

Bank Watchers testimony to the Federal Reserve on the Banc One/First Chicago mergers.

August 13, 1998
Chicago Federal Reserve

My name is Hubert Van Tol of Sparta, Wisconsin. I am the President of Bank Watchers. We provide information and other services for community-based organizations on banking and community reinvestment issues. I also serve as a board member of the National Community Reinvestment Coalition and am a co-chair of NCRC's Legislative/Regulatory committee. Thank you for the opportunity to testify today.

I agree with most of the issues that have been raised about Banc One's deficient CRA record. Since I can't possibly do justice to these many complex issues in this short time, I'm going to focus on the problems I have with how CRA gets interpreted for rural areas and on the telling difference in the CRA behavior of First Chicago/NBD and Banc One.

My colleague, Marv Kamp from the Wisconsin Rural Development Center has outlined some concerns about how Banc One provides services and loans to rural Wisconsin. I think his comments highlight the importance of the Federal Reserve giving more careful thought than it has in the past to what the Community Reinvestment Act means for rural areas. With mega-mergers like the Banc One/First Chicago transforming the shape of the banking industry it is very important that you think those issues through sooner rather than later. What does providing fair access to credit in rural America mean for huge institutions that are buying up the branches and the ability to provide services in suburban and some cases inner city markets, but are leaving the rural counties and particularly lower income rural counties, that span the areas between those urban areas, partially or completely out of their acquisition plan?

You have heard that Banc One is providing agricultural loans at a much higher rate in some of the wealthier rural counties of Wisconsin than it is in the poorer counties. You have heard that



CHICAGO COALITION FOR THE HOMELESS

Banc One-1st Chicago NBD Merger Hearing
Federal Reserve Bank of Chicago
Thursday, August 13, 1998

STATEMENT FROM
THE CHICAGO COALITION FOR THE HOMELESS
BY MATT McDERMOTT

My name is Matt McDermott. I am a policy specialist with the Chicago Coalition for the Homeless. CCH is a 17 year-old advocacy organization focusing on the root causes of homelessness and finding permanent solutions to the problem. CCH has nearly 15,000 members in greater Chicago and nearly 800 organizational members.

CCH has very serious concerns about the proposed merger between Banc One and 1st Chicago NBD. We understand that Banc One has very poor CRA record and a wavering commitment to the very important mortgage lending business. In addition, Banc One has refused to negotiate directly with community groups and coalitions. While they maintain all agreements made by other parties to the merger will be honored, there unfortunately is no guarantee of that. All three parties related to the merger--Banc One, 1st Chicago, and NBD--also have less than admirable lending records in the African-American and Latino communities.

These shortcomings by major market institutions seeking to increase their market dominance have tragic consequences. The lack of capital in many communities prevent the creation of new housing and new employment opportunities. While many of these potential opportunities might not directly be available to the people I represent, their absence is the beginning of a spiral that winds up impacting the poorest members of our communities, those we don't often think of when we think about banks--homeless people. Because bank capital is not available to create these opportunities, we increasingly see a reliance on government funding for housing and job creation for middle income people. This demand on government resources competes, usually with success, against funding for projects that serve very low-income and homeless people, which truly cannot be created by market institutions like banks.

With 80,000 people homeless in Chicago every year--and more and more children among them, creating an average age of nine years old--we must have a greater commitment from our banks to serve the entire community rather than profiting from creating more disparities in our country. If we do not, the results will be even greater tragedy in the next generation.

For this reason, CCH opposes the Banc One-1st Chicago merger until all parties make direct community investment commitments. Thank you.

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My name is Rev. Casimir F. Gierut AB;BA;AAS;AS. I reside at 9106 Del Prado Drive, Palos Hills, Illinois, 60465 (Phone-708-598-2335)

As a consumer seeking banking services, I strongly oppose the proposal by Bank One Corporation located in Columbus, Ohio, to merge with First Chicago NBD Corporation, located in Chicago, Illinois, for the following reasons:

First, the merger will destroy competition between the two banks. Competition is a financial asset in favor of all consumers. We have the opportunity to compare different interest rates offered by the two banks. The final decision is in our favor to accept the higher interest rate in reference to the purchase of a Certificate of Deposit or to accept the bank offering the lowest interest rate toward a loan.

This merger will force the consumer to deal with only one megabank. Our freedom to choose the other bank will be gone. There will be no alternative but to accept whatever interest rates the bank wishes to offer to the public. That is not the right way to do business in a capitalistic society.

To possess financial power in the hands of a few bankers is a by-product of merging banks into megabanks is to be feared.

Secondly, I oppose the merger of Bank One with First Chicago because it will become a huge monopoly. The United States Attorney General Janet Reno should file an anti-trust suit against this merger to stop this becoming the biggest monopoly in the United States.

Banks are not an agency of the Federal Government which would exempt them from any anti-trust laws. Banks are privately owned financial institutions. The title "Corporation" in the name following Bank One Corporation tells us that it is a private corporation. The title "Corporation" in the name following First Chicago NBD Corporation tells us that it is a private corporation.

It is not fair nor just to file an anti-trust suit against Bill Gates Microsoft Corporation merging with another giant computer corporation because the merger is considered to be a monopoly and not apply the same anti-trust suit against Bank One and First Chicago an obvious form of monopoly.

Justice is not served equally in the application of the anti-trust laws to private corporations. To allow Bank One and First Chicago to merge into a monopoly is unlawful, illegal and contrary to the anti-trust laws.

Thirdly, the mergers are not made for the good of the consumers. The bottom line is how much profit is made for the good of the bank. This leads to greediness.

I recall standing in line to open a new account at the First Chicago. As many tellers there are accounts for the many long lines of people standing patiently to be assisted by the teller. Instead of the First Chicago being pleased to see the long lines of people, the greedy bank decided to charge a fee of \$3.00 for tellers assistance.

I heard many complain that the \$3.00 may be a "fee" in the mind of the banker, but they called the \$3.00 an act of extortion. Either you turn over \$3.00 or you will not be served by the teller. Such a procedure is extortion and unacceptable in the lawful business world of finance.

Lastly, and most important reason why I oppose the merger of Bank One with First Chicago NBD is that this kind of merger decreases the existence in the growth of banking.

In the year 1985 there were 14,480 banks. Today, this year of 1998, the number of banks has dwindled to 9,435 banks and decreasing in number with each new merger.

For the power to be invested in the hands of a few bank Presidents and bank directors is contrary to the principles of capitalism which is the way of life for 231 million Americans.

Robert H. Hemphill former credit manager of the Federal Reserve Bank of Atlanta, Georgia said:

"We are completely depended on the commercial banks. If the banks create ample supply of money, we are prosperous, if not we starve. The banking problem is so important that our present civilization may collapse unless it is wisely understood and the defects remedied very soon."

Merging of banks is one of those defects which will bring about a new kind of slavery. Financial dominance in the hands of a few will create financial enslavement of people and civilization. This is why I oppose the merging of Bank One with First Chicago NBD.

Rev. Casimir F. Hieron

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Testimony

Charles H. Bromley

Federal Reserve Bank of Chicago

August 13, 1998

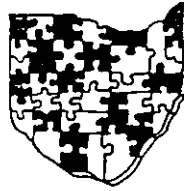
First Chicago NBD Banc One Corporation Merger

My name is Charles H. Bromley; I am the director of a statewide Ohio Fair Housing group based in Cleveland. I also serve as chair of the Ohio Community Reinvestment Project; a statewide coalition of community based organizations committed to fair lending throughout the state.

Because a picture is worth a thousand words, and I have been allocated five minutes, I have prepared some pictures that outline a snapshot of the lending behavior of Banc One and its affiliates in the state of Ohio.

- Let me first review Banc One's behavior in an area where they are ranked as the third largest small-business lenders in the U.S. According to Kenneth T. Stevens, "A small-business customer doesn't care where the corporate headquarters are. What they care about is...local execution - 'Are they doing a job for me? Is my relationship manager serving my needs?' Apparently, Mr. Stevens forgot to review his small-business lending record with Blacks in greater Cleveland.
- Let me review some statistical data in our first chart by income, second chart is by race and the third bar graph reviews their lending record of making business loans to Black businesses through the SBA program. Let me just point out that America National Bank, located in predominately white Parma, Ohio has made a higher percentage of loans to Black businesses than Banc One.

- Our first map shows small-business lending in the Cleveland Metropolitan area with Lorain County on the west and Ashtabula on the east. Cuyahoga is in the center of the picture with greatest concentration without small-business loans.
- The second map highlights Cuyahoga County and the first-ring suburbs of greater Cleveland that have a large Black population and very little small-business lending by Banc One.
- The final small business map highlights the failure of Banc One to make small-business loans in low and moderate-income tracts.
- The last two maps highlight aggregated data for home improvement loans in the Toledo MSA and Cincinnati MSA. The reason I chose to highlight home improvement lending is that Banc One dominates this lending in the state of Ohio and you can see their failure to affirmatively market the assessment in the Toledo and Cincinnati area.
- I am sending a detailed report to the Assistant Attorney General for civil rights, William L. Lee. Because we believe the information that we have uncovered as a result of this challenge represent a pattern and practice of racial discrimination in Banc One's small-business lending as well as home improvement loans. I would urge that the Federal Reserve Bank take no action on the pending merger until the Department of Justice can review the information that we will present to them.



Banc One Short Changes Minority Small Businesses

Banc One, Cleveland's small business loan data for 1996 suggests that the bank has not adequately served the small business credit needs of Cleveland's extensive minority community. As shown in Table 1, the bank made no small business loans in 68% of the 115 minority census tracts within its five-county assessment area. By comparison, the percentage of White census tracts in which the bank made no small business loans was only 39%. Table 2 indicates that the geographic disparity in small business lending effort correlates with differences in census tract income level – a pattern that raises concerns under the Community Reinvestment Act. As Table 3 indicates, however, substantial racial disparity persists even after controlling for census tract income level.

Banc One Cleveland's small business loan data for 1996 indicates that unusually high shares of the bank's small-sized loans were made to medium-sized and perhaps even large-sized firms, as opposed to small-sized firms. Under the current disclosure system, banks provide data on their business loans to firms with less than \$1 million in annual revenues – a reasonable size threshold for defining small business. However, banks also provide data on their business loans with original loan amounts of \$1 million or less. Many of such small-sized loans are, in fact, made to medium-sized and even large-sized

firms. Thus, small-size loans provide only a very loose proxy for loans to small-sized firms.

In 1996, Banc One Cleveland made 1380 small-sized loans (loans amounts under \$1 million) to business located within its five-county assessment area. At the same time, Banc One Cleveland make only 400 loans to small-sized firms (revenues under \$1 million) in its assessment area. This indicates that the great majority of the loans classified as “small business loans” by virtue of their small loan size were not made to small-sized firms. If we assume that all of the 400 loans to small-sized firms were also small sized-loans, then 71% of Banc One Cleveland’s 1380 small-sized loans in the five-county assessment area were made to medium or large-sized firms. Alternatively, if some fraction of the 400 loans to small-sized firms and loan amounts over \$1 million, then the percentage of small-sized loans going to medium and large-sized firms would be even higher. For example, if 10% of the 400 loans to small-sized firms had loan amounts over \$1 million, then the percentage of Banc One Cleveland’s 1380 small-sized loans going to medium or large-sized firms would have been be 74%, instead of 71%.

Banc One Cleveland’s ration of small-sized loans to small-firm loans ($1380/400$) was 3.45 in 1996. By comparison, for all lenders within the five-county assessment area in 1996 the aggregate ratio of small-sized loans to small-firm loans (business loans made by all lenders within the five-county assessment area was only 2.14 ($16620/7781$)). This

substantial disparity indicates that Banc One Cleveland has far more loans to medium and large-sized firms embedded within its publicly reported "small business loan" data than do banks on average within the five-county assessment area. Under the assumption that all loans to small-sized firms were also small-sized loans, only 53% of the 16620 small-sized loans made by all lenders within the five-county assessment area went to medium or large-sized firms, compared to the 71% percentage for Banc One Cleveland.

While Banc One Cleveland's small business loan data raises serious concerns from both a Fair Lending and CRA perspective, the publicly reported data is subject to serious limitations and does not permit an adequate evaluation of the bank's performance in serving the small business credit needs of Cleveland's extensive minority community. The underlying problem is the lack of data on the geographic distribution by census tract of Banc One's loans to small-sized firms in the five-county assessment area. The public data does identify the census tracts where Banc One Cleveland has made one or more small business loans, but it does not indicate how many loans were made in each census tract. Further, in identifying the census tracts where the bank made one or more loans, the public data does not distinguish between loans to small-sized firms and small-sized loans.

The public data indicate that Banc One Cleveland made one or more small business loans in 49 of the 155 minority census tracts in its five-county assessment area.

The public data, however, do not indicate the number of minority census tracts in which Banc One Cleveland made one or more loans to small-sized firms, as distinct from small-sized loans. As noted, in 1996, within the five-county assessment area, Banc One Cleveland made only 400 loans to small-sized firms, compared to 1380 small-sized loans.

Banc One has disclosed to the Cleveland Plain Dealer that 8.2% of its small business loans in the Cleveland assessment area in 1996 were made in minority census tracts. If the minority census tract share of loans to small-sized firms was the same as the 8.2% minority census tract share of total small business loans, this would mean that in 1996 Banc One Cleveland made only 33 loans to small-sized firms in the minority census tracts of its assessment area ($8.2\% \times 400$). Under this assumption, Banc One Cleveland's market share of aggregate loans to small-sized firms made by all reporting lenders in minority census tracts of the assessment area minority neighborhoods would have been only 4.07% -- 33 loans out of a total of 810 loans. By contrast, in 1996 Banc One Cleveland had a 8.30% market share of aggregate small-sized loans made by all reporting lenders within the assessment areas -- 1380 loans out of a total of 16620.

Data on the geographic distribution of small business loans is especially important in a metropolitan area such as Cleveland with extensive and diverse minority neighborhoods. While there are 151 minority census tracts within a five-county assessment area, a large share of total number of businesses with the broad minority

community is located within a relatively small number of census tracts. These are the minority census tracts that are part of the downtown Cleveland business district or represent commercial areas in the eastern portion of Cuyahoga County, such as Warrensville Heights, Bedford Heights, Oakwood, and Woodmere. For example, 10 minority census tracts – (107100, 107200, 107300, 107700, 108800, 188104, 188107, 133103, 194000, 194800) – account for 34.81% of aggregate loans to small-sized firms and 35.95% of aggregate small-sized loans reported by all lenders within the 151 minority census tracts. Given this geographic distribution of small business lending activity within the broad minority community, Banc One Cleveland could easily focus its small business lending in only a few minority census tracts while ignoring the small business credit needs of the vast majority of minority census tracts. Such a pattern would not be revealed by data that indicate only the total number of small business loans made within minority census tracts as a group. Clearly, small business loans made within minority census tracts as a group. Clearly, small business loan data by census tract is needed to properly evaluate the small business lending performance of Banc One Cleveland.

We request that Banc One make public on a census-tract-by-census-tract basis the number and dollar amount of its small business loans within the Cleveland Primary Metropolitan Statistical Area. We also request that this loan data be itemized separately

for loans to small-sized firms (revenues under \$1 million) and small-sized loans (loan amounts under \$1 million). This data will enable the public to more effectively monitor and assess Banc One's small business lending performance.

Such disclosure is especially important in view of Banc One's pending application to merge with First Chicago NBD Corporation. As mergers lead to operation, the vital ties between large banks and their local communities will inevitably weaken. Under these circumstances, new accountability mechanisms are needed to enable local communities to better monitor giant bank performance and to seek changes in bank policies when needed. Thus Banc One, as part of its pending merger application, should commit to disclose on an annual basis the small business loan data we have requested above.

BANC ONE (Cleveland) : SMALL BUSINESS LENDING IN 1996

5 County Assessment Area: Cuyahoga, Lake, Ashtabula, Geauga, Lorain

Total Number of Census Tracts:	685
Census Tracts in which Banc One (Cleveland) Made No Small Business Loans:	346
Percentage of Tracts with No Loans:	47.01%

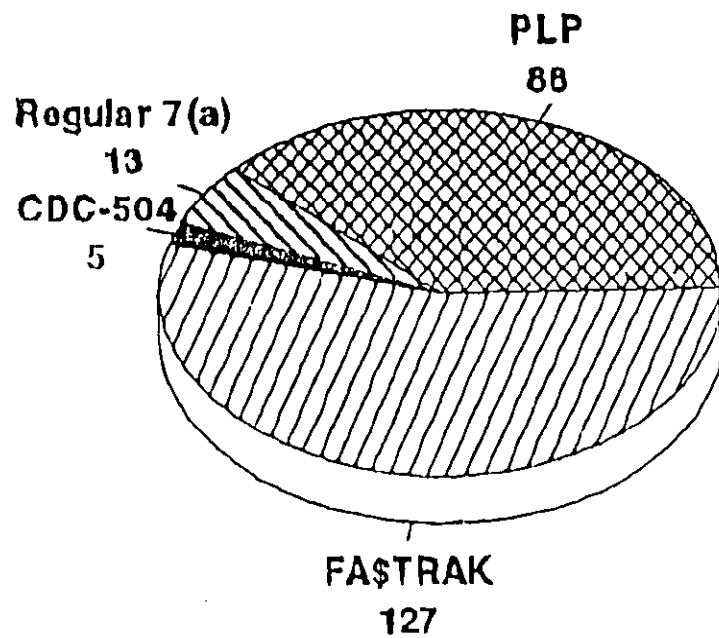
Stratification by Census Tract Minority Percentage

	Number of tracts	Banc One: no Small business Loans	% of tracts with no Banc One Loans
Minority – 50% or more	155	106	68.39%
Minority – 25% to 50%	55	40	68.97%
Minority – 10% to 25%	78	43	55.13%
Minority – under 10%	381	147	38.58%
No population data for census tract	13	10	

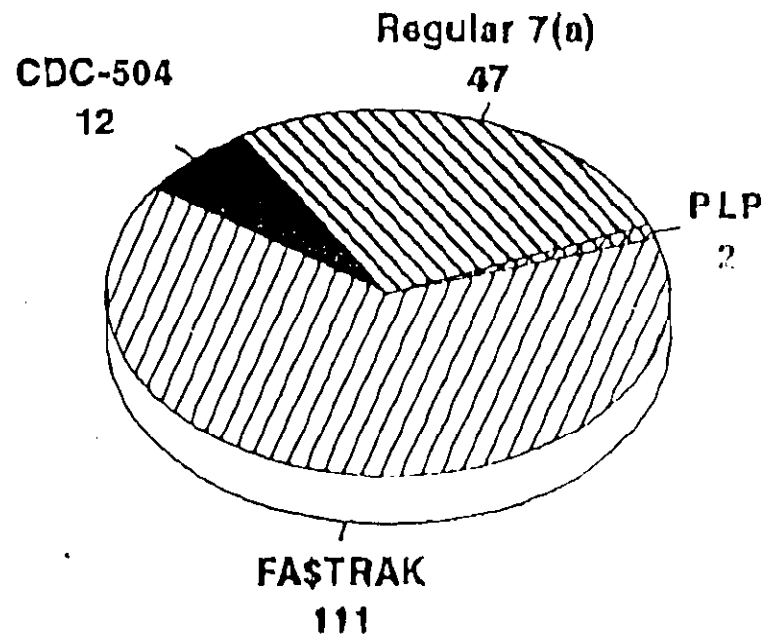
Distribution of Major Loan Programs

SBA Cleveland District

21 Months (October 1, 1997 to June 30, 1998)



Bank One - 233 Loans



Key Bank - 172 Loans

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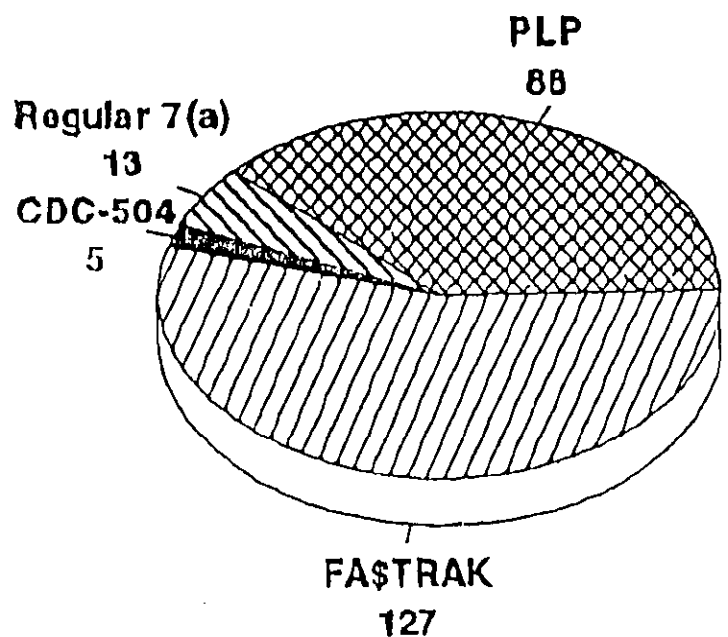
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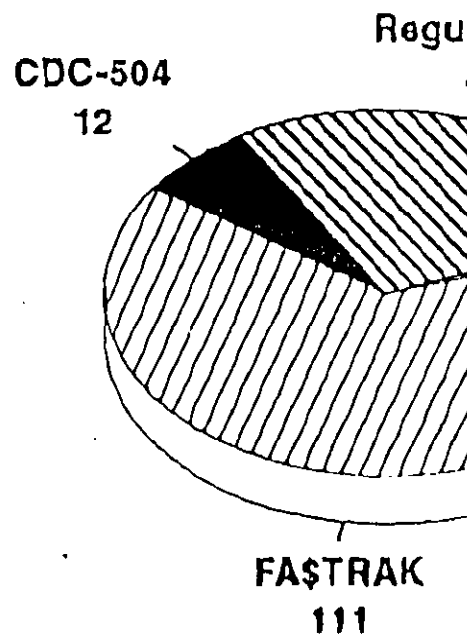
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Distribution of Major Loan Program SBA Cleveland District

21 Months (October 1, 1997 to June 30, 1998)



Bank One - 233 Loans



Key Bank - 17

Cincinnati, OH MSA 1640

Significant Findings on Bank One Lending Practices in Cincinnati Metro Area (Based on HMDA data – 1996)

- Bank One Cincinnati's home purchase applications consisted of 8.2% Black and 82.1% White applications. The Black population in the Cincinnati MSA was 12.5% and the White population was 86.1%.
- Bank One Cincinnati had a 25% denial rate for all Black applicants for home purchases.
- Bank One Cincinnati received 10.3% of its applications from low and moderate-income applicants. The benchmark for the nine largest lenders was 13.3% and the MSA benchmark was 16.3%. This is important and relevant because the major goal of the Community Reinvestment Act is to generate applications from historically underserved, low and moderate-income individuals.
- Significantly, Bank One Cincinnati originated only 9.5% of its low and moderate-income applications, as opposed to 35.7% of their upper income applicants. Among the nine largest lenders, the benchmark of low and moderate-income originations is 11.8% and among MSA lenders 12.8%.
- Bank One Cincinnati made 7.1% of its originations from census tracts greater than 50% minority; however, they managed to make 76.2% of their originations in census tracts with 20% or less minority population – a staggering difference.
- Bank One Cincinnati received only 10.3% of its applications from low and moderate-income tracts and ranked number 8 among the nine largest lenders in the Cincinnati MSA. It ranked number 7 among the same peer group and originated only 9.5% from low and moderate-income tracts.

Columbus, OH MSA 1840

Significant Findings on Bank One Lending Practices in Columbus Metro Area (Based on HMDA data – 1996)

- Bank One Columbus had the highest rate of denials for all race and income groups: 44.9%. It is also the lender with the smallest number of home purchase applications.
- Of Bank One's conventional home purchase applications, 88.5% were from Whites and 4.4% were from Blacks. The Black population in the Columbus MSA is 12.1% and the White population is 85.4%.
- The denial rate for Bank One in the Columbus MSA, among Black applicants, was 43.7%. Among the eight largest lenders, the Black denial rate was 23.5%.
- Bank One, when compared with the eight largest lenders in the Columbus MSA, had a 71.6% denial rate for low and moderate-income applicants. The benchmark for the eight largest lenders was 61.5%; among all MSA lenders it was 57.6%.
- Among applications compared by race and income, Bank One shows a significant bias toward attracting applications from low and moderate income whites (52.8%) in comparison to low and moderate income Blacks (3.6%).
- In a key area, Bank One Columbus receives only 10.3% of its applications from low and moderate-income tracts. It ranks 8 out of 9 in that category. The Bank appears to have very little affirmative outreach to geographic areas that have been historically underserved by lenders, and that should be targeted in their affirmative obligation under the Community Reinvestment Act.

Cleveland, OH MSA 1680

Significant Findings on Bank One Lending Practices in Cleveland Metro Area (Based on HMDA data – 1996)

- Among denials to individuals with income greater than 120% of the median household income, Bank One had a 40% denial rate among Blacks and a 13.7% denial rate among Whites, for a denial ratio of 2.9%.
- Bank One originations for census tracts greater than 50% minority was 15.6%. In census tracts less than 20% minority the origination rate is 71.1%. For Bank One Columbus in the Cleveland Metro Area, in census tracts greater than 50% minority, originations were 6.0% and in census tracts less than 20% minority origination rate was 92%.
- Bank One Cleveland reflects considerable progress in meeting the credit needs from a recent ranking by federal regulators of "Needs to Improve" in 1994. This progress is a result of a signed agreement with the City of Cleveland and the honorable Michael R. White in 1994. Unfortunately, in the other major urban communities, Columbus and Cincinnati, such statements cannot be made.

Stratification by Census Tract Income Level

	Number of Tracts	Banc One: no small business Loans	% of tracts with no Banc One loans
Low income	115	75	65.22%
Moderate income	122	80	65.57%
Lower middle income	130	54	41.54%
Upper middle income	149	63	42.28%
Upper income	148	59	39.86%
No income data for Census tract	21	15	

Tract income category: tract MFI as a % of MSA MFI

Low Income: under 50%

Moderate Income: 50% to 80%

Lower Middle Income: 80% to 100%

Upper Middle Income: 100% to 120%

Upper Income: 120% or more

BANC ONE (Cleveland) : SMALL BUSINESS LENDING IN 1996

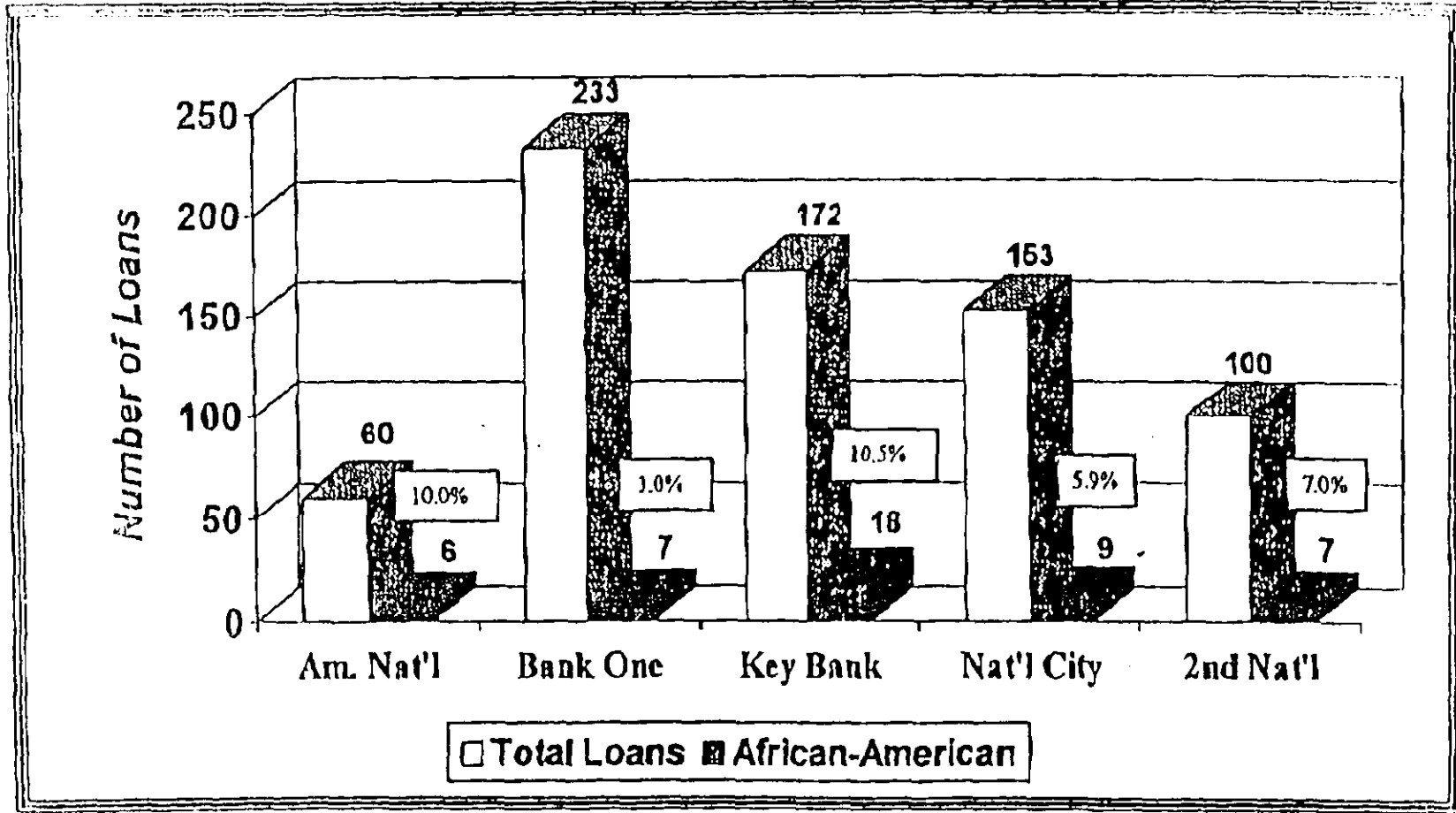
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Stratification by Census Tract Minority Percentage

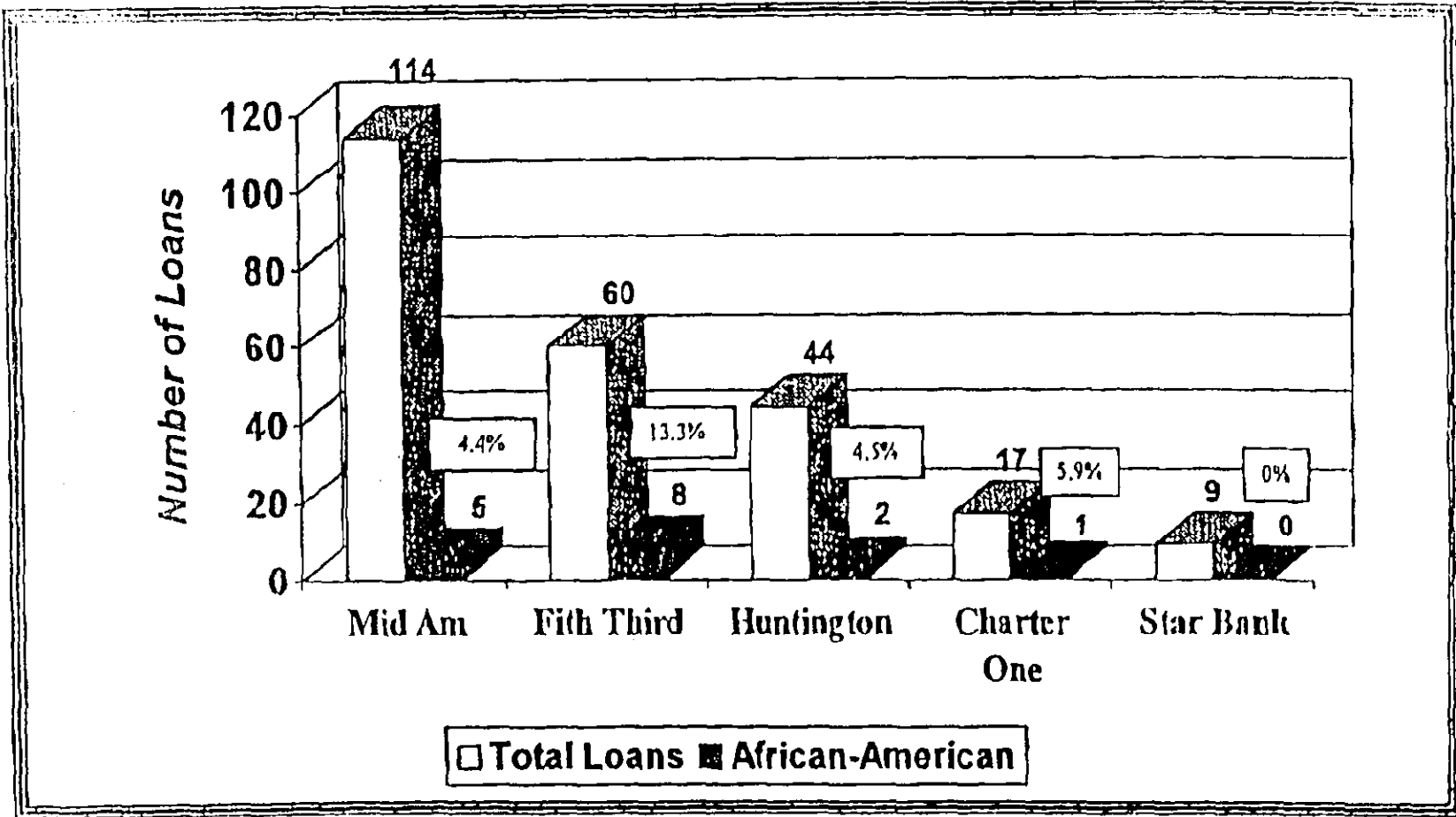
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Cleveland District Office - Bank Comparison
21 Months (October 1, 1996 to June 30, 1998)
Loans to African-American Businesses
(as a percentage of total loans)



E. Koeberer

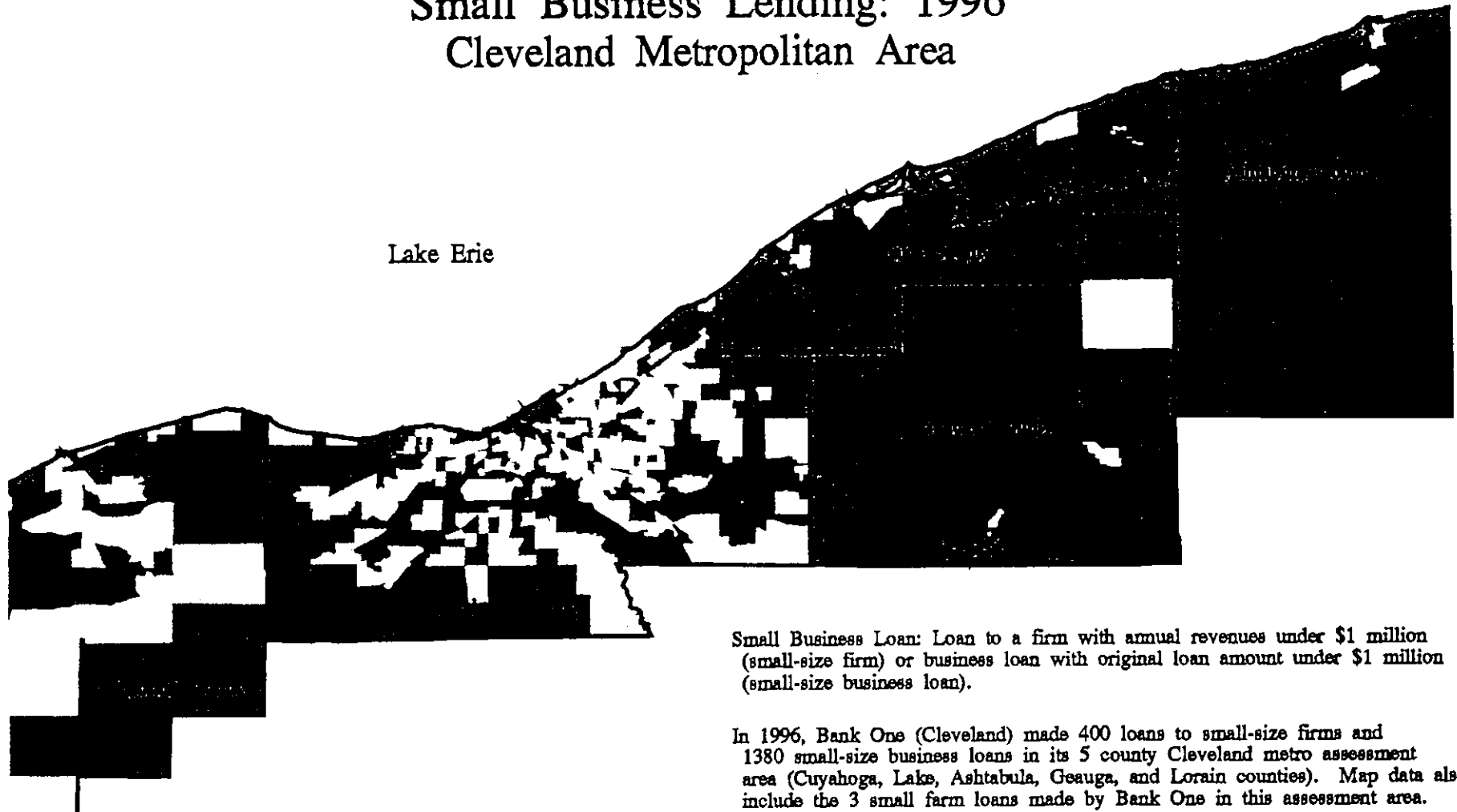
Cleveland District Office - *Bank Comparison*
21 Months (October 1, 1996 to June 30, 1998)
Loans to African-American Businesses
(as a percentage of total loans)



E. Koerber

BANK ONE, CLEVELAND, OHIO

Small Business Lending: 1996 Cleveland Metropolitan Area



Bank One (Cleveland) Small Business Lending
in 1996 - by Census Tract

- County Boundaries
- No Small Business Loans
- One or More Small Business Loans

Small Business Loan: Loan to a firm with annual revenues under \$1 million (small-size firm) or business loan with original loan amount under \$1 million (small-size business loan).

In 1996, Bank One (Cleveland) made 400 loans to small-size firms and 1380 small-size business loans in its 5 county Cleveland metro assessment area (Cuyahoga, Lake, Ashtabula, Geauga, and Lorain counties). Map data also include the 3 small farm loans made by Bank One in this assessment area.

Distribution of loans to small-size firms: Cuyahoga - 162; Lake - 117; Ashtabula - 45; Geauga - 43; Lorain - 33.

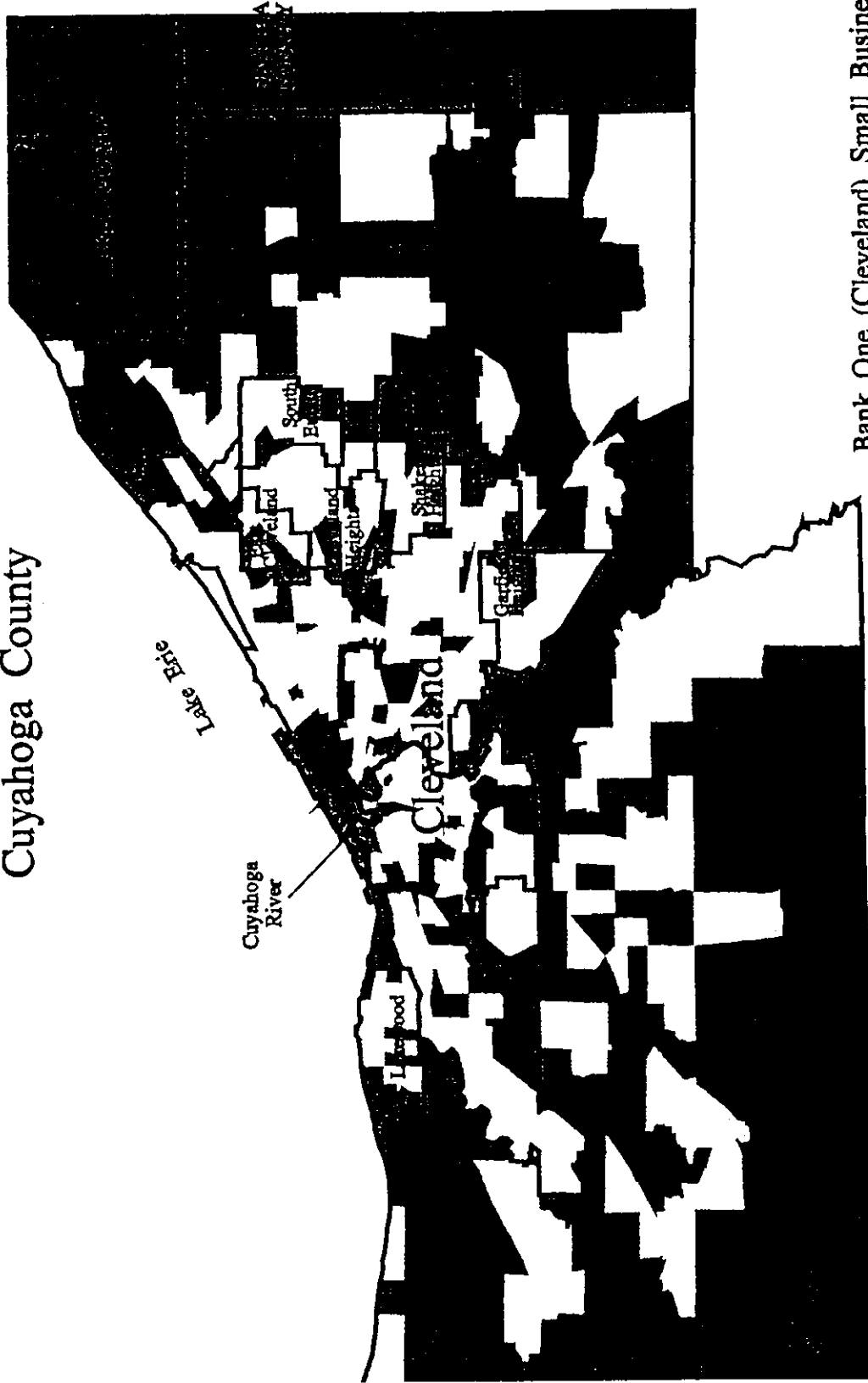
Distribution of small-size business loans: Cuyahoga - 638; Lake - 407; Ashtabula - 121; Geauga - 120; Lorain - 94.

Source: FFIEC, 1996 CRA data.

Ohio Community Reinvestment Project, Cleveland, Ohio

BANK ONE, CLEVELAND, OHIO

Small Business Lending: 1996 Cuyahoga County



In 1996, Bank One (Cleveland) made 162 loans to small-size firms and 638 small-size business loans in Cuyahoga County. Map data also include the 2 small farm loans made by Bank One in Cuyahoga County.

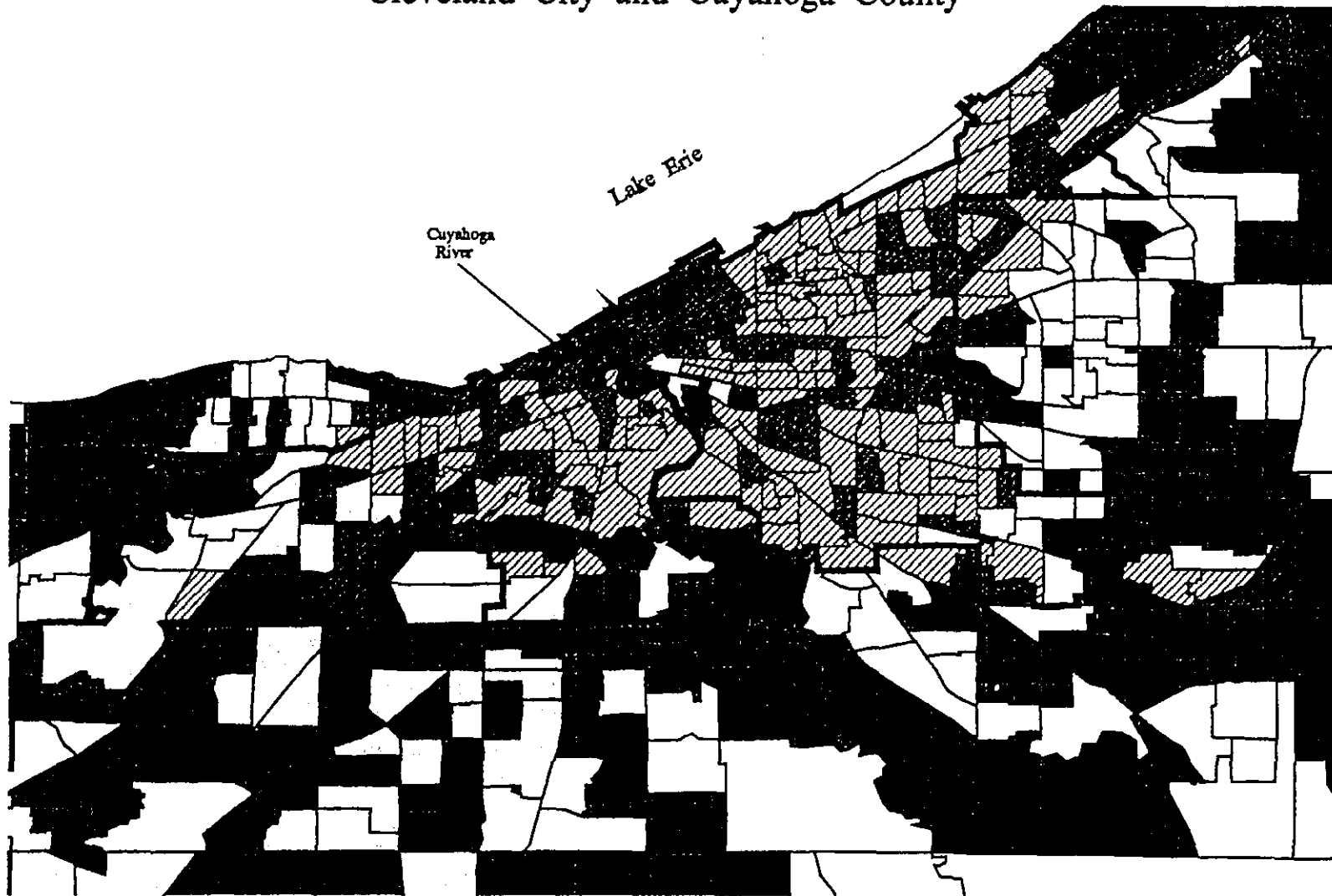
Source: FFIEC, 1996 CRA data.

Ohio Community Reinvestment Project, Cleveland, Ohio

Bank One, Cleveland, Ohio

Small Business Lending in Low and Moderate Income Neighborhoods: 1996

Cleveland City and Cuyahoga County







Source: FFIEC, 1996 CRA data; and 1990 US Census data.
 Low or Moderate Income Census Tract: Census tract median family income less than 80% of MSA median family income.

In 1996, Bank One (Cleveland) made 45 loans to small-size firms and 160 small-size business loans in low and moderate income census tracts in Cuyahoga County.

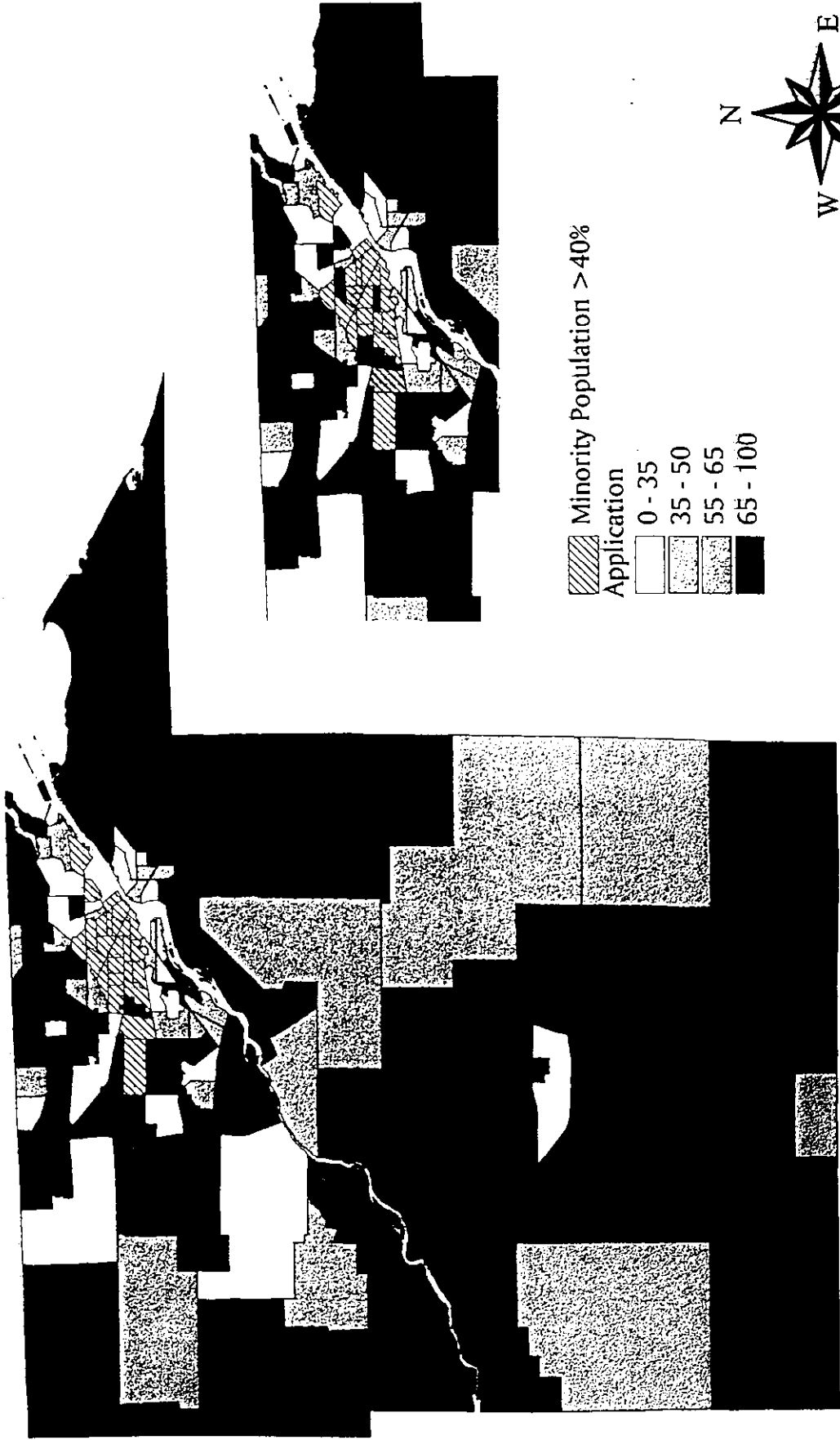
Ohio Community Reinvestment Project, Cleveland, Ohio

Bank One (Cleveland) Small Business Lending in 1996 - by Census Tract

-  Cleveland Municipal Boundary
-  Low or Moderate Income Census Tract
-  No Small Business Loans
-  One or More Small Business Loans

Banc One's Market Share, Toledo Metro Area

Approval Rate for Home Improvement Application



Minority Population > 40%

Application

0 - 35

35 - 50

55 - 65

65 - 100

20

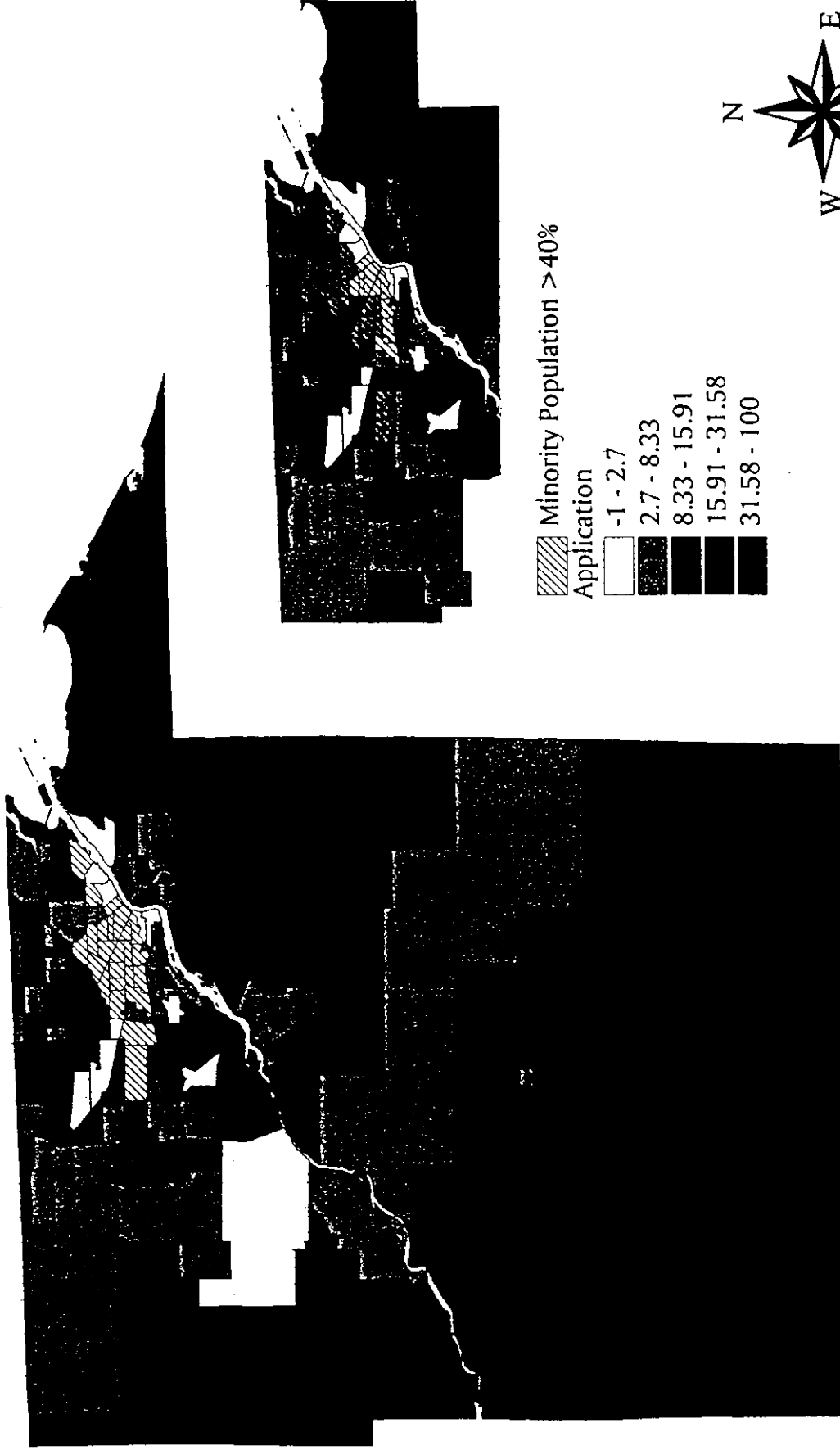
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40 Miles

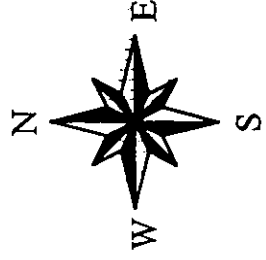
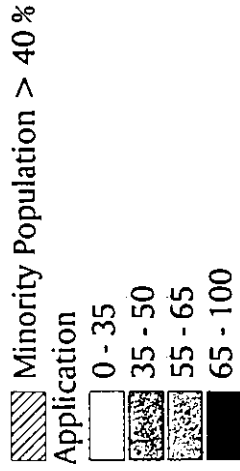
Banc One's Market Share, Toledo Metro Area

Home Improvement Application



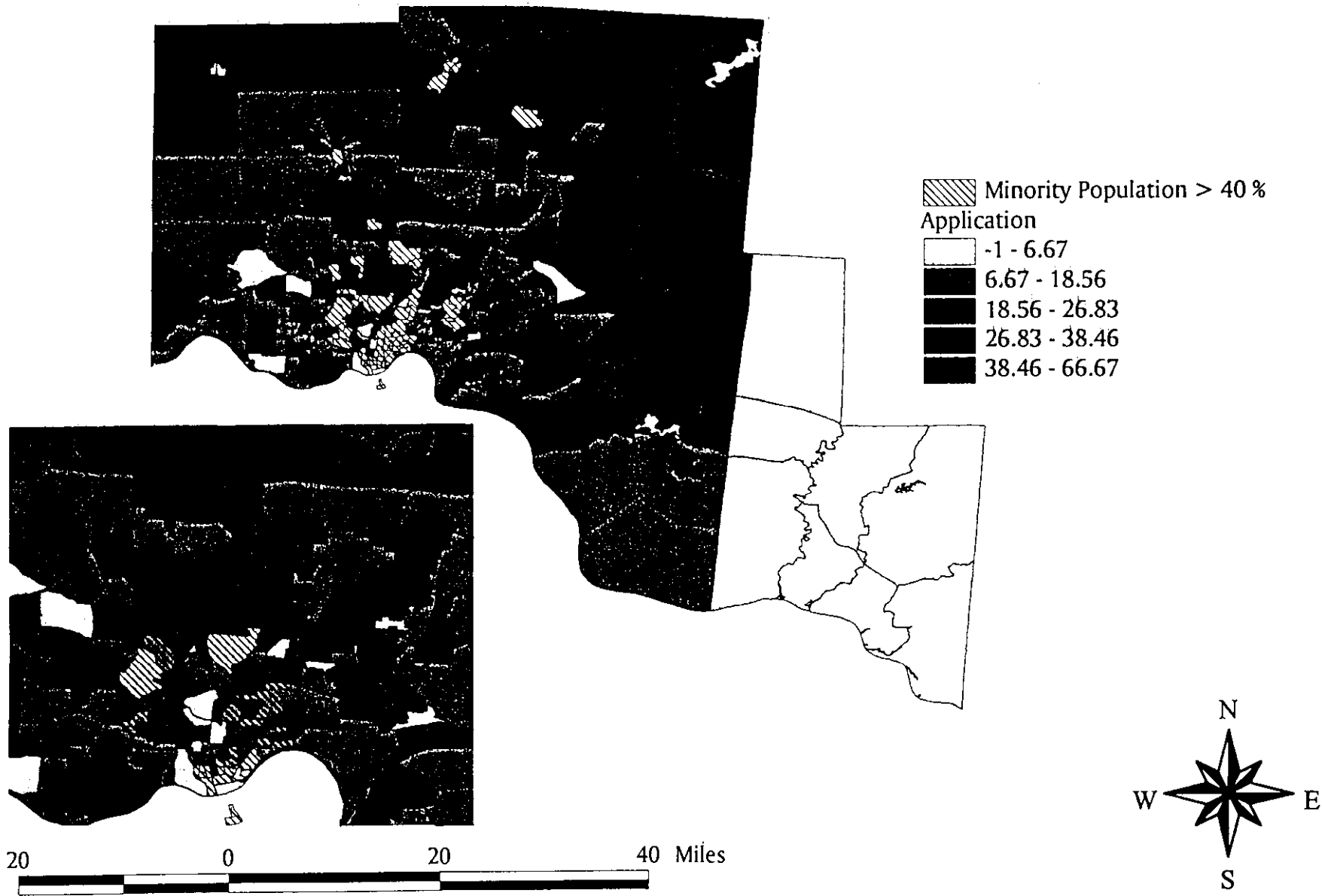
Banc One's Market Share, Cincinnati Metro Area

Approval Rate for Home Improvement Application



Banc One's Market Share, Cincinnati Metro Area

Home Improvement Loans Application





**TESTIMONY BEFORE THE FEDERAL RESERVE BOARD ON THE PROPOSED
MERGER OF FIRST CHICAGO NBD WITH BANC ONE**

Comments Submitted by the Wisconsin Rural Development Center (WRDC)

August 13, 1997

On behalf of the Wisconsin Rural Development Center (WRDC) I would like to thank the Federal Reserve Board for the opportunity to speak to you on the proposed merger between First Chicago and Banc One. We are a 300 member statewide community organization which has worked with family farmers and rural small businesses for over fifteen years. Our mission is to support family farm agriculture, rural development and enhance economic opportunities for rural residents throughout the state.

Our organization previously submitted formal comments on this application. Specific concerns cited in those comments included Banc One's low level of originations to low to moderate income (LMI) conventional home buyers; its lack of participation in state and federal guaranteed programs designed to assist LMI first time home buyers, small business and small farms; its systematic targeting of loans to upper income borrowers; and consequently, the bank's dis-investment in low income and under served rural communities. An analysis of 1997 HMDA and CRA Aggregate data shows that Banc One continues to make significant cuts in conventional home ownership and small business originations in our state.

Based on deposit share, Banc One is the third largest commercial institution in Wisconsin. Clearly, how it conducts business and meets reinvestment obligations has a substantial impact on our state's economy and the communities it serves. Changes in lending policies and practices can often have devastating consequences — especially for our state's poor. According 1997 to data, these changes are beginning to occur. Nationally, Banc One is the second largest home mortgage lender. However, fewer than 2% of all conventional home mortgages are originated by the bank

in the state, and that share appears to be declining. Between 1996 and 1997, conventional home ownership loans dropped by over 35%. At the same time, loans to LMI borrowers were cut by nearly 43% (a detail analysis by MSA is attached to these comments — see Table 1). In six of the seven MSAs which we analyzed, LMI borrowers consistently received a disproportionately low share of 1 to 4 family conventional home mortgages while upper income borrowers consistently exceeded MSA share averages.

Banc One also accounts for significant business lending in the state. The bank is the third largest business lender in Wisconsin with \$2.8 billion in loans outstanding. However, according to FFIEC data, substantial cuts were also reported in 1997. Business originations declined by nearly 21% or over \$90 million from the previous year (see Table 2). Over one-third of those cuts were to business with gross revenues of less than \$1 million. Although numerous studies have stressed the need for small business development in the state, fewer than 49% of all loan numbers and 38% of all dollar amounts went to businesses with gross revenues of under \$1 million.

Of particular concern is Banc One's minimal use of state and federal guaranteed programs which are designed to serve the needs of LMI borrowers. In 1997, less than 8% of all conventional home loans were guaranteed under the Wisconsin Housing and Economic Development Authority's Home Ownership Mortgage program (WHEDA/HOME). This highly successful state program targets low and moderate income first-time buyers. Although significant numbers of Banc One conventional home mortgage originations occur in most MSAs in the state, over half of the WHEDA/HOME loans were targeted to only three MSAs. Also, despite the fact that Banc One is considered a major business lender in the state, less than 5% of all business loans were under SBA guarantee in 1997.

Banc One's assessment areas include eleven rural counties. Deposits within these assessment areas represent 16% or \$738 million of all Banc One deposits in the state. In our initial comments we criticized the bank's low level of lending in rural areas, specifically regarding small farm originations. In their written response, Mr. Steven Bennet and Ms. Julia Johnson stated that Banc One serves, "a predominately urban market" and, they implied, are under no obligation to meet all the credit needs within rural areas.

However, we believe this attitude raises serious questions about the bank's lack of

commitment in meeting the convenience and needs of communities they are supposed to serve. Simply, a bank cannot ignore credit needs within its delineated area and then originate the same type of loan in other, more affluent, non-assessment areas. One-fifth or 15,460 of our state's farms are located within Banc One's assessment areas. However, according to 1997 FFIEC Small Farm data, over 21% of all farm loan numbers and 23% of all dollar amounts were originated outside of delineated assessment areas. The eight highest income rural counties in the state received 78% of all Banc One small farm originations.

Our analysis of Banc One's CRA performance in rural areas raises a number of concerns. In rural Wisconsin, the percentage of low income families often exceeds rates found in central cities. Clearly, a need exists. However, the bank's use of state and federal guaranteed programs is minimal, at best, and underscores its total disregard for the needs of LMI rural borrowers. In 1997, no farm loans were originated with any federal guarantees while less than 2% were originated with state guarantees. Despite significant conventional home ownership lending in rural counties, less than \$1 million of those loans were originated with WHEDA/HOME guarantees.

Based on Banc One's CRA performance in Wisconsin, we request that the Board of Governors deny the proposed merger until the bank can take affirmative steps to address the deficiencies cited above. Thank you for your time.

TABLE 1 ALL WISCONSIN BANC ONE HMD/MSA DATA 1997
1 to 4 Family Conventional Owner Occupied Home Mortgages
(dollar amounts in the thousands)

MSA	Bank One		Financial Services		Mortgage Corp		Total Banc One		MSA Totals	
	Num	\$ AMT	Num	\$ AMT	Num	\$ AMT	Num	\$ AMT	Num	\$ AMT
Appleton-Oshkosh										
<80% of MSA Median	4	243	1	72	28	1633	33	1948	1295	73577
% Income Share	23.5%	20.7%	100.0%	100.0%	25.2%	15.1%	25.6%	16.1%	26.8%	17.2%
80-99% of MSA Median	2	82	0	0	12	928	14	1010	808	60534
% Income Share	11.8%	7.0%	0.0%	0.0%	10.8%	8.6%	10.9%	8.4%	16.7%	14.1%
100-119% of MSA Median	2	146	0	0	20	1862	22	2008	812	69413
% Income Share	11.8%	12.4%	0.0%	0.0%	18.0%	17.2%	17.1%	16.6%	16.8%	16.2%
>120% of MSA Median	9	702	0	0	51	6414	60	7116	1920	224304
% Income Share	52.9%	59.8%	0.0%	0.0%	45.9%	59.2%	46.5%	58.9%	39.7%	52.4%
Totals	17	1173	1	72	111	10837	129	12082	4835	427828
MSA Mkt Share Total	0.4%	0.3%	0.0%	0.0%	2.3%	2.5%	2.7%	2.8%	100.0%	100.0%
Green Bay										
<80% of MSA Median	9	584	1	72	8	464	18	1120	739	47491
% Income Share	40.9%	36.4%	100.0%	100.0%	17.8%	9.5%	26.5%	17.0%	25.4%	17.0%
80-99% of MSA Median	1	18	0	0	8	692	9	710	528	41227
% Income Share	4.5%	1.1%	0.0%	0.0%	17.8%	14.1%	13.2%	10.8%	18.1%	14.8%
100-119% of MSA Median	4	277	0	0	11	958	15	1235	495	45395
% Income Share	18.2%	17.2%	0.0%	0.0%	24.4%	19.6%	22.1%	18.8%	17.0%	16.3%
>120% of MSA Median	8	727	0	0	18	2782	26	3509	1149	145140
% Income Share	36.4%	45.3%	0.0%	0.0%	40.0%	56.8%	38.2%	53.4%	39.5%	52.0%
Totals	22	1606	1	72	45	4896	68	6574	2911	279253
MSA Mkt Share Total	0.8%	0.6%	0.0%	0.0%	1.5%	1.8%	2.3%	2.4%	100.0%	100.0%
Janesville-Beloit										
<80% of MSA Median	3	131	0	0	23	1420	26	1551	629	31547
% Income Share	33.3%	25.5%	0.0%	0.0%	26.7%	20.7%	27.1%	20.8%	30.9%	20.1%
80-99% of MSA Median	1	25	0	0	16	1050	17	1075	423	30962
% Income Share	11.1%	4.9%	0.0%	0.0%	18.6%	15.3%	17.7%	14.4%	20.8%	19.7%
100-119% of MSA Median	0	0	0	0	19	1627	19	1627	324	26165
% Income Share	0.0%	0.0%	0.0%	0.0%	22.1%	23.7%	19.8%	21.9%	15.9%	16.7%
>120% of MSA Median	5	358	1	78	28	2755	34	3191	662	68101
% Income Share	55.6%	69.6%	100.0%	100.0%	32.6%	40.2%	35.4%	42.9%	32.5%	43.4%
Totals	9	514	1	78	86	6852	96	7444	2038	156775
MSA Mkt Share Total	0.4%	0.3%	0.0%	0.0%	4.2%	4.4%	4.7%	4.7%	100.0%	100.0%

MSA	Bank One		Financial Services		Mortgage Corp		Total Banc One		MSA Totals	
	Num	\$ AMT	Num	\$ AMT	Num	\$ AMT	Num	\$ AMT	Num	\$ AMT
Kenosha										
<80% of MSA Median	3	162	0	0	6	367	9	529	320	16946
% Income Share	25.0%	13.3%	0.0%	0.0%	15.0%	7.9%	17.0%	9.0%	17.8%	9.8%
80-99% of MSA Median	2	224	0	0	10	891	13	1115	245	18032
% Income Share	8.3%	8.3%	0.0%	0.0%	25.0%	19.3%	24.5%	18.9%	13.6%	10.4%
100-119% of MSA Median	0	62	0	0	1	117	2	179	278	24770
% Income Share	8.3%	5.1%	0.0%	0.0%	2.5%	2.5%	3.8%	3.0%	15.5%	14.3%
>120% of MSA Median	5	773	1	49	23	3253	29	4075	962	114047
% Income Share	41.7%	63.3%	100.0%	100.0%	57.5%	70.3%	54.7%	69.1%	53.0%	65.6%
Totals	12	1221	1	49	40	4628	53	5898	1795	173795
MSA Mkt Share Total	0.7%	0.7%	0.1%	0.0%	2.2%	2.7%	3.0%	3.4%	100.0%	100.0%
Madison										
<80% of MSA Median	2	129	0	0	7	614	9	743	1503	122403
% Income Share	22.2%	13.0%	0.0%	0.0%	18.4%	12.8%	19.1%	12.9%	25.2%	17.4%
80-99% of MSA Median	2	166	0	0	4	326	6	492	1079	110629
% Income Share	22.2%	16.7%	0.0%	0.0%	10.5%	6.8%	12.8%	8.5%	18.1%	15.7%
100-119% of MSA Median	0	0	0	0	9	1012	9	1012	1016	115654
% Income Share	0.0%	0.0%	0.0%	0.0%	23.7%	21.2%	19.1%	17.5%	17.0%	16.4%
>120% of MSA Median	5	698	0	0	18	2827	23	3525	2376	355534
% Income Share	55.6%	70.3%	0.0%	0.0%	47.4%	59.2%	48.9%	61.1%	39.8%	50.5%
Totals	9	993	0	0	38	4779	47	5772	5974	704220
MSA Mkt Share Total	0.2%	0.1%	0.0%	0.0%	0.6%	0.7%	0.8%	0.8%	100.0%	100.0%
Milwaukee										
<80% of MSA Median	11	695	0	0	15	819	26	1514	4245	258732
% Income Share	40.7%	18.6%	0.0%	0.0%	12.6%	5.6%	17.6%	8.1%	23.7%	13.1%
80-99% of MSA Median	5	427	0	0	22	1822	27	2249	2807	233813
% Income Share	18.5%	11.4%	0.0%	0.0%	18.5%	12.4%	18.2%	12.0%	15.7%	11.8%
100-119% of MSA Median	2	191	0	0	17	1636	19	1827	2802	289094
% Income Share	7.4%	5.1%	0.0%	0.0%	14.3%	11.1%	12.8%	9.8%	15.7%	14.6%
>120% of MSA Median	9	2429	2	284	65	10416	76	13129	8028	1197135
% Income Share	33.3%	64.9%	100.0%	100.0%	54.6%	70.9%	51.4%	70.1%	44.9%	60.5%
Totals	27	3742	2	284	119	14693	148	18719	17882	1978774
MSA Mkt Share Total	0.2%	0.2%	0.0%	0.0%	0.7%	0.7%	0.8%	0.9%	100.0%	100.0%

MSA	Bank One		Financial Services		Mortgage Corp		Total Banc One		MSA Totals	
	Num	\$ AMT	Num	\$ AMT	Num	\$ AMT	Num	\$ AMT	Num	\$ AMT
Racine										
<80% of MSA Median	3	252	1	51	5	290	9	593	512	29529
% Income Share	21.4%	13.4%	50.0%	53.1%	16.1%	7.6%	19.1%	10.2%	21.9%	12.8%
80-99% of MSA Median	1	51	0	0	4	252	5	303	415	32624
% Income Share	7.1%	2.7%	0.0%	0.0%	12.9%	6.6%	10.6%	5.2%	17.7%	14.2%
100-119% of MSA Median	1	74	1	45	2	169	4	288	371	34657
% Income Share	7.1%	3.9%	50.0%	46.9%	6.5%	4.4%	8.5%	5.0%	15.8%	15.0%
>120% of MSA Median	9	1506	0	0	20	3102	29	4608	1045	133532
% Income Share	64.3%	80.0%	0.0%	0.0%	64.5%	81.4%	61.7%	79.6%	44.6%	58.0%
Totals	14	1883	2	96	31	3813	47	5792	2343	230342
MSA Mkt Share Total	0.6%	0.8%	0.1%	0.0%	1.3%	1.7%	2.0%	2.5%	100.0%	100.0%

1997 HMDA TOTALS

All MSA Total	110	11132	8	651	470	50498	588	62281	37778	3950987
Total MSA Mkt Share	0.3%	0.3%	0.0%	0.0%	1.2%	1.3%	1.5%	1.6%	100.0%	100.0%
All MSA LMI Total	35	2196	3	195	92	5607	130	7998	9243	580225
Total MSA Mkt Share	0.4%	0.4%	0.0%	0.0%	1.0%	1.0%	1.5%	1.5%	100.0%	100.0%

1996 HMDA TOTALS

All MSA Total	277	19895	8	421	625	59102	910	79418	38517	3805342
Total MSA Mkt Share	0.7%	0.5%	0.0%	0.0%	1.6%	1.6%	2.4%	2.1%	100.0%	100.0%
Change 96-97	-167	-8763	0	230	-155	-8604	-322	-17137	-739	145645
All MSA LMI Total	68	3253	5	141	155	9208	228	12602	8872	539437
Total MSA Mkt Share	0.8%	0.6%	0.1%	0.0%	1.8%	1.7%	2.6%	2.3%	100.0%	100.0%
Change 96-97	-33	-1057	-2	54	-63	-3601	-98	-4604	371	40788

TABLE 2 BANC ONE SML BUS AND SML FARM COMPARISONS 1996-1997

Small Business 1996

Assessment	LOAN AMOUNT < \$100,000		LOAN AMOUNT \$100-\$250,000		LOAN AMOUNT > \$250,000		TOTAL SML BUS < \$100-> \$250		LOANS TO BUS ≤\$1M Gross Rev		% LOANS TO BUS ≤\$1M Gross Rev	
	#Loans	\$Amt	#Loans	\$Amt	#Loans	\$Amt	#Loans	\$Amt	#Loans	\$Amt	% #Loans	% \$Amt
Inside	4219	101676	477	80364	400	237761	5096	419801	2242	161170	44.0%	38.4%
Outside	373	8235	46	8415	57	31024	476	47674	206	17005	43.3%	35.7%
Totals	4592	109911	523	88779	457	268785	5572	467475	2448	178175	43.9%	38.1%
%Outside	8.1%	7.5%	8.8%	9.5%	12.5%	11.5%	8.5%	10.2%	8.4%	9.5%		
Small Farm 1996												
Inside	62	2555	25	3428	3	934	90	6917	82	6065	91.1%	87.7%
Outside	13	632	13	2195	4	1537	30	4364	20	2335	66.7%	53.5%
Totals	75	3187	38	5623	7	2471	120	11281	102	8400	85.0%	74.5%
%Outside	17.3%	19.8%	34.2%	39.0%	57.1%	62.2%	25.0%	38.7%	19.6%	27.8%		

Small Business 1997

Assessment	LOAN AMOUNT < \$100,000		LOAN AMOUNT \$100-\$250,000		LOAN AMOUNT > \$250,000		TOTAL SML BUS < \$100-> \$250		LOANS TO BUS ≤\$1M Gross Rev		% LOANS TO BUS ≤\$1M Gross Rev	
	#Loans	\$Amt	#Loans	\$Amt	#Loans	\$Amt	#Loans	\$Amt	#Loans	\$Amt	% #Loans	% \$Amt
Inside	3146	93507	441	73909	344	170856	3931	338272	1944	130069	49.5%	38.5%
Outside	311	8652	52	9287	39	20293	402	38232	167	13163	41.5%	34.4%
Totals	3457	102159	493	83196	383	191149	4333	376504	2111	143232	48.7%	38.0%
%Outside	9.0%	8.5%	10.5%	11.2%	10.2%	10.6%	9.3%	10.2%	7.9%	9.2%		
Small Farm 1997												
Inside	437	10722	46	6942	14	5580	497	23244	375	17833	75.5%	76.7%
Outside	118	3714	12	2000	4	1309	134	7023	94	5204	70.1%	74.1%
Totals	555	14436	58	8942	18	6889	631	30267	469	23037	74.3%	76.1%
%Outside	21.3%	25.7%	20.7%	22.4%	22.2%	19.0%	21.2%	23.2%	20.0%	22.6%		

Small Business Changes 1996-1997

Assessment	LOAN AMOUNT < \$100,000		LOAN AMOUNT \$100-\$250,000		LOAN AMOUNT > \$250,000		TOTAL SML BUS < \$100-> \$250		LOANS TO BUS <=\$1M Gross Rev	
	#Loans	\$Amt	#Loans	\$Amt	#Loans	\$Amt	#Loans	\$Amt	#Loans	\$Amt
Inside	-1073	-8169	-36	-6455	-56	-66905	-1165	-81529	-298	-31101
Outside	-62	417	6	872	-18	-10731	-74	-9442	-39	-3842
Totals	-1135	-7752	-30	-5583	-74	-77636	-1239	-90971	-337	-34943
Small Farm Changes 1996-97										
Inside	375	8167	21	3514	11	4646	407	16327	293	11768
Outside	105	3082	-1	-195	0	-228	104	2659	74	2869
Totals	480	11249	20	3319	11	4418	511	18986	367	14637

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My name is Rev. Casimir F. Gierut AB;BA;AAS;AS. I reside at 9106 Del Prado Drive, Palos Hills, Illinois, 60465 (Phone-708-598-2335)

As a consumer seeking banking services, I strongly oppose the proposal by Bank One Corporation located in Columbus, Ohio, to merge with First Chicago NBD Corporation, located in Chicago, Illinois, for the following reasons:

First, the merger will destroy competition between the two banks. Competition is a financial asset in favor of all consumers. We have the opportunity to compare different interest rates offered by the two banks. The final decision is in our favor to accept the higher interest rate in reference to the purchase of a Certificate of Deposit or to accept the bank offering the lowest interest rate toward a loan.

This merger will force the consumer to deal with only one megabank. Our freedom to choose the other bank will be gone. There will be no alternative but to accept whatever interest rates the bank wishes to offer to the public. That is not the right way to do business in a capitalistic society.

To possess financial power in the hands of a few bankers is a by-product of merging banks into megabanks is to be feared.

Secondly, I oppose the merger of Bank One with First Chicago because it will become a huge monopoly. The United States Attorney General Janet Reno should file an anti-trust suit against this merger to stop this becoming the biggest monopoly in the United States.

Banks are not an agency of the Federal Government which would exempt them from any anti-trust laws. Banks are privately owned financial institutions. The title "Corporation" in the name following Bank One Corporation tells us that it is a private corporation. The title "Corporation" in the name following First Chicago NBD Corporation tells us that it is a private corporation.

It is not fair nor just to file an ~~anti~~-trust suit against Bill Gates Microsoft Corporation merging with another giant computer corporation because the merger is considered to be a monopoly and not apply the same anti-trust suit against Bank One and First Chicago an obvious form of monopoly.

Justice is not served equally in the application of the anti-trust laws to private corporations. To allow Bank One and First Chicago to merge into a monopoly is unlawful, illegal and contrary to the anti-trust laws.

Thirdly, the mergers are not made for the good of the consumers. The bottom line is how much profit is made for the good of the bank. This leads to greediness.

I recall standing in line to open a new account at the First Chicago. As many tellers there are accounts for the many long lines of people standing patiently to be assisted by the teller. Instead of the First Chicago being pleased to see the long lines of people, the greedy bank decided to charge a fee of \$3.00 for tellers assistance.

I heard many complain that the \$3.00 may be a "fee" in the mind of the banker, but they called the \$3.00 an act of extortion. Either you turn over \$3.00 or you will not be served by the teller. Such a procedure is extortion and unacceptable in the lawful business world of finance.

Lastly, and most important reason why I oppose the merger of Bank One with First Chicago NBD is that this kind of merger decreases the existence in the growth of banking.

In the year 1985 there were 14,480 banks. Today, this year of 1998, the number of banks has dwindled to 9,435 banks and decreasing in number with each new merger.

For the power to be invested in the hands of a few bank Presidents and bank directors is contrary to the principles of capitalism which is the way of life for 231 million Americans.

Robert H. Hemphill former credit manager of the Federal Reserve Bank of Atlanta, Georgia said:

"We are completely depended on the commercial banks. If the banks create ample supply of money, we are prosperous, if not we starve. The banking problem is so important that our present civilization may collapse unless it is wisely understood and the defects remedied very soon."

Merging of banks is one of those defects which will bring about a new kind of slavery. Financial dominance in the hands of a few will create financial enslavement of people and civilization. This is why I oppose the merging of Bank One with First Chicago NBD.

Rev. Casimir F. Gierut