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WELLS FARGO BANK

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Executive Vice President
Corporate Community Development

September 28, 1990

The Honorable H. Wes Pratt
Councilman, 4th District
Chairman, Public Safety and Service Committee
City of San Diego
City Administration Building
2020 C Street
San Diego, Ca. 92101

Dear Councilman Pratt:

On behalf of all of us at Wells Fargo, I thank you for the opportunity to meet with you and participate in last week's Public Safety and Service Committee meeting at which the proposed sale of certain Great American Bank assets to Wells Fargo was discussed. Wells Fargo sincerely appreciated the chance to review our community development results throughout California and to outline the intent and scope of our programs for San Diego.

While those who testified were generally supportive of the pending sale, it was clear that a number of questions remain as to how much community involvement can be expected from Wells Fargo Bank in its expanded role as a major financial institution in the San Diego region.

With this letter we will address the questions that were raised at the Committee meeting, as well as some that were not. We will provide a broad overview and some history of the Bank's programs and policies of community investment. In particular, we will also outline Wells Fargo's programs that very specifically relate to our efforts in San Diego County.

In March of this year, Wells Fargo Bank announced a landmark community and economic development finance program, with a seven year goal of at least $1 billion in loans to support local affordable housing and economic development in California. This new goal, averaging approximately $143 million annually, more than tripled the Bank's previous goal of $41 million per year. A breakdown of the various categories contained within the program can be found in the 1990 Wells Fargo Community Reinvestment Act Statement, a copy of which is enclosed. Major elements of this program will be discussed below in response to some of the questions posed by the Reinvestment Task Force.

HOUSING

Wells Fargo Bank is very active in the business of providing construction and/or permanent loans for very-low and low-income housing developments. A high percentage of the more than $225 million in commitments extended through the housing portion of our program since June of 1986 have been to non-profit agencies, although we also offer the loans to for-profit companies in instances where the proposed housing is affordable to certain income levels. Only that percentage of a project which is affordable to those earning 80% or less of median income is counted toward our CRA goal in the case of rental housing, with special emphasis placed on identifying projects in which a percentage of units is restricted to the 50% of median income level. We also consider "for-sale" housing restricted to purchasers earning less than 120% of median income in cases where a local public agency is sponsoring the project in an attempt to encourage home ownership.

Wells Fargo has also emerged as a leader in the California banking industry in providing site development and construction loans to support self-help or "sweat equity" housing projects involving the Farmer's Mortgage Home Administration (FmHA) and the California Housing Finance Agency (CHFA). These rural projects provide very-low income buyers the ability to bring down the cost of a home by actually participating in its construction. We're currently reviewing such a request in the Imperial Valley for Campesinos Unidos.

We fully expect Wells Fargo's participation in the San Diego affordable housing market to expand along with our increased retail branch presence in the region. While our involvement has been small compared with Great American's, it has not been non-existent. Wells Fargo provided a $3.4 million construction loan to San Diego Interfaith Housing in 1987 for a 92 unit low-income senior citizens' complex in the Oak Park Community of East San Diego, and more recently has agreed to a $6.3 million credit enhancement to support the sale of bonds to finance Creekside Village, a 144 unit multi-family project in Southeast San Diego. We are also in various stages of due diligence on two affordable single-family projects in the Southeast community, and a number of downtown SRO and living-unit projects.

Wells Fargo's interest in supporting affordable housing in its communities is not limited by the above-mentioned goals. In fact, as of August 31, 1990, we have achieved year-to-date commitments of approximately $90 million, with another $32 million in transactions under review.

HOUSING REHABILITATION

We have met on several occasions with Evan Becker, Executive Director of the San Diego Housing Commission to discuss the City's Housing Rehabilitation Program. We understand the importance of the role Great American Bank has played in leveraging the Community Development Block Grant funds used in that effort, and have agreed to assume that role once the merger is completed. In doing so, we will also assume ownership of approximately $10 million in existing loans on single and multi-family properties, all of which are located in targeted areas.

We look forward to working with the City of San Diego in this important neighborhood revitalization effort.

CAPACITY BUILDING/NON-PROFIT HOUSING DEVELOPERS

The Local Initiative Support Corporation (LISC) intends to offer a training program for San Diego community based non-profit organizations interested in improving their skills in affordable housing development. Wells Fargo Bank has provided a corporate grant in the amount of $100,000 to support that program.

HOUSING TRUST FUND

The San Diego Housing Commission has expressed an interest in combining efforts with Wells Fargo Bank to leverage the funds which will be available to low-income housing production through the recently established San Diego Housing Trust Fund. Wells Fargo is interested in participating in this program. Our community development lending officers are very experienced in implementing complex multi-level financing structures, particularly ones involving redevelopment agencies or local housing authorities. The Wells Fargo Real Estate Group's experience in underwriting affordable housing developments will be a valuable resource in implementing the Trust Fund.

We understand that 10% of these funds will be set aside to support low-income home ownership, probably through the use of second mortgages with reduced debt service requirements. We have worked with other cities in California in implementing similar programs, and would be very interested in doing so with San Diego.

GEOGRAPHIC TARGETING OF RESIDENTIAL MORTGAGES

We are currently working with the Federal National Mortgage Association (FNMA) to develop a specialized Wells Fargo mortgage loan product that will help lower income buyers qualify for a loan in certain areas throughout the state.

These loans would be targeted to communities within census tracts with average family incomes of less than 80% of the county median income. We realize that this will require adjustments to standard qualifying criteria such a debt-to-income ratios and down payment requirements.

In the case of San Diego County, we'll work with the County Housing Authority, the City Housing Commission and the City-County Reinvestment Task Force in determining which neighborhoods would qualify for such a program.

We're currently talking with Tom Fox, Executive Director of the Normal Heights Community Development Corporation regarding their proposal for a specialized mortgage lending program for prospective buyers in that community. We've also talked recently with groups in the Southeast San Diego and San Ysidro communities regarding the need for increased access to home purchase financing, particularly for first-time buyers. These three communities are typical of the areas where we will target this program.

The Wells Fargo Consumer Credit Division offers a credit product known as LIFT (Low Income Finance Terms) to borrowers who earn less that 80% of the area median income. These loans are available to lower-income homeowners for housing rehabilitation in amounts up to $25,000. Relaxed qualifying criteria and extended terms are provided in order to enhance eligibility.

ECONOMIC DEVELOPMENT

The Wells Fargo Bank Commercial Banking Group (CBG) and Business Loan Division (BLD) offer programs specifically designed to support local economic development. The CBG's Community Business Loan Administration provides a variety of products including certain SBA guaranteed loans as well as Wells Fargo's own Community Business and Community Development Loans. In all cases, these loans must have direct employment creation or retention benefits, or assist in the economic development process or the solution of social problems. Approximately $212 million in loans have been provided through this program since 1986, including $52 million thus far in 1990.

The Business Loan Division is a relatively recent addition to Wells Fargo's menu of CRA-relevant credit products. With a median loan amount in the $35,000 to $45,000 range, the BLD has been very important in our efforts to meet the needs of the smaller business community. Whether the need is for working capital, inventory purchases or long term investments and improvements, Wells Fargo Business Bankers can assist in selecting the financing option that best meets a small business' needs. The loans are available on either an unsecured basis (Business PrimeLine/Prime Loan) or a secured basis (Business EquityLine/EquityLoan). An added convenience offered by the BLD is the opportunity for borrowers to maintain a business borrowing relationship with the same branch office where they make their deposits.

Special emphasis will be placed on identifying lending opportunities to minority or women owned businesses, particularly those which intend to use loan proceeds for expansion resulting in the creation of new jobs in the community. Wells Fargo will work with City and County officials to attract investment through the use of Enterprise Zones, and will consider participation in well structured small or micro-business loan pools such as one we recently entered in the City of West Hollywood. We are currently talking with Scott Kessler of the Adams Avenue Business Association and Michael McCraw of California Southern regarding such a proposal in the Normal Heights community, and with Mr. McCraw about a possible broader involvement with the California State Guaranty Program in San Diego and Imperial Counties.

BANKING SERVICES

We have been asked on a number of occasions whether or not Wells Fargo will continue to provide banking services from the existing Southeast San Diego Great American office. We will keep this office open. We expact the business of that office will continue to grow along with that of the Southeast community. Wells Fargo realizes that the National Avenue office is the only bank presence in the area, and we take this responsibility of providing banking services to the Southeast community very seriously.

Before year end, Wells Fargo Bank will implement a statewide program of bilingual marketing and banking services specifically tailored to the Hispanic community. In branches which serve significant Hispanic populations, interior signage will identify branches which have employees able to converse in Spanish. Product brochures will be available in Spanish and ATM machines will be available for use in either English or Spanish.

Wells Fargo currently offers direct deposit checking accounts to welfare recipients and others at a reduced fee of $2.50 per month with unlimited check writing privileges. Because of the low fee, this product does require that routine transactions be conducted through the use of our ATMs.

IDENTIFICATION OF CREDIT NEEDS

Through the Wells Fargo Community Contacts Program, the Bank makes important use of its extensive branch and commercial banking office network. Every office is required to make community contacts within the community it serves. An annual survey is conducted to determine the local perception of the most pressing credit needs of these communities, the results of which are reviewed by senior management and a special CRA Committee of the Wells Fargo Board of Directors. The proposed addition of the large network of Great American branches to the Wells Fargo retail system will significantly enhance the Bank's understanding of San Diego's credit needs.

The Wells Fargo Corporate Community Development Group employs business development personnel who are well experienced in the subject of community and economic development. Steve Hall and his staff will make a special effort in the coming months to meet with the various community groups around San Diego County to determine their views on credit needs, as well as to acquaint them with the programs and products Wells Fargo Bank has in place to support local development.

LOCAL ORGANIZATION

Wells Fargo's retail branch system in the San Diego region will be operated as a separate division under the leadership of Senior Vice President Drew Tanzman. Drew has managed Wells Fargo's mortgage loan division in San Diego for some time. This division will have a great deal of autonomy and decision-making ability. Wells Fargo's Mortgage Loan Division, the existing retail branches and other departments currently employ over 1,000 people in San Diego County.

We intend to add a full-time community development professional for San Diego in order to ensure that the appropriate level of attention is given to community and economic development issues in the region.

CORPORATE GIVING

Wells Fargo has been a long time active contributor to non-profit and cultural organizations in San Diego. We realize that our expanded leadership role in these communities will bring with it a heightened responsibility in this area. We are looking very carefully at the list of agencies previously supported by Great American. We're sure you'll find Wells Fargo to be a reliable social partner with your communities.

To summarize, Wells Fargo is genuinely interested in working along with local groups toward the continued successful development of San Diego's communities. In large part, it has been Wells Fargo's ability and willingness to adapt to the needs of California communities that has kept us successfully in business since 1852. San Diego will be no exception.

All of us at Wells Fargo look forward to working with you in San Diego. We will be contacting you soon to set up a convenient time to get together again. We hope you will advise us of any additional questions or comments you may have.

Sincerely,

Karen Wegmann

Karen Wegmann
Executive Vice President

Enclosures: 2
cc: Bob Filner, City of San Diego
George Bailey, County of San Diego
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