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Congress of the United States
House of Representatives
Washington, DC 20515-0509

Panel 1

**Testimony Submitted by Barbara Lee, Member of Congress, to the
Federal Reserve Board Meeting on the Merger of the
BankAmerica with Nations Bank. San Francisco, July 9, 1998**

**Dolores Smith
Presiding Officer**

Presiding Officer Smith and Other Panelists:

Thank you for providing this opportunity to me and to my representative, Ms. Roberta Brooks, to address the issue of the merger of the BankAmerica with Nations Bank. I very much regret not being here personally to talk to you but I only learned about this meeting accidentally and could not rearrange my schedule.

The first issue I will raise is the regulatory role of the Federal Reserve Board relative to the ability of these two banks to merge. Congress, through the 1956 Bank Holding Company Act, gave the Federal Reserve System the responsibility to review such mergers and to specifically consider the likely effects of the acquisition on competition, and the convenience and needs of the community to be served. Due to the increasing number of mergers in the 1950's, Congress reinforced the 1956 act by passing the Bank Merger Act in 1960.

The Bank Merger Act strengthened the language of the Federal Reserve Board's responsibility. It stated that the Federal Reserve may not approve any merger that could substantially reduce competition. It also was concerned that a merger not create a monopoly unless it finds that the anticompetitive effects of the transaction

My colleagues on the House Banking Committee, Congresswomen Lucille Roybal-Allard, and Maxine Waters, representing constituents in Southern California, share my concern with the negligible time that is being given by the Federal Reserve to the public and to elected representatives to hold the appropriate discourse on this merger. Although I am pleased that my representative did not have to travel to Los Angeles to voice our concerns, I am dismayed that so serious a matter should be given so little attention. This is a merger that affects the entire nation, just as Microsoft's practices affect the entire nation. I strongly recommend that the Federal Reserve hold hearings in every state in which either BankAmerica or NationsBank hold assets of \$1 billion or more.

I ask that a letter signed by myself, Representative Roybal-Allard and Waters, to Hugh McColl, Chairman and CEO of NationsBank and David Coulter, Chairman and CEO of Bank of America be accepted as part of my testimony.

We need hearings in which to consider the almost countless number of anticipated problems that will arise from consolidation of these two banking giants. Among the anticipated problems are these:

Loss of service. There is great anxiety expressed by my constituents over the steady decline, in the last twenty years or so, of banking services and the accompanying tariffs for even the simplest services, such as using the ATM. The pattern of less service and more cost is so clear as to make this proposed merger a crisis point. By delegation from Congress, the Federal Reserve System has the responsibility for responding to their concerns. How are you executing this responsibility?

Loss of jobs. How many jobs will be lost when BankAmerica moves from the Bay Area to North Carolina? Job holders, families, the public must be told.

Community Development, and Reinvestment. BankAmerica's record of community investment is better than Nations. But BankAmerica is leaving California. What will the more dominant NationsBank do for their California depositors?

Corporate investments in the African American and the Latino communities: The most reliable figures that we can get are dismal. African Americans are 12 percent of the population. Majority-owned banks lend to Black-owned businesses at a rate that is one-half of one percent (0.5) of their total business loans. The Latino American community receives about one tenth of one percent (.01) of the loans by majority banks.

In conclusion, I want to express my most profound concern that the Federal Reserve System, at this time, respond appropriately to the public's need for full, open hearings and discussion of this merger as the first, of a series of expected mergers.

We Americans are quick to criticize the banking methods of Japan, China, Indonesia, and rightly so. Each one of these countries has powerful banks that practice in the dark, under the cover of a powerful combination of government and business. I fear that more Americans are realizing that although we may have the forms of democracy, we have little access to our country's power. The figures are stark. It is hard to ignore the fact that the top one percent of this country owns 40% of the wealth or, put another way, the top 20% of the country owns 80% of the wealth. The leverage of accessibility is obviously on the side of those with overwhelming wealth.

I trust that the Federal Reserve remembers its birth in this republic and that its true loyalties will be with the people.

Thank you.

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Thank you.

Committee on the Budget

Committee on Banking
and Financial Services

Subcommittee on Financial
Institutions and Consumer Credit

Subcommittee on Capital Markets and
Government Sponsored Enterprises



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CHAIR, CALIFORNIA DEMOCRATIC
CONGRESSIONAL DELEGATION

July 7, 1998

panel 1

Hugh McColl
Chairman and Chief Executive Officer
NationsBank
901 West Trade Street
Charlotte, North Carolina 28202

Dear Mr. McColl:

As a member of the Banking Committee and Chair of the California Democratic Congressional Delegation, I am writing to express my concern with the proposed merger of Bank of America and NationsBank. I am especially concerned about its impact on lending, investing, employment and other financial services for low-income and minority Californians.

This merger will no doubt have a greater impact on California than any other state in the country. The relocation of the headquarters of California's largest financial institution to North Carolina particularly concerns me and the merger activity that has occurred in California to date reinforces this concern.

In California alone, more than 80 banks and thrifts have been acquired by other institutions since 1996. In 1992, when Bank of America purchased Security Pacific Bank, they closed over 400 branches. In 1996, Wells Fargo closed hundreds of branches throughout the state after purchasing First Interstate Bank. While we cannot fully anticipate the long-term effects of these and future mergers, the obvious and immediate impact has been fewer branches and escalating bank fees.

I commend Bank of America for its prior and current community reinvestment commitments to our California communities. Bank of America's pledge of \$140 billion over the next 10 years should be applauded, as well as NationsBank and Bank of America's recent announcement of an unprecedented \$350 billion commitment to low-income communities.

However, I would appreciate receiving details on how this pledge will benefit California's consumers and communities. In requesting this information, I would respectfully point out that these specific requests are not unprecedented, and reflect commitments that other California institutions have made in the past. Therefore, I am confident that NationsBank and Bank of America will continue their good faith efforts to meet the needs of our California communities.

Specifically, I would appreciate your response to the following questions:

- 1) Does the bank intend to earmark a portion of the \$350 billion to California? Given Bank of America's dominance in California, it is critical that the community reinvestment commitment be California-specific and commensurate with the proportion of the Bank's deposits and activities originating in the state.
- 2) How will the institution fulfill regional commitments within California given the geographical, social and ethnic diversity of our communities? What culturally-appropriate products and services will be available to consumers, considering the various credit, investment and economic development needs of our state's communities?
- 3) How will the new bank maintain and expand Bank of America's present programs and commitments in California, such as the Community Development Bank, Rural 2000 Initiative, Economic Development Initiative, the BankAmerica Foundation, and affordable housing activities? It is vital that these programs be distinct entities within the merged bank and continue to be based in California, given the tremendous need in our state and the collective expertise Bank of America has acquired in serving our communities.
- 4) What will be the bank's specific goals on the type and amount of loans for minority or women-owned small businesses and home loans?
- 5) How will the new bank minimize branch closings and increase branch openings in regions and communities that are presently underserved by traditional banking institutions?
- 6) Does the new bank intend to lower or stabilize ATM and bank fees? I am very concerned about rising bank fees, and their adverse impact on financially underserved, low-income communities.

A dedicated commitment to California is an exciting and challenging opportunity for banks. This merger has the potential to create mutually beneficial outcomes for both consumers and banks given California's ever-growing, entrepreneurial immigrant communities, expanding small-business market, and booming economy.

I look forward to working with you to meet these above-mentioned goals and anticipate your prompt reply.

Sincerely,


Lucille Roybal-Allard
Member of Congress

Committee on the Budget

Committee on Banking
and Financial Services

Subcommittee on Financial
Institutions and Consumer Credit

Subcommittee on Capital Markets and
Government Sponsored Enterprises



LUCILLE ROYBAL-ALLARD

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CHAIR, CALIFORNIA DEMOCRATIC
CONGRESSIONAL DELEGATION

July 7, 1998

David Coulter
Chairman and Chief Executive Officer
Bank of America
555 California Street
San Francisco, CA 94104

Dear Mr. Coulter:

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I look forward to working with you to meet these above-mentioned goals and anticipate your prompt reply.

Sincerely,


Lucille Roybal-Allard
Member of Congress



Panel 1

July 8, 1998

Ms. Jennifer Johnson
Secy. of the Board
Federal Reserve Board
20th & Constitution Ave, NW
Washington D.C., 20551

Dear Ms. Johnson:

We are writing to express to the Federal Reserve Board (Board) concerns of the City and County of San Francisco (City) regarding the merger of BankAmerica Corporation (Bank) with NationsBank. The Bank has become part of the fabric that makes up the greater San Francisco Bay Area (Bay Area), and is involved in virtually every aspect of the City's banking activities on behalf of our citizens.

The City's relationship with the Bank has evolved over the years into one in which the Bank is essential to the financial well-being of the City, as well as our reputation as one of the nation's premier financial centers. Not only is this relationship crucial in terms of lending programs, bond sales, housing and community development, but the Bank contributes to the vibrancy of our local economy. In 1997, the Bank purchased goods and services from local vendors totaling over \$340 million. The importance of the Bank to the City cannot be overstated. For example, the City maintains significant deposits and a wide array of services with the Bank including bimonthly payroll deposits approximating \$30 million. In fact, the City of San Francisco is the Bank's largest customer in Northern California.

It is quite natural, then, that we, along with our fellow elected City's officials, would be concerned about any changes to the Bank's structure or its ability to respond to the banking needs of the City. Here are the key areas that we feel will be adversely impacted.

SMALL BUSINESS LENDING: Much of the Bay Area's success in the new global economy has been driven by small businesses which have created over a third of the new jobs in the City over the last year. Many of these businesses have been established with loans from the Bank, which has been the leading lender to small businesses in our region on a dollar basis. A larger number of these enterprises are minority or women-owned. As you are probably aware, larger,

merged banks tend to provide fewer loans to small businesses. In 1996, the Bank made over 2,600 small business loans in the City, totaling almost \$150 million.

CHARITABLE GIVING: The Bank has been a vital player in supporting the City's nonprofit community, which serves the needs of poor, immigrant and homeless San Franciscans, in addition to other worthy philanthropic endeavors. Last year, the Bank and its Foundation gave over \$35 million to Bay Area nonprofits, community groups and cultural institutions. Without the Bank's presence, we are concerned that no other corporate partner would have the capacity to assume the role of the Bank in this arena.

JOBS: According to the Bank's own documents, the Bank employs 9,855 full-time and part-time staff in the City. We are already working closely with state and federal officials to meet the requirements of welfare to work laws in order to train and hire workers for an increasingly limited pool of jobs. Any significant effort by the Bank or the new entity to downsize or reduce workforce in the Bay Area will have an adverse impact on the Bay Area's economy, particularly in the new welfare to work environment.

HOUSING: Our Mayor's Office of Housing has developed a close relationships with the Bank, and their joint activities have helped to put San Francisco in the forefront of national efforts to provide low and middle-income housing in an increasingly restrictive housing market.

Recognizing the need to address the financing needs of affordable housing developments in "high costs" communities like the San Francisco Bay Area, the Bank created the BankAmerica Corporation Community Development Bank (BACDB), a separate chartered bank and an affiliate of the Bank. In the San Francisco Bay Area, BACDB has loaned \$39 million; this amount has been leveraged with local and private funding sources to build or renovate 930 affordable housing units. BACDB has also been a leader in developing other important affordable housing programs through the use of various financing mechanisms. It is imperative that the BACDB remain in San Francisco to maintain its success.

BONDS: The Bank has been the primary bank in underwriting municipal notes and bonds for San Francisco. It was the Bank that had the vision to buy \$35 million in bonds to finance the Golden Gate Bridge. The Bank has remained the leading purchaser of bonds from the City, including those to finance our airport.

In buying the City's bonds, the Bank competes with numerous Wall Street banks. Their knowledge of and commitment to local San Francisco issues has resulted not

only in capital market access for the City, but also in lower interest rates for our taxpayers.

As a consequence of these concerns, we strongly urge that the Board proceed with the utmost caution in its evaluation of the proposed merger. Therefore, we recommend that the Board require, at a minimum, that the new entity do the following:

- Make specific written financial and other resource commitments (not goals) for affordable housing lending and equity investments, small business support and lending, and
- Maintain BACDB as the lead community lending unit for the community grants programs
- Retain employees in San Francisco who make decisions impacting charitable giving and community-based programs.

These requirements will help detail for the Board and the public the stated commitment of the Bank and NationsBank to providing \$350 billion in community reinvestment lending.

If you have any questions regarding our concerns, please feel free to contact us.

Sincerely,



WILLIE L. BROWN, Jr.
MAYOR



SUSAN LEAL
TREASURER

cc: Senator Dianne Feinstein
Senator Barbara Boxer
Congresswoman Nancy Pelosi
Alan Greenspan
Joy Hoffman
California Reinvestment Committee
Greenlining Institute



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MAYOR



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TREASURER

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