

April 26, 2008

Joseph Otting
Vice Chair, U.S. Bank
US Bancorp Center
800 Nicollet Mall
Minneapolis, MN 55402

Richard Hartnack
Vice Chair, U.S. Bank
US Bancorp Center
800 Nicollet Mall
Minneapolis, MN 55402

Re: CRC Concerns re: US Bank proposed acquisition of Mellon 1st Business Bank

Dear Mr. Hartnack and Mr. Otting:

I write to follow up on our recent conversations regarding the proposed acquisition by US Bancorp of Mellon 1st Business Bank. I would like to thank you both, as well as Kent Stone and Lisa Glover, for meeting with CRC members and staff on April 16. I was sorry to have missed that meeting, and heard that it was productive.

At the same time, we were disappointed by the follow up letter we received dated April 22, 2008. The letter does not appear to reflect our understanding of the constructive dialogue of the April 16 meeting. Below, I will try to outline the questions raised by your letter, and to clarify what we are urging the Bank to do. We would ask that you provide any further response to this letter by Friday, May 2, 2008.

Notification of Potential Overdraft at ATM Machine

U.S. Bank Position (from your April 22 letter): As we have discussed, ATM balance prompts, warning consumers of potential overdrafts, were piloted by U.S. Bank in September, 2007. The balance prompts went live across our footprint, including California, on April 9, 2008. Balance prompts alert consumer checking customers when an ATM transaction may result in a low balance (\$5 or less) or negative ending balance.

CRC Response: We are pleased to hear that the Bank followed up on our suggestion, raised at our last meeting in 2007, to notify US Bank customers at ATM machines if they are about to overdraw their accounts and incur a fee. Our specific suggestion was to alert consumers about any low account balances, warn them of the potential cost of overdrawing their account, and prompt them to affirmatively choose to proceed with the

transaction. This warning would be similar to the notification that is often given regarding fees charged to consumers as a result of using “foreign” ATMs.

Can you please confirm the exact ATM notice that is given to the consumer with the low account balance and if it requires a consumer to affirmatively agree to proceed with the transaction in light of a possible overdraft fee?

Trustee Best Practices

U.S. Bank Position: We understand CRC’s concerns about U.S. Bank’s role as a Corporate Trustee for pools of mortgage backed securities. As we explained, U.S. Bank is not involved in the foreclosure process and has little influence over the servicers of the mortgages in foreclosure for which we are Trustee. We will send a statement to the servicers of these mortgages clearly stating our support of best practices in loss mitigation. We do, however, understand that the mortgage counseling agencies that CRC supports are overloaded with cases and identifying the mortgage servicer in these cases adds a step to their process. Therefore, U.S. Bank would like to contribute \$250,000 to the California Home Ownership Preservation Initiative to support the efforts of these agencies.

In addition, the Corporate Trust Division of U.S. Bank has a dedicated 800 number that mortgage counselors can call to obtain loan servicer information and we would like to partner with CRC to get this information into the hands of the counseling agencies.

CRC Response: We continue to disagree regarding the significance of US Bank’s role as trustee on pools of MBS. As the entity that represents the interests of investors, we believe that US Bank should necessarily be concerned about litigation and financial risks of investors associated with: loan servicers not modifying loans that otherwise fall into foreclosure and reduce the return for most investors; tenants being illegally evicted from investor-owned properties or subjected to uninhabitable conditions (water and electricity shut-offs, etc.); and inadequate property maintenance practices on foreclosed properties that lead to neighborhood blight and crime. We believe that Deutsche Bank has already developed a policy on some of these issues. And we reiterate that US Bank suffers reputational damage in communities as a result of being named as a foreclosing entity on many properties throughout the state and country.

We appreciate the offer to fund CHOPI, though this was not specifically requested and we are unsure how this would work. CHOPI is a 2-year initiative that has already begun. Additionally, our understanding was that any additional funding for counseling agencies would not come out of the Bank’s existing contributions budget.

We urge the Bank to agree to work with us to develop industry leading trustee best practices that effectively represent the overlapping interests of investors, homeowners, tenants and communities.

We also urge the Bank to commit \$250,000 for each of the next two years to support

housing counseling agencies in the state. This should be new money.

Contributions

U.S. Bank Position: We came to an agreement with CRC that contributions in the state of California should continue be tied to the state's deposits. As we discussed, U.S. Bank is dedicated to growing in the California market and, therefore if tied to deposits, contributions within the market will continue to grow. Currently, our agreement is that annual cash charitable contributions will equal .02% of California deposits and we believe that level is appropriate. If verifiable sources show that our peers make cash contributions at a higher rate, we will revisit the level. We are willing to increase our contributions to nonprofit organizations involved in affordable housing, economic development and other CRA-qualified activities in California from the current level or 40% of total cash contributions to the 50% requested.

CRC Response: We believe that Bank of America and Wells Fargo contribute at least .025% of deposits nationally for charitable purposes. We are not sure what additional evidence US Bank needs. The Bank is free to check the FDIC website and Guidestar. Additionally, we are concerned that the category of affordable housing, economic development "and other CRA-qualified activities" is overly broad.

We urge the Bank to set contributions at .03% of deposits, and to make 100% of contributions in California available for CRA qualified activities, and 50% for affordable housing and economic development activities.

Lower fees on payday advance product.

U.S. Bank Position: We understand CRC's position on this issue and our position remains the same. U.S. Bank offers the Checking Account Advance (CAA) product as an open-end line of credit to existing customers who have an established relationship with the bank through direct deposit. It is designed to provide our customers with emergency access to funds at a rate that is much lower than payday lenders. U.S. Bank has developed simple, plain and direct literature and disclosures explaining the product, its cost, and lower cost alternatives available to potential users of the product. Because this is designed as a short-term product, we limit the number of consecutive transactions and provide lower cost, more traditional funding opportunities when CAA customers qualify. We believe this product helps our communities by providing a lower cost alternative to payday lending, recognizing that the product carries more risk than traditional alternatives. We have no plans to lower our price at this time, but we are looking at alternatives to lower the net impact on clients who repay on time over time.

CRC Response: *We urge* the Bank to do better than its current practice and that of Wells Fargo, and lower its fee on the CAA product to \$5 per \$100. *In the alternative, the Bank should* develop a 6 month unsecured consumer loan to help the average payday loan borrower who takes out 8 loans, each one due within a short 2 week period.

Small Business Lending

U.S. Bank Position. U.S. Bank is committed to serving the needs of small businesses in California. We have made great progress in the past year by partnering with state guarantee programs and adding the Community Development Small Business Loan Coordinator position to our staff. We will continue to move forward with all of these initiatives and look forward to working with your members on new initiatives and partnerships wherever practical.

CRC Response: As the Bank is now a major middle market business lender, *we urge* the Bank to participate in CRC's Technical Assistance initiative as several of your peers have.

Branches

U.S. Bank Position: To further clarify our current intentions, Torrance will remain open as a commercial and small business office only. Because of the close proximity, Inland Empire will be consolidated with U.S. Bank, but we have not yet decided which office will remain open. Based on the information currently available to us, we plan to offer employment to all customer facing employees in these locations. Others may be subject to downsizing but will be offered the opportunity to post for U.S. Bank positions across our entire footprint for which they may qualify.

CRC Response: CRC opposes the closure of branches unless they are in close proximity to other branches, which we define as within .5 miles.

Can you confirm the distance between the two branches in question, and agree there will be no closures of branches that are .5 miles or farther away from another branch?

We believe that the Bank has not in fact addressed our concerns, but we are hopeful that we can continue to have constructive dialogue in the short term. Thank you for your efforts to understand and address our concerns, and for sending us any response to this letter by Friday, May 2, 2008. Please place a copy of this letter in the Bank's CRA Public File.

Very Truly Yours,

Kevin Stein
Associate Director

cc: Kent Stone, Executive Vice President, U.S. Bank
Lisa Glover, Senior Vice President, Director of Community Affairs