



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

February 15, 2001

CRA Decision #108
March 2001

James E. Hanson
Manager
Wells Fargo & Company
Sixth and Marquette - N9305-152
Minneapolis, Minnesota 55479-0088

RE: Application by Wells Fargo Bank New Mexico, National Association, Albuquerque, New Mexico, to purchase and assume certain of the assets and liabilities of First Security Bank of New Mexico, Albuquerque, New Mexico
Application Control Number: 2000-ML-02-0030

Dear Mr. Hanson:

This is to inform you that the Office of the Comptroller of the Currency ("OCC") has approved the application by Wells Fargo Bank New Mexico, National Association, Albuquerque, New Mexico ("Wells Fargo NM"), to purchase and assume certain of the assets and liabilities of First Security Bank of New Mexico, National Association, Albuquerque, New Mexico ("FSB NM").

In approving this application, the OCC took into account the Community Reinvestment Act ("CRA") records of each of the applicant banks. Wells Fargo NM's most recent CRA performance evaluation, dated September 27, 1997, reflected a "Satisfactory" rating. FSB NM's most recent evaluation, dated February 1, 1996, reflected an "Outstanding" rating. In addition, the OCC considered the comments it received from a community organization in August, 2000, during the comment period for the proposed merger of these banks' holding companies (Wells Fargo & Company and First Security Corporation). The commenter expressed concerns that Wells Fargo NM's record, based on 1998 Home Mortgage Disclosure Act ("HMDA") data, reflected a low level of lending to Hispanics and a low level of home lending to low- and moderate-income ("LMI") borrowers.

To investigate these concerns, OCC examiners reviewed 1998 HMDA data concerning Wells Fargo NM's overall performance and particularly with respect to the issues raised by the

commenter.¹ The results of that investigation are summarized below.

With respect to home purchase loans, Wells Fargo NM ranked second among all lenders in home purchase loan volume in New Mexico, and ranked first among bank lenders, with a 7% share of the market. In Albuquerque, Wells Fargo NM's market share of home purchase loans to LMI borrowers was almost as high as its share of the area's market for home purchase loans. In rural areas of the state, its market share of home purchase loans to LMI borrowers was below its overall market share. Wells Fargo NM held a 5.8% share of home purchase loans to Hispanics.

With respect to home improvement loans, Wells Fargo NM ranked first in the state in home improvement lending, with a 17% share. In Albuquerque and rural New Mexico areas, the bank's market share of home improvement loans to low-income borrowers exceeded its overall market share of home improvement loans. In Albuquerque, the bank's market share of home improvement loans to moderate-income borrowers was the same as its overall market share of home improvement loans in that market. In rural New Mexico areas, the bank's market share of home improvement loans to moderate-income borrowers significantly exceeded its overall market share of home improvement loans in those areas. Wells Fargo NM held a 15.2% share of home improvement loans to Hispanics.

With respect to home refinance loans, Wells Fargo NM ranked second among all lenders in home refinance loan volume in New Mexico, and ranked first among bank lenders, with an 8.8% market share. In Albuquerque, Wells Fargo NM's market share of home refinance loans to low-income borrowers significantly exceeded its overall share of home refinance loans in that market. In rural New Mexico, Wells Fargo NM's market share of home refinance loans to low-income borrowers was the same as its overall share of home refinance loans in that market. In Albuquerque and rural New Mexico, its market share of home refinance loans to moderate-income borrowers slightly exceeded its overall share of home refinance loans in those areas. Wells Fargo NB held an 8.6% share of home refinance loans to Hispanics.

Overall, OCC's examiners found that Wells Fargo NM's record reflected a good geographic and borrower distribution of home mortgage loans.

The commenter also expressed concerns with Wells Fargo NM's level of lending to Hispanics in relation to the Hispanic population in New Mexico.² OCC examiners noted that Wells Fargo NM's level of lending to Hispanics was below the demographics but also noted that all other lenders were also below. The examiners further noted that Wells Fargo NM's origination/purchase rate to Hispanic applicants substantially exceeded the average

¹ At the request of Wells Fargo NM and consistent with the CRA, the OCC's analysis of Wells Fargo NM's residential lending included the lending activity of Wells Fargo Home Mortgage, Inc. and Wells Fargo Funding, Inc., operating subsidiaries of Wells Fargo Bank, NA and Wells Fargo Bank Minnesota, NA, respectively.

² It is important to note that HMDA data alone are inadequate to provide a basis for concluding that a bank is engaged in lending discrimination or in indicating whether its level of lending is sufficient. HMDA data do not take into consideration borrower capacity, housing prices, and other factors relevant in each of the individual markets and do not illustrate the full range of the bank's lending activities or efforts.

origination/purchase rate by all lenders in the market. In addition, OCC examiners reviewed the bank's performance under the fair lending laws and discovered no evidence of disparate treatment.

The commenter also expressed concerns that Wells Fargo & Company might close or divest branches disproportionately based on the income of the area in which the branches were located, particularly in Albuquerque.³ OCC examiners compared the income levels of the geographies where the 23 branches to be divested are located with the branches to be retained and found them to be comparable. Examiners also considered the impact of the four proposed office closings and concluded that the proposed actions would not have an adverse impact on LMI areas. In three of the four cases, the combined bank will have an office less than seven blocks from the closing office. In the fourth case, a middle-income area, the branches are 1.8 miles apart. Examiners also found that Wells Fargo NM has an excellent distribution of branches by income level in Albuquerque. The percentage of its branches and ATMs located in low-income areas approximated the percentage of the population living in such areas; the percentage of its branches and ATMs in moderate-income areas significantly exceeds the percentage of population living in such areas.

In addition, OCC examiners found: a good geographic and borrower distribution of small loans to businesses, an excellent geographic distribution of small loans to farms; a high level of community development lending that was responsive to community needs; a good level of community development investments; an excellent distribution of retail services; and a good level of community development services.

Based on Wells Fargo NM's overall CRA record and further analysis by examiners, we have found no reason to deny or conditionally approve the application based on the bank's record of compliance with the Community Reinvestment Act.

This approval is granted based on a thorough review of all information available, including commitments and representations made in the application and the purchase and assumption agreement and those of your representatives. Particular reliance was placed on the commitment to infuse an additional \$130,000,000 in capital and \$18,000,000 in long term debt to maintain the bank in a well capitalized position following consummation of the application.

As a reminder, this Office must be advised in writing in advance of the desired effective date for the purchase and assumption so that the OCC may issue the necessary certification letter. The effective date may be on or after the date of this letter.

We will not issue a letter certifying consummation of the transaction until this Office has been furnished with the following documents executed in the original:

- 1) purchase and assumption agreement, and

³ See the Board of Governors of the Federal Reserve System October 10, 2000 decision regarding Wells Fargo & Company's acquisition of First Security Corporation wherein Wells & Company committed to divest of certain branches.

- 2) a secretary's certificate for each institution, certifying that a majority of the board of directors has agreed to the proposed purchase and assumption.

If the purchase and assumption transaction is not consummated within one year from the approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time period.

A separate letter is enclosed requesting your opinion on how we handled your application. We would appreciate your response so we may improve our service.

If you have any questions, please contact Senior Licensing Analyst Abel Reyna, Jr. at (202)-874-5060 or by e-mail: LargeBanks@occ.treas.gov. Please include the application control number in all correspondence.

Sincerely,

-signed-

Alan Herlands
Director, Licensing Operations

Enclosure: Survey Letter