



Comptroller of the Currency
Administrator of National Banks

Multinational Banking Department
250 E Street, S.W.
Washington, D.C. 20219

PUBLIC DISCLOSURE

**COMMUNITY REINVESTMENT ACT PERFORMANCE
EVALUATION**

March 31, 1996

Wells Fargo Bank (Texas), N.A.
1000 Louisiana
Houston, Texas 77002

Charter Number: 17612

NOTE: This evaluation is not, nor should it be construed as an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Wells Fargo Bank (Texas), N.A.** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of **March 31, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessment of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DEFINITIONS

- LMI** = **Low- and Moderate-Income** are the income level for individuals or average income level for census tracts (CTs) that are less than 80% of the median family income of the respective Metropolitan Statistical Area (MSA).
- Mid** = **Middle Income** is the income level for individuals or average income level for CTs that are equal to or greater than 80% and less than 120% of the median family income of the respective MSA.
- Upper** = **Upper Income** is the income level for individuals or average income level for CTs that are equal to or greater than 120% of the median family income of the respective MSA.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating

Based on the findings presented below, this institution is rated:

“Outstanding Record of Meeting Community Credit Needs.”

Evaluation Period: This Disclosure evaluates the bank’s performance from January 1, 1994, through March 31, 1996.

BANK PROFILE

Wells Fargo Bank (Texas), N.A. (WFBT), is a wholly-owned subsidiary of Wells Fargo & Company (WFC). WFC, based in San Francisco, California, is the ninth largest bank holding company in the United States.

On April 1, 1996, WFC acquired First Interstate Bancorporation, the holding company for First Interstate Bank of Texas, N.A. On June 1, 1996, the name of First Interstate Bank of Texas, N.A. was changed to Wells Fargo Bank (Texas), N.A. This evaluation covers only the activities of the former First Interstate Bank of Texas, N.A.

WFBT is the fifth largest bank in Texas. Its headquarters are in downtown Houston, and it operates 124 branches in Texas. Forty-five branches are in Randall’s or Tom Thumb supermarkets.

WFBT is a full-service bank focused on the needs of corporate, commercial real estate borrowers, mid-size and small businesses, and consumers. As of March 31, 1996, WFBT reported total assets of \$6.8 billion, most of which are in Houston and Dallas. Loans and deposits were \$4.3 billion and \$5.8 billion, respectively, for a 74% loan-to-deposit ratio. Its loan portfolio consists of more than \$1 billion in real estate loans (including \$527 million in consumer mortgages), more than \$2 billion in commercial and industrial loans, \$567 million in consumer loans, and \$189 million in various other loans.

COMMUNITY PROFILE

WFBT’s delineated community includes portions of nine of Texas’s 27 MSAs, and three non-MSA counties. This delineation includes most major economic areas of the eastern half of Texas.

Our evaluation focused on six of the areas. These areas, which are detailed below, make up 95% of the delineated community’s total population of 6,429,855. Areas we did not target were Brazoria MSA, Bryan-College Station MSA, Galveston MSA, Burnet County, Cherokee County, and Lee County. WFBT has only six branches in these areas.

HOUSTON COMMUNITY			
Median Income	Population	LMI Families	LMI CTs
\$36,886	2,781,422	37%	37%

The Houston MSA consists of six counties. WFBT includes only portions of three of these counties in its community delineation. It includes most of Harris County, the northeastern quadrant of Fort Bend County, and southern portion of Montgomery County.

Houston is the largest city in Texas and the fourth largest city in the United States. The city is culturally and ethnically diverse and has many LMI communities. Houston is considered the energy capital of the world, but also has diverse industry, including: manufacturing, services, shipping, government, transportation, aerospace, medical services, and construction. The unemployment rate declined from 7% in 1992 to 6.4% in 1994, and it is in line with the state average of 6.3%. The 1990 Census median housing value was \$60,800.

WFBT has 67 branches in this delineated community, 14 of which are in LMI areas. Total deposits for this delineated community make up 47% of total bank deposits.

DALLAS COMMUNITY			
Median Income	Population	LMI Families	LMI CTs
\$38,754	1,363,047	34%	28%

The Dallas MSA consists of eight counties. WFBT includes only portions of four of these counties in its community delineation. In Dallas County, the bank includes the areas from downtown Dallas north and the southern portion. Also, the bank designates small portions of Denton, Ellis and Collin counties.

Dallas is the second largest city in Texas. It is part of the Metroplex area which covers Dallas, Fort Worth, and the Denton area. The Metroplex is dependent on manufacturing, trade, air transportation, distribution, and financial services. Its manufacturing base is made up of high-tech electronics, aerospace, and military equipment. The unemployment rate declined from 6.7% in 1992 to 5.4% in 1994. The 1990 Census median housing value was \$85,700.

WFBT has 22 branches in this delineated community, seven of which are in LMI areas. Total deposits for this delineated community make up 11% of total bank deposits.

FORT WORTH COMMUNITY			
Median Income	Population	LMI Families	LMI CTs
\$37,571	753,936	36%	36%

The Fort Worth MSA consists of four counties. WFBT includes only portions of Tarrant County in its community delineation. The delineation includes greater Fort Worth and excludes Fort Worth's downtown business district and part of Arlington.

The Fort Worth area is part of the Metroplex, but is much smaller than Dallas. It shares the same basic industries as Dallas. The unemployment rate declined from 6.8% in 1992 to 5.5% in 1994 and remains below the state average. The 1990 Census median housing value was \$67,500.

WFBT has 13 branches in this delineated community, five of which are in LMI areas. Total deposits for this delineated community make up 9% of total bank deposits.

AUSTIN COMMUNITY			
Median Income	Population	LMI Families	LMI CTs
\$35,481	533,934	34%	32%

The Austin MSA consists of five counties. WFBT includes only portions of three of these counties in its community delineation. It consists of the western and southern halves of Travis County, including downtown and the University of Texas area, the northeastern portion of Hays County, and limited areas of Williamson County.

Austin is the capital of Texas. Government is its largest industry, followed by services and manufacturing. Austin is a growing high-tech electronics area, attracting companies from all over the United States. The unemployment rate declined from 4.5% in 1992 to 3.6% in 1994, and it is the lowest of any of the bank's delineated communities. The 1990 Census median housing value was \$73,100.

WFBT has 10 branches in this delineated community, two of which are in LMI areas. Total deposits for this delineated community make up 3% of total bank deposits.

SAN ANTONIO COMMUNITY			
Median Income	Population	LMI Families	LMI CTs
\$29,898	474,262	46%	55%

The San Antonio MSA consists of four counties. WFBT includes only portions of Bexar County in its community delineation. The delineation includes the central and north central part of San Antonio.

San Antonio is a major military center. Most of the city’s economic growth has been in services, transportation, and construction. The unemployment rate declined from 6.3% in 1992 to 4.9% in 1994. The 1990 Census median housing value was \$45,050.

WFBT has three branches in this delineated community, two of which are in LMI areas. Total deposits for this delineated community make up 2% of total bank deposits.

BEAUMONT-PORT ARTHUR COMMUNITY			
Median Income	Population	LMI Families	LMI CTs
\$30,910	211,469	41%	50%

The Beaumont-Port Arthur MSA consists of three counties. WFBT includes portions of Jefferson County in its community delineation. The delineation includes the city of Beaumont south to the port areas.

The Beaumont-Port Arthur area is comprised mostly of petrochemical production, refining, shipbuilding, port activities, agriculture, and lumber. This area has one of the largest concentrations of petroleum refineries in the nation. The unemployment rate, which increased from 9.1% in 1992 to 9.8% in 1994, is the highest of any of the bank’s delineated communities and remains well above the state average. The 1990 Census median housing value was \$32,450.

WFBT has three branches in this delineated community, two of which are in LMI areas. Total deposits for this delineated community make up 3% of total bank deposits.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community. This includes the institution’s efforts to communicate to community members the

credit services provide by the institution.

- **WFBT has a comprehensive program to ascertain community credit needs.**
- **WFBT provides innovative products and services to help meet community credit needs.**

WFBT Board and management regularly evaluate the effectiveness of the bank's efforts in helping to meet the credit needs of its delineated community. A CRA Focus Group performs annual self-assessments of the bank's CRA performance in LMI census tracts and develops written strategies and plans to strengthen performance. WFBT has dedicated adequate resources to ensure effective ascertainment of credit needs. It has designated Community Affairs Officers (CAO), Community Banking Area Managers, and Community Development Lenders. In addition, many other bank officers actively take part in ascertainment activities and report them through the bank's monitoring systems. During the evaluation period, bank personnel made 350 community contacts covering all of the bank's delineated communities.

CAOs meet with local groups, national groups, and governmental agencies such as: ACORN, Advocates for Housing, Oak Cliff Development Corporation, and the Southern Dallas Development Corporation. These groups benefit LMI persons and minorities and target areas with economic needs. They provide information about the changing needs of the bank's community.

In 1995, WFBT began holding community forums to enhance its understanding of community credit needs. It was the host to 16 forums throughout the state. These forums gave community members an opportunity for open discussion of their priorities, concerns, and emerging needs. A need, identified at the Sunnyside forum, was for a local chamber of commerce. Sunnyside is a low-income neighborhood in Southeast Houston. WFBT took a leadership role in forming a task force consisting of community leaders, residents, and business owners and coordinated the organization of the Sunnyside Chamber of Commerce.

Through various ascertainment efforts, including customer questionnaires and surveys, management identified the following credit-related needs: simplification of the process for funding small businesses and mortgage loans, providing basic banking education seminars, credit counseling services, secured credit cards, affordable housing, and branches in under-served, low-income areas. The following are examples of the initiatives the bank has taken to help meet these needs. WFBT:

- ▶ Introduced the "Quick Step" Small Business Loan Program requiring a borrower to complete only a single page (front and back) loan application for loans of up to \$50 thousand.
- ▶ Established a Community Development Lending Division that focuses on SBA lending, loans for less than \$250 thousand to small- and minority-owned businesses, and loans to municipalities and non-profit organizations.

- ▶ Introduced a convenient check activated line of credit for small businesses.
- ▶ Formed the Small Business Loan Center designed to perform back office functions associated with speeding up the loan process.
- ▶ Conducted 184 consumer educational seminars with small business organizations and community organizations.
- ▶ Joined with the Consumer Credit Counseling Services to provide site-based credit counseling. They provided these services at two of the bank's Houston branches, which serve predominantly LMI individuals. WFBT provided the space free of charge.
- ▶ Introduced the secured MasterCard, which is secured by a time deposit.
- ▶ Provided \$49 million in loan commitments for affordable housing construction and mortgages.
- ▶ Opened a full-service branch in South Oak Cliff, one of Dallas' economically disadvantaged communities.

Management continually reviews the bank's products looking for ways to customize them to help meet the needs of the community. WFBT responded to a need for specialized lending programs for non-profit organizations by introducing its Community Assistance Program (CAP). It provides financing with flexible underwriting standards to entities that provide basic social services, create jobs, provide technical assistance, or develop affordable housing. Since the inception of the program in 1994, the bank has extended almost \$4 million in loans.

Our evaluation of WFBT's performance included contacts with community-based organizations. We used these contacts to obtain information on community credit needs and opinions on the bank's CRA performance. We found that WFBT has accurately identified the credit needs of its delineated communities.

Assessment Factor C - The extent of participation by the institution's Board in formulating the institution's policies and reviewing its performance with respect to the purpose of the Community Reinvestment Act.

- **WFBT's Board of Directors supports its CRA efforts, providing an oversight role in developing and enhancing its CRA program.**
- **The Board actively supports flexible and innovative underwriting guidelines designed to help meet the community credit needs.**

The Board of Directors involvement includes approval of an expanded CRA Statement and the annual CRA Plan. The expanded Statement describes examples of how the bank ascertains and helps meet the credit needs of its delineated communities. It also describes the marketing and advertising programs used to inform the communities of the bank's services. WFBT's 1995 CRA Plan measures the bank's performance in the lending, investment, and service areas, with specific goals set for selected strategic items.

The Board delegated the authority to oversee the on-going CRA-related activities to the CRA Oversight Committee. This committee consists of the Chairman of the Board, an outside director, and senior level managers. It meets quarterly, reviews minutes of the CRA Advisory Committee, monitors performance under the CRA Plan, and votes on any proposed actions.

The CRA Advisory Committee is a subcommittee of the CRA Oversight Committee. It consists of senior level managers from all affected lines of business. At monthly meetings, each requirement within the CRA Plan is measured against its current status-to-date, action items are assigned, and key decisions are made. Quarterly, the chair of the CRA Advisory Committee updates the Board on the status of the bank's performance in relation to the CRA Plan. Annually, this committee conducts comprehensive self-assessments covering all of the bank's delineated communities.

All bank employees receive CRA training, from part-time tellers to the Chairman and CEO, and any new Board members. Bank-wide training includes a video titled "CRA, What You Can Do"; the employees' completion of a computer-based training course that addresses the technical requirements of the CRA regulation; and a laminated desk reference card containing information about bank contacts, the location of CRA Statements, and how to handle requests. Our evaluation revealed that WFBT meets the CRA's regulatory requirements.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- **WFBT has a sound marketing and advertising program.**

WFBT's designed its marketing and advertising programs for its credit products to inform all segments of the bank's communities. Management has developed product advertising programs to achieve complete media coverage throughout the bank's communities. In addition, they use targeted media strategies specifically to reach LMI and minority census tracts.

For broad and complete market coverage, WFBT selects print advertising and network television

because they reach the greatest number of people. Besides complete media coverage, WFBT supports promotional campaigns through in-branch materials, statement inserts, and direct mail solicitations.

Special emphasis has been placed on addressing the needs of the minority population in WFBT's delineated communities. A Hispanic Task Force was created to study and address the needs of this community. The task force had community-wide representation and worked to ensure that issues important to Hispanics were incorporated into the bank's marketing efforts. Additionally, a Houston-based advertising agency was hired to help develop and start a marketing plan tailored to African-American.

Advertisements are placed in smaller community and minority publications in local areas and are run with promotional loan advertising presented in English and Spanish. WFBT also uses direct mail advertising and often targets it to specific census tracts.

A variety of seminars and workshops are held to help participants understand the credit application process and how to apply for credit. Management conducts them in each market in which the bank operates. Some seminars are held in Spanish. Internally, they classify these activities as Consumer Education Workshops. During the evaluation period, the bank conducted 440 of these workshops; examples include:

- ▶ Home Buyer Counseling -- Mortgage Development Officers conducted weekly home buying seminars designed to take away the mystery of purchasing a home. The seminars covered a variety of topics and technical aspects of signing contracts.
- ▶ Incubator on Wheels Small Business Workshops -- This is a six-week program co-hosted with the Houston Small Business Development Corporation (HSBDC). Topics covered critical concerns of small businesses such as developing a business plan, marketing, understanding financial statements, budgeting, and securing credit.
- ▶ Basics First -- Provides a comprehensive overview of basic bank products and services for use with select groups in the communities the bank serves. All branch managers made presentations to churches, schools, senior citizen centers, and non-profit organizations.

Other topics presented in the workshops include: affordable housing, budgeting, business development, credit counseling, financial aid, financial planning, fundamentals of good credit, and student loans.

WFBT has several "Alternative Delivery Systems" to improve accessibility to credit and understanding the credit application process. These systems include:

- ▶ "Day & Night Banking Sales Center" - A telephone center where potential and existing customers can open checking and savings accounts, apply for personal loans, lines of

credit credit cards, and many other bank products. They staff the center with English and Spanish-speaking representatives.

- ▶ “First Interstate Bank Real Estate Mortgage (FIRM)” - A joint venture established with PHH Mortgage Company (PHH) to streamline the delivery of residential mortgage services. FIRM introduced the “1-800 You and I” line for customers interested in loans for home construction, purchase, or refinance. They staff the phone line with mortgage professionals who speak various languages and can provide basic product and rate information.
- ▶ “First Interstate Bank On-line” - Allows personal computer access. Customers can pay bills electronically; transfer funds between accounts; access account balances; reconcile accounts; and make payments on loans, lines of credit and credit cards.

Assessment Factor I - The institution’s origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- **WFBT’s aggregate level of lending reflects a responsiveness to its communities most pressing credit needs.**

WFBT has shown a commitment to lending by offering a variety of consumer and commercial loan products designed to help meet community credit needs. This commitment is reflected in its loan-to-deposit ratio of 74%, which places it in the upper third of similarly situated banks. Further, the strength of WFBT’s commitment is supported by its origination, during the evaluation period, of more than 94 thousand loans totaling almost \$2 billion, as detailed in the table below.

AGGREGATE LOAN ORIGINATIONS BY LOAN TYPE		
PRODUCT	#	\$ (Millions)
Mortgages - Conventional	1,775	\$163
Home Improvement	3,686	66
Rehabilitation	1	3
Small Business	6,357	762
Small Farm	164	5
Consumer	50,875	710
FHA and VA	29	3
SBA	341	70
FmHA	9	2
Student Loans	31,120	89
Total Loan Originations	94,357	\$1,873

Most of WFBT's lending is within its delineated communities and the trend is increasing. Throughout the evaluation period, WFBT's lending within its communities has made up more than 60% of total loan originations.

Consumer Lending

WFBT originated 80% of its consumer loans in its delineated communities. It originated most of these loans under the bank's "First Advantage Products." WFBT introduced these special credit products during the third quarter of 1992. Since then, there have been several enhancements to the product in direct response to the feedback from the delineated communities. The bank has increased maximum loan amounts and added more flexible terms to allow greater access to credit. During 1994 and 1995, the bank made 7,290 First Advantage loans for a total of \$28 million.

During the first quarter of 1996, WFBT introduced Secured Credit Cards which are secured by a time deposit. They designed this card for customers with little or no credit history or for customers seeking to repair bad credit history.

Small Business Lending

WFBT's origination of small business loans increased 67% from 1994 to 1995. This increase is another example of the bank's commitment to helping meet its communities' credit needs. During 1995, WFBT initiated aggressive efforts to expand its base of small business customers. The bank has created several products to address the needs of its small business customers. It participates in several below market-rate loan programs, has introduced a "Business Advance" line of credit for small businesses, and has introduced the "Quick Step Small Business Loan" which has an abbreviated application process for loans of less than \$50 thousand to small businesses. WFBT provided \$550 thousand in loan commitments to five below market-rate loan programs which promote initiatives to maintain a strong central business district -- Angleton, Beaumont, Dallas, Houston, and Taylor.

The table below shows WFBT's level of small business lending in its major market areas during the evaluation period. Small business lending means loans that are less than \$1 million and are for business purposes. Of the small business loans originated during the evaluation period, 83% were within the delineated communities. Of these loans, 77% have been for amounts of less than \$50 thousand. The number of loans for less than \$50 thousand and the growth in small business lending demonstrates WFBT's commitment to small business lending.

AGGREGATE SMALL BUSINESS LENDING ORIGINATIONS				
MARKET AREAS	# Of Loans < \$50,000	Total # of Loans	Total \$ (Millions)	Avg. Loan \$ (Thousands)
Houston	1,890	2,385	\$245	\$103
Dallas	581	986	117	118
Fort Worth	411	723	84	117
Austin	168	202	12	59
San Antonio	71	89	10	109
Beaumont -Port Arthur	169	173	6	37

Residential Lending Activity

WFBT's origination of residential mortgages declined from 1994 to 1995. Beginning in April 1995, the residential mortgage division of WFBT went through a major reorganization. This resulted in reductions in staff and a corresponding decline in lending volume. After this reorganization, WFBT reevaluated its residential lending activity. This process considered major changes in the market and technology, which affected WFBT's ability to originate residential loans. With these changes, the competition for originations and servicing intensified and profit

margins declined. Simultaneously, home refinancing declined as interest rates increased, reducing the overall mortgage market. These factors contributed to WFBT’s decision to end its direct mortgage lending activity.

WFBT will continue its commitment to finance affordable housing. They will accomplish this through their participation in specific loans and other programs developed for this type of activity. In addition, WFBT will provide access to mortgage loans through its joint venture with PHH (see Assessment Factor B).

The following table shows the level of residential-related lending for WFBT’s six major market areas during the evaluation period .

AGGREGATE RESIDENTIAL LENDING ORIGINATIONS								
MARKET AREAS	PURCHASE		REFINANCE		HOME IMPROVEMENT		TOTAL	
	#	\$ (Millions)	#	\$ (Millions)	#	\$ (Millions)	#	\$ (Millions)
Dallas	209	\$18	400	\$23	580	\$11	1,189	\$52
Fort Worth	115	5	242	12	566	10	923	31
Austin	84	12	119	11	196	4	399	27
San Antonio	47	4	113	5	91	1	251	10
Houston	972	97	1,482	101	1,863	33	4,317	232
Beaumont/ PortArthur	109	6	223	8	91	2	423	16

Assessment Factor J - The institution’s participation in government-insured, guaranteed or subsidized loan programs for housing, small businesses or small farms.

- **WFBT actively participates in governmentally-guaranteed and sponsored loan programs.**
- **WFBT is one of the top SBA lenders in the State of Texas.**
- **WFBT is the number one bank in Texas that originates loans under the Plus Student Loan Program.**

WFBT offers two different types of Small Business Administration (SBA) guaranteed loans -- SBA 7A loans and SBA 504 loans. Under the SBA 7A Program, WFBT was the most active lender in the state for the fiscal year ended September 30, 1995. Nationally, under this program, WFBT ranked sixth in number and fifth in dollars. From 1994 to 1995, the number of SBA loans made by WFBT increased by 165%. In January 1995, WFBT achieved "preferred lender" status in all of its markets. The preferred designation means that WFBT has the authority to determine eligibility, creditworthiness, and structuring without the SBA's prior review or consent.

WFBT is also very active in government-guaranteed student loan programs. During the evaluation period, WFBT originated \$89 million in student loans. As a result of this lending activity, WFBT was the number one bank in Texas for lending under the PLUS Student Loan Program. Parents or legal guardians may obtain variable interest rate loans through the PLUS program to pay for their dependent students' education. The following table shows the level of WFBT's government guaranteed lending during the evaluation period.

AGGREGATE GOVERNMENT- GUARANTEED LOAN ORIGINATIONS		
PROGRAM	#	\$ (Millions)
SBA	341	\$70
FHA and VA	29	3
FmHA	9	2
Student Loans	31,120	89

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

- **WFBT's delineated communities are reasonable and do not arbitrarily exclude any low- or moderate-income areas.**

Each year, a subcommittee of the CRA Advisory Committee analyzes the bank's current community delineations and makes recommendations for changes, if necessary. This subcommittee includes representatives from various lending areas, marketing and community affairs. The group analyzes existing lending patterns, deposit patterns, and the location of WFBT's branches and competitor branches and recommends community delineations. Upon approval by the CRA Advisory Committee and the CRA Oversight Committee, the community delineations are presented to the Board of Directors for final approval (see the Community Profile section of this Evaluation).

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- **WFBT conducts thorough and well-documented analyses of the geographic distribution of its major loan products.**
- **The geographic distribution of WFBT's loan originations is reasonable and generally consistent with the demographic patterns and identifiable loan demands within its communities.**

WFBT analyzes the geographic distribution of most consumer and some business credit applications, extensions and denials semiannually and virtually the entire loan portfolio annually. In addition, the bank conducts frequent and various analyses of HMDA data, including distribution by race/national origin and gender. These analyses consider the distribution between LMI and non-LMI census tracts for each area in the delineated community and the distribution within and outside the delineated community. The bank also conducts an annual analysis of loan and deposit households at the census tract level.

The CRA Advisory Committee, the CRA Oversight Committee, and the CRA Focus Group use these analyses in assessing the bank's CRA performance within each market. The analyses are also used in developing written strategies and plans for strengthening CRA performance including branch expansion, targeted outreach or advertising efforts, and focused lending strategies for various business units. As an example, the 1995 CRA Action Plan involved various efforts to enhance the bank's CRA performance. These included a direct mail lending campaign to targeted LMI census tracts in the Beaumont and Fort Worth areas and compensation programs. They designed the compensation programs to encourage sales staff to provide credit for affordable and multi-family housing, small businesses, and all loans to LMI individuals and areas within the bank's communities.

The bank's geographic distribution analyses of consumer and business loan applications in 1994 and 1995 reflect a reasonable penetration within all segments of its delineated communities. Business loans are community development loans that benefit LMI areas or individuals.

The tables below reflect the distribution of business loans and consumer loan originations

(including HMDA reportable loans) in 1994 and 1995 for each delineated community targeted for evaluation during this examination. They show consistent and reasonable penetration of LMI census tracts in both years and in each community.

BUSINESS LOAN DISTRIBUTION					
Market Area	% of LMI CTs	% of number of Originations within:			
		LMI CTs*		Non-LMI CTs*	
		1994	1995	1994	1995
Houston	37	38	38	62	62
Dallas	28	51	38	49	62
Fort Worth	36	61	31	39	69
Austin	32	32	28	68	72
San Antonio	55	54	43	46	57
Beaumont-Port Arthur	50	30	33	70	67
All Delineated Communities	35	38	35	62	65

* Income information provided by Claritas, Inc.

CONSUMER LOAN DISTRIBUTION					
Delineated Community	% of LMI CTs	% of number of Originations within:			
		LMI CTs*		Non-LMI CTs*	
		1994	1995	1994	1995
Houston	37	20	24	80	76
Dallas	28	25	21	75	79
Fort Worth	36	30	25	70	75
Austin	32	28	31	72	69
San Antonio	55	33	58	67	42
Beaumont-Port Arthur	50	27	37	73	63
All Delineated Communities	35	21	24	79	76

*Income information provided by Claritas, Inc.

Our analysis of WFBT's residential lending revealed that these loans are also reasonably

distributed throughout the delineated communities, including LMI areas. Our analysis included a review of the 1994 HMDA Aggregate Loan Application Register (LAR) data reported in the bank's delineated communities. This review determined that the bank's performance in LMI areas and to LMI borrowers slightly exceeded the average for all HMDA reporters. The bank's performance was generally consistent with the three largest banks competing in WFBT's delineated communities. HMDA Aggregate LAR data for 1995 was not available for review at the time of this evaluation. However, WFBT's 1995 HMDA data reflects that the bank's credit distribution has remained consistent with its 1994 performance. The following table shows that WFBT's performance of lending to LMI borrowers and in LMI census tracts exceeds its competitors in 1994.

% OF 1994 HMDA REPORTABLE ORIGINATIONS		
	WFBT	All HMDA Reporters
LMI Borrowers	20	16
LMI Census Tracts	14	11

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- **WFBT's branches are readily accessible to all segments of the bank's delineated communities.**
- **WFBT's closure of three branches during this evaluation period has not adversely affected its ability to provide banking services to its communities, including LMI neighborhoods.**

WFBT's branches are readily accessible to all segments of its delineated communities. Overall, 27% of the branches are in LMI census tracts. Business hours and services available at the branches reasonably accommodate the needs of the communities. In particular, WFBT's in-store branches offer extended weekday and Saturday business hours and are open on Sundays. The LMI community does not benefit extensively from the in-store branch extended hours as only 13% of the in-store branches are in LMI areas. However, 66% of the branches in LMI areas offer either Saturday lobby and/or drive-in banking hours.

WFBT continues to expand its branch network in its major markets through acquisitions and

openings of traditional and in-store branches. Since the prior CRA examination, WFBT has increased its branch network by 39% to a total of 79 traditional and 45 in-store branches. Most of these branches are in Houston (54%), Dallas (18%), and Fort Worth (10%).

The bank has 251 ATMs located throughout the various communities. Many ATMs offer deposit services besides access to cash and account maintenance activities. The bank also offers most consumer banking services, including loans, through telephone banking; and selected services, through computer on-line access. These services increase accessibility to basic banking services throughout the communities, including LMI areas.

WFBT has a written policy governing branch openings, closings and relocations. The policy requires that profitability analysis and community impact analysis be performed before any branch closing or relocation occurs. The community impact analysis includes discussions with current customers, business leaders and community leaders regarding the impact that closing a branch would have on the local community. The Managing Committee and the Board of Directors review and approve all branching decisions. The policy requires that WFBT provide appropriate notice to all branch customers before any branch closing.

WFBT closed three in-store branches in 1994, two of which were in LMI areas. The bank complied with its closing policy and appropriately documented all analysis, including the community impact study. The bank's analysis showed that these closings did not adversely affect the level of banking service available in these communities. During the evaluation period, WFBT opened two branches in low-income areas. The bank's analysis showed that these branches have improved the accessibility of the bank to members of these communities.

IV. DISCRIMINATION.

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- **WFBT actively solicits credit applications from all segments of its communities and focuses on LMI neighborhoods**

Management's assessment efforts ensure that they identify the needs of each community. They use this information to develop appropriate loan products, services and advertising format.

The Board and management have implemented effective policies, procedures, and training programs to ensure employees do not illegally discourage or prescreen applicants. WFBT's compliance management systems provide an extensive and ongoing review of the bank's performance in providing access to credit to all applicants. Compliance and credit officers perform the following:

- ▶ Second level reviews of all declined residential loan applications;

- ▶ regular reviews of HMDA data and comparable data for all types of credit to evaluate lending activity by census tract, race, and gender;
- ▶ periodic reviews of underwriting guidelines and procedures;
- ▶ independent audits to ensure that credit is granted in accordance with established policies, practices and procedures;
- ▶ ongoing sensitivity and cultural diversity training for all bank personnel.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- **Our evaluation revealed no evidence of prohibited or illegal credit practices.**

WFBT is in substantial compliance with all provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity Act, the Fair Housing Act, and the Home Mortgage Disclosure Act.

We conducted a fair lending examination at the bank's Consumer Loan Center in Tempe, Arizona. This center processes home improvement loans for WFBT and seven other affiliated banks. We evaluated compliance with anti-discrimination laws through a review of 380 home improvement loan applications processed between October 1, 1995, and December 31, 1995. Our sample included denied applications from 10 American Indians, 34 African-Americans, and 94 Hispanics. We

compared these files with approved applications from 242 whites. Our file comparison process did not detect any indication of illegal discrimination.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- **WFBT maintains a high level of participation in community development and redevelopment activities.**
- **WFBT uses innovative solutions in helping to meet community development needs.**

WFBT's commitment to community reinvestment is demonstrated through a variety of investment and lending affiliations. Total commitments to community development and

redevelopment projects and programs exceed \$115 million. The following table depicts the bank's activities in these areas.

COMMUNITY DEVELOPMENT ACTIVITIES (1994 - 1995)		
Activity	# of Projects	Funded \$ (Millions)
Investments in CDC's and other Community Development Projects	7	\$2
Community Assistance Program Loans	59	4
Below Market-Rate Loan Pools	5	0.2
Loans to Municipalities	17	53
Affordable Housing Construction Loans	36	19
Affordable Housing Mortgages Loans*	-	25
Community Development Grants	135	1
Total Community Development Activities	259	\$ 104

* Prior to 1995, the bank did not track the number of affordable housing mortgages. The amount shown above includes all mortgages to borrowers earning 100% or less of median family income.

Community Development Investments

WFBT invests in a number of community development corporations (CDCs) and other groups whose primary goals focus on economic revitalization of the communities they serve. These efforts help address identified needs of the communities including those of small and minority-owned businesses and developing affordable housing in LMI neighborhoods. Examples of WFBT's investments and participation in community development projects and programs include:

- ▶ In 1991, WFBT helped found the Greater Houston Small Business Equity Fund (the "Fund"). Currently, the bank has a \$1 million commitment to this multibank CDC. The Fund formed a partnership with a Minority Enterprise Small Business Investment Corporation (MESBIC) -- MESBIC Financial Corporation of Houston -- a for-profit entity operating as a specialized small business investment company. This partnership is managed by Alliance Financial of Houston (AFH), a private, non-profit corporation. Together, they provide loan and equity financing to small businesses in the greater Houston area to stimulate economic growth and create jobs.

During the evaluation period, WFBT provided permanent financing for some of AFH's clients, including \$3 million to a rapidly growing, local small business with insufficient capital to qualify under conventional lending guidelines. WFBT structured a term loan and revolving line of credit around \$500 thousand in subordinated debt provided by the

CDC and MESBIC. Two members of WFBT's board of directors also serve as directors for AFH.

- ▶ WFBT has supported Dallas-based MESBIC Ventures Holding Company (MVHC) for several years and in early 1996, it extended a \$1.5 million commitment. MVHC provides venture capital financing for small minority-owned businesses. Since its inception in 1970, MVHC has provided more than \$50 million in venture capital financing to more than 150 minority entrepreneurs.
- ▶ WFBT has supported the Southern Dallas Development Fund (SDDF) since 1992. SDDF is a multibank CDC that provides financial and technical assistance to small and minority-owned businesses. SDDF's objective is to expand employment opportunities for LMI residents and improve the economic environment of Southeast Dallas. WFBT recently increased its investment commitment to \$560 thousand in conjunction with SDDF's application for national Community Development Financial Institution Fund's matching capital fund program. Two WFBT community development officers serve on SDDF's Advisory Board.
- ▶ In 1996, WFBT made a \$30 thousand commitment, payable over three years, for operating support of New Foundations for Neighborhoods (NFN), a Houston-based affiliate of Local Initiative Support Corporation (LISC). WFBT's relationship began in 1993 when it made a \$1 million commitment to the 1993 Ltd. Partnership of the National Equity Fund, an affiliate of LISC. The partnership is a non-profit organization that provides financial assistance and technical expertise to non-profit CDCs. WFBT also provides technical and professional assistance to NFN. WFBT's Community Development Lending Division manager is a member of NFN's Advisory Council.

WFBT made additional aggregate investments of \$350 thousand in CDCs in San Antonio, Austin, and Fort Worth. The bank's investments in these organizations help the CDCs achieve their goals of creating jobs and revitalizing LMI communities with improved economic conditions and increased affordable housing.

Community Development Lending

WFBT has made a significant commitment to loans that directly benefit community development. The bank's Community Development Lending Division manages lending and investment activities throughout Texas. This division's lending activities focus on SBA loans of less than \$250 thousand to small and minority-owned businesses and loans to municipalities and non-profit organizations. Notable achievements of the Community Development Lending Division include:

- ▶ In 1995, WFBT achieved the Small Business Administration's (SBA) "preferred lender" status in all of its markets throughout Texas. During the evaluation period, WFBT made 341 SBA-guaranteed loans for \$70 million (see Assessment Factor J).

- ▶ During the evaluation period, WFBT made 17 loans totaling more than \$53 million to municipalities. The proceeds of these loans go directly to improving cities, counties and school districts.
- ▶ Established in 1994, WFBT's Community Assistance Program provides financing with flexible underwriting standards to entities that serve basic social needs, create jobs, provide technical assistance, or develop affordable housing. During the evaluation period, the bank made 59 loans for \$3.6 million.
- ▶ WFBT participates in below market-rate loan pools to communities. These pools promote incentives for maintaining a strong central business district. The loan program offers merchants low-cost loans for facade improvements. During the evaluation period, WFBT committed \$550 thousand to five loan pools of this type and funded three loans for \$195 thousand.

WFBT recognizes the need for affordable housing for LMI residents in its community. Therefore, it participates in a number of innovative public and private affordable housing initiatives to help meet this pressing need. Examples of WFBT's commitment include:

- Trinity Meadows Crossing - This is a housing development in the predominantly low-income area of South Austin. WFBT consulted in the initial stages of this development. The project involved the relocation and rehabilitation of more than 100 duplex residential units from the recently closed Bergstrom Air Force Base. WFBT then provided construction financing of more than \$5 million for 269 units. This project has received nationwide attention and will be used as a pilot program for future redevelopment of housing from closed military bases.
- Independence Park housing development in Southeast Dallas - Working in conjunction with the City of Dallas, Fannie Mae, the Enterprise Foundation, a local CDC, and a home builder, WFBT provided almost \$7 million in interim construction funds. The builder used these funds to finance the construction of 112 new homes in this affordable housing subdivision. WFBT committed another \$6 million for 30-year permanent mortgages using Fannie Mae products. In addition, 20% of the homes have been targeted for the Fannie Mae Lease Option program that was initiated by a WFBT employee. This employee serves on the Advisory Board of the Enterprise Foundation and is actively involved in plans to expand the lease option concept nationwide.
- In the predominantly low-income community of Sunnyside in Southeast Houston:
 - ▶ WFBT financed the first phase of the Kennedy Estates Housing Development, the first private/public initiative in Houston to provide financial assistance to LMI home buyers. This new housing development was initiated under the Homes for Houston program, a partnership between the City of Houston, the business and financial community, home builders, and area CDC's. Homes for Houston, originated in 1995, is designed to provide technical and financial assistance to LMI residents of

Houston. Its goal is to provide 25,000 single-family affordable housing units by the year 2000.

- ▶ King Estates is another LMI affordable housing project. WFBT helped the developer in the initial phases of the development of this subdivision, and it provided construction financing for the project's 87, all-brick, three-bedroom homes. WFBT also held several home buyer seminars to educate potential buyers and help market the subdivision.

- ▶ In conjunction with the Sunnyside-Up CDC and the City of Houston's Housing Department, WFBT provided more than \$1 million to finance the purchase and redevelopment of two multi-family apartment complexes. This effort added 142 much needed, affordable housing rental units to the area.

Community Development Grants

WFBT continued its financial support to CDCs and other community development groups by contributing \$1 million during the evaluation period. This level of contributions is commendable. Such grants underwrite the overhead of these organizations and help offset other expenses, assisting them to achieve their community development goals and objectives.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- **We did not identify any constraints on WFBT's ability to help meet the credit needs of its delineated communities.**

WFBT has made a substantial commitment of financial and personnel resources to help meet the credit needs of its delineated communities. The bank has shown this commitment through its active participation in community development projects and programs, its volume of lending to small businesses and affordable housing projects, and its contributions to community development organizations. These activities are consistent with WFBT's financial condition and size and with the local economic conditions of its communities (see Bank and Community Profiles Section of this Evaluation).

Assessment Factor L - Any other factors that, in the regulatory authority's judgement, reasonably bear upon the extent to which an institution is helping meet the credit needs of its entire community.

- **WFBT affirmatively helps meet credit needs in its communities through grants officer and staff volunteer work, and various bank programs.**

WFBT recognizes that informed citizens are critical to the success of the many community development programs and projects available in its delineated communities. Because of this, WFBT has held or sponsored many seminars, workshops and counseling sessions targeting small businesses and aspiring home buyers.

- ▶ During 1994 and 1995, WFBT held 44 seminars on a broad range of topics related to opening and operating a small business. They held these seminars in all of WFBT's major markets and were attended by 2,200 small business owners and aspiring entrepreneurs.
- ▶ During 1994 and 1995, WFBT held 75 home buyer seminars, workshops and counseling sessions that reached 3,500 prospective home buyers throughout its communities. These sessions focused on the responsibilities of home ownership, an important prerequisite to qualifying for and obtaining financing for a home mortgage.
- ▶ WFBT also held 25 seminars for 1,000 realtors and brokers throughout its communities to elevate their understanding of affordable housing opportunities and WFBT's affordable housing finance programs.

Many officers and employees of the bank are actively involved in community development groups and community service activities. Examples of particularly active officers in these projects and programs include:

- ▶ WFBT's Senior Community Affairs Officer is active in Advocates for Housing, Houston Area Community Development Corporation, Private Sectors Initiatives Home Repair, Harris County Steering and Capitalization Micro Loan Committee, and the City of Houston Community Development Finance Committee.
- ▶ WFBT's Community Development Lending Division Manager is active in the New Foundations for Neighborhoods Advisory Council, SBA Houston District's Advisory Council, Austin CDC's Board of Directors, the Houston Hispanic Chamber Corporate Advisory Board, and the San Antonio Business Development Fund Board of Directors.
- ▶ WFBT's Community Development - Mortgage Manager is active in the Houston Housing Partnership, Dallas Affordable Housing Partnership, Advocates for Housing, Housing Opportunities for Houston, and the Enterprise Foundations/Texas Region.

WFBT's senior managers have also represented the bank in industry-related volunteer work that benefits the community. Some examples include:

- ▶ WFBT's Senior Community Affairs Officer testified in support of CRA reform in front of the four Chief Regulatory Officials during their national community forum meeting held in San Antonio. WFBT was the only regional bank from Texas to address the forum.
- ▶ WFBT's Community Development Lending Manager testified before the Texas Senate in support of the financial community's role in assisting small businesses gain access to capital through conventional and non-conventional sources. WFBT was again the only regional bank to provide testimony on this issue.
- ▶ WFBT's Senior Community Affairs Officer and Corporate Communications Manager worked in conjunction with the Texas Home Owners Rights organization to educate the public and the state legislature in support of home equity lending.

Besides its grants to community development groups, WFBT makes significant charitable contributions to other worthy community service organizations. During the evaluation period, WFBT made more than \$1 million in charitable contributions to a variety of organizations dedicated to serve their communities. In addition, WFBT donated unused office space free-of-charge to nine non-profit groups in Houston, Dallas, San Antonio, Austin and Port Arthur. This office space totals 11,316 square feet and has an aggregate estimated annual market value of \$125 thousand. WFBT also made significant contributions of unused office furniture and equipment to charitable organizations. These contributions help these groups carry out their charitable activities, which ultimately benefit the entire community.

ADDITIONAL INFORMATION

Wells Fargo Bank (Texas), N A. is a wholly-owned subsidiary of Wells Fargo & Company, San Francisco, California, a bank holding company. The bank is affiliated to other chartered financial institutions in Arizona, California, and Colorado. For information about the CRA performance of these institutions, contact either the institution directly, or the Wells Fargo's Community Development Department, P. O. Box 63102, San Francisco, California 94163.

The OCC also supervises WFBT's national bank affiliates. The Federal Reserve Bank of San Francisco is responsible for the supervision of Wells Fargo & Company. The Federal Reserve should be contacted for information about any corporate transactions the company may be processing which are subject to CRA.