



UNITED INDIAN NATIONS COMMUNITY DEVELOPMENT CORPORATION

July 10, 1998

Lise Haws
Panel 21

Federal Reserve Bank of San Francisco
101 Market Street
San Francisco, California 94105

RE: Nations/Bank of America Public Meeting Testimony

The United Indian Nations Community Development Corporation (UIN CDC) was incorporated in July 1997 as a California nonprofit, Section 501(c)(3) tax exempt corporation (EIN94-3255859). The aim of the UIN CDC is to develop housing and employment opportunities that are true to Native American culture and values to promote the economic and social well being for Native Americans in the San Francisco Bay Area. **UIN CDC has created an urban Indian initiative to acquire and develop property on closing military bases and other surplus federal lands that directly connect low-income communities to housing, employment, and revenue generating opportunities.** This initiative is a model development mechanism that can be replicated by urban and rural Native American organizations to mitigate negative impacts on our community from historical federal policies.

The Bureau of Indian Affairs' Relocation Programs, initiated in the early 1995s and continued until the early 1970s, created dramatic changes in the number and character of American Indian population in urban centers. As a direct result of these federal programs, more than 85,000 American Indians moved from reservations to urban areas and many other followed to join their extended families or find better employment or educational opportunities. According to the 1990 US Census, which undercounts Indian people overall, more than 65 percent of American Indians now live in urban areas. In addition, urban Indian populations have historically been excluded from federal, state and foundation funding targeted for Native American projects located on, or linked through the provision of a service or product to a reservation, rural community, or tribal government.

The San Francisco Bay Area Native American community is one of the largest and fastest growing Indian populations in the country. The 1990 US Census reported more than 40,000 Indians in the Bay Area. Although it is one of the smallest ethnic minority groups in the area, it is the third largest concentration of urban Indians in the United States. The demographic and socio economic stress of the Bay Area Indian community reflects the history that brought Indians to this area. These conditions exasperate the following socioeconomic and psychological problems which face the community:

Fastest growing urban Indian population in the country. The population has increased more than 600 percent since 1960. Following from this the Bay Area has a disproportionately large and growing population of young people -- approximately 40 percent under the age of 25 according to the 1990 US Census. Considering, suicide is the **second leading cause of death for Indian adolescents**, the need to meaningfully engage this growing population in moving towards family self-sufficiency is our highest priority. In order to engage these individuals we have to raise educational levels.

Bay Area Indians have considerably **lower educational attainment levels** than the general population. In 1990, nearly one in four American Indians had not earned a high school diploma or passed the

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equivalency test and only 15.2 percent completed college, half the proportion of the general population (30 percent). With recent changes in affirmative action policies regulation California's public universities it is likely that this number will decline. Following from this, we have to be prepared for unemployment rates to rise and poverty to persist.

Unemployment rates for American Indians are higher than those for other Bay Area residents. In 1990, nine percent of the community was unemployment, as opposed to 5 percent for the general population. Employed Bay Area American Indians, about 20,000 in 1990, tend to occupy blue-collar positions, very few are managers. Overall, the Bay Area American Indian population has a dramatically low average income. In 1990, their per capita income was \$14,034 compared with \$19,629 for the area as a whole. The proportion of American Indian families living in poverty (11 present) was nearly twice as high as for all Bay Area families (6percent). Additionally, more than a third of Indian households headed by women were living in poverty (36 percent), compared to less than 20 percent for the total population.

A low proportion of Bay Area American Indians own property and denial rates for American Indian mortgage lending has risen steadily. Only about 40 percent of American Indian households owned homes in 1990, compared to 57 percent of all Bay Area households. Denial rates for American Indian mortgage lending increased from 27.8 percent in 1993 to 50.2 percent in 1996. Furthermore, many American Indians spend more than 35 percent of their income on housing costs.

Considering these statistics, it is not surprising that a three-year Indian Health Service report to Congress completed in 1991 found that **the health status of California American Indians was far below that of the rest of the population.** High mortality rates, substance abuse, and health risks for infants and children combined with a lack of health insurance to create a health care crisis.

UINCDC has acquired and is developing three significant projects in the East Bay:

Unity Village: a transitional housing and supportive service project at the Alameda Naval Air Station

American Indian Museum and Cultural Center: a regional educational museum at the Oak Knoll Naval Hospital

United Oakland Eco Park: a community driven redevelopment project for a 220-acre eco-industrail park with an employment and training campus at the Oakland Army Base.

In order for UINCDC to continue to revitalize our community and our neighbors in the East Bay, we need to have continued access to Bank of Americas levels and range of contributions for nonprofit infrastructure and continued support for projects that target very low-income urban communities. The Bank of American has been a positive CRA force in California, institutionalizing community reinvestment as a business through the Community Development Bank. Considerable expertise about community reinvestment as a business and about the needs of California communities has come to be housed at the Community Development Bank. Bank of America's Rural Initiative 2000 has targeted funding to reservations and rural American Indian projects bringing significant new benefits to those undeserved communities. A merger with Nations Bank should augment the current benefits to low-income communities in California and bring additional funding and range of services for urban Indian initiatives without reducing the current grassroots services provided by Bank of America. Thank you.

Sincerely,



Sally Gallegos
Executive Director

Panel 20



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TESTIMONY OF

ROBERT "BOBBY" BIVENS

PRESIDENT NAACP STOCKTON BRANCH

AND NATIONAL BOARD MEMBER

PRESENTED BEFORE THE

FEDERAL RESERVE BANK BOARD

NATIONS / BANK AMERICA PUBLIC HEARING

SAN FRANCISCO, CALIFORNIA

JULY 9, 1998

Presiding Officer, Members of the Panel, my name is Bobby Bivens and I am a member of the National Board of Director's and President of the Stockton California Branch of the National Association for the Advancement of Colored People, generally known as the NAACP. I appreciate the opportunity to come before this body today to give testimony expressing concern and opposition for the public record regarding the proposed acquisition of Bank America Corporation by Nations Bank Corporation and to quote our Chairman of the Board of Directors the Honorable Julian Bond " bank mergers need to be opposed when the banks do not address the specific needs of minorities and the poor".

The NAACP was founded in 1909 and we are the oldest civil rights organization in America with over 200 units in California and over 1700 units across this nation and in several countries abroad. The NAACP has a long history of fighting for civil rights, economic and community development and self sufficiency for African Americans, other ethnic minority groups

and all disenfranchised people in America. While we remain focused on our founding principles we have in recent years taken a more aggressive and proactive approach to achieving economic and community empowerment.

Some of our concerns are:

- The \$350 billion announcement, while an impressive sum, nonetheless lacks the specificity and targeted lending, service and investment components needed in a full community reinvestment commitment. More specifically, it does not address the critical needs of California communities.
- The Banks have refused to make a specific and meaningful written commitment to California. They have verbally told me as a National Board Member representing the NAACP for the State of California and the Stockton CA. Branch and members of the CRC in meetings that they are allocating approximately \$70 billion to California - the same \$70 billion already allocated to this state under 1997's Bank of America \$140 billion lending goal. In other words, the Banks have not committed one additional penny to California, the state that will be the most impacted by this merger, that will lose the headquarters of its largest bank and that will see that Bank's successful community reinvestment program dismantled.
- No written commitment to provide specific products and services targeted at the unique needs and priorities of California's diverse regions and people.

- There is no written commitment to establish a “floor” goal, or targeting, for lending in this area the Central Valley of California for small businesses, nor any commitment to target loans or lines of credit of \$50,000. or less to small minority owned businesses.
- There is no written commitment to prioritize nonprofit housing developers, who will keep housing developments at the greatest level of affordability for the longest period of time.
- Nations Bank has a CDC which develops its own housing developments. The California Branches of the NAACP is concerned that, were it to function in a similar manner here in California, it would conflict directly with the state’s thriving infrastructure of non-profit housing developers. In negotiating meetings with the Banks, the California State Conference of the NAACP with CRC members have requested of the Nations Bank that they only do investment and lending, but no development, in California. Nations Bank has categorically refused to make such a commitment. Although the NAACP has a ongoing relationship with Nations Bank with our Community Development Resource Centers (CDRC’s) in other regions of the country, that does not have any impact on us in california, nor has BankAmerica been agreeable to the establishment of a similar program in california.
- There is no written commitment to continue Bank of America’s program of appointing a liaison to the community on Fair Housing issues.
- There is no written commitment to establish a secondary review process for declined consumer loan applications from minority and low income census tracts.

- There is no written commitment to develop program to provide venture capital to Minority Owned Businesses, especially those located in distressed and Rural areas.
- There is no evidence to adopt or commit to any written goals for purchasing a certain percentage of the goods and services it consumes in California from Minority Owned Vendors in California.
- There is no written commitment to continue Bank of America's existing agreement to 1) not close or consolidate any branch located in a low-income market as a result of the consolidation or closure of a Bank of America Branch.
- There is no written commitment to ensure that Minority employees will not be disproportionately affected by consolidation and branch closures.
- Bank of America's reinvestment program known as the Bank America Foundation may be dismantled and may be integrated into the central corporate structure in Charlotte.
- There is no written commitment to contribute a percentage of the Bank's earnings, either specifically to California or even in the \$350 billion announcement. This is out of step with every community reinvestment commitment has been negotiated and fought for by the NAACP.
- Finally regarding the bank's internal structure, the NAACP is extremely interested in the diversity goals regarding senior management and the governing board of directors. If the merger is approved and as the proposed new bank solidifies its diversity goals, objectives and policies, the NAACP will

continue to be a resource and monitor the financial institutions internal structure involvement.

Regarding the proposed acquisition of BankAmerica Corporation, the NAACP California State Conference of Branches, and Myself as a elected Member of the Board of Directors from California stand ready as resources to ensure that certian goals are met and matters are not overlooke, if a merger of the two institutions goes forward. We are extremly concerned about consumer protection, competition and economic expansion.

Successful and effective mergers are to lower costs, improve product quality or enhance efficiencies. The proposed new bank's commitment to \$350 billion in community development lending and investment over the next ten years is an indication of an expected enhanced delivery of services resulting from the merger. 350 billion represents the largest community development commitment ever announced by a financial institution. This is an opportunity for organizations like the NAACP to challenge this bank and an opportunity for the new bank to live up to a bank's chartered role as an economic leader in communities.

Again thank you for the opportunity to appear before you today.



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Prince 21

**TESTIMONY
OF
CHUCK PRINCE
EXECUTIVE DIRECTOR
OF THE
SOUTHEAST IDAHO COUNCIL OF GOVERNMENTS
POCATELLO, IDAHO
ON BEHALF OF THE
NATIONAL ASSOCIATION OF
DEVELOPMENT ORGANIZATIONS (NADO)**

**BEFORE THE
FEDERAL RESERVE BANK OF SAN FRANCISCO
ON THE PROPOSED MERGER OF
NATIONSBANK CORPORATION AND
BANKAMERICA CORPORATION**

**JULY 9, 1998
SAN FRANCISCO, CA**

Thank you for the opportunity to testify today on the proposed merger of NationsBank Corporation and BankAmerica Corporation. My name is Chuck Prince, and I am the Executive Director of the Southeast Idaho Council of Governments and a member of the National Association of Development Organizations, or NADO.

I am here today to express NADO's conditional support for the proposed merger.

NADO is a national association of regional development organizations serving rural and small metropolitan America. The association, a public interest group founded in 1967, provides its members with training, information, and representation, and has been a leader in promoting the interests of America's frequently forgotten small towns and rural regions.

Regional development organizations are multi-county planning and development districts that pool otherwise thin local resources across a region and are catalysts for cooperation between citizens and the public and private sectors. Most of America's rural areas and small towns, which are home to some 77 million people, are served by regional development organizations. One of the most important functions of these organizations is managing revolving loan funds that serve the credit needs of small, high risk businesses that cannot obtain a loan on their own through a private commercial bank. Often these revolving loans funds are the only available non-commercial source of credit, so they play an important role in economic development.

This brings me to the focus of our concerns and conditional support for the proposed merger. The most compelling reason we feel this merger should be approved is the \$350 billion/ten year commitment to community development lending made by Nations Bank - Bank of America on May 20, 1998. Simply put, this commitment is extraordinary and will have a long reaching impact, both in communities served by Nations Bank - Bank of America and in establishing a benchmark for future bank mergers.

However, even with the \$350 billion commitment, we believe the merger should be approved with very specific conditions:

1. First, that the Bank of America Community Development Bank be retained and expanded in both mission and function. The Community Development Bank is unique. Its vision statement, which reads in part: "to support community growth and prosperity by being the catalyst for or by forming public/private partnerships for funding," has lead directly to a work program which loaned over \$560 million for affordable housing in 1997. The Community Development Bank's great success is partially attributable to its outreach to the non-profit housing development network as a pool of partners and borrowers. And, recognizing that affordable housing lending requires specialized skills, many of the Community Development Banks' 300 staff were recruited from this non-profit network. The NationsBank-BankAmerica Corporation \$350 billion commitment includes \$115 billion for affordable housing. The only logical steward and conduit for these funds is the Bank of America Community Development Bank.

2. Second, using the Bank of America Community Development Bank's affordable housing development activities as a template, the merged bank should create an entity dedicated solely to community economic development. Just as the Community Development bank has reached out to non-profit housing development corporations for affordable housing partnerships, this new entity should reach out to the community economic development network including regional development organizations, for business and job creation ventures. Only by making an organizational and structural commitment to community economic development will the merged banks' actual lending and investments come close to matching the promises of its May 20, 1998 press release.

3. Third, we commend the NationsBank-Bank of America \$10 billion commitment to rural America. We ask that the purposes of this rural pool be sufficiently broad to include financing for community facility and infrastructure improvements. Many small cities, special districts and counties often find it difficult to finance city halls, jails, water and sewer systems, community centers and streets. Participation of the new BankAmerica in meeting these credit needs would be a valued contribution in efforts to better rural America.

4. Fourth, the merged bank has also pledged \$180 billion for small business lending and \$25 billion for economic development. To say that these are substantial amounts of needed capital is a gross understatement. However, we

are concerned that the lion's share of these funds will be used for government insured loans. While these loans are an important tool in job creation efforts, they truly represent little risk to the bank and only serve a narrow spectrum of the needs of the small business credit continuum. In order for these funds to have the greatest impact we believe a portion of these funds should be targeted towards:

1. Direct loans to higher risk borrowers including business start-ups;
2. Investments in and grants to the revolving loan funds of regional development organizations;
3. Creation of an accessible secondary market for loans made by regional development organizations through their revolving loans funds;
4. Development of venture capital pools at regional development organizations and other regional and multi-state intermediaries; and
5. Creation of a set-aside for small business lending and investment in rural and small metropolitan communities for ventures of any size. A recent NationsBank-Bank of America publication calls for only making loans to ventures creating more than 25 jobs in rural or lower and moderate income communities. This limitation is artificial and simply doesn't reflect the reality of job creation in rural America where 3 and 4 employees ventures are the rule and 25 employee ventures, the major exception.

Only by adding these higher risk type activities in with the safety of government insured financing will the merged bank begin to approach meeting the credit needs of small business.

In conclusion Mr. Chairman, NADO conditionally supports this merger. As stated at the outset, the \$350 billion commitment to community development lending and investment is unprecedented. However, translating funding commitment to real impact requires a focused plan of action. The plan should contain:

1. Retention of the Bank of America Community Development Bank;
2. Creation of an equivalent to the Community Development Bank, focusing on community economic development;
3. A vision of the community development needs of rural communities broad enough to include infrastructure finance; and
4. An approach to small business and economic development lending that features a rural set-aside and a mix of both government insured and non-traditional higher risk loans and investments.

Thank you for allowing me to speak to you today. I will be happy to answer any questions or provide additional information.

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