



Raul Yzaguirre, President

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August 13, 2004

A. Linwood Gill, III
Assistant Vice President
Federal Reserve Bank of Richmond
701 East Byrd Street
Richmond, VA 23261-4528

RE: Wachovia-SouthTrust Merger

Dear Mr. Gill:

I write on behalf of the National Council of La Raza (NCLR) to inform you of our views concerning the proposed merger between Wachovia Corporation and SouthTrust Corporation. As the nation's leading Hispanic organization, NCLR serves more than four million Latinos in 41 states, the District of Columbia, and Puerto Rico through a network of 300 affiliates. NCLR is committed to reducing poverty and improving life opportunities for the more than 40 million Americans of Hispanic descent. To this end, NCLR conducts research, produces analyses, and closely monitors the financial services industry, working to increase the Latino community's access to assets, homeownership, and development capital.

NCLR has a strong history in the financial services field. We actively engage relevant public policy issues such as preserving and strengthening the Community Reinvestment Act (CRA), supporting strong fair housing and fair lending laws, increasing access to financial services among low-income people, and promoting homeownership in the Latino community. Since its inception in 1997, the NCLR Homeownership Network (NHN) has counseled more than 90,000 families, helping more than 13,500 become new homeowners. NCLR also provides training and technical assistance to our affiliates in homeownership, housing, and community development. Our subsidiary, the Raza Development Fund (RDF), is the nation's largest Hispanic Community Development Financial Institution (CDFI). RDF has approved \$47 million in loans, leveraging approximately \$234 million in total project costs, since 1999. This extensive policy and program involvement has shaped and informed our views on financial industry trends and the needs of the Latino community in general, and the proposed merger in particular.



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Chicago, Illinois • San Juan, Puerto Rico • San Antonio, Texas • Atlanta, Georgia

LA RAZA: The Hispanic People of the New World

In conducting our due diligence, NCLR has four major areas of concern as it relates to Wachovia's record in the Latino community and its proposed merger with SouthTrust.

- Wachovia and SouthTrust have strong connections to payday lenders and check-cashing establishments. These fringe banking services are located primarily in low-income communities where unsophisticated shoppers pay high fees for primary financial services without the benefit of depository services. Latinos are heavily impacted by the lack of affordable banking services in their neighborhoods; approximately 35% are without basic checking or savings accounts, and are forced to rely heavily on these fringe services that often charge consumers interest rates over hundred percent, some as high as a thousand percent, when calculated annually. Further, NCLR is concerned with Wachovia's and SouthTrust's public denials of these relationships and refusal to address the community's concerns.
- Wachovia's lending record to Hispanic families is dismal. In examining cities with significant Latino populations within Wachovia's footprint, 2003 Home Mortgage Disclosure Act (HMDA) data revealed that Latino mortgage origination rates lagged well behind that of White rates, while Latino mortgage denial rates exceeded those of Whites, often by huge margins; in both areas, Wachovia performed well below market averages. Raleigh-Durham represented a worst-case scenario: Latinos accounted for .9% of Wachovia's mortgage originations and 11.6% of its denials, compared to the market average of Latinos being 2.6% of all mortgage originations and 8% of denials (see attached for further comparisons).
- The Hispanic Association on Corporate Responsibility (HACR) rates corporations according to their inclusion of Hispanics on their Boards or executive staff. Neither Wachovia nor SouthTrust have Latinos in these positions, earning them a "frown face" from HACR.
- Wachovia's recent CRA pledge of \$75 billion, while laudable in some respects, is well below the standard set by other firms. For example, Bank of America announced a pledge of \$750 billion, which would result from its merger with Fleet. Similarly, JPMorgan Chase indicated that, following its merger with Bank One, the merged bank would commit to a total of \$800 billion in CRA lending.

Further, NCLR carried out an informal survey of Latino CDCs and other community-based organizations in Wachovia's principal service areas. With the exception of a single market (Miami), NCLR could not find examples where Wachovia had made any major investments in Latino-operated community development corporations by way of grants or development capital. This verifies our own experience. NCLR/RDF has approached Wachovia three times with potential investment and partnership opportunities without ever having received a substantive response. We do not expect that every request we make of a potential partner or investor will be accepted, but we do expect the courtesy of a reply when a serious proposal is submitted.

Lack of outreach and flexible products are key barriers to increasing Latino access to prime financial services and home mortgages. The Hispanic community is not a "niche market" that

can be served solely or primarily through boutique products and press releases. The financial service needs of a community that is the nation's largest ethnic minority must be incorporated into the core business plan of all financial institutions. By virtually every empirical standard, Wachovia has failed to meet this test.

Given Wachovia's and SouthTrust's connections to fringe financial institutions and absence of Latino representation anywhere in policy-making positions, Wachovia's abysmal lending record in the Latino community, and the inadequate future commitments by the merged bank, NCLR opposes the proposed merger. We urge the Board to deny this application pending remedial actions and more reasonable pledges by the applicants. In addition, we believe that public hearings should be scheduled to more fully explore Wachovia's and SouthTrust's records.

Thank you for your consideration of our views.

Sincerely,

A handwritten signature in black ink, appearing to read "Raul Yzaguirre", with a long horizontal flourish extending to the right.

Raul Yzaguirre  
President/CEO

Enclosures

Cc: Ken Thompson

Wachovia-SouthTrust Merger

Wachovia Originations, Selected Cities, 2003

	White		Hispanic		Local Market		% Latino of Wachovia Metro Total	% Latino of Metro Market Total	Wachovia Point Difference Wht & Hsp Rates
	#	Origination Rate	#	Origination Rate	#	Origination Rate			
Atlanta, GA	1213	79.0%	51	63.8%	2046	74.9%	2.5%	5.0%	15.3%
Raleigh-Durham, NC	715	84.1%	9	42.9%	994	79.1%	0.9%	2.6%	41.3%
Charlotte-Gastonia, NC	1266	75.9%	25	43.9%	1733	73.3%	1.4%	3.0%	32.1%
Greensboro-Winston Salem, NC	714	75.5%	32	52.5%	929	72.8%	3.4%	3.5%	23.0%
Washington, DC	947	79.1%	75	56.0%	1835	73.5%	4.1%	7.2%	23.1%
Tampa, FL	1290	51.1%	58	34.5%	1521	50.1%	3.8%	7.4%	16.6%
Orlando, FL	592	58.2%	113	51.8%	883	56.9%	12.8%	17.4%	6.4%
Miami, FL	165	60.2%	347	48.5%	633	49.8%	54.8%	61.4%	11.8%
Philadelphia, PA	1012	63.2%	51	49.0%	1519	56.8%	3.4%	2.4%	14.1%

Wachovia Denials Selected Cities, 2003

	White		Hispanic		Local Market		% Latino of Wachovia Metro Total	% Latino of Metro Market Total	Wachovia Point Difference Wht & Hsp Rates
	#	Denial Rate	#	Denial Rate	#	Denial Rate			
Atlanta, GA	116	7.6%	18	22.5%	291	10.7%	6.2%	6.5%	-14.9%
Raleigh-Durham, NC	42	4.9%	11	52.4%	95	5.4%	11.6%	8.0%	-47.4%
Charlotte-Gastonia, NC	150	9.0%	18	31.6%	249	10.5%	7.2%	6.6%	-22.6%
Washington, DC	95	7.9%	25	18.7%	258	10.3%	9.7%	11.5%	-10.7%
Greensboro-Winston Salem, NC	98	10.4%	16	26.2%	160	12.5%	10.0%	8.7%	-15.9%
Tampa, FL	615	24.4%	72	42.9%	773	25.5%	9.3%	12.5%	-18.5%
Orlando, FL	200	19.7%	74	33.9%	345	22.2%	21.4%	25.7%	-14.3%
Miami, FL	42	15.3%	191	26.7%	316	24.9%	60.4%	59.9%	-11.3%
Philadelphia, PA	188	11.7%	27	26.0%	484	18.1%	5.6%	3.7%	-14.2%