Testimony

Bank One/First Chicago Merger

Submitted to
Federal Reserve Bank of Chicago
230 South LaSalle Street
Chicago, IL 60604

Submitted By
Dawn R. Tyler
Ohio Community Reinvestment Project
85 East Gay Street, Suite 603
Columbus, Ohio 43215-3118

August 13, 1998

Why is it that Bank One has made no commitment to Ohio, but they have made commitments in Michigan and Illinois?

Why is it that Bank One Financial Services, which offers higher interest rate loans has a more aggressive marketing strategy in low income and minority communities?

These are questions on which I would like to focus your attention for the next few minutes. I am Dawn Tyler, representing the Ohio Community Reinvestment Project, a project of the Coalition on Homelessness and Housing in Ohio. OCRP's mission is to promote investment in Ohio's low-income communities and communities of color.

Members of OCRP met with Bank One for several months. Constructive dialogue took place with representatives of the bank. On numerous occasions, the bank gave us every indication that they were willing to enter into a community action agreement that would ultimately increase lending, service and investment opportunities within Bank One's service area. We were willing to set reasonable benchmarks around home purchase loans, multi-family housing investments and lending, small business lending, and community development grants. At the 11th hour, however, (less than a week before the end of the comment period) the bank decided they did not want to move forward with the negotiations. *IS THIS FAIR?*

Bank One's refusal to negotiate a meaningful community action plan for Ohio raises questions about their commitment to Ohio, post-merger. The bank did not operate in good faith.
Our primary concern is that this proposed merger could have dramatic consequences for financial services consumers throughout the State of Ohio since the corporate headquarters of Banc One (currently based in Columbus) will move to Chicago. This merger could result in substantial disinvestment in Ohio communities. *IS THIS FAIR?*

My second point is the disparate treatment of African Americans in accessing credit for mortgage loans from Banc One. Low and moderate income consumers are denied access to mortgage loans more frequently than by other major lenders, and Banc One lacks aggressive marketing efforts to African American and low and moderate-income applicants particularly by the banks affiliates and Banc One Mortgage Company.

In Cleveland, for example, the population is ____% African-American. However, 1996 HMDA data shows that Bank One Mortgage Company only originated 40 loans to blacks while Bank One Financial Services originated 133 loans to blacks.

Banc One Mortgage Company does not have an aggressive lending record to minorities and low and moderate income applicants. Banc One Financial Services (a B and C lender), charges customers higher interest rate loans compared to rates offered by Banc One Mortgage Company and is engaged in extremely aggressive marketing practices through direct mail and phone solicitation which targets low and moderate income people and minority census tracts.

This is a clear illustration of the predatory lending practices of Bank One Financial Services which disproportionately targets African Americans for higher interest rate credit, originates loans at a higher rate than Bank One Mortgage Company. *IS THIS FAIR?*

In the area of community development:
Bank One has historically partnered with community groups around the state on a variety of initiatives, contributing over $4.2 million in community development grants in 1996 and 1997. However, our concern is that Ohio's community development efforts are likely to see a dramatic decrease in funding following the merger. We have received no indication from the bank that this will not be the case. Resources will be directed to other midwestern states where agreements have been reached. *IS THIS FAIR?*

In the area of branches:
in Ohio, Banc One has closed or sold over 60 branches. This has affected rural communities and low and moderate income areas. Approximately $1.1 billion in deposits and $115 million in loans were included in this sale. *IS THIS FAIR?*

In the area of Checking and Savings Account Policies:
Certain Banc One policies and practices discourage the participation of low-income customers in engaging in a relationship with the Bank. Banc One's policy around cashing government checks is one example. The bank charges up to $8.00 to cash government checks. This policy which hurts low-income customers who have tight budgets. *IS THIS FAIR?*
Conclusion
Banc One is already neglecting some of Ohio's lending and service needs, particularly for low and moderate income consumers. The proposed merger could make this neglect more pronounced because there are no safeguards in place to prevent potential disinvestment by Banc One. We asked the Bank to make some basic commitments to minimize the potential negative impacts and after dragging us along for several months, they refused despite the fact that they are planning to honor similar commitments to the communities of Chicago and Detroit where they are expanding their presence. This is simply unfair to Ohio's consumers.

CRA is an interesting tool that sometimes gives community groups and concerned citizens the leverage they need to establish meaningful relationships with financial institutions but when the banks decide they don't want work cooperatively with community groups, there is nothing in the regulations that say they have too. The Federal Reserve Bank, however, has the opportunity and the power to enforce fairness and prevent disinvestment in Ohio's communities.

Please consider carefully the information that has been presented today. Your meaningful intervention can facilitate fair lending, service and investment opportunities in Ohio's low income communities and communities of color that have historically been overlooked and underserved. *That is fair.*

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LORAIN COUNTY

Board of Commissioners

Mary Jo Vasi
E. C. (Betty) Blair
Michael A. Ross

August 11, 1998
Mr. Phillip Jackson, Director
Applications
The Federal Reserve Bank
of Chicago
230 LaSalle Street
Chicago, Illinois 60604

Dear Mr. Jackson and Federal Reserve Board Members:

RE: BANC ONE MERGER WITH FIRST CHICAGO NBD BANK

Please be advised that a coalition has been formed, including representation from Lorain County, Ohio, organizations and municipalities to express serious concerns regarding the above - mentioned merger. The Coalition's concerns consist of :

1. Banc One's poor record in mortgage lending and community reinvestment in both the low-moderate income and minority communities.
2. Banc One has reduced its number of branches in Lorain County from 19 to 4 in the last three years and does not have any locations left in the county south of the City of Lorain.

The Board of Lorain County Commissioners supports the Coalition's efforts to insure that the results of the above-referenced proposed bank merger are advantageous to Lorain County residents, organizations and political subdivisions. The Board further acknowledges the right and obligation of the Banks to make sound business financial decisions; however, the Board of Commissioners does not feel that Banc One is committed to serving low and moderate income communities unless it is to lend money on credit cards or on real estate at higher interest rates to borrowers with credit problems. While this may serve stockholders, as a bank they are chartered to serve the communities where they do business.

Administration Building, 226 Middle Ave., Elyria, Ohio 44035-5641 • Phone: (440) 329-5000 or 244-6261 • Fax: (440) 323-3357

It appears that Banc One has been cutting back on their commitments and service to our County while refusing to agree to specific goals to improving their performance under CRA. Please encourage Banc One to address these issues prior to approving any merger.

Thank you.

The Lorain County Board of Commissioners

Michael A. Ross, President

Betty Blair, Vice President

Mary Jo Vasi

ECB/gk

14

CATHOLIC ACTION COMMISSION OF LORAIN COUNTY
Diocese of Cleveland

Catholic Action Commission of Lorain County
Testimony
Before Federal Reserve Bank
August 13, 1998

My name is Rebecca Sigal. I am here today representing the Catholic Action Commission of Lorain County, a social action office for the Diocese of Cleveland, State of Ohio. As advocates for peace, justice and economic equality, we have some major concerns regarding the increase in "mega-mergers" of our banking institutions and the effects these mergers have on our local communities.

When these "mega-mergers" occur, it is our local communities, urban and rural alike, and particularly the areas that are mostly populated by minorities and low and moderate income families, who suffer the most. Branches close, banking services decrease, service fees increase, and jobs are lost. It is the stockholders of the banks, who most often have no vested interest in our local communities, that make the decisions and the profits. Yet, in the case of Bank One, depositors make up 70% of their assets, while the stockholders make up only 15% on average. It is the stockholders and senior management who walk away with gilded pockets, while the depositors receive little or no return on their money. We are scraping the bottom of the pyramid with no return and placing it on the top. If this trend is allowed to continue, the pyramid will be inverted and most likely tumble because there will no longer be a solid base of support.

Since it is the depositors who hold most of the assets of the banks, one wonders what would happen if the depositors were in control? Would they leave without having something in place that would ensure that their money was being used for the benefit of their community?

2500 Elyria Avenue *Lorain, Ohio 44055* *(440) 244-6037*

Testimony/Federal Reserve Bank
8/13/98
Catholic Action Commission

The CRA act of 1977 was created to protect our communities from this kind of greed, to ensure that every person in every community has access to banking services that meet their needs. As we watch our neighborhood banks disappear on a regular basis, it becomes evident that the banks are not even pretending to service the needs of their depositors, as the law requires. It is past the time for you, the Federal Reserve Bank, to hold the banking institutions accountable to the communities across this nation. Allow no more mergers until the banks have clearly met their CRA requirements to the communities they serve. Allow no more mergers until the banks work out an agreement with the community they are deserting. One that will ensure all people have access to banking services and products that meet their needs, especially those most economically disadvantaged. We need agreements that are more responsive to the people, the depositors, who represent the majority of the assets.

In closing, we would leave you with this thought from our U.S. Catholic Bishops: *"How we organize our society in economics and politics, in law and policy, directly affects human dignity and the capacity of individuals to grow in community...... We believe people have a right and a duty to participate in society, seeking together the common good and well-being of all, especially the poor and vulnerable. Our Church teaches that the role of government and other institutions is to protect human life and human dignity and promote the common good."* And finally, it is wise for us to remember that the economy (and its institutions) should exist to serve people, not the other way around.

Thank you for the opportunity to address you today regarding this important matter.

14

The City of Lorain, Ohio

JOSEPH F. KOZIURA
MAYOR

200 West Erie Avenue
7th Floor City Hall
Lorain, Ohio 44052
(216) 244-3204
Fax (216) 246-2276

August 13, 1998

Mr. Phillip Jackson, Applications Officer
Federal Reserve Board of Chicago
230 South LaSalle Street
Chicago, Illinois 60690-1413

To Mr. Jackson:

As Mayor ot the City of Lorain, Ohio, I hereby authorize Ms. Rebecca Jones, Executive Director of the South Lorain Community Development Corporation to present my position representing the constituents of the City of Lorain pertaining to Banc One's proposed merger with First Chicago NBD at the Federal Reserve Board Public Hearing, August 13, 1998. A copy is attached.

Respectfully Submitted,

Joseph F. Koziura, Mayor
CITY OF LORAIN, STATE OF OHIO

Attachments

The City of Lorain, Ohio

JOSEPH F. KOZIURA
MAYOR

200 West Erie Avenue
7th Floor City Hall
Lorain, Ohio 44052
(216) 244-3204
Fax (216) 246-2276

August 13, 1998

Mr. Phillip Jackson, Applications Officer
Federal Reserve Board of Chicago
230 South LaSalle Street
Chicago, Illinois 60690-1413

To Mr. Jackson and distinguished members of the Federal Reserve Board:

First, I would like to thank the Federal Reserve Board for responding to the concerns of my constituency, the residents of the City of Lorain, Ohio who elected me to represent them on important issues such as this proposed bank merger. I am appreciative to the Federal Reserve Board for providing the opportunity to discuss the pertinent issues by organizing a public hearing on this proposed merger of two financial behemoths in banking: Banc One and First Chicago NBD. The financial clout of the financial institution after the merger and its potential market share threaten to further erode economic development in Lorain and other urban areas in the United States that these two financial institutions presently serve.

Lorain, Ohio has a population of 71,245 according to the 1990 Census and is a blue collar City located 20 miles west of Cleveland on the shores of Lake Erie. Our population is diverse, comprised of White (non-Hispanic) 49,355 or (69.3%), Black (non-Hispanic) 9,452 or (13.3%), and Hispanic (all races)11,987 or (16.8%). The elderly population, defined as persons 62 years and older, accounted for 16.4% (11,664 persons) of the total population of Lorain in 1990.

The City of Lorain was settled in the early 1800's and grew slowly through most of the 19th Century as a small fishing and boatbuilding community on Lake Erie at the mouth of the Black River. The coming of the railroad in the 1870's and, more important, the construction of a huge new steel plant in the city in the 1890's radically transformed the sleepy little village into an industrial boom town, with thousands of new houses and commercial buildings constructed in the years between 1880 and 1910. As the vast U.S. Steel plant expanded numerous times throughout the 20th Century -- especially in the years around the two World Wars -- Lorain's neighborhoods and corporation limits expanded far beyond the town's original boundaries.

The legacy of these expansions of housing tracts and workers' neighborhoods over the years can now be seen as a varied mosaic of building styles and types of neighborhoods in Lorain. The older neighborhoods are generally found nearer to the downtown area (the original village) and along or near the major roads such as Broadway Avenue, Elyria Avenue, and East 28th Street which all led to the steel plant's numerous entry "gates." Housing found in these areas of downtown, central, and southern Lorain are among the oldest in the city. These neighborhoods have been home to generations of working class residents, and they have suffered successive waves of disinvestment and deterioration due to the fluctuations of national business cycles and the local economy, which has traditionally been overdependent on the durable goods manufacturing sector.

As each economic decline in past years hit the nation, its effects were usually felt with an even greater impact in blue-collar Lorain, with often thousands of workers laid off during the 1930's, the late 1950's, and the early 1980's. Each recession saw hundreds of families leave the city looking for work, and thousands of others dig in and ride out the bad times, but with little money to make needed repairs on houses that they either owned or rented.

This constantly shifting cycle of employment and layoffs, business expansions and closings, housing construction and demolition as well as deferred home maintenance, often leading to neighborhood decay, have all helped to shape the conditions of Lorain's older neighborhoods. Because of these historical, social and economic factors, all who make their goals improved housing and neighborhood conditions for every resident of Lorain, whatever their income or personal circumstances, have been presented with a continuing challenge.

The citizens of Lorain, Ohio, a community of mostly low to moderate income families, have traditionally supported the home grown financial institution such as Lorain National Bank, Central Trust Bank, First Federal Savings and Loan, City Bank, EST and Lorain County Savings & Trust Bank.

Recent mergers and acquisitions of the 80's and early 90's have introduced a new banking trend, the establishment of Regional Banking Organizations in the City of Lorain. This trend was substantiated by the following mergers and acquisitions.

- Elyria Savings and Trust being acquired by First National Bank of Akron which created FirstMerit Bank.
- Central Trust Bank being bought by Banc One.
- City Bank closing all branches
- Lorain County Savings and Trust Bank acquiring a number of Central Trust Bank locations, a changing of their name to PremierBank and Trust
- Most recently in May 1998, FirstMerit Bank and PremierBank merged, closing 17 branches and laying off approximately 200 people in Lorain County including 2 branches in Lorain.

You should be aware that the City of Lorain has lost additional banking service facilities and the related jobs. Banc One has just closed two branches serving the low-to moderate-income neighborhoods of South Lorain and the Cityview-Sheffield Township areas. They were closed in late spring and early summer, 1998 and these closures parallel the proposed merger announcement with Banc One and First Chicago NBD.

The significance of these closings is monumental as they send a strong signal to the City's low-income population that even with Banc One deposits at branches serving Lorain exceeding $85,000,000, their business is not important. Since the branches closed serve many low-to moderate-income families who do not have adequate transportation, many people will have trouble getting to the remaining Banc One branches.

According to Community Reinvestment Act Regulations, Banks are supposed to reinvest in communities like Lorain where they obtain their deposits. Banc One bought approximately 15 Central Trust Bank Branches in the 1980's, and today they have eliminated numerous jobs and closed or sold 12 branch locations leaving three branches serving Lorain. This appears to be disinvestment rather than investment!

Further, the City of Lorain learned from Ms Catherine Cawthon, CRA, Vice President of Banc One that Branch location's ideally need to have $35-$40 million in deposits to meet Banc One guidelines for profitability. If Banc One continues to follow this rule after the merger, it is quite likely that the Southview Branch could close in Lorain. This would leave two locations serving the City with only one in a low to moderate area.

The City of Lorain has joined the Coalition for Reinvestment in Lorain County (CRLC) and other community groups from across this nation to closely examine this merger which will result in disinvestment in the central cities and urban areas across America, lost jobs, vacate and abandoned buildings due to branch closures and inaccessibility to convenient banking services and products. Ultimately, if uncontested and not addressed by the Federal Reserve Bank, my primary concern as Mayor of the City of Lorain, Ohio is this mega-merger and acquisition process will lead to the erosion of high quality competitive banking services only to be replaced by non-personal, high cost electronic banking services provided by a few large banks with almost no competition. Many working class families and individuals such as the citizens of Lorain do not need to have their disposable income further eroded due to higher fees and costs to do banking.

As Mayor of the City of Lorain, I believe our citizens should have convenient neighborhood access to financial institutions who are committed to them and the City. It is important that as a result of this merger your financial institution invest in the very economic essence of our community including housing, business, consumer needs, industry, philanthropic and our community in total.

Without a commitment to future participation in our community along the lines outlined above and as previously detailed in our meeting with Banc One(see attachment A), it is not in the best interest of the City of Lorain to endorse a mega-merger such as that being proposed by Banc One and First Chicago NBD.

Sincerely,

Joseph F. Kozura, Mayor
CITY OF LORAIN, STATE OF OHIO

Exhibit "A"

The concerns I speak of here were expressed at the July 8, 1998 meeting with Coalition for Reinvestment in Lorain County(CRLC) and the City of Lorain with Ms. Catherine Cawthon, CRA Vice-President and Mr. Francisco Alfonso, Banc One CRA Officer, Cleveland Region present. At that meeting we expressed the following concerns

a) Future disinvestment in low-to moderate-income neighborhoods of Lorain with the announcement of the merger and the corresponding announcement of the Banc One branches being closed at 2800 Pearl Avenue and at 105 Sheffield Center, both serving the City of Lorain.

b) Lack of direct representation by Banc One in these areas as a result of the branch closings/mergers and the related elimination of jobs

c) Needs for affordable housing programs in Lorain and Lorain County that addresses neighborhood and community blight and decay including housing rehabilitation and home ownership.

d) Economic Development that will stimulate and create jobs and stabilize the Lorain County communities.

e) Complementing development assistance for the Community Development Corporations(CDCs), who assist the City and the county with neighborhood and community development

The City of Lorain would like to work with CRLC and Banc One to create concrete positive programs or bring existing programs to Lorain that will help us develop a more stable and revitalized community. To that end I would suggest the following action steps be implemented by Banc One to begin this process:

1. BANC ONE Corp. develop with the City of Lorain a three to five-year reinvestment plan for the City of Lorain for competitive and affordable housing revitalization loans

2. The City of Lorain requests that BANC ONE Corp. create or bring an existing affordable home mortgage product for the City of Lorain to promote affordable home ownership for low-to moderate-income families 60-80% of area median income

3. In addition, the City request BANC ONE Corp. make a $200,000 contribution to the Community Foundation's CDC technical assistance fund which is designed to assist emerging and existing Lorain County CDC's

Exhibit "A" (continued)

4. The City of Lorain requests that BANC ONE Corp. make a donation of the now closed BANC ONE branch at 2800 Pearl Avenue, Lorain, Ohio.

5. The City requests BANC ONE Corp. to make a contribution of $500,000 toward a small business Microloan program.

6. Accounts from the now closed Bank One location at 2800 Pearl Avenue are transferred to the Banc One, Southview Branch at 2232 Fairless Drive, Lorain, Ohio.

7. The City of Lorain requests Banc One establishes a program with the City to increase procurement opportunities with minority-based enterprises(MBEs), female-based enterprises (FBEs), and Lorain-based businesses.

8. The City of Lorain request participation on Banc One's CRA review task force and that Banc One reestablishes the quarterly task force meetings designed to provide input and constructive criticism of Banc One's CRA efforts to date.

9. The City of Lorain would like Banc One's participation in the restoration of Oakwood Park, a major City owned recreational facility in south Lorain that provides baseball diamonds, picnic areas, basketball courts, tennis and swimming and green space for all the residents of the city of Lorain. This park desperately needs parking and roadway improvements.

LOSS OF BANKING SERVICES IN RURAL AREAS

Testimony by: Rebecca Jones
19348 Route 58
Wellington, OH 44090

As large banks are merging, the small branches in rural areas and Banks are following the same pattern that retail stores did in the 1970's - moving out of rural areas, thus forcing the residents to do business outside their community and/or neighborhood.

Apparently, Bank One believes their products are made for suburbanites and are not being used by the folks in the rural markets. The decision to leave these markets is particularly felt in both the area I live Wellington, Ohio.

In Wellington, we have seen our small local Bank One Branch sold several times since 1990, and now that bank is being closed in the midst of another mega merger. Folks that have banked locally for 50 years are now forced to bank outside their community or to move into another bank. The result is that our money is no longer connected to our community.

My mother has banked at this small branch in Wellington her entire adult life. Each time the bank has changed hands, it has lost some of its small town friendliness, service fees have increased, and banking has become more complicated, however, she has always maintained her account at the same location. Now the branch is closing completely and she is forced to bank somewhere else.

Lorain County has gone from 19 Bank One branches to 4 branches. With each closing, it seems that banks are disinvesting in the areas where they are most needed. Banks, including Bank One are catering to large businesses and suburbanites, while ignoring the needs of those that live in the rural communities of our county.

Bank One's decision to reduce the number of branches seems to coincide with its decision to begin selling a significant portion of its residential portfolio to Home Side Lending. The question I have is where is that money going now that it is leaving our communities? It should be going into increased residential lending, but is that happening?

14

Testimony of Paul Bellamy
Before the Federal Reserve Bank of Chicago
Regarding the Proposed merger of Banc One and First Chicago
August 13, 1998

My name is Paul Bellamy. I am currently consulting with the Coalition for Reinvestment in Lorain County and have worked as an Executive Director and Development Director with a Cleveland, Ohio community development corporation.

I urge the Federal Reserve to halt this merger based upon the steadfast and calculated refusal of Banc One to engage in good faith discussions with community development, fair housing and reinvestment groups in Ohio, about their record under the Community Reinvestment Act. I believe that Banc One's ongoing and arrogant refusal to engage in meaningful negotiations on local levels with concerned residents, represents a breach of faith with the communities where they do business, and renders the Community Reinvestment Act a meaningless sham and mockery that will prove utterly useless to achieve its purpose of encouraging lenders to serve the credit needs of the entire community.

I have put together a simple spreadsheet of Banc One's lending patterns in Lorain County in 1996 and 1993. While in 1996 Banc One can claim to have invested more dollars, as a percentage of total dollars loaned, into low and moderate income neighborhoods than most other area lenders, it cannot claim that those dollars are effective community reinvestment. The problem is the type of lending that Banc One is doing.

The low and moderate income neighborhoods in Lorain County consist almost entirely of older, pre-war, single family homes. What these neighborhoods need is a specially crafted purchase mortgage product. Most prospective purchasers in these areas will be first time home buyers drawn to affordability and value. These aspiring home owners will be good risks, but their mortgages will be difficult deals to underwrite, labor intensive, and because the homes they will buy are not pricey, margins on their loans will be low. Other banks have created products to meet the special needs of these buyers (low down payments, differed second mortgage programs, expanded ratios, interest write downs, or most often, some combination of all of these approaches). When the right product is offered, deals can be done and <u>homeowners</u> move into the area, not speculators and transient renters who are not invested in the community. It can make all the difference in the world as to how a neighborhood works, or doesn't work.

But Banc One is not providing a special home purchase mortgage that gets the tough deals done on a volume basis. In fact, they seem to be abandoning the purchase mortgage market altogether. In Lorain County in 1996, they had heavy emphasis on refinancing, which creates not one penny of value for the neighborhood where the refinanced home is located, but instead adds debt to the neighborhood's "communal balance sheet." To their credit, they do have a strong home improvement product and those loans at least add value to a community with older housing stock. But these are relatively low risk loans and should be recognized as, at best, half-measures when they stand alone. Keep in mind too, that the HMDA data indicates that the home improvement loans are done through the retail branches. In Lorain County though, Banc One has cut its branch network back from 19 to 4. Finally, Banc One is moving into sub prime lending, and in 1996 15% of their low-mod area lending was in these marginal products that so often, somehow, seem to end up aggregating minority-heavy portfolios.

All of these issues, branch closings, heavy emphasis on refinancing, lack of a good community-building, low-mod product, and the increase in sub prime lending would be grist for discussions with Banc One under any meaningful bank CRA program. And those discussions—even if they didn't lead to a satisfactory binding agreement—would build relationships, where all community building efforts must start.

But Banc One has instead chosen to take the calculated risk that the principal federal holding company regulator will overlook their cynical manipulation of the CRA, represented by high dollar volumes dumped into low mod neighborhoods—never mind that the effect of these loans will prove either useless or positively destructive to the fabric of the community. It's almost as cynical as promising to increase credit card lending to meet community reinvestment goals.

If Banc One won't talk to us, they cannot to be encouraged to create community-serving products and lending strategies. CRA is defeated then, not in Congress, but in the boardrooms, where it is cynically manipulated to frustrate the whole point of the regulatory scheme, wealth building in disadvantaged and historically disinvested, (dare I say it?) redlined, neighborhoods. But that kind of cynicism can only work if you, the regulators, sign off on it.

Please don't!

Thank you.

Bank One Lending By Subsidiary	Entire County All Loan Types	1996	Low-Mod Tracts						All Tracts				
			Purchase	Improvement	Refinance	Multifamily	Total		Purchase	Improvement	Refinance	Multifamily	Total
Banc One Fin. Ser.	$7,480		$0	$113	$1,405	$0	$1,518		$95	$830	$6,555	$0	$7,480
Banc One Mort. Corp	$8,470		$704	$0	$449	$0	$1,153		$4,817	$0	$3,653	$0	$8,470
Bank One Youngtwn	$130		$0	$18	$11	$0	$29		$0	$38	$92	$0	$130
Bank One Akron	$388		$0	$52	$14	$0	$66		$0	$219	$169	$0	$388
Bank One Cleveland	$17,687		$674	$1,347	$2,535	$0	$4,556		$1,973	$4,030	$11,684	$0	$17,687
Bank One Columbus	$14,530		$279	$577	$2,180	$0	$3,036		$3,352	$1,862	$9,316	$0	$14,530
Bank One Dayton	$492		$0	$132	$25	$0	$157		$0	$442	$50	$0	$492
Bank One Mansfield	$375		$0	$145	$0	$0	$145		$34	$341	$0	$0	$375
Total	$49,552	Total	$1,657	$2,384	$6,619	$0	$10,660	Total	$10,271	$7,762	$31,519	$0	$49,552
		B-1 % of LM$	15.54%	22.36%	62.09%	0.00%	100.00%	B-1% of $	20.73%	15.66%	63.61%	0.00%	100.00%
		Market % of LM$	**37.00%**	**6.00%**	**55.00%**	**2.00%**	**100.00%**	**Market % of $**	**48.00%**	**3.00%**	**47.00%**	**1.00%**	**99.00%**
		B-1 to Market Ratio By Loan Type Low Mod	42.01%	372.73%	112.89%	0		B-1 to Market Ratio By Loan Type	43.18%	522.15%	135.34%	0	

Bank One Lending By Subsidiary	Entire County All Loan Types	1993	Low-Mod Tracts						All Tracts				
			Purchase	Improvement	Refinance	Multifamily	Total		Purchase	Improvement	Refinance	Multifamily	Total
Banc One Fin. Ser.	$465		$0	$0	$140	$0	$140		$24	$0	$441	$0	$465
Banc One Mort. Corp	$13,253		$742	$0	$662	$0	$1,404		$4,296	$0	$8,957	$0	$13,253
Bank One Youngtwn	$0		$0	$0	$0	$0	$0		$0	$0	$0	$0	$0
Bank One Akron	$0		$0	$0	$0	$0	$0		$0	$0	$0	$0	$0
Bank One Cleveland	$20,952		$278	$1,057	$976	$3,845	$6,156		$1,866	$6,529	$7,972	$4,585	$20,952
Bank One Columbus	$0		$0	$0	$0	$0	$0		$0	$0	$0	$0	$0
Bank One Dayton	$0		$0	$0	$0	$0	$0		$0	$0	$0	$0	$0
Bank One Mansfield	$0		$0	$0	$0	$0	$0		$0	$0	$0	$0	$0
Total	$34,670	Total	$1,020	$1,057	$1,778	$3,845	$7,700	Total	$6,186	$6,529	$17,370	$4,585	$34,670
		B-1 % of LM$	13.25%	13.73%	23.09%	49.94%	100.00%	B-1% of $	17.84%	18.83%	50.10%	13.22%	100.00%
		Market % of LM$	**47.00%**	**7.00%**	**40.00%**	**6.00%**	**100.00%**	**Market % of $**	**41.00%**	**4.00%**	**54.00%**	**1.00%**	**100.00%**
		B-1 to Market Ratio By Loan Type Low Mod	28.18%	196.10%	57.73%	832.25%		B-1 to Market Ratio By Loan Type	43.52%	470.80%	92.78%	1322.47%	

"Corrected 1993"													
Total	$34,670	Total	$1,020	$1,057	$1,778	$0	$3,855	Total	$6,186	$6,529	$17,370	$0	$30,085
		B-1 % of LM$	26.46%	27.42%	46.12%	0.00%	100.00%	B-1% of $	20.56%	21.70%	57.74%	0.00%	100.00%
		Market % of LM$	**47.00%**	**7.00%**	**40.00%**	**6.00%**	**100.00%**	**Market % of $**	**41.00%**	**4.00%**	**54.00%**	**1.00%**	**100.00%**

EXPLANATION OF TERMS AND PHRASES

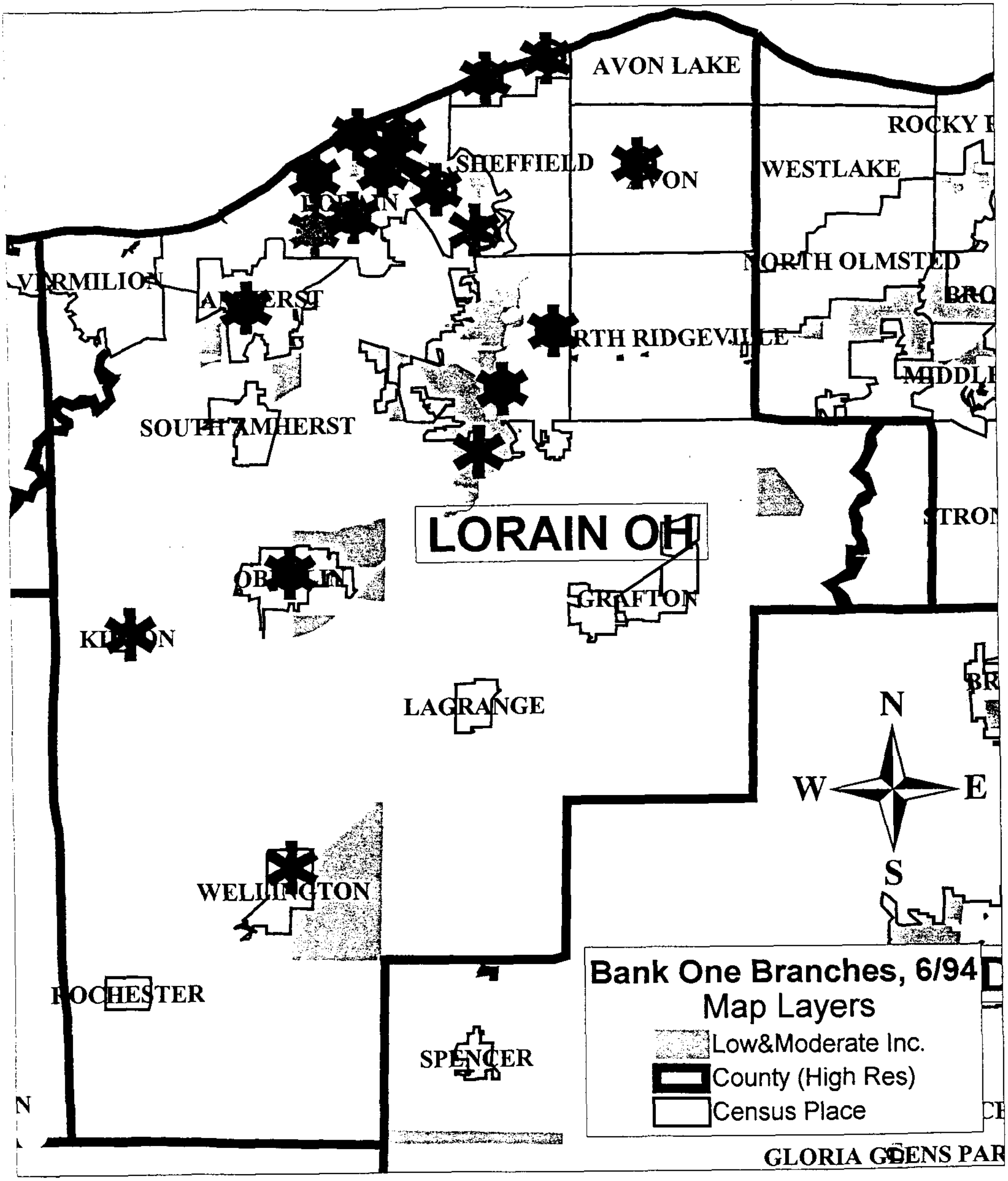
This spreadsheet attempts to summarize Banc One's lending through its various subsidiaries in Lorain County in 1993 and 1996. The reason for providing the two years is that, 1996 was the most recent data available under HMDA. 1993 is presented because it demonstrates that what began as to good low moderate income loan profile has turned for the worse by 1996.

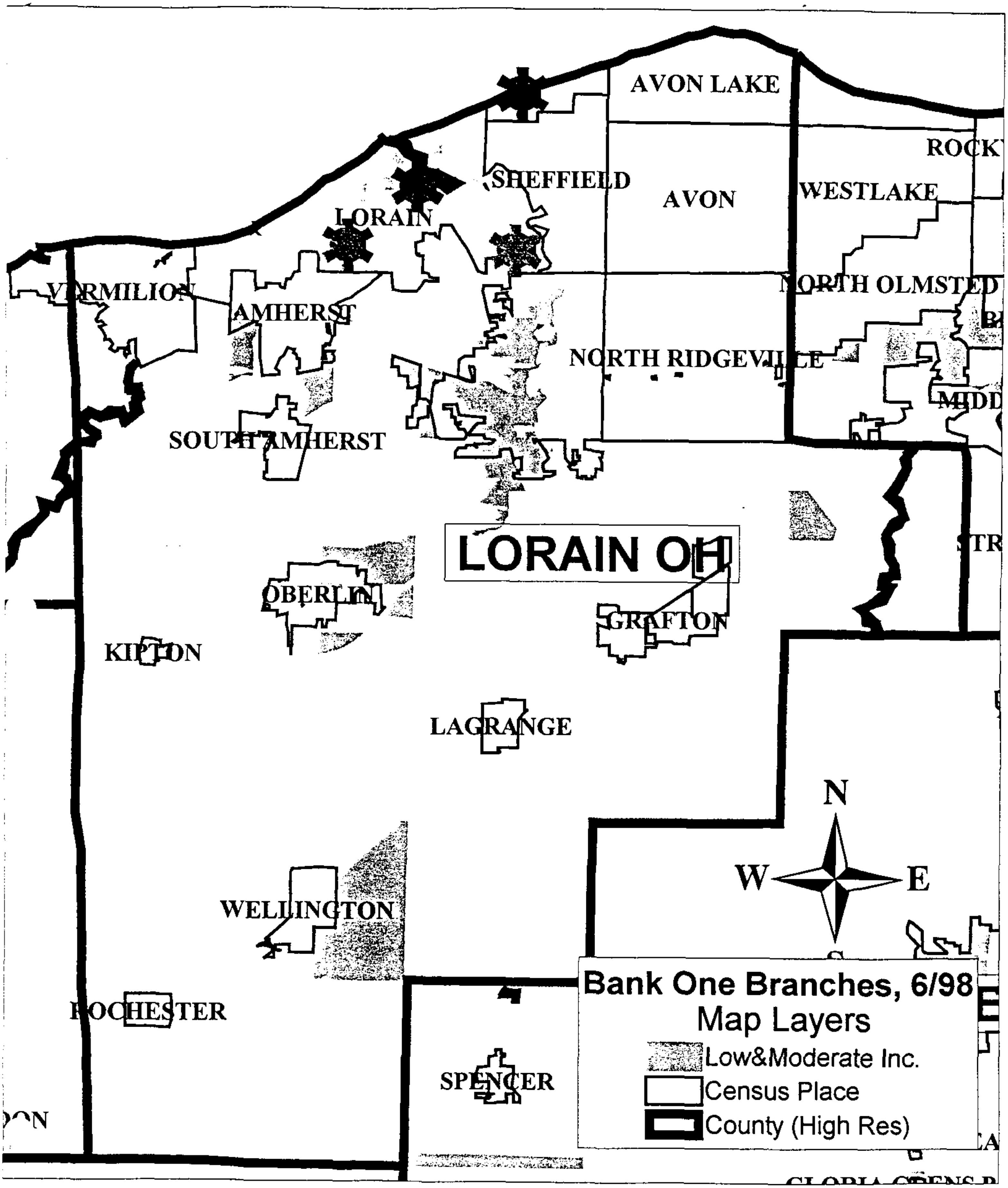
In 1993 the Banc One sub prime lender, Banc One Financial Services was just entering the county and only did only 3.6% of the low mod census tract loan amounts for Banc One. ("Corrected 1993" figures, see below.) By 1996 that figure rose to 14.2% of all the low mod lending. In 1993 the aggregated Banc One record spread 26.5% of its low mod loan dollars into purchase mortgages, 27.5% into home improvement loans and 46% into refinancing. ("Corrected 1993" figures.) By 1996, the refinancing percentage had increased to 62% while the purchase mortgage and home improvement lending were both down to 15.5% and 22.3% respectively.

"Corrected 1993" figures **change the actual 1993 HMDA data** by taking out the large multifamily loan percentage achieved that year. This was done, not to discount the investment made in a low mod tract, but to try to present a truer picture of trends. Multifamily deals are few and far between, and tend to skew the overall picture because the dollar amounts are so inordinately large for each deal. Further, the point of this analysis is to demonstrate what Banc One has done, or more to the point, not done, for **home ownership** in Lorain County.

Other definitions:

B-1 % of LM$	Banc One's internal dollar percentage in a particular loan product. For example, 15.54% of all the dollars Banc One loaned in low mod census tracts in Lorain County in 1996 went into purchase mortgages.
B-1% of $	The same figure as above, but as a percentage of the entire county, not just the low mod tracts.
Market % of LM$	The total Lorain County percentage of dollars allocated for a particular loan product, for all lenders, in low moderate income areas. Thus, in 1996, 37% of all the HMDA reported loan dollars in low mod areas went into purchase mortgages.
Market % of $	Same percentage figure for all of Lorain County, for all lenders, for a particular loan product.
B-1 to Market Ratio By Loan Type	Comparison of Banc One's percentage allocation for each product type compared to all lenders for the same product. Below 100% indicates Banc One lending proportionately fewer of it loan dollars to a particular product. Above 100% indicates Banc One is more heavily concentrated in a product than other lenders combined.


AVON LAKE
SHEFFIELD
WESTLAKE
NORTH OLMSTED
SOUTH AMHERST
LORAIN OH
GRAFTON
LAGRANGE
WELLINGTON
ROCHESTER
SPENCER
N
W
E
S
Bank One Branches, 6/94
Map Layers
Low&Moderate Inc.
County (High Res)
Census Place


AVON LAKE
ROCKY
SHEFFIELD
AVON
WESTLAKE
LORAIN
VERMILION
AMHERST
NORTH OLMSTED
NORTH RIDGEVILLE
SOUTH AMHERST
LORAIN OH
OBERLIN
GRAFTON
KIPTON
LAGRANGE
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WELLINGTON
Bank One Branches, 6/98
Map Layers
Low&Moderate Inc.
Census Place
County (High Res)
ROCHESTER
SPENCER

14

Testimony of Marge Walker
Before The Federal Reserve Bank of Chicago
Regarding the Proposed merger of Banc One and First Chicago
August 13, 1998

My name is Marge Walker and I am a resident of the City of Lorain in Lorain County Ohio, due west of Cleveland. I am here to testify on behalf of the South Lorain Merchants Association about the proposed Banc One merger with First Chicago as that merger specifically affects my neighborhood and personal and professional life. I was for many years a licensed beautician, but because of recent health problems I have been forced to seek retraining assistance because I can no longer stand on the job for any long period of time.

1. My neighborhood is adjacent to an old steel plant that once employed over 7,000 men. It now employs only about 2,000 people. You can imagine the impact this has had upon our once thriving local businesses. Our neighborhood of South Lorain is very similar to many rust belt cities. The housing stock is mostly single family homes, between 50 and 70 years old. To some it is charming. To many it is obsolete. Attracting new working families into our neighborhood is difficult, for while the neighborhood is affordable, it is not considered competitive. Businesses have a harder and harder time getting by serving fewer and fewer families. As more and more disinvestment has occurred, more and more residents fall below the poverty line. I have watched the neighborhood become a place where poor people are concentrated, while those who can afford to, move out to the newer whiter areas. Banks' know the game, and CRA or no CRA, they are still playing it.

2. Banc One's retail operations have been severely cut back in Lorain County. We are told that the cut backs had nothing to do with this merger. But my perspective is that it has everything to do with the trend in this country of banks getting out of the money lending business to join the money getting business. Our Bank One branch just closed. Another loss to the service base of the neighborhood. The $5,000,000 of deposits wasn't enough to justify keeping the branch open. "Nothing personal," we're told, "but business is business." Are we not supposed to notice that Bank One and other banks keep their branches open in middle and upper income neighborhoods? As a low and moderate income neighborhood, we aren't competitive anymore. Of course, the fact that many African Americans and Hispanics live in South Lorain has nothing to do with the closures, we are told, it's just a matter of economics. It is just an unfortunate coincidence that branches in minority neighborhoods close more frequently than branches in white and wealthy neighborhoods.

3. I would like to talk about trends. The Federal Reserve's own reports seem to conclude that small business lending suffers when big banks buy smaller community banks. Small business lending depends upon relationships with neighborhood merchants, and big banks just don't look at their operations as years-long investments in local communities. Banc One claims to be a major player in small business lending, but where are the merchants in South Lorain to turn now that the closest Bank One is miles away?

We are told that the United States is fast approaching a time when whites will be in the minority. I recently read that the buying power in the Black community has grown recently to over 8.2 percent of the consumer economy. With these kinds of trends underway, how is that bottom-line conscious banks haven't the foresight to actively pursue the growing minority market? If all these bank branch and lending decisions are, in fact, "race neutral," why aren't we seeing fierce competition for minority customers? Why is that Bank One closes the branch in my neighborhood even while Banc One has such an atrocious record of lending to African-American owned small businesses? Are we still to believe that branch closures and service cut backs are purely a function of economics? Economic and social trends being what they are, how could that be?

4. People forget that depositors contribute more to bank value that stockholders. But every time I turn around, there are fewer advantages for depositors and more goodies for stockholders. Depositors have fewer branches to go to. Fewer hours to get service from fewer staff who are shifted around the system so that relationships are impossible to build. Deposits earn less and less interest, while fees go up and up. So while some executives get very rich and stockholders look to increase their return on investments, customers, depositors and community residents can count on fewer services, lower returns on their deposits and increased costs. And the current merger mania makes all of this seem as inevitable as death and taxes.

5. Now banks have made it clear they don't want to be banks any more, they want to be stock brokers, insurance agents, pension advisors, investment specialists and, etc. They want to "cross sell" their customers into every conceivable financial product imaginable except one—plain, old fashioned, community-oriented service.

6. Just once I want to see the announcement of a another bank merger or acquisition that concludes with the following sentence: "The merger is subject to regulatory and depositor approval." If <u>depositors</u> had a voice in these matters, maybe the executive high-flyers and golden parachuters would have to promise <u>them</u> higher interest rates on deposits, lower fees, more locations, longer hours and better service. Pinch me, I must be dreaming.

7. This regulatory body is all that stands between voiceless depositors and another greedy money grab at depositors' expense. You are duty bound to look at competition, convenience and the needs of communities. Well, on behalf of the South Lorain Merchants Association, I want to tell you, this deal doesn't create any competition, doesn't enhance or increase any convenience, and doesn't serve a single community need. Please stop the deal in its tracks until Banc One can show us what is in it for us, the residents of abandoned communities, who are <u>not</u> having our credit or service needs met.

Thank You

14

Date: 8/13/98

Re: Bank One merger request to testify in public hearing panel #11 at 3:10pm at the Federal Reserve Bank in Chicago, Illinois.

Testimony of: Adenike Sharpley
Board Member,
Zion Community Development Corporation
126 Forest
O.C.M.R. 13A
Oberlin, OH 44074

Focus of Testimony: Effects of the Bank One merger on Oberlin, Ohio residents from the customers and employees point of view.

Tesimony: The Oberlin Bank Building at 5 South Main Street Oberlin,Ohio, until the mid 1980s was primarily one bank. The Oberlin Bank Company, founded in 1889 would in 1904 combine with the State Savings Bank and move to 5 South Main Street. That same year it would be renamed The Oberlin Savings Bank. So for 76 years the community of Oberlin has had the same bank. In the mid 1980s the "musical bank management" began at 5 South Main Street. This included: 1990 Central Trust, 1996 Bank One, 1998 Premier Bank, and Merit Bank One on Labour Day 1998. In fifteen years, two local banks were lost, Oberlin Savings Bank and People's Bank with a host of players to become one mega bank, one small local bank, one savings and loan bank and one credit bank in the city of Oberlin.

The staff working at these banks feel intense stress from both bank officials, management, and customers. The customer does not understand the changes in rules and regulations. The employee must learn: changes from old to new systems, learning new rules and regs from the new bank, and job shifts -staff moving to new offices to maintain jobs because of closings of branches. These changes also include shifts in the pay scale which could be lower or higher. Most of the people absorbing these changes are at the bottom of the chain: tellers, clerks, etc. And most of these are women who are head of the households or are the major breadwinners of the family.

Customers have to deal with new hours, new staff, new rules and regulations, and usually new banking and service products. The control of the bank is moved farther away from them; their bank mangers are usually there a few days per week along with their "roving loan officer". Usually the new staff, less familiar with the new branch, and its customers were not hired locally, therefore they do not know the community. The new staff do not have a connection to the community they serve. They are less willing to cash checks for those without i.d. because they don't know the customers. In turn, the staff asks for i.d. each time they see a customer no matter how often they see them. For the customer this means fewer "service value" for their dollar, and this is especially true for the low and moderate income individual. This results in a transfer of wealth away from the community benefiting the stockholders "upstairs". Along with no services such as utility bill payment, no product for those who maintain small balances in checking and savings account without incuring charges against their account each month. Customers who incur these charges may find that their account has been closed within one month. These customers are usually low and moderate income seniors, those on fixed income (due to disabilties, etc.) and minorities. At times above mentioned groups would receive unfriendly and discriminating treatment by tellers, adding insult to injury, this classist and racist behaviour by tellers who treat their constituency as if they have little or no money. This leads to even fewer "service value" for the elderly, the disenfranchised, and the people color in the Oberlin community.

Purchasing clout of blacks rising

ATLANTA (AP) — The spending power of black consumers is growing faster than the national average with gains in all 50 states, according to a survey released yesterday.

The study found black consumers will account for 8.2 percent of total buying power next year, compared with 7.4 percent in 1990. It defines buying power as after-tax personal income.

"It illustrates the growing importance of African-Americans as consumers," said Jeffrey M. Humphreys, a University of Georgia economic forecaster who wrote the study for the school's Selig Center for Economic Growth. "That's important to those who market and those who pay for advertising."

Every year since 1990, the percentage gain in black buying power has been greater than the growth rate for consumers overall, Humphreys said.

The black population is growing faster than the U.S. population overall — 14 percent for blacks this decade compared with the nation's 9 percent, according to estimates based on Census figures.

Humphreys said black buying power will rise from $308 billion in 1990 to $533 billion in 1999, up 73 percent in less than a decade, compared with a national increase of nearly 57 percent.

Using government statistics and economic models, the study said that total black buying power was highest in New York, estimated at $60.9 billion, and most concentrated in the District of Columbia, with 39.1 percent of the share of all buying power.

Idaho had the biggest rise in

See **PURCHASING**, page D4

Thursday July 3, 1998
The Morning Journal

PURCHASING

From page D1

black buying power in the 1990-99 period, 200.5 percent. It is one of several states with small black populations that showed big increases.

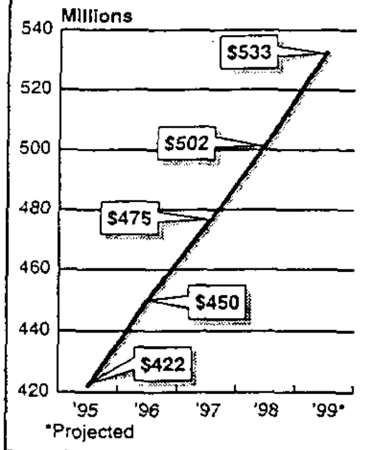
No one state made the top 10 in all three state rankings — black buying power in dollars, black percentage of a state's total buying power and the percentage growth rate of black buying power.

A strong job market for blacks, overall national economic expansion and educational progress all contributed to the black buying power rise, said Humphreys, who is completing similar surveys of Hispanic and Asian-American and American Indian buying power.

"I'm spending more money — mainly on clothes," said Darlene Wilson, a black woman who does housekeeping, as she strolled past a stretch of black-oriented businesses in downtown Atlanta.

Black buying

A look at the total income after taxes available to blacks for spending on goods and services from 1995 to 1999:



An Atlanta-area marketing consultant, Al Ries, suggested that in the future, there will be less marketing aimed at black consumers because their buying habits will be the same as the overall population.

"As the black consumer gets on par, they are going mainstream," he said.

Judge blocks drug mergers

WASHINGTON (AP) — A federal judge temporarily blocked two mergers involving the nation's four largest drug distribution companies, likely derailing at least one of them.

The temporary injunction issued Friday by U.S. District Court Judge Stanley Sporkin probably means the termination of a proposed $1.75 billion merger of the biggest drug company, McKesson Corp. of San Francisco, with the fourth-biggest, AmeriSource Health Corp. of Malvern, Pa.

It also delays a proposed $2.6 billion of No. 2 company Cardinal Health of Dublin, Ohio with No. 3 Bergen Brunswig Corp. of Orange, Calif.

"It is highly unlikely we will pursue it," said Meg Grady, a spokeswoman for AmeriSource, speaking of the merger. "We feel we have a great future as a stand-alone company."

Officials with McKesson did not return a phone message left yesterday afternoon.

Meanwhile, Cardinal and Bergen released joint statements saying they were reviewing their options.

The injunction was sought by the Federal Trade Commission, which argued the mergers violate antitrust laws by reducing competition in the drug wholesale business.

Saturday August 1, 1998
The Morning Journal

Inner City Press
Community on the Move
&
Inner City Public Interest Law Center

TESTIMONY OF MATTHEW LEE, INNER CITY PRESS/COMMUNITY ON THE MOVE (AND ALSO ON BEHALF OF BLACK CITIZENS FOR JUSTICE, LAW AND ORDER, AND THE DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL), IN OPPOSITION TO THE APPLICATIONS OF BANC ONE CORPORATION TO ACQUIRE FIRST CHICAGO NBD & ITS SUBSIDIARIES

FEDERAL RESERVE BANK OF CHICAGO

AUGUST 13, 1998

Good afternoon, Ms. Smith and other members of the panel. This is the testimony of Matthew Lee, Executive Director of Inner City Press/Community on the Move and of the Inner City Public Interest Law Center (together, "ICP"), which the [Wisconsin Rural Development Center or Delaware Community Reinvestment Action Council] has been kind enough to present. ICP on April 28 filed a 38-page protest to this application, along with Black Citizen for Justice, Law and Order of Dallas, Texas, and the Delaware Community Reinvestment Action Council, whose director, Rashmi Rangan, you heard from on Panel Eight. We are opposed to this proposed merger, primarily due to Banc One's continued predatory and discriminatory practices through its Banc One Financial Services subsidiary, and due to the anticompetitive and branch closing effects the proposed merger would have, particularly in Indiana. The commitments that First Chicago has made in

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Detroit and Chicago do nothing to address these issues; nor is Banc One's divestiture proposal, to sell off certain branches in Indiana, sufficient. The proposed merger would also result in substantial branch closings, making all the worse Banc One's cynical manipulation of the target, First Chicago, to make lending pledges in Chicago and Detroit, but not in the communities that would be most effected by this merger, including through branch closings.

In 1997, the Federal Reserve Board stated in an Order that it had unresolved questions about the fair lending compliance of BOMC, and that its approvals were explicitly conditioned on Banc One taking such actions as the FRB might require. Since then, the Arizona Attorney General has charged Banc One with discrimination, as, implicitly, has HUD in Texas. The Fed has made no disclosure of how -- or if-- this important issue has been resolved. Forty days ago, on July 2, we made a request for this under the Freedom of Information Act; the Fed has yet to provide the documents.

The written comments we have submitted show that in market after market, Banc One's normal interest rate lenders disproportionately exclude African Americans and Hispanics from credit, while Banc One Financial Services, a high interest rate lender, targets these communities for higher priced credit. For example:

In the **Akron Ohio** MSA in 1996, Banc One Mortgage Co. ("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. ICP's Comments calls loans to African Americans divided by loans to whites the

"Index;" the ratio between BOMC's Index and BOFS's Index, calculated for each market analyzed, can be viewed as the "Targeting Index". BOMC's Index in this MSA in 1996 was 0.043. Meanwhile in this MSA, the higher interest rate Banc One Financial Services ("BOFS") originated 27 loans to African Americans, and 140 loans to whites -- Index of 0.193, 4.49 times higher than BOMC's.

Here in the **Chicago** MSA 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 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 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 **<u>Cleveland Ohio</u>** MSA 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**.

In the **<u>Dallas</u>** 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**.

In the **<u>Detroit MSA</u>** 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**.

In the <u>Gary IN</u> 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**.

In the **Indianapolis** MSA 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 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.

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**.

In the **Phoenix AZ** MSA (in Banc One's 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.

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.

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.

The above analysis makes out a *prima facie* case (and/or red flag) that Banc One Corp., through its normal interest rate lenders including Banc One Mortgage and through its higher interest rate lender, Banc One Financial Services, are engaged in lending discrimination, including pricing discrimination On this record, the FRB must conduct on-site fair lending examinations of Banc One Financial Services. On the current record, this mega-merger proposal, which would expand Banc One's practices, could not legitimately be approved. There are other adverse issues, including the foreseeable loss of various First Chicago NBD programs, and Banc One's record in its existing states, ably raised by COHHIO, the Council of Neighborhoods, the Wisconsin Rural Development Center and others. For all the reasons stated, this proposed merger should be denied. Thank you for your attention; we will be submitting further written comments by August 20, 1998. Thank you.