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REMARKS OF ROBERT MANUEL
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WELLS FARGO & COMPANY

Community Reinvestment Act (CRA) Regulation
Public Hearing: August 17, 2010
Los Angeles, California

Ladies and Gentlemen:

Good morning. My name is Robert Manuel and I am Director of CRA at Wells Fargo & Company. We are a diversified financial services company with $1.2 trillion in assets and more than 278,000 team members across our 80+ businesses. We provide banking, insurance, investments, mortgage, and consumer and commercial finance through more than 10,000 stores and 12,000 ATMs and the Internet across North America and internationally.

I appreciate the opportunity to provide Wells Fargo's perspective on how the CRA regulatory process can be enhanced.

We commend the agencies for their continuing efforts to develop regulatory guidance for CRA compliance. Wells Fargo supports the CRA and strongly believes that it has been an effective law to revitalize local communities and underserved populations consistent with safety and soundness. Our comments stem from a goal to promote increased sustainability for CRA programs in a volatile and challenging economy and within a dynamic regulatory and business environment.

We believe that this goal can best be furthered through greater flexibility in how the CRA exam procedures are applied. We believe there needs to be more consideration for activities that have high community impact and are most responsive to critical needs in local communities. There also needs to be more consideration for the opportunities and challenges of the environment in which an institution does business.

We believe that the CRA is most effective when there is a strong link between a depository institution and the local communities that it serves. Our obligations under CRA should be tied to our capacity to reasonably ascertain and serve the specific needs of our communities. This tie is strongest when an institution has a physical presence through traditional deposit-taking branches and team members in communities.

CRA Public Performance Evaluations should be an opportunity to reinforce the connection between an institution's activities and the local communities it serves. The basis of an institution's performance should be the unique needs of local communities as determined through community contacts as well as the institution's efforts in working with community-based organizations. This should be described in the Performance Evaluation before CRA performance is assessed.

There should be a balance between quantitative and qualitative factors considered when assessing performance. The recent trend of streamlined Performance Evaluations has focused on standardized quantitative comparisons such as lending and branch distribution to demographics. As a result, qualitative elements such as performance context and CRA highlights are not emphasized and therefore a complete picture of an institution's performance cannot be obtained. Oftentimes, the best examples of how an institution has collaborated with community-based organizations to find the most impactful ways to address the most critical needs in its communities can provide the public and the industry with innovative and creative approaches to CRA. These activities can also differentiate CRA performance among institutions.

The Performance Evaluation should also provide an opportunity for the institution to highlight its efforts in the communities that it has identified as having the most critical needs regardless of their aggregate deposits. This is particularly critical for rural or historically underserved markets. As recently demonstrated, several markets impacted by high foreclosure rates outside the large metropolitan areas, such as the California Central Valley, had greater credit needs with fewer resources to meet those needs. If their efforts were given appropriate consideration in the CRA examination and acknowledged in the Performance Evaluation, institutions would likely do more to meet the credit needs of these communities. In short, these qualitative efforts need to be given more weight.

With regard to enhancing the data collection, reporting, and disclosure requirements, the agencies should require annual reporting for the number and dollar amount of community development lending aggregated at the county level. This will provide more detail of community development lending by geography and allow for market and industry comparisons.

The regulatory agencies should also coordinate with the new Consumer Financial Protection Bureau any new data collection requirements for small business loans under ECOA as referenced in the Dodd-Frank Act. There should be a uniform standard for small business data collection consistent with data collected, reported and examined under CRA currently.

With regard to small business lending, we believe the CRA evaluation of this activity on the Lending Test can be enhanced. Its weight for an institution's performance should be determined by how much it has been identified as a critical need in an institution's communities. This differs from a strictly quantitative approach of weighting performance by lending volume. For example, Wells Fargo is one of the largest originators of both mortgage and small business loans and historically has originated a greater percentage of mortgage loans than small business loans. However, given the high level of unemployment in most of our communities, job creation is an even more critical need at this point in the economic cycle. As small business lending is a primary means of addressing this need, it should be weighted more than its percentage relative to mortgage lending on the CRA examination and acknowledged in the Performance Evaluation.

In addition, there should be more balance between the quantitative and qualitative factors considered when evaluating small business lending performance. The geographic distribution of an institution's small business lending to small business demographics is still a relevant quantitative measure for performance. However, qualitative factors such as market conditions, credit demand, tighter underwriting requirements, and competition that may impact performance likewise need to be considered.

Finally, small business-related activities such as providing technical assistance and tools to assist small businesses that may not necessarily directly generate a large volume of loans but are designed to be very responsive to the needs of local communities should also receive significant qualitative CRA consideration.

Once again, we commend the agencies for their continuing efforts to provide staff guidance for CRA compliance. Wells Fargo appreciates the opportunity to provide additional recommendations to enhance the CRA regulatory process. We believe these recommendations can be implemented with minimal burden but maximum benefit for financial institutions and community-based organizations to develop and participate in sustainable CRA programs for years to come.