosure or is forced to refinance with the same or another lender for an additional term at additional cost.
13. Negative Amortization. This involves a system of repayment of a loan in which the loan does not amortize over the term. Instead, the amount of the monthly payment is insufficient to pay off accrued interest and the principal balance therefore increases each month. At the end of the loan term, the borrower owes more than the amount originally borrowed. A balloon payment at the end of the loan is often a feature of negative amortization.
14. Padded Closing Costs. In this scheme, certain costs are increased above their true market value as a method of charging higher interest rates. Examples include charging document preparation of $350 or credit report fees of $150, both of which are many times the actual cost.
15. Inflated Appraisal Costs. This is another padding scheme. In most mortgage loan transactions, the lender requires that an appraisal be done. Most appraisals include a typical, detailed report of the condition of the house (interior and exterior) and prices of comparable in the area. Others are "drive-by" appraisals, done by someone driving by the homes. The former naturally cost more than the latter. In some cases, borrowers are charged a fee for an appraisal which should include the detailed report, when only a drive-by appraisal was done.
16. Padded Recording Fees. Mortgage transactions usually require that documents be recorded at the local courthouse. State or local laws establish the fees for recording the documents. Mortgage lenders typically pass these costs on to the borrower. Predatory mortgage lenders often charge the borrowers a fee in excess of the actual amount required by law to record the documents.
17. Bogus Broker Fees. In some cases, predatory lenders charge borrowers broker fees when the borrower never met or knew of the broker. This is another way such lenders increase the cost of the loan for the benefit of the lender.
18. Unbundling. This is another way of padding costs by breaking out and itemizing charges which are duplicative or should be included under other charges. An example is where a lender imposes a loan origination fee, which should cover all costs of initiating the loan, but then imposes separate, additional charges for underwriting and loan preparation.
19. Credit insurance -Insurance Packing. Predatory mortgage lenders market and sell credit insurance as part of their loans. This includes credit life insurance, credit disability insurance, and involuntary unemployment insurance. The premiums for this insurance are exorbitant. In some cases, lenders sell credit life insurance covering an amount which constitutes the total of payments over the life of the loan rather than the amount actually borrowed. The payout of claims is extremely low compared to the revenue from the premiums. The predatory mortgage lender often owns the insurance company, or receives a substantial commission for the sale of the insurance. In short, credit insurance becomes a profit center for the lender and provides little or no benefit to the borrower.
20. Excessive Prepayment Penalties. Predatory mortgage lenders often impose exorbitant prepayment penalties. This is done in an effort to lock the borrower into the predatory loan for as long as possible by making it difficult for her to refinance the mortgage or sell the home. Another feature of this practice is that it provides back end interest for the lender if the borrower does prepay the loan.

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21. Mandatory Arbitration Clauses. By inserting pre-dispute, mandatory, binding arbitration clauses in contractual documents, some lenders attempt to obtain unfair advantage of their borrowers by relegating them to a forum perceived to be more favorable to the lender than the court system. This perception exists because discovery is not a matter of right but is within the discretion of the arbitrator; the proceedings are private; arbitrators need not give reasons for their decisions or follow the law; a decision in one case will have no precedential value; judicial review is extemely limited; a lender will be a frequent user while the consumer is a one time participant; and injunctive relief and punitive damages will not be available.

22. Flipping. Flipping involves successive, repeated refinancing of the loan by rolling the balance of the existing loan into a new loan instead of simply making a separate, new loan for the new amount. Flipping always results in higher costs to the borrower. Because the existing balance of one loan is rolled into a new loan, the term of repayment is repeatedly extended through each refinancing. This results in more interest being paid than if the borrower had been allowed to pay off each loan separately. A powerful example of the exorbitant costs of flipping is the case of Bennett Roberts, who had eleven loans from a high cost mortgage lender within a period of four years. See, Wall Street Journal, April 23, 1997, at 1. Mr. Roberts was charged in excess of $29,000 in fees and charges, including ten points on every financing, plus interest, to borrow less than $26,000.

23. Spurious Open End Mortgages. In order to avoid making required disclosures to borrowers under the Truth in Lending Act, many lenders are making "open-end" mortgage loans. Although the loans are called "open end" loans, in fact they are not. Instead of creating a line of credit from which the borrower may withdraw cash when needed, the lender advances the full amount of the loan to the borrower at the outset. The loans are non-amortizing, meaning that the payments are interest only so that no credit will be replenished. Because the payments are applied only to interest, the balance is never reduced.

24. Paying Off Low Interest Mortgages. A predatory mortgage lender usually insists that its mortgage loan pay off the borrower's existing low cost, purchase money mortgage. The lender is able to increase the amount of the new mortgage loan by paying off the current mortgage and the homeowner is stuck with a high interest rate mortgage with a principal amount which is much higher than necessary.

25. Shifting Unsecured Debt Into Mortgages. Mortgage lenders badger homeowners with telephone and mail solicitations and other advertisements that tout the "benefits" of consolidating bills into a mortgage loan. The lender fails to inform the borrower that consolidating unsecured debt into a mortgage loan secured by the home is a bad idea. The loan balance is increased by paying off the unsecured debt, which necessarily increases closing costs (which are calculated on a percentage basis), increases the monthly payments, and increases the risk that the homeowner will lose the home.

26. Making Loans in Excess of 100% Loan to Value (LTV). Recently, some lenders have been making loans to homeowners where the loan amount exceeds the fair market value of the home. This makes it very difficult for the homeowner to refinance the mortgage or to sell the house to pay off the loan, thereby locking the homeowner into a high cost loan. Additionally, if a homeowner goes into default and the lender forecloses on a loan, the foreclosure auction sale generates enough money to pay off the mortgage loan. Therefore, the borrower is not subject to a deficiency claim. However, where the loan is 125% LTV, a foreclosure sale may not generate enough to pay off the loan and the borrower would be subject to a deficiency claim.

II. SERVICING OF LOAN

1. Forced Placed Insurance. Lenders require homeowners to carry homeowner's insurance, with the lender named as a loss payee. Mortgage loan documents allow the lender to force place insurance when the homeowner fails to maintain the insurance, and to add the premium to the loan balance. Some predatory mortgage lenders force place insurance even when the homeowner has insurance and has provided proof of such insurance to the lender. Even when the homeowner has in fact failed to provide the insurance, the premiums for the force placed insurance are often exorbitant. Often the insurance carrier is a company affiliated with the lender. Furthermore, the cost of forced placed insurance is frequently padded because it covers the lender for risks or losses in excess of what the lender may require under the terms of the mortgage loan.

2. Daily Interest When Payments Are Made After Due Date. Most mortgage loans have grace periods, during which a borrower may make the monthly payment after the due date and before the end of the grace period without incurring a "late charge." The late charge is often assessed as a small percent of the late payment. However, many lenders also charge daily interest based on the outstanding principal balance. While it may be proper for a lender to charge daily interest when the loan so provides, it is deceptive for a lender to charge daily interest when a borrower pays after the due date and before the grace period expires when the loan terms provide for a late charge only after the end of the grace period. Predatory lenders take advantage of this deceptive practice.

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III. COLLECTION OF LOAN

1. Abusive Collection Practices. In order to maximize profits, predatory lenders either set the monthly payments at a level the borrower can barely sustain or structure the loan to trigger a default and a subsequent refinancing. Having structured the loans in this way, the lenders consciously decide to use aggressive, abusive collection tactics to ensure that the stream of income flows uninterrupted. (Because conventional lenders do not structure their loans in this manner, they do not employ abusive collection practices.) The collection departments of prdatory lenders call the homeowners at all hours of the day and night, send late payment notices (in some cases, even when the lender has received timely payment or even before the grace period expires), send telegrams, and even send agents to hound homeowners in person. Some prdatory lenders bounce homeowners back and forth between regional collection offices and local branch offices. One homeowner received numerous calls every day for several months, even after she had worked out a payment plan. These abusive collection tactics often involve threats to evict the homeowners immediately, even though lenders know they must first foreclose and follow the eviction procedures. The resulting emotional impact on homeowners, especially elderly homeowners, can be devastating. Being ordered out of a home one has owned and lived in for decades is an extremely traumatic experience.

2. High Prepayment Penalties. See description in I. 20 above. When a borrower is in default and must pay the full balance due, predatory lenders will often include the prepayment penalty in the calculation of the balance due.

3. Flipping (Successive, Repeated Refinancing of Loan). See description in I. 22 above. When a borrower is in default, predatory mortgage lenders often use this as an opportunity to flip the homeowner into a new loan, thereby incurring additional high costs and fees.

4. Foreclosure Abuses. These include persuading borrowers to sign deeds in lieu of foreclosure in which they give up all rights to protections afforded under the foreclosure statute, sales of the home at below market value, sales without the homeowner/borrower being afforded an opportunity to cure the default, and inadequate notice which is either not sent or backdated. There have even been cases of "whispered foreclosures", in which persons conducting foreclosure sales on courthouse steps have ducked around the corner to avoid bidders so that the lender was assured he would not be out-bid. Finally, foreclosure deeds have been filed in courthouse deed records without a public foreclosure sale.

Exhibit B.

1.

PETITION TO DENY AND HEARING REQUEST BY MARSHALL PLAN FOR GARY AND ITS MEMBERS AND AFFILIATES AND BUSINESS OWNERS IN OPPOSITION TO BANC ONE CORPORATION'S PROPOSED ACQUISITION OF FIRST CHICAGO NBD AND ITS BANKING AND NON-BANKING SUBSIDIARIES AND ALL RELATED APPLICATIONS AND NOTICES

JULY 8, 1998

I. PRELIMINARY STATEMENT

On behalf of Marshall Plan for Gary and its members and affiliates and business owners (collectively hereinbelow, "MPG"), this is a timely comment opposing and requesting hearings on Banc One Corporation's ("Banc One's") proposed acquisition of First Chicago NBD and its banking and non-banking subsidiaries ("First Chicago") and all related Applications and notices.

This proposed merger would substantially lessen competition and would have adverse convenience and needs effects in, inter alia, numerous banking markets, primarily but not only in Indiana, and in the credit card product market. See Section III, infra. Banc One and its banks, which are subject to the Community Reinvestment Act (12 U.S.C. ° 2901, et seq.; "CRA"), have at least since March 1997 been closing dozens of bank branches, abandoning low and moderate income ("LMI") neighborhoods, and communities of color. Section II.A. Banc One's banks and Banc One Mortgage Company ("BOMC"), subject to the fair lending laws, disproportionately exclude and deny the credit applications of African Americans and Hispanics, while Banc One Financial Services ("BOFS") targets and gouges these protected classes with higher interest rate loans. Section II.B, infra.

The FRB cannot approve any proposal under Section 3 of the Bank Holding Company Act (the "BHC Act") which would substantially lessen competition, unless the anticompetitive effects are clearly outweighed in the public interest by the convenience and needs of the community. 12 U.S.C. °1842(c). Convenience and needs aspects do not outweigh the anticompetitive effects of a merger, unless the gains expected cannot reasonably be expected through other means. See United States v. Third National Bank, 390 U.S. 171, 88 S.Ct. 882 (1968).

Banc One does not serve the convenience and needs of communities. Banc One has accelerated its closing of branches, including in low, moderate and lower-middle income communities, since it acquired First USA in July 1997. In fact, while at that time Banc One said it had 1,500 branches, its April 13, 1998, press release announcing this proposal stated that it now has 1,300 branches. Banc One has told stock analysts that its goal is to eliminate fully 25% of its branches; already, Banc One is eliminating branches serving elderly, less affluent and minority consumers and communities. See Section II.A, infra. Meanwhile, First Chicago NBD has stated that it intends to close 100 branches by 1999, and has already closed more than 30 branches in Michigan. Section IV.

Banc One is the only bank in the nation which surcharges its own customers for using its ATMs and cash dispensing machines; First Chicago is well-known as the bank which imposed a three dollar fee on its customers for using tellers. This is a proposed combination of two of the most fee-gouging banks in the country, a proposal which would give them anticompetitive market power allowing them to further raise prices and fees. The proposed combination would NOT serve the convenience and needs of communities in any meaningful way, much less to the extent needed to ôclearly outweighõ the substantial lessening of competition. The proposal should be denied.

This proposed merger would substantially lessen competition in numerous banking markets, including:

Market	Banc One Share- Rank		1st Chicago Share- Rank		Resulting Share	Resulting Rank
Lafayette, IN	30.39	1	24.31	2	54.71	1
Lawrence Cty, IN	26.67	1	19.88	2	46.55	1
Rensselear, IN	30.61	1	15.62	3	46.23	1
Indianapolis, IN	22.39	1	19.70	3	42.09	1
Corydon, IN	17.47	4	23.95	2	41.42	1
Bloomington, IN	31.31	1	6.39	6	37.70	1
Gary, IN	7.27	6	23.45	1	30.72	1
Marion, IN	14.42	4	17.51	2	31.93	1
Statewide IN	8.83	3	12.49	1	21.32	1

The FRB's NationsBank - Barnett Order, 84 Fed. Res. Bull. ___ (Dec. 1997) (slip op. at 19) explicitly stated that "in future cases, increased importance should be placed on a number of factors where the proposal involves a combination that exceeds the DOJ guidelines in a large number of local markets," including "increased attention to the size of the charge in market concentration as measured by the HHI in highly concentrated markets, the

80% of stock of Premier Bank, Baton Rouge, which it didn't already own. Here's is this franchise's lending record in 1996:

Bank One Louisiana, N.A., in 1996 denied 56% of mortgage applications from African Americans, and only 24% of such applications from whites, for a denial rate disparity of 2.33-to-1. This disparity cannot be explained by more aggressive than average outreach to African American applicants: in 1996, Bank One Louisiana, N.A., based on its outreach and marketing, received only 257 applications from, and made only 79 loans to (31% origination rate), African Americans, while receiving 3,788 applications from, and making 2,190 loans to (58% origination rate), whites.

Bank One, Louisiana, N.A.'s record in 1996, the year after it acquired Premier Bank, militates for close scrutiny by the FRB, and for the denial of this application.

Other Banc One banks were hardly better in 1996.

Bank One, Chicago, N.A. in 1996 denied 45% of applications from African Americans, and only 22% of applications from whites, for a denial rate disparity of over 2-to-1.

Bank One, Kentucky, N.A. in 1996 denied 41% of applications from African Americans, and only 19% of applications from whites, for a denial rate disparity of 2.16-to-1.

Bank One, Lafayette, N.A. in 1996 denied 56% of applications from African Americans, and only 24% of applications from whites, for a denial rate disparity of 2.33-to-1.

Bank One, Rockford, N.A. in 1996 denied 47% of applications from African Americans, and only 17% of applications from whites, for a denial rate disparity of 2.76-to-1.

Even more troubling is a review of Banc One Mortgage Company ("BOMC"), as to which the FRB has acknowledged unanswered fair lending questions, and which has been charged by the Arizona Attorney General's Office - particularly a review that compares BOMC's market shares by race with those of the high interest rate Banc One Financial Services ("BOFS"), in the same markets.

First, a 1993 to 1996 analysis of BOFS (showing the rapid growth, and increasing importance, as to a fair lending/CRA assessment of Banc One, of this subsidiary):

in 1993, BOFS reported 1,578 originations.

in 1994, BOFS inexplicably did not report HMDA data.

In 1995, BOFS reported 7,805 originations.

In 1996, BOFS reported 20,504 originations.

Second, to put the disparities below in context: Banc One has acknowledged to the FRB that it has a program to refer down applicants from its banks to BOFS (for higher priced credit). Banc One's higher interest rate lender BOFS has stated that it does not have a procedure in place to refer any applicants back to normal interest rate providers. Banc One ONLY has a referral ôdownõ (to higher interest rate credit) process; it has not referral ôupö (to normal interest rate credit for those who approach BOFS but are eligible from normal interest rate bank credit) program. This is one of the reasons why Bank One's banks' and BOMC's higher than industry average denial rate disparities for minorities are particularly troubling, and raise a red flag not only of disparate treatment, but also of pricing discrimination. This red flag is raised without regard to referrals -- infra, ICP demonstrates that in markets where both BOMC and BOFS operate, BOMC disproportionately excludes and denies African Americans and Hispanics, and that BOFS, with higher interest rate credit, targets African Americans and Hispanics.

Now, a market by market analysis of BOMC's and BOFS's lending, making out a prima facie case (or raising a red flag) of pricing discrimination and disparate treatment at Banc One:

In the Akron OH MSA (in Banc One's CRA assessment area) in 1996, BOMC denied 55% of mortgage applications from African Americans, and only 17% of applications from whites (a denial rate disparity of 3.24). BOMC originated 164 loans to whites, and only 7 to African Americans. This Comment will call loans to African Americans divided by loans to whites the "Index." BOMC's Index in this MSA in 1996 was 0.043. Meanwhile in this MSA, the higher interest rate BOFS originated 27 loans to African Americans, and 140 loans to whites – Index of 0.193, 4.49 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit, including but not only through referrals (or steering) from Banc One's banks/BOMC.

In the Atlanta GA MSA in 1996, BOMC denied 26% of mortgage applications from African Americans, and only 7% of applications from whites (a denial rate disparity of 3.71). BOMC originated 82 loans to whites, and only 14 to African Americans. BOMC's Index (see supra) in this MSA in 1996 was 0.171. Meanwhile in this MSA, the higher interest rate BOFS originated 102 loans to

African Americans, and 186 loans to whites -- Index of 0.548, 3.2 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Charlotte NC MSA in 1996, BOMC denied 20% of mortgage applications from African Americans, and only 10% of applications from whites (a denial rate disparity of 2.0). BOMC originated 234 loans to whites, and only 8 to African Americans. BOMC's Index (see supra) in this MSA in 1996 was 0.034. Meanwhile in this MSA, the higher interest rate BOFS originated 34 loans to African Americans, and 86 loans to whites -- Index of 0.395, 11.6 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit, including but not only through referrals (or steering) from BOMC.

In the Chicago IL MSA (in both First Chicago's and Banc One's CRA assessment area) in 1996, BOMC denied 25% of mortgage applications from African Americans, and only 12% of applications from whites (a denial rate disparity of 2.08). BOMC originated 737 loans to whites, and only 65 to African Americans. BOMC's Index (see supra) in this MSA in 1996 was 0.088. Meanwhile in this MSA, the higher interest rate BOFS originated 110 loans to African Americans, and 314 loans to whites -- Index of 0.350, 4 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Cincinnati MSA (in Banc OneÆs CRA assessment area) in 1996, BOMC denied 18% of mortgage applications from African Americans, and only 11% of applications from whites (a denial rate disparity of 1.64 - see infra). BOMC originated 196 loans to whites, and only 21 to African Americans. BOMC's Index in this MSA in 1996 was 0.107. Meanwhile in this MSA, BOFS originated 46 loans to African Americans, and 190 loans to whites -- Index of 0.242, 2.26 times higher than BOMC's. Meanwhile BOFS' denial rate disparity for African Americans was 1.55, lower than BOMC's.

In the Cleveland OH MSA (in Banc One's CRA assessment area) in 1996, BOMC denied 39% of mortgage applications from African Americans, and only 15% of applications from whites (a denial rate disparity of 2.6). BOMC originated 367 loans to whites, and only 40 to African Americans. BOMC's Index in this MSA in 1996 was 0.109. Meanwhile in this MSA, BOFS originated 133 loans to African Americans, and 273 loans to whites -- Index of 0.487, 4.47 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Columbus OH MSA (Banc One's current headquarters) in 1996, BOMC denied 23% of mortgage applications from African Americans, and only 11% of applications from whites (a denial rate disparity of 2.09). BOMC originated

618 loans to whites, and only 47 to African Americans. BOMC's Index in this MSA in 1996 was 0.076. Meanwhile in this MSA, BOFS originated 26 loans to African Americans, and 166 loans to whites – Index of 0.157, over 2 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Dallas MSA in 1996, BOMC denied 32% of mortgage applications from African Americans, and only 12% of applications from whites (a denial rate disparity of 2.67). BOMC originated 710 loans to whites, and only 51 to African Americans. BOMC's Index in this MSA in 1996 was 0.072. Meanwhile in this MSA, BOFS originated 9 loans to African Americans, and 7 loans to whites – Index of 1.286, 17.86 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Dayton OH MSA (in Banc One's CRA assessment area) in 1996, BOMC denied 23% of mortgage applications from African Americans, and only 13% of applications from whites (a denial rate disparity of 1.77 -- see infra). BOMC originated 328 loans to whites, and only 33 to African Americans. BOMC's Index in this MSA in 1996 was 0.101. Meanwhile in this MSA, BOFS originated 41 loans to African Americans, and 151 loans to whites -- Index of 0.272, 2.69 times higher than BOMC's. BOFS's denial rate disparity for African Americans was 1.28, significantly lower than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Detroit MSA (NBD's headquarters, and in First Chicago's CRA assessment area) in 1996, BOMC originated 76 loans to whites, and only 8 to African Americans. BOMC's Index in this MSA in 1996 was 0.105. Meanwhile in this MSA, BOFS originated 364 loans to African Americans, and 618 loans to whites – Index of 0.589, 5.61 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Fort Wayne IN MSA in 1996, BOMC originated 243 loans to whites, and only 12 to African Americans. BOMC's Index in this MSA in 1996 was 0.049. Meanwhile in this MSA, the higher interest rate BOFS originated 26 loans to African Americans, and 120 loans to whites – Index of 0.217, 4.43 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Gary IN MSA (in both First Chicago's and Banc One's CRA assessment area) in 1996, BOMC denied 39% of mortgage applications from African Americans, and only 13% of applications from whites (a denial rate disparity of 3.0). BOMC originated 98 loans to whites, and only 10 to African

Americans. BOMC's Index (see supra) in this MSA in 1996 was 0.102. Meanwhile in this MSA, the higher interest rate BOFS originated 85 loans to African Americans, and 151 loans to whites -- Index of 0.563, 5.52 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Grand Rapids MI MSA (see NBD's historical record in this MSA) in 1996, BOMC originated 44 loans to whites, and NO LOANS to African Americans. Meanwhile in this MSA, the higher interest rate BOFS originated 61 loans to African Americans, and 308 loans to whites -- Index of 0.198, versus BOMC's Index (and loans to African Americans) of ZERO. BOMC disproportionately denies African Americans from its marketing; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Indianapolis IN MSA (in both First Chicago's and Banc One's CRA assessment area) in 1996, BOMC denied 21% of mortgage applications from African Americans, and only 12% of applications from whites (a denial rate disparity of 1.75, see below). BOMC originated 671 loans to whites, and only 84 to African Americans. BOMC's Index (see supra) in this MSA in 1996 was 0.125. Meanwhile in this MSA, the higher interest rate BOFS originated 148 loans to African Americans, and 573 loans to whites -- Index of 0.258, 2.06 times higher than BOMC's. Meanwhile, BOFS's denial rate disparity for African Americans was 1.09, significantly lower than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit, including but not only through referrals (or steering) from Banc One's banks/BOMC.

In the Lexington KY MSA (in Banc One's CRA assessment area) in 1996, BOMC denied 28% of mortgage applications from African Americans, and only 9% of applications from whites (a denial rate disparity of 3.11). BOMC originated 479 loans to whites, and only 31 to African Americans. BOMC's Index in this MSA in 1996 was 0.065. Meanwhile in this MSA, the higher interest rate BOFS originated 20 loans to African Americans, and 41 loans to whites -- Index of 0.488, 7.5 times higher than BOMC's. BOFS's denial rate disparity for African Americans was 1.28, significantly lower than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Louisville KY MSA (in Banc One's CRA assessment area) in 1996, BOMC denied 24% of mortgage applications from African Americans, and only 11% of applications from whites (a denial rate disparity of 2.18). BOMC originated 476 loans to whites, and only 19 to African Americans. BOMC's Index in this MSA in 1996 was 0.040. Meanwhile in this MSA, the higher interest rate BOFS originated 41 loans to African Americans, and 194 loans to whites -- Index of 0.211, 5.28 times higher than BOMC's. BOMC disproportionately denies African

Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Milwaukee MSA in 1996, BOMC denied 23% of mortgage applications from African Americans, and only 8% of applications from whites (a denial rate disparity of 2.88). BOMC originated 335 loans to whites, and only 17 to African Americans. BOMC's Index in this MSA in 1996 was 0.051. Meanwhile in this MSA, the higher interest rate BOFS originated 37 loans to African Americans, and 85 loans to whites -- Index of 0.435, 8.53 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Phoenix AZ MSA (in Banc OneÆs CRA assessment area) in 1996, BOMC denied 12% of mortgage applications from African Americans, and only 6% of applications from whites (a denial rate disparity of 2). BOMC originated 4,646 loans to whites, and only 48 to African Americans, and only 270 to Hispanics. BOMC's Hispanic Index in this MSA in 1996 was 0.058 (see supra); BOMC's African American Index in this MSA in 1996 was 0.010. Meanwhile in this MSA, the higher interest rate BOFS originated 173 loans to Hispanics, 33 loans to African Americans, and 952 loans to whites -- Hispanic Index of 0.182, 3.14 times higher than BOMC's; BOFS's African American Index in this MSA was 0.035, 3.5 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Springfield IL MSA in 1996, BOMC denied 40% of mortgage applications from African Americans, and only 11% of applications from whites (a denial rate disparity of 3.64). BOMC originated 102 loans to whites, and only 2 to African Americans. BOMC's Index in this MSA in 1996 was 0.020. Meanwhile in this MSA, the higher interest rate BOFS originated 4 loans to African Americans, and 29 loans to whites -- Index of 0.138, 6.9 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit, including but not only through referrals (or steering) from BOMC.

In the Toledo OH MSA in 1996, BOMC originated 144 loans to whites, and only 6 to African Americans. BOMC's Index in this MSA in 1996 was 0.042. Meanwhile in this MSA, the higher interest rate BOFS originated 20 loans to African Americans, and 87 loans to whites -- Index of 0.230, 5.48 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Tuscon AZ MSA (in Banc One's CRA assessment area) in 1996, BOMC denied 18% of mortgage applications from African Americans, and only 7% of applications from whites (a denial rate disparity of 2.57). BOMC originated

800 loans to whites, and only 15 to African Americans, and only 97 to Hispanics. BOMC's Hispanic Index in this MSA in 1996 was 0.121 (see supra); BOMC's African American Index in this MSA in 1996 was 0.019. Meanwhile in this MSA, the higher interest rate BOFS originated 126 loans to Hispanics, 9 loans to African Americans, and 242 loans to whites -- Hispanic Index of 0.521, 4.31 times higher than BOMC's; BOFS's African American Index in this MSA was 0.037, 1.95 times higher than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Yuma AZ MSA (in Banc One's CRA assessment area, and where BOMC has been charged with discrimination by the Arizona Attorney General) in 1996, BOMC denied 30% of mortgage applications from African Americans, and only 16% of applications from whites (a denial rate disparity of 1.86 - see infra). BOMC originated 33 loans to whites, and only 14 to Hispanics. BOMC's Hispanic Index in this MSA in 1996 was 0.424 (see supra). Meanwhile in this MSA, the higher interest rate BOFS originated 21 loans to Hispanics, and 21 loans to whites -- Hispanic Index of 1.000, 2.36 times higher than BOMC's. BOFS's denial rate disparity for Hispanics was 1.15, significantly lower than BOMC's. BOMC disproportionately denies African Americans; BOFS disproportionately targets African Americans for higher interest rate credit.

In the Wilmington DE MSA (where Banc One/First USA has a CRA duty), the high interest rate BOFS made 25 loans to African Americans, and 25 loans to whites -- totally out of proportion to the demographics of, and other lenders' lending in, this MSA. BOFS disproportionately targets African Americans for higher interest rate credit.

Of most concern to MPGis Banc One's and its subsidiaries', particularly BOMC's and BOFS's, deficient fair lending and CRA performance, in markets throughout the country, as set forth above and as will be futher documented in this proceeding, including at the requested evidentiary hearing.

[More to follow, including:

C. Banc One Imposes ATM Surcharges - On Its Own Customers

III. THIS PROPOSED MERGER WOULD HAVE SIGNIFICANTLY ANTICOMPETITIVE EFFECTS, AND SHOULD BE DENIED.

The FRB cannot approve any proposal under Section 3 of the BHC Act which would substantially lessen competition, unless the anticompetitive effects are clearly outweighed in the public interest by the convenience and needs of the community. 12 U.S.C. °1842(c). Convenience and needs aspects do not outweigh

Wisconsin Rural Development Center
6/23/98

CONCLUSIONS REGARDING BANC ONE LENDING IN MSA AND NON-MSA AREAS

Bank One Wisconsin is the third largest commercial institution in Wisconsin. The bank accounts for 12.5% of all bank assets, 10.5% of all bank deposits, and 13.6% of all loans within the state. Given the institution's size and financial condition, there appears to be no factors which would limit its ability to meet the credit needs of under served communities, low to moderate income home borrowers, small businesses and small farms. However, as our analysis shows:

* *Conventional home ownership loans to low to moderate income borrowers is weak.* Banc One and its subsidiary lenders are capturing only 2.6% of all low to moderate income MSA HMDA loan market shares and 2.3% of all dollar amounts for the state.

* *The majority of small business lending is targeted to larger businesses.* Of the 5,912 FFIEC small business loans reported in 1996, 59.5% of all loan numbers and 62.1% of all dollar amounts were originated to businesses with gross revenues of over $1 million.

* *Small farm lending is extremely weak.* Despite the fact that both MSA and non-MSA assessment areas include over 36% of the state's total farm numbers, Banc One and its subsidiaries are originating only 1.2% of all FFIEC reportable small farm loan numbers and 2.5% of all dollar amounts for the state.

* *Participation in state and federal guaranteed programs is weak, especially in non-MSA areas.* Of the 1,280 HMDA conventional loans originated statewide in 1996, only 8% of all loan numbers and 5.4% all dollar amounts were guaranteed under the WHEDA/HOME program. In non-MSA areas, 5.5% of loan numbers and 3.6% of all dollar amounts were under guarantee. No FSA FO or OL farm loans were under guarantee in 1996. Of the 1,630 small business loans totaling $131.3 million only 3.2% of all dollar amounts are under SBA guarantee. Likewise, in non-MSA areas, 3.6% of all dollar amounts are under SBA guarantee.

* *Lending outside of assessment areas is weak, especially in lower-income non-MSA areas.* Non-MSA low to moderate income counties received only 4.5% of all loan numbers and 2.4% of all dollar amounts of Banc One HMDA originations. Likewise, low to moderate income counties received only 3.7% of all loan numbers and 3.7% of all dollar amounts of FFIEC small business originations. Only 10 small farm loans, totaling $1,169 million, were originated by Banc One in low income non-MSA counties.

Before granting final approval to the application, we believe there are still a number of questions regarding lending and reinvestment performance which need to be addressed.

* Specifically, is Banc One Mortgage Corporation's lending used to assess Bank One Wisconsin's overall CRA performance? If so, why are so few loans being made in non-assessment area low income MSA and non-MSA counties in the state by the Mortgage company (we assume their assessment areas can include all of Wisconsin)?

Delaware Community Reinvestment Action Council, Inc.

601 N. Church Street, Wilmington, DE 19801
Telephone: 302- 654-5024 Fax: 302- 654-5046

ROUTE TO | INITIAL
B. Benson
P. Jackson
Musgrave
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R. Cochaz
Miller
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Legal
Research
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APU
S&R Files

Via facsimile

July 14, 1998

Board of Governors of the Federal Reserve System
Attn: Ms. Jennifer J. Johnson, Secretary
20th Street and Constitution Avenue
Washington, D.C. 20551

RE: <u>TIMELY COMMENTS AND HEARING REQUEST IN OPPOSITION TO BANC ONE CORPORATION'S PROPOSED ACQUISITION OF FIRST CHICAGO NBD AND ITS SUBSIDIARIES AND ALL RELATED APPLICATIONS AND NOTICES</u>

Dear Secretary Johnson and others at the FRB:

On behalf of the Delaware Community Reinvestment Action Council (DCRAC), this is a supplemental comment in opposition to the aforementioned application.

DCRAC's detailed comments are included in the supplemental comments submitted by Inner City Press /Community on the Move, dated July 7, 1998.

In addition, we reiterate that a public meeting is an imperative in this application, particularly in Indiana--which is most adversely impacted by this merger.

This proposed merger highlights anti-trust issues, particularly in Indiana. In addition, the announced plans to decrease competition in the mortgage credit arena--shrinks competition among mortgage products even further (loss of mortgage credit from Banc One and FCC).

This proposal raises several consumer concerns. Already raised before the Federal Reserve Board during Banc One's acquisition of First USA are our concerns with Banc One's fair lending practices such as the practice of disproportionately high lending to minority borrowers through Banc One Financial Services (a high interest rate predatory lender). Bank One's banks--normal interest rate lending affiliate/subsidiary on the other hand disproportionately excludes minority borrowers. In 1996, Banc One Financial Services saw a 319% (from 7805 in 1995 to 32,712 in 1996) increase in lending over 1995.

Our mission is "to ensure equal access to credit and capital for the under served populations and communities throughout Delaware through Education, Advocacy, and Legislation"

07/14 '98 12:52

Our conclusions are that Banc One
a) seeks competition for non-minority and upper income families--thereby offering them lower priced products and services, and
b) seeks opportunities to fleece the minority and lower income communities--thereby surcharging race and income.
These are serious community concerns and on these grounds alone the application should be denied.

Banc One intends to meet its responsibilities under the Community Reinvestment Act by

a) abandoning the very mechanisms that would make CRA happen . For example, on page 8 of the June 18, 1998 response ("response") to our comments, Banc One states, "the sale of small town branches to strong community banking organizations that focus on meeting the needs of small communities is consistent with BANC ONE's efforts to address the convenience and needs of consumers." This is a clear representation of what Banc One believes CRA to be and how Banc One intends to abandon CRA responsibilities and obligations. On these grounds alone, this application must be denied.
b) meeting them through predacious practices. For example, at 12 of the response, Banc One states (in response to our allegations that Banc One engages in pricing discrimination by disproportionately targeting and lending high-priced products through finance companies to minorities while disproportionately excluding them from normal rate products), "such data merely reflects that BOFS is effectively meeting the credit needs of minorities who otherwise might not be able to obtain credit." This standard excuse for fleecing minorities actually assumes that the Bank considers that minorities are not credit worthy borrowers. This raises serious concern for our communities.
c) reverse redlining. For example, again at 12 of the response, Banc One states, "it is clear that BOFS is not an active first mortgage lender to which credit worthy BOMC home buyers are steered......To the contrary, the data shows that BOFS is effectively working to meet the credit needs of individuals who may not be able to obtain credit from other sources." Supporting our claims earlier that Banc One seeks to profit from our lower income and minority communities, this equity drain from our communities is a serious concern which needs serious review.
d) denying African Americans residential loans. For example, at 12 of the response, Banc One states, "In addition, the African America denial disparity has dropped from 3:1 to 2.3:1". The fact that the denial disparity in New Castle County, for home mortgages over the past two years has stood at almost 1:1 (1:1.275 in 1996 and 1:1.25 in 1995), and the fact that Banc One seems to be proud of denying African Americans more than twice as a white applicant, raises more than just red-flags and demand serious review of Banc One's lending practices.

Banc One's response to DCRAC concerns, while does not even merit a rebuttal, I will point out the following:

i. DCRAC's quarterly newsletter s, Delaware CRA News, has a circulation of over 1,500.
ii. In January, 1998, the newsletter called for advisors from the banking community and volunteers from the banking community to form a Financial Advisory group to assist our constituency on financial investment matters.

iii. On March 12, 1998, First USA CRA officer expressed a desire to serve as an advisor from the banking community.

iv. On May 12, 1998 (even after DCRAC was fully aware of the merger announcement), DCRAC invited Ms. Steele of FUSA. Our letter of invitation, third paragraph illustrates our desire to educate our lending institutions. We state, "I also hope that you will take with you an understanding of our organizational culture, our community concerns, and our vision for equity, parity, and access to credit and capital in our community."

v. DCRAC is a mission driven organization. We abide by our mission through education (which includes our banking and regulatory community), advocacy, and legislation. It is with an intent of educating our banking community, that DCRAC determined to seek advisors from the banking community.

vi. Finally, on FUSA's CRA record. I will let Banc One's response show its inadequacy.

We have also raised concerns about Banc One's fee gouging practices. In response to these allegations, Banc One sites a Fed order (at 10 of the response). I must argue that this merger poses anti-trust concerns--and here is the dilemma. Our concerns are with the convenience and needs of our communities. Obviously, higher fees and surcharges on our lower income and minority community is a convenience and needs issue. Most importantly, we continue to argue that the potential to set monopolistic pricing on products and services harm not just our lower income and minority communities--but consumers of banking products and services. Therefore, this is as much a convenience and needs issue as an anti-trust issue.

To close, Banc One's current record is abysmal. The proposed merger cannot serve the convenience and needs of our communities. For Delaware, this proposed merger will have a devastating effect. FCC is a lead limited purpose bank in the area of housing. FCC's investments in our housing counseling profession and through purchase of full service bank's lower priced portfolio mortgages are some examples of the critical role that FCC has played in our community. Banc One's disdain for communities in general (and particularly our community), will have a serious adverse impact on affordable housing in Delaware. We do not want FCC to be lost to Banc One. This merger should not be allowed.

Again, we request that a public hearing be conducted on this proposed merger application and that this merger application should be denied. If you have any questions, please do not hesitate to call me at 302-654-5024.

Sincerely,

Rashmi Rangan

Rashmi Rangan
Executive Director