

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

**CRA Decision #106**  
**July 2000**

June 23, 2000

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

Dear Mr. Hanson:

This is to inform you that on June 23, 2000, the Office of the Comptroller of the Currency (OCC) approved the application by Norwest Bank Wisconsin, N.A., Milwaukee, Wisconsin, to consolidate with Norwest Bank La Crosse, N.A., La Crosse, Wisconsin, and Norwest Bank Hudson, N.A., Hudson, Wisconsin. The title of the resulting institution will change to Wells Fargo Bank Wisconsin, National Association at the time of consummation.

This approval is granted based on a thorough review of all information available, including commitments and representations made in the application and the consolidation agreement and those of your representatives.

The OCC received comments from a community organization raising concerns regarding the Community Reinvestment Act (CRA) performance of Norwest Bank La Crosse, N.A. and Norwest Bank Wisconsin, N.A. As you know, the OCC removed the filing from expedited review in order to have sufficient time to investigate those concerns and to take the banks' records into account as required by the CRA.<sup>1</sup> The results of the OCC's investigation are discussed below. In summary, our investigation and analysis of the issues raised indicated no basis for denying or conditioning the approval of this application.<sup>2</sup>

The commenter expressed concerns with Norwest and its affiliates' level of home mortgage loan originations (both home purchase and refinance loans) to low- and moderate-income (LMI)

---

<sup>1</sup> See 12 U.S.C. § 2903.

<sup>2</sup> The OCC assigned Norwest Bank Wisconsin, N.A. a CRA performance rating of "Outstanding" as of 11/19/96. The OCC is currently conducting a CRA examination of this bank. In assessing the bank's CRA performance, OCC examiners will take into consideration the comments received in connection with this application. The OCC assigned Norwest Bank La Crosse, N.A. a CRA performance rating of "Satisfactory" as of 2/5/97.

borrowers and census tracts in the La Crosse and Milwaukee Metropolitan Statistical Areas (MSAs).<sup>3</sup> OCC examiners analyzed the distribution of home purchase and refinance loans originated by all Norwest affiliates<sup>4</sup> in both MSAs and concluded that the banks' lending performance was consistent with approval of this application.<sup>5</sup> The OCC notes that the percentage of Norwest's home loans that were made to LMI borrowers and in LMI communities in the markets at issue was comparable to or greater than that of all lenders in the following categories: (1) home purchase loans to LMI borrowers in La Crosse and Milwaukee; (2) refinance loans to LMI borrowers in La Crosse; and (3) home purchase and refinance loans in LMI census tracts in La Crosse.<sup>6</sup>

The commenter also expressed a concern with the level of participation in government-insured programs, especially the Wisconsin Housing and Economic Development Agency Home Ownership Mortgage (WHEDA) program by the Norwest banks located in Wisconsin. While Norwest ranked second in the WHEDA program in La Crosse in 1998, bank representatives indicated to OCC examiners that Norwest's preference is to use other government-sponsored programs such as those supported by the FHA and VA. We also note that the leading WHEDA lender in La Crosse originated 70% of all WHEDA loans in La Crosse during 1998. This large percentage is due in part to a loan-servicing contract between the lender and the WHEDA program. OCC examiners found that the level of FHA/VA lending by Norwest in 1999 (\$2.7 million) in the La Crosse MSA was consistent with its performance in 1997 (\$2.9 million) and 1998 (\$2.6 million). The level of FHA/VA lending by Norwest in the Milwaukee MSA in 1999 (\$44.0 million) was greater than the level of lending in 1997 (\$34.9 million) or 1998 (\$32.4 million).

The commenter expressed additional concerns with the level of lending to minorities in the La Crosse and Milwaukee MSAs and the denial rates for minorities in comparison to the denial rates for whites. Using 1998 Home Mortgage Disclosure Act (HMDA) data, OCC examiners

---

<sup>3</sup> The commenter also expressed concerns with the level of mortgage and refinance lending by comparing Norwest's performance to other lenders on a statewide basis. However, since Norwest's assessment areas for CRA purposes do not cover the entire state, the OCC did not consider such a comparison meaningful. See 12 CFR § 25.41(a), (c). Also, Norwest's CRA assessment areas in Wisconsin do not include the Duluth, Janesville, Kenosha, or Wausau MSAs. After reviewing the data provided in the commenter's June 8, 2000, letter for the remaining MSAs discussed in that letter, the OCC did not identify any additional concerns.

<sup>4</sup> The OCC examiners' review and analysis of Norwest included loans made or purchased by Norwest Bank Wisconsin, N.A., Norwest Bank La Crosse, N.A., Wells Fargo Home Mortgage, Inc. (formerly Norwest Mortgage, Inc.), and Norwest Funding, Inc.

<sup>5</sup> The examiners did not perform a full-scope CRA examination, but performed a limited review of Norwest's lending performance based on the concerns raised by the commenter.

<sup>6</sup> In 1998, Norwest's lending was not comparable to that of all lenders in three categories -- refinance loans to LMI borrowers and home purchase and refinance loans in LMI census tracts in Milwaukee. The percentage of Norwest's refinance loans to LMI borrowers in Milwaukee was 14.4% as compared to 17.7% for all lenders. As for lending in LMI census tracts in this MSA, Norwest made 6.4% of its home purchase loans in these areas as compared to 11.4% for all lenders. For refinance loans in Milwaukee, 4.4% of Norwest's loans were in LMI census tracts as compared to 8.7% for all lenders. While examiners noted weaknesses in Norwest's performance concerning home purchase and refinance loans in LMI areas in Milwaukee, they concluded that the level of home lending to LMI borrowers offset those weaknesses.

found that the small number of home purchase and refinance loans granted to minorities by all lenders in the La Crosse MSA precluded examiners from drawing any conclusions about Norwest's performance.

In the Milwaukee MSA, OCC examiners confirmed that Norwest's level of home purchase and refinance lending in minority census tracts (that have a 50% or greater minority population) was less than Norwest's overall market share to all census tracts. HMDA data provide information about a bank's home mortgage lending activity that is useful, as preliminary information, to highlight potential lending discrimination problems. HMDA data alone, however, are inadequate to provide a basis for concluding that a bank is engaged in lending discrimination. Nonetheless, denial disparity ratios are of concern to the OCC and are routinely considered in targeting fair lending examinations.<sup>7</sup>

The commenter also raised concerns with Norwest Bank La Crosse, N.A.'s loan-to-deposit ratio, stating that the level was only slightly above the minimum requirements as set forth in Section 109 of the Riegle-Neal Interstate Banking and Branching Efficiency Act. It is important to note that as a result of the Gramm-Leach-Bliley Act, Section 109 of the Riegle-Neal Act was amended (12 U.S.C. § 1835a), and effective March 11, 2000, Norwest Bank La Crosse, N.A. became subject to Section 109. The OCC's limited review of the bank's performance in connection with this application raised no concerns to indicate the bank was not reasonably helping to meet the needs of its community. In addition, the resulting bank's loan-to-deposit ratio will be monitored in subsequent OCC examinations.

Finally, the commenter requested the OCC to identify the number and dollar amount of loans made by Directors Acceptance, which is a lending unit of Wells Fargo Home Mortgage, Inc. (formerly Norwest Mortgage, Inc.) and is not a separate legal entity. The commenter was specifically concerned that Directors Acceptance may be steering LMI or minority borrowers to subprime loans. Since the loans made by Directors Acceptance are reported by Wells Fargo Home Mortgage, Inc., HMDA data for Directors Acceptance alone is not available, nor is the bank required to maintain separate records for this lending unit. However, the bank represented to OCC examiners that Directors Acceptance has a process in place to determine whether applicants who apply for mortgage loans through its retail officers qualify for conventional financing. Those applicants who are eligible for conventional financing are then referred back to the retail loan officer for consideration by Wells Fargo Mortgage, Inc. In addition, the bank represented that the loans offered through Directors Acceptance are intended to provide financing to consumers who do not otherwise qualify for conventional financing. The loans offered by Directors Acceptance may assist the bank to help meet the needs of its entire community.<sup>8</sup>

---

<sup>7</sup> At the next scheduled fair lending examination of Norwest Bank Wisconsin, N.A., OCC examiners will take into consideration the information provided by the commenter. However, the OCC found no reason to delay its decision on this application based on the bank's fair lending internal controls, compliance record, and previous examination results disclosing no concerns regarding discrimination.

<sup>8</sup> Wells Fargo Home Mortgage, Inc. did not become a bank subsidiary subject to the OCC's supervision until recently. OCC examiners will consider the concerns expressed by the commenter along with other factors in developing the scope of the next fair lending examination of this mortgage company. In addition, the OCC's ongoing supervision of Wells Fargo Home Mortgage, Inc. evaluates the system of controls maintained to insure compliance

Based upon the OCC's investigation and the bank's representations, we found that approval of the proposed transaction was consistent with the Community Reinvestment Act. In addition, the OCC determined that the legal, policy and procedural requirements for this proposal were satisfied.

As a reminder, this Office must be advised in writing in advance of the desired effective date for the consolidation so that the OCC may issue the necessary certification letter. The effective date must follow the applicable Department of Justice injunction period and any other required regulatory approval.

The OCC will issue a letter certifying consummation of the transaction when we receive:

- 1) a Secretary's Certificate for each institution, certifying that a majority of the board of directors approved;
- 2) an executed consolidation agreement with Articles of Association for the resulting bank attached; and,
- 3) a Secretary's Certificate from each institution, certifying that the shareholder approvals have been obtained, if required.

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.

In the event of questions, please contact Licensing Analyst Abel Reyna, Jr. or me at 202-874-5060 or by e-mail: LargeBanks@occ.treas.gov. Please include the application control number in all correspondence.

Sincerely,

~~-signed-~~

Richard T. Erb  
Licensing Manager  
Large Bank Licensing

Enclosure: Survey Letter  
Application Control Number: 2000-ML-02-0013