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Comptroller of the Currency  
Administrator of National Banks

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

PUBLIC DISCLOSURE

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

March 31, 1996

**Wells Fargo Bank (Arizona), N. A.**  
4832 McDowell Street  
Phoenix, AZ 85008

**Charter Number: 22863**

**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 (Arizona), 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. This includes the competitive environment in which the institution 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 record of 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:

### **"Satisfactory Record of Meeting Community Credit Needs."**

**Evaluation Period:** This Disclosure evaluates the bank's performance from May 31, 1995 through March 31, 1996.

## **BANK PROFILE**

Wells Fargo Bank (Arizona), N.A. (WF-AZ), chartered in 1995, 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. WF-AZ is a limited purpose bank focused on the credit needs of consumers and small businesses. Formerly, WF-AZ was the credit card department of Wells Fargo Bank, N.A., San Francisco, California (WFB).

WF-AZ is the tenth largest bank in Arizona. Its headquarters are in Phoenix, and it has administrative offices in Concord, California. The bank does not have branch offices. As of March 31, 1996, WF-AZ reported total assets of more than \$4 billion and loans of almost \$4 billion, which consisted of credit card accounts. Unused credit card lines were almost \$9 billion. The bank's primary funding comes from debt obligations. WF-AZ does not accept consumer deposits. Customers can establish deposit accounts supporting WF-AZ's secured card program through WFB.

We have considered the lending activity of WFB in the Phoenix MSA as a supplement to WF-AZ's own lending performance. WFB's lending in the Phoenix MSA is not part of the evaluation of WFB's performance under the CRA.

On April 1, 1996, WFC acquired First Interstate Bancorporation. Because the acquisition took place during our examination, this Evaluation **does not** consider the activities of First Interstate Bancorporation or its subsidiaries.

## **COMMUNITY PROFILE**

WF-AZ delineated its community as the Phoenix MSA. The table below presents the MSA's demographic information. The source of this information is the 1990 Census.

Population	Median Income	# of CTs	% of CTs			% of Individuals	
			LMI	Mid	Upper	LMI	Mid & Upper

2,238,480	\$35,425	490	31	38	30	42	58
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The Phoenix MSA covers the counties of Maricopa and Pinal. The City of Phoenix is the capital of the State of Arizona and County Seat for Maricopa County. Phoenix, incorporated in 1881, is currently the ninth largest city in the nation. A diversified economy employs the residents of the MSA. The manufacturing base is supported by more than 3,100 firms, employing more than 23% of the Phoenix civilian labor force. More than 45% of total employment is in retail trade and the service sectors, which are represented principally by tourism.

A variety of state and national banks, credit unions and thrift offices serve the financial needs of the Phoenix MSA. Maricopa County businesses are eligible for assistance in financing fixed assets through the Development Finance Division, Arizona Department of Commerce. Some cities in this MSA have their own Industrial Development Authority.

The City of Phoenix developed a Consolidated Plan for 1995-1996. It states that the Phoenix market for multifamily rental units has absorbed a previous surplus and is leading the construction of new housing. Recent vacancy rates for multifamily units have fallen to 3%, down from the high 17% in 1988.

Local non-profit housing organizations have taken advantage of the supply of HUD-owned homes over the past few years. They have used these homes to create opportunities for lower-income home ownership and transitional housing for homeless families. The median single-family home price in Phoenix rose 28% over the last ten years, to \$80,400.

## 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 provided by the institution.

- **WF-AZ has a comprehensive program to learn of community credit needs.**

Management of WF-AZ's regularly evaluates the effectiveness of the bank's efforts in helping to meet the credit needs in targeted areas of the delineated community. During the evaluation period, management established a comprehensive community contact program. As part of the program, management initiated direct contact with a variety of local organizations. The express purpose of these contacts was to identify the most pressing credit needs in the community.

The bank's CRA Officer met with community advocate groups such as Chicanos Por La Causa, National Council of La Raza, National Center for American Indian Enterprise Development, and the Phoenix Urban League. These groups benefit minorities and lower income residents through their efforts to ensure that credit is available for these segments of the community. Management uses these meetings to help them determine which credit products and programs should help meet the credit needs of minority and low-income segments of WF-AZ's community.

To complement WF-AZ's ascertainment program, WFB supplies WF-AZ's management with information it develops through relations with a variety of national organizations. WFB has regular contact with groups that include the Greenlining Institute, Rural Local Initiatives Support Corporation (LISC), and the National Association of Affordable Housing Lenders.

WF-AZ's ascertainment process continues to supply management with recommendations to develop new credit products or to enhance existing products. The community credit needs the bank identified include: direct development loans to affordable housing developers, construction loans for affordable multi-family housing, and flexible business loans for women- and minority-owned businesses. During the evaluation period, WFB began to market its expertise in the financing of affordable housing developments and has expanded its marketing of small business credit.

To simplify management's evaluation of loan originations by WF-AZ, WFB's Corporate Community Development Group (CCDG) prepares a proprietary geographic distribution analysis of application and lending activity. This analysis helps management determine where they should concentrate their marketing and outreach efforts to assure WF-AZ is helping to meet the credit needs of its community. CCDG prepares this analysis quarterly.

Our evaluation of WF-AZ's performance included the review of community contacts made by all regulatory agencies. We used this data to obtain information on community credit needs and opinions of the bank's CRA performance. We found that the bank has accurately identified the credit needs of its delineated community.

**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.

- **WF-AZ's Board of Directors is supportive of flexible and innovative underwriting guidelines designed to help meet the community's need for consumer credit.**

The Board of Directors' CRA involvement includes its review of the bank's geographic distribution of lending, fair lending performance, and community development activity. The Board's support has been expressed in the following activities:

- An approval of an expanded CRA Statement,
- a review and adoption of specialized loan programs, and
- an on-going commitment to lending that benefits community and economic development.

The expanded CRA Statement describes examples of how WF-AZ ascertains and helps meet the credit needs of the delineated community. Also, it accurately lists the types of credit it offers.

The CCDG, led by an executive vice president, actively supervises WF-AZ's needs assessment

process, conducts training sessions, and analyzes lending results. The training program developed by CCDG, is comprehensive, on-going and incorporates fair lending issues. Overall, the Board relies on CCDG to monitor and report on the bank's CRA performance.

WFB's internal audit department adequately monitors WF-AZ's compliance with the technical provisions of CRA. Our review confirmed the bank's compliance with 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.

- **Management effectively uses a targeted marketing strategy to direct WF-AZ's advertising of specific credit products.**

WF-AZ only occasionally uses mass media to market its credit products. Instead, management relies on targeted marketing such as direct mail campaigns and personal contacts with local government officials, community and trade organizations. The bank has printed many credit product brochures in Chinese, Korean, Spanish and Vietnamese to help reach the diverse language markets of its affiliates.

WF-AZ offers a secured credit card product to help meet the needs of inexperienced and low-income borrowers. Pre-approved solicitations are often used in the marketing of this and other credit card products. These marketing solicitations do not exclude LMI segments of the bank's community. During the evaluation period, WF-AZ mailed solicitations to more than 124 thousand residents within the delineated community.

WF-AZ is expanding its credit marketing through new technologies. Management is now promoting business and consumer loan products through the Internet for the rapidly expanding market of personal computer users. Individuals using this media can now apply for a credit card through WFB's home page. The CCDG has been working with community organizations to develop centralized sites that will have personal computers. These sites will be in LMI communities thereby easing the access to the Internet by individuals who do not own personal computers.

Periodically, CCDG produces geographic distribution analyses of all credit products offered by WFC affiliates. They share these analyses with managers of various credit product groups to provide insight into the distribution of recent loan originations. The managers use these analyses to help modify and focus their marketing strategies on under-served segments or areas of the bank's community.

**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.

- **WF-AZ and WFB's aggregate level of lending has been responsive to the community's credit needs.**

WF-AZ and WFB's extensions of credit in WF-AZ's delineated community have provided a new source of small business loans and consumer loans to the area. WF-AZ offers a variety of products, many of which are specifically designed to help meet the needs of the LMI community. During the evaluation period, WF-AZ and WFB originated more than six thousand loans totaling over \$28 million in this area. The table below illustrates this reasonable level of loan production.

AGGREGATE LENDING VOLUMES DURING THE EVALUATION PERIOD			
PRODUCT	#	\$(000's)*	Avg. loan \$ (000's)
Consumer Installment Loans & Lines	214	\$1,451	\$ 7
Credit Cards	4,337	11,040	3
Small Business Loans	724	15,807	22
Govt. Guaranteed Student Loans	1,785	7,158	4
Total Lending Activity	7,060	\$ 35,456	

\* Consumer Lines of Credit and Credit Cards are commitment amounts.

WF-AZ has also originated a substantial volume of new accounts in its affiliate's delineated community. These were evaluated as part of WFB's CRA performance.

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

- **WF-AZ does not participate in government-guaranteed or sponsored loan programs that address housing and business credit needs.**

WF-AZ is a limited purpose bank and does not offer government-insured or guaranteed loan programs. WFB does offer and extend government-guaranteed loans. However, it has not been an active lender in WF-AZ's delineated community.

### **III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES.**

#### **Reasonableness of Delineated Community**

- **WF-AZ's delineated community is reasonable and does not arbitrarily exclude any low-and moderate-income areas.**

At least annually, the CCDG analyzes the reasonableness of the community delineation. The analysis includes a review of lending patterns, community demographics, banking needs and the location of bank offices. The Board of Directors reviews the group's analysis and approves any changes to the community delineation (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.

- **Management has developed an effective analysis process to identify the geographic distribution of WF-AZ's loan products.**
- **The geographic distribution of WF-AZ's loan originations is reasonable and generally consistent with demographic patterns within the community.**

CCDG developed an effective analytical process to understand the bank's distribution of lending among all income levels of census tracts and borrowers. This proprietary process identifies levels of parity between low, moderate, middle and upper-income lending distribution. The analysis compares consumer lending to the income level of the individuals and the income level of the census tract.

The process allows WF-AZ to identify areas of low penetration by product and to focus marketing efforts on those areas to improve its lending distribution. Our evaluation included a review of the bank's methodology, and we confirmed the reasonableness of the analysis process. We used the analysis to supplement our review of WF-AZ's lending distribution.

#### **Small Business Lending**

Overall, our analysis of WFB's small business lending within the delineated community shows a reasonable penetration into LMI areas. During the evaluation period, WFB's small business loan program has been a strong producer of new loan volume. Our analysis of WFB's small business lending shows consistency in the bank's penetration of LMI areas throughout the evaluation period.

SMALL BUSINESS LENDING DISTRIBUTION (% of number of originations by income level of CT)			
MSA	% of LMI CTs	Loans in LMI	Loans in Mid/Upper
Phoenix	31	34	61

### **Consumer Lending**

Our analysis of WF-AZ and WFB's geographic distribution of credit card and consumer loans showed a reasonable distribution of lending activity among all income levels. The table below shows WF-AZ and WFB's aggregate credit card and consumer lending in LMI census tracts. WF-AZ's credit card lending is also a product line with high volumes. This product is well distributed among the three income levels in WF-AZ's delineated community.

CONSUMER LENDING DISTRIBUTION (% of number of originations by income level of CT)			
MSA	% of LMI CTs	Loans in LMI	Loans in Mid/Upper
Phoenix	31	27	66

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

- **WF-AZ does not have branch offices in its delineated community.**

The bank's office in Phoenix does not conduct business over the counter. Customer contact is usually through the bank's own toll-free phone number or WFB's branch and ATM network. WF-AZ agents can help a cardholder in a variety of inquiries. This service is available 24 hours a day. WFB's systems include the use of a toll-free telephone system and the ATM network that can provide information on the customer's relationships with any of the bank's affiliates.

## **IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES**

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

- **WF-AZ's practices do not discourage credit applications from any segments of its community.**

The bank uses compliance staff and targeted marketing programs to ensure applications are encouraged from all segments of its delineated community.

WF-AZ regularly assesses the adequacy of non-discriminatory policies, procedures and training programs through internal reviews and management reporting mechanisms. The bank's compliance management systems provide an extensive and on-going review of the bank's performance in providing access to credit to all applicants.

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

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

WF-AZ meets the substantive provisions of anti-discrimination laws and regulations. We evaluated compliance with these laws through a review of 117 loan applications. Our sample included applications for credit cards processed by WF-AZ between November 1, 1995 and March 31, 1996. We compared declined applications that received passing credit scores with approved applications that received failing credit scores. Our comparisons considered the age of the applicant, and we did not find any illegal practices.

## V. COMMUNITY DEVELOPMENT

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

- **WF-AZ displays good leadership and participation in financing community development and redevelopment projects.**

In the short time WF-AZ has been in its community, it found a variety of investment opportunities in community development and redevelopment ventures. In the bank's first year of operation, it provided financial resources of more than \$3 million for community development activities. This level of financing, combined with WFB's historical commitment to community development, demonstrates WF-AZ's commitment to community development activity.

### **Leadership**

WF-AZ management has shown leadership in community development activities; examples include:

- WFB's CCDG Executive Vice President is Chairperson of the California Community Reinvestment Corporation. This officer brings the same commitment to finding and financing community development projects in WF-AZ's delineated community.

- WFB's CCDG has named a Senior Vice President as CRA Investment Manager. This officer is responsible for the active pursuit, research and management of investment recommendations and opportunities for both WFB and WF-AZ.

### **Equity Investment**

To spur production of low-income housing, WF-AZ is making a significant equity investment in projects sponsored by non-profit organizations. In 1995, WF-AZ and WFB invested \$15 million through LISC. WF-AZ's \$3 million share was placed in equity capital through LISC's National Equity Fund. It will primarily support projects in Arizona and also in Texas, Oregon and Washington. LISC will leverage the investment to generate construction financing. Developers will use the financing for low-income housing projects throughout the region. WFB received CRA consideration for the remaining \$12 million in our evaluation of its performance under the Act.

WF-AZ also provides grants to organizations involved in community development. During the evaluation period, the bank contributed more than \$161 thousand to five community groups. These groups and developers have used the grants for a variety of activities, including:

- CDC housing development training and pre-development cost
- Loan packaging and business development assistance
- Mortgage loan counseling for low- and moderate-income home buyers
- Finance a technical assistance workshop
- Fund construction costs of a single-room-occupancy housing project

**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 WF-AZ's ability to help meet the credit needs of its delineated community.**

WF-AZ has made an ample commitment of financial and personnel resources to help meet its community's credit needs. WF-AZ, combined with WFB's efforts in WF-AZ's delineated community, has shown this commitment through participation in many community development projects, small business lending, and affordable lending programs (see the Bank and Community Profiles sections of this Evaluation).

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

- **WF-AZ positively helps meet credit needs in its community through grants and officer and staff volunteer work.**

Annually, WF-AZ makes grants to other community organizations that foster job development, economic revitalization, shelter for the needy, home renovation, and general community restoration. These grants are beyond WF-AZ's community development grants.

## **ADDITIONAL INFORMATION**

Wells Fargo Bank (Arizona), 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 California, Colorado, and Texas. 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 WF-AZ'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.