FEDERAL RESERVE press release

For immediate release June 28, 1988

The Federal Reserve Board today announced its approval of the application of Norwest Corporation, Minneapolis, Minnesota, to acquire all of the voting shares of PB Bancorp, Cedar Rapids, Iowa, and thereby to acquire indirectly Peoples Bank and Trust Company, Cedar Rapids, Iowa.

Attached is the Board's Order relating to this action.

Attachment

FEDERAL RESERVE SYSTEM

Norwest Corporation
Minneapolis, Minnesota

Order Approving Acquisition of a Bank Holding Company

Norwest Corporation, Minneapolis, Minnesota ("Norwest"), a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (the "Act") (12 U.S.C. § 1841 et seq.), has applied for the Board's approval under section 3 of the Act (12 U.S.C. § 1842) to acquire PB Bancorp, Cedar Rapids, Iowa ("Bancorp"), and thereby to acquire indirectly Peoples Bank and Trust Company, Cedar Rapids, Iowa ("Bank").

Notice of the application, affording opportunity for interested persons to submit comments and views, has been duly published (53 Federal Register 286 (1988)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act.

Section 3(d) of the Act, the Douglas Amendment (12 U.S.C. § 1842(d)), prohibits the Board from approving an application by a bank holding company to acquire any bank located outside the bank holding company's home state unless the acquisition is "specifically authorized by the statute laws of the state in which such bank is located, by language to that effect and not merely by implication."1/ In relevant part, Iowa law authorizes, an out-of-state bank holding company to acquire an Iowa bank if the out-of-state bank holding company was on January 1, 1971, registered with the Board as a bank holding company and on that date owned at least two banks in Iowa.2/ Norwest meets the requirements of this provision of Iowa law. Norwest is an out-of-state bank holding company that was registered with the Board on January 1, 1971, and, on that date, Norwest owned at least two banks in Iowa.3/ Further, the Iowa Deputy Superintendent of Banking has indicated that his office anticipates making no objection to Norwest's proposal. Accordingly, the Board concludes that the proposed acquisition is specifically authorized by the statute laws of Iowa and thus Board approval of this application is not prohibited by the Douglas Amendment.

1/ A bank holding company's home state for purposes of the Douglas Amendment is that state in which the total deposits of its banking subsidiaries were largest on July 1, 1966, or on the date it became a bank holding company, whichever date is later. 12 U.S.C. § 1842. Norwest's home state is Minnesota.

2/ Iowa Code Ann. § 524.1805 (West 1987).

3/ Norwest also fulfills the requirements of another provision of Iowa law which provides that a bank holding company may not acquire an Iowa bank if, upon acquisition, the acquiring bank holding company would have more than ten percent of the total time and demand deposits of all Iowa banks. Iowa Code Ann. § 524.1802(1) (West 1987).

Norwest, a multibank holding company with approximately $2.1 billion in deposits in Iowa, is the largest of 480 commercial banking organizations in the state, controlling approximately 8.1 percent of total deposits in commercial banks in Iowa.[4/] Bank is the 14th largest commercial banking organization in Iowa, with deposits of approximately $156.8 million, controlling less than one percent of the total deposits in commercial banks in Iowa. Upon consummation, Norwest would remain the largest commercial banking organization in Iowa, with deposits of approximately $2.2 billion, controlling approximately 8.9 percent of the total deposits in commercial banks in Iowa. Consummation of the proposed transaction would not significantly increase the concentration of banking resources in Iowa.

Norwest competes with Bank in the Cedar Rapids banking market.[5/] Norwest is the fourth largest of 19 commercial banking organizations in the market, controlling approximately $84.4 million in deposits, representing approximately 6.1 percent of total deposits in commercial banking organizations in the market. Bank is the second largest commercial banking organization in the market, controlling $208.5 million deposits, representing approximately 15.2 percent of total

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4/ Deposit data are as of December 30, 1986.

5/ The Cedar Rapids banking market is approximated by Linn County, and Jefferson Township in Johnson County, Iowa.

deposits in the market. Upon consummation, Norwest would become the second largest commercial banking organization in the market, controlling deposits of $292.9 million, representing approximately 21.3 percent of total deposits in commercial banking organizations in the market. The four-firm concentration ratio is approximately 70.6 percent, and the Herfindahl-Hirschman Index would increase by 186 points to 2,341.6/ Based upon these and other facts of record, the Board concludes that consummation of the proposal would not have any significant adverse competitive effects or result in the concentration of banking resources in any relevant banking market.

The financial and managerial resources of Norwest and Bancorp are consistent with approval.

In considering the convenience and needs of the communities to be served, the Board has taken into account the records of the subsidiary banks of Norwest and Bancorp under

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6/ Under the revised Department of Justice Merger Guidelines (49 Federal Register 26,823), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. In such markets, the Department is likely to challenge a merger that increases the HHI by more than 100 points. The Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognizes the competitive effect of limited purpose lenders and other non-depository financial entities.

the Community Reinvestment Act ("CRA").[7] The Board has received comments regarding Norwest's CRA performance from United Neighbors, Inc., Davenport, Iowa;[8] Iowa Citizens for Community Improvement, Des Moines, Iowa ("Iowa CCI");[9] and Minnesota Citizens Organizations Acting Together, St. Paul, Minnesota ("Minnesota COACT")[10] (together, "Protestants"). In accordance with the Board's practice and procedure for handling protested applications,[11] the Federal Reserve Bank of Minneapolis assisted in arranging meetings between the

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7/ 12 U.S.C. § 2901 *et seq.*

8/ United Neighbors, Inc. has protested the CRA performance of Bettendorf Bank, N.A., Bettendorf, Iowa. United Neighbors generally alleges that this bank has an extremely poor home loan record in low- and moderate-income neighborhoods in its community and follows restrictive policies that cause and contribute to red-lining in those neighborhoods.

9/ Iowa CCI has protested the CRA performance of Norwest Bank Des Moines, N.A., Des Moines, Iowa; Norwest Bank Atlantic, N.A., Atlantic, Iowa; Norwest Bank Denison, N.A., Denison, Iowa; and Norwest Bank Fort Dodge, N.A., Fort Dodge, Iowa. Iowa CCI generally alleges that these banks do not meet the credit needs of family farmers.

10/ Minnesota COACT has protested the CRA performance of Norwest generally and eleven Norwest banks in Minnesota, specifically, Albert Lea, Austin, Dodge Center, Duluth, Litchfield, Mankato, Rochester, Sauk Rapids, St. Cloud, Two Harbors, and Winona. Minnesota COACT generally alleges that Norwest and these banks exclude low- and moderate-income neighborhoods from their community delineations, fail to adequately ascertain community credit needs and to communicate credit services, and fail to meaningfully assess and meet credit needs in the agriculture, housing, and small business areas.

11/ *See* 12 C.F.R. § 262.25(c).

parties to clarify the issues under the CRA and to provide a forum to resolve the concerns raised by the protest. The parties, however, were unable to come to a resolution of their differences.

The CRA requires the federal banking agencies, in connection with their examination of financial institutions, to assess the record of banks under their supervision in meeting the credit needs of their entire communities, including the low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institutions. The CRA requires the agencies to take these records into account when acting on certain applications involving the institutions. In connection with this application, the Board has carefully reviewed the record of CRA performance of Norwest's subsidiary banks as reflected in their reports of examination[12/] and the information submitted by Protestants and Norwest.

The examination reports for the banks which are the subject of these protests indicate that the banks have satisfactory CRA records and are in general compliance with applicable CRA regulations. The banks have adopted CRA statements which describe the types of loan services the banks

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12/ These recent examinations were conducted by the Office of the Comptroller of the Currency in response to protests filed with that office in connection with recent applications filed by Norwest to merge certain of its subsidiary banks.

provide to help meet the credit needs of their communities,[13] and the banks are acting in accordance with those statements. The examination reports also show that the banks do not discriminate in their lending against low- and moderate-income neighborhoods within their relevant communities and that the present community delineations for the banks are proper. Although the proposed redelineations of communities for certain Minnesota banks after proposed mergers may not have included areas presently served by the banks to be merged, Norwest will establish community advisory boards consisting of persons representing those communities to restructure and review those delineations.

The record before the Board shows that the bank which is the focus of the United Neighbors, Inc. protest, with a loan-to-deposit ratio of 80 percent, is an active lender in the commercial and small business, agricultural, educational, and consumer areas and that its lending activities do not discriminate against low- and moderate-income neighborhoods. The Board also notes that the bank has recently developed a $400,000 neighborhood reinvestment package targeted to low- and moderate-income segments of the bank's community.

13/ The CRA statements list the specific types of credit that the banks are willing to extend within their local communities within certain categories, such as residential loans for 1 to 4 dwelling units, residential loans for 5 dwellings units and over, housing rehabilitation loans, home improvement loans, small business loans, farm loans, community development loans, commercial loans, and consumer loans.

The banks covered by Iowa CCI's protest have, throughout the recent difficulties in the farming sector, continued to carry a diversified loan portfolio which includes agricultural loans. The record shows that three of the four banks' agricultural lending as a percentage of their loan portfolios is above the peer group average, while that of the fourth bank is consistent with its peer group. That bank has also recently increased its agricultural lending.

Minnesota COACT expressed concerns regarding Norwest's CRA performance generally and certain Norwest banks specifically. The record shows that each of the particular banks covered by Minnesota COACT's protest, ten national banks and one state non-member bank, are helping to meet the agriculture, housing, and small business needs of their entire communities, including low- and moderate-income neighborhoods. To address certain concerns regarding responsibility within the Norwest organization for CRA policies, community delineations, and ascertainment of credit needs, Norwest has decided to establish community advisory boards at certain of its Minnesota banks to review community delineations, CRA statements, and loan programs. These boards also will help local banks to address CRA issues relevant to their local communities. With regard to COACT'S comments regarding Norwest's Duluth bank, the record shows that the bank has a good distribution of agriculture, housing, and small business loans and does not discriminate against low- and moderate-income neighborhoods. Further, as a result of ongoing dialogue with a local community group, the bank has lowered its minimum mortgage amount and appointed two lending officers to work with the group.

Norwest does not presently have a corporate CRA plan at the holding company level for its subsidiary banks, but has advised the Board that it is in the process of developing a corporate CRA plan which it will adopt within three months and implement within six months. The plan will include a corporate CRA policy statement and will address the issue of documentation of the means used to identify and address community needs. Under the plan, each local bank will prepare a written community marketing plan that will identify community needs and will detail the means to be used to address those needs and the means to be used to communicate with and inform the entire community of its products and services. These plans will include advertising and marketing programs for credit and deposit products and services and will be designed to reach the entire community, including low- and moderate-income neighborhoods.

The community advisory boards will assist bank management in the preparation of these plans and review the applicable bank's performance in meeting its plan and addressing the needs of its community. The boards will report and make recommendations to the Board of Directors of each of the banks. Norwest's Executive Vice President for Community Banking will monitor and be accountable for CRA performance as a whole and will report periodically to Norwest's Board of Directors. Regional presidents will monitor and be accountable for bank performance with local managers and bank presidents responsible for implementing each bank's plan in its community or communities, and the plan will specifically detail these accountabilities and responsibilities. The plan should also address the issue of procedures for documentation of CRA performance and the areas in which recent examinations noted Norwest's subsidiary banks could strengthen their CRA performance. Norwest should submit its proposed CRA policy to the Federal Reserve Bank of Minneapolis for review and file with the Reserve Bank semi-annual reports outlining its progress in implementing the policy.

In light of all the facts of record, including Norwest's commitment to adopt a corporate plan regarding the CRA performance of its subsidiary banks, the Board concludes that convenience and needs considerations in this case are consistent with approval of the application.14/

14/ Iowa CCI also requested that the Board order a public meeting. Under the Board's rules, the Board may hold a public meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 U.S.C. § 262.25(d). In this case, the Reserve Bank has arranged a private meeting for this purpose. In light of all the facts of record, the Board has determined that a public meeting would serve no useful purpose. Accordingly, the request for a public meeting is denied.

(Footnote continued on next page.)

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. The acquisition of Bancorp shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Minneapolis, acting pursuant to delegated authority.

By order of the Board of Governors,[15] effective June 28, 1988.

William W. Wiles
Secretary of the Board

(Footnote continued from previous page.)
In addition, Iowa CCI and Minnesota COACT requested a public hearing. Although section 3(b) of the Act does not require a formal hearing in this instance, the Board may, in any case, order an informal or a formal hearing. In light of all the facts of record, (and the facts that the Iowa CCI and Minnesota COACT have met with Norwest to present their views, and that Iowa CCI and Minnesota COACT have submitted written comments to the Board), the Board has determined that a hearing would serve no useful purpose. Accordingly, the requests for a hearing are denied.

15/ Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, Heller, and Kelley.