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Presented by Tunua Thrash

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Panel 2,

On April 13, 1998, BankAmerica Corporation and NationsBank Corporation announced they would merge to create what promises to be the first truly national bank in the United States. The combined institution will have assets worth an estimated \$570 billion. The Chairman and CEO of BankAmerica, David Coulter, as well as the Chairman and CEO of NationsBank, Hugh McColl, have said the merged institutions will be good for their customers and for the communities these now separate institutions serve-- I hope so. Nevertheless, I would be remiss if I did not admit to having some concerns.

My concerns are threefold.

First, BankAmerica has been a leader in the area of community reinvestment. Not only are its community reinvestment activities unmatched, it has also been the leading voice, among its fellow bankers, espousing the virtues and benefits of community reinvestment. BankAmerica has made the point that its community reinvestment activities are not just good for the communities the bank serves, those activities have also been profitable for the bank.

While other banks, have often complained bitterly that the Community Reinvestment Act is unnecessary and burdensome. Mr. Coulter, quoting former BankAmerica CEO Dick Rosenberg, has said, "community reinvestment isn't just the right thing to do, its the smart thing to do in a dynamic and diverse marketplace that is being reshaped by powerful economic forces." Mr. Coulter went on to say that BankAmerica is firmly committed to providing capital to enhance the economic and social wealth of the communities they serve. BankAmerica has fulfilled this commitment.

NationsBank has pledged \$350 billion, over 10 years, towards community reinvestment and has committed to retaining BankAmerica's Community Development Bank. Community groups worry, however, this commitment may be somewhat hollow inasmuch as NationsBank has failed to provide any specifics as to how it intends to reach its community reinvestment pledge. Community groups note that the pledge's vagueness could enable NationsBank to make a variety of loans that, while technically considered community reinvestment, are not targeted to those truly small business customers who need them.

The \$350 billion pledge by NationsBank is extremely sizeable. I hope, in making this sizeable commitment, the bank will consider more fully addressing the

concerns expressed by community groups as relates to the specifics of their community reinvestment pledge. For example, how much of that \$350 billion will be specifically committed to California verses the commitment for North Carolina and other states in which the combined institution will operate? In addition, I would hope that NationsBank would publicly and firmly commit, like BankAmerica, to providing the necessary capital to enhance the economic and social wealth of all segments of the communities the combined institution will serve.

Second, I want to ensure that Californians are well-served by this combined institution. Will the combined institution distort any markets for customers? For instance, with such a huge market share, will the combined institution offer their customers competitive rates? Will the newly merged institution be as responsive and as flexible in meeting the needs of their customers?

I believe the merged institution should provide the community with more services, greater innovation, more choice and more competitive pricing. Similarly it is important to ensure the less affluent segments of the community are fully serviced. It is easy, no doubt, to forget small businesses and underserved communities when large one-stop-shopping financial institutions are created. I hope this is not the case in California.

Third, I am concerned that the headquarters of the combined institution will be in Charlotte, North Carolina. Unlike North Carolina, California is a very large state-- the largest in the nation-- with many diverse communities. NationsBank must be prepared to meet the needs of this growing and diverse population. How will the new institution succeed in understanding and meeting these needs with its headquarters in Charlotte, North Carolina? The answer, I hope, is that the combined institution will commit to keeping a significant and sizable number of BankAmerica's top executives in California-- particularly those executives who are engaged in community banking activities.

I want to note that I recently met with Mr. McColl and found him to be very sincere, forthcoming and personable. Mr. McColl, has promised to meet with me in California to discuss, in detail, the concerns I have raised. I look forward to our meeting and hope Mr. Coulter will be available to join us.

As a member of the Senate Committee on Banking, Housing and Urban Affairs, I am all too aware of the proliferation of mergers in the banking industry.

Indeed, prior to the announcement of the BankAmerica/ NationsBank merger, a number of California based financial institutions, including Wells Fargo and Home Savings, had announced and/or completed mergers. Notwithstanding the importance of each of those institutions to California, I believe BankAmerica's pending merger is different.

Here's why. BankAmerica is not only California's largest bank, but it is also the largest bank-- and probably the most powerful-- in the West. BankAmerica's headquarters, San Francisco, is the financial capital of the West. Moreover, and more important to Californians, BankAmerica has been an extremely responsible and responsive corporate citizen for all of California's communities. I want to make sure that we do not lose this responsiveness. It's too much to lose.