

May 10, 2005

Jennifer J. Johnson
Secretary
Board of Governors of the
Federal Reserve System
20th and Constitution Avenue, NW
Washington, DC 20551
Docket No. R-1225

Office of the Comptroller of the Currency
250 E Street, SW, Mail Stop 1-5
Washington, DC 20219
Docket No. 05-04

Robert E. Feldman
Executive Secretary
Attn: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
RIN 3064-AC89

Re: Community Reinvestment Act Regulations

Ladies and Gentlemen:

Wells Fargo & Company ("Wells Fargo") is pleased to comment on the joint interagency notice of proposed rulemaking under the Community Reinvestment Act ("CRA") published by the banking agencies. Wells Fargo is a diversified financial services company with \$436 billion in assets providing banking, insurance, investments, mortgage and consumer finance to more than 23 million customers from more than 6,000 stores and the internet (wellsfargo.com) across North America and elsewhere internationally. Wells Fargo commented on July 19, 2001 and April 6, 2004 on the advance notice of proposed rulemaking issued by the banking agencies.

We commend the agencies for their continuing efforts to develop regulatory guidelines for CRA compliance. Our comments stem from a goal to promote increased sustainability for CRA programs in a volatile economy and within a dynamic regulatory and business environment. We believe this goal can best be furthered through greater flexibility in how the CRA exam procedures are applied.

We support the agencies' decision to limit the scope of the proposed changes as we do not think additional rulemaking of the CRA regulations is required at this time. On the whole, it has been Wells Fargo's experience that the existing CRA regulations allow the regulatory agencies to adequately measure the performance of financial institutions in meeting community credit needs, particularly the needs of low- to moderate-income communities. However, we do think that additional guidance and examiner training would allow the regulation to be applied more consistently between financial institutions and regulatory agencies as well as being effective in helping institutions meet the credit needs of their communities.

Our comments on these proposed changes are as follows:

Expansion of Community Development – Rural Areas and Designated Disaster Areas

We support the proposal to expand the definition of community development to include affordable housing for individuals in underserved rural areas and community development activities that revitalize or stabilize underserved rural areas. We believe that community development needs and opportunities vary market by market. In some markets, particularly rural communities, there are limited opportunities for qualified community development. We believe that this expanded definition of community development to include such activities in these underserved rural areas, regardless of whether there are low- and moderate-income census tracts, is consistent with the intent of CRA in helping an institution meet the credit needs of all segments of its communities. However, as there is currently no standard definition for what constitutes an underserved rural area, we would highly recommend that given the subjective nature of the designation that the definition of underserved rural area be specifically defined by the regulation so that all banks will implement a consistent definition.

We would support an alternative measure of median income such as the statewide median income – instead of the non-metropolitan median income – as a means to benchmark low- and moderate-income for purposes of defining underserved rural areas as long as it is consistently applied by the agencies. As a result, this would increase the number of low- and moderate-income census tracts in the rural underserved communities to more accurately reflect market conditions.

By the same token, we likewise support the proposal to expand the current definition of community development to include all community development efforts that banks make to provide disaster relief within a particular affected geography.

Additional Comments Regarding Community Development

We continue to believe that the agencies should give full consideration for letters of credit or other credit enhancements that have as their primary purpose community development. Currently these may be provided to examiners as examples of "other community development lending." However, it is difficult for banks to be certain of how much consideration they will receive for this activity since such community development-purpose letters of credit are prohibited from being reported in the annual filing of community development loans. Such transactions are also excluded from Performance Evaluation tables that outline the community development loans considered during the exam period for a given financial institution. We think this does not give appropriate weight to these transactions, which may benefit communities as much as conventional loans in some cases.

In addition, Wells Fargo also believes that the agencies should give more consideration, including community development service consideration, to programs such as outreach centers,

financial literacy initiatives, and Individual Development Accounts since these require a significant amount of employee volunteer time as well as financial resources.

We also recommend that full lending and/or investment CRA credit be given for activities that enable community development, such as mixed-income projects that have an affordable housing component.

Recommendation for Community Development Test for Large Banks

Our concern with the Investment Test as a stand-alone Test under the CRA examination process is that community development investment opportunities vary from market to market. In some markets, particularly rural communities, there are limited opportunities to engage in qualified community development investment opportunities. In such markets, community development loans may be more effective in meeting community credit needs.

Similarly, in other markets, community development investments in affordable housing or economic development can be as important, if not more important, than community development loans in achieving community revitalization. Sometimes community development lending and investment opportunities in markets may vary significantly even during an exam period.

Because community development lending and investment opportunities vary by market, a more effective way for banks to participate in the revitalization of their communities would be to have the flexibility to make community development investments and/or community development loans to suit the market opportunities, as opposed to meeting a predetermined percentage of investment dollars and community development dollars by market. In short, we believe that the Investment Test has been applied too mechanically.

For these reasons above, Wells Fargo recommends that the agencies consider the option of a Community Development Test for large banks that examines community development lending, investments and services in lieu of the Investment Test. Some banks using this model may choose to meet this test primarily through community development loans, some primarily through community development investments and some through a combination of both. Under this proposal, banks would retain a choice to continue to have a stand-alone Investment Test. This approach would allow maximum flexibility for banks to operate in increasingly complex financial markets.

Comments Regarding the Use of Performance Context

We have significant concerns with the application of the current OCC Large Bank CRA Examiner Guidance that was issued in December 2000. We believe that this Guidance needs to more clearly outline and give weight to the performance context factors that impact an institution's lending results, particularly home mortgage (HMDA) lending, during the exam period. This is especially important since the CRA Lending Test component of the CRA

examination process is currently the category that carries the most weight (50%) of the three CRA tests.

Moreover, we believe that regulators ought to take performance context information into account before they draw conclusions regarding what constitutes "Outstanding" and "Satisfactory" lending performance. In other words, banks and examiners ought to be able to have an opportunity to discuss prior to the start of a CRA exam how performance context factors will be considered and applied in the Lending Test.

Effect of Certain Credit Practices on CRA Evaluations

The agencies are proposing to amend the regulations to provide that certain discriminatory or other illegal credit practices can adversely affect an institution's CRA evaluation. More specifically, the proposal is to revise the regulations to include an illustrative list of such practices, e.g. certain violations of the Fair Housing Act, Equal Credit Opportunity Act, Truth in Lending Act, and the Federal Trade Commission Act. We firmly believe that issues regarding these practices are already addressed as part of the fair lending examination or compliance examination for these respective regulations. In addition, fair lending violations already can lower a bank's CRA rating under the existing regulation. Although we support efforts to monitor such discriminatory or other illegal credit practices, we do not believe that the CRA is the proper forum to address these issues as there are already other regulations which have been enacted with that express purpose.

Conclusion

Wells Fargo appreciates the opportunity to comment on the proposed changes as stated above as well as provide additional recommendations to enhance the CRA regulation. We believe that these recommendations could be implemented within the scope of the current CRA Exam Procedures with minimal burden but maximum benefit for financial institutions and community organizations to continue to develop and participate in sustainable CRA programs for years to come.

Sincerely,

Robert M. Manuel
Senior Vice President
Wells Fargo Bank, N.A.