

FEDERAL RESERVE SYSTEM

Regions Bank
Birmingham, Alabama

Order Approving the Establishment of a Branch

Regions Bank, a state member bank subsidiary of Regions Financial Corporation, both of Birmingham, Alabama, has requested the Board's approval under section 9 of the Federal Reserve Act ("FRA")¹ and the Board's Regulation H² to establish a branch at Farm to Market Road 423 (West University Drive), just south of Highway 380, Frisco, Texas.³

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in accordance with the Board's Rules of Procedure.⁴ The time for submitting comments has expired, and the Board has considered the proposal and the comment received in light of the factors specified in the FRA.

¹ 12 U.S.C. § 321.

² 12 CFR part 208.

³ Under section 9 of the FRA, state member banks may establish and operate branches on the same terms and conditions as are applicable to the establishment of branches by national banks. See 12 U.S.C. § 321. A national bank may establish and operate a de novo branch in a state in which the bank is situated, if such establishment and operation is authorized under applicable state law. See 12 U.S.C. § 36(c)(2). Regions Bank has branches in Texas and is therefore permitted to establish additional branches under the laws of Texas. See Tex. Fin. Code Ann. § 203.006.

⁴ 12 CFR 262.3(b).

Regions Financial Corporation, with total consolidated assets of \$145.4 billion, is the 30th largest depository organization in the United States, controlling approximately \$118.7 billion in deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.⁵ Regions Bank operates in 15 states through numerous branches, and the bank's main office is in Birmingham, Alabama.⁶

Under section 208.6 of the Board's Regulation H,⁷ which implements section 9 of the FRA, the factors that the Board must consider in acting on a branch application include (1) the financial history and condition of the applying bank and the general character of its management; (2) the adequacy of the bank's capital and the bank's future earnings prospects; (3) the convenience and needs of the community to be served by the branch; (4) in the case of branches with deposit-taking capability, the bank's performance under the Community Reinvestment Act ("CRA");⁸ and (5) whether the bank's investment in bank premises in establishing the branch satisfies certain criteria.⁹ The Board has considered the branch application in light of these factors and the public comment received on the proposal.

Financial, Managerial, and Other Supervisory Considerations

In considering the financial history and condition, earnings prospects, and capital adequacy of Region Bank, the Board has reviewed reports of examination, other

⁵ Total assets, national asset ranking, and national deposit data are as of September 30, 2020, and state deposit data are as of June 30, 2020, unless otherwise noted. In this context, insured depository institutions include commercial banks, savings and loan associations, and savings banks.

⁶ In Texas, Regions Bank is the 22nd largest depository organization, controlling approximately \$5.4 billion in deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in that state.

⁷ 12 CFR 208.6(b).

⁸ 12 U.S.C. § 2901 et seq.

⁹ 12 CFR 208.21(a).

supervisory information, publicly reported and other financial information, information provided by Regions Bank, and the comment received on the proposal. Regions Bank is well capitalized and would remain so upon consummation of the proposal. The asset quality, earnings, and liquidity of Regions Bank are consistent with approval, and Regions Bank appears to have adequate resources to absorb the costs of the proposal. In addition, future earnings prospects are considered consistent with approval. The Board also has reviewed Regions Bank's proposed investment in the branch and concludes that the bank's investment is consistent with regulatory limitations on investment in bank premises.¹⁰

In considering Regions Bank's managerial resources, the Board has reviewed the bank's examination record, including assessments of its management, risk-management systems, and operations. The Board also has considered its supervisory experiences with Regions Bank and the bank's record of compliance with applicable banking, consumer protection, and anti-money-laundering laws. Regions Bank is considered to be well managed. Regions Bank's directors and senior executive officers have substantial knowledge of and experience in the banking and financial services sectors, and the bank's risk-management program appears consistent with approval.

Based on this review and all the facts of record, the Board determines that Regions Bank's management, financial history and condition, capital adequacy, and future earnings prospects, as well as the effectiveness of Regions Bank in combatting money-laundering activities, are consistent with approval of the proposal.

Convenience and Needs Considerations

In considering the effects of the proposal on the convenience and needs of the communities to be served, the Board considers whether the relevant institution is helping to meet the credit needs of these communities, as well as other potential effects of the proposal on the convenience and needs of the communities to be served.¹¹ In its

¹⁰ 12 CFR 208.21(a).

¹¹ 12 CFR 208.6(b)(3).

evaluation, the Board places particular emphasis on the record of the relevant depository institution under the CRA. The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with the institutions' safe and sound operation,¹² and requires the appropriate federal financial supervisory agency to assess a depository institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank branching proposals.¹³

In addition, the Board considers the bank's overall compliance record, including with respect to fair lending. Fair lending laws require all lending institutions to provide loan applicants with equal access to credit, regardless of their race, ethnicity, or certain other characteristics. The Board also considers assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and comments received on the proposal. The Board also may consider the institution's business model, marketing and outreach plans, and plans after consummation, as well as any other information the Board deems relevant.

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of Regions Bank, the fair lending and compliance records of the bank, confidential supervisory information, information provided by Regions Bank, and the public comment received on the proposal.

Public Comment on the Proposal

One commenter objected to the proposal, alleging that, as of December 31, 2017, none of Regions Bank's branches in the Dallas-Fort Worth metropolitan area were in low-income census tracts and that, compared with other non-credit-card small business

¹² 12 U.S.C. § 2901(b).

¹³ 12 U.S.C. § 2903.

lenders in Dallas, Regions Bank made fewer small business loans to businesses with under \$1 million in annual revenue. The commenter asserts that Regions Bank should increase the percentage of home loans extended to African Americans, as well as to individuals in low-income census tracts, and should increase the number of small businesses loans to minorities and to businesses in low-income census tracts. The commenter also notes that the recent CRA performance evaluation of Regions Bank indicated that the bank made a low level of community development loans in Dallas under the lending test (“Lending Test”), and received a rating of “low satisfactory” under the service test (“Service Test”) for the state of Texas.¹⁴

Business of the Applicant and Response to Comment

Regions Bank offers a broad range of retail and commercial banking products to consumers and businesses through its network of branches. The products and services include commercial, residential, agricultural, and consumer loans; personal checking and savings accounts; business checking and savings accounts; money market accounts; cash management products and services; foreign exchange services; credit cards; merchant services; online banking; and wealth management services.

In responding to the commenter, Regions Bank notes that, among its 18 branches in the Dallas and Fort Worth assessment areas (“AAs”), 27.8 percent of Regions Bank’s branches are in LMI census tracts. Regions Bank further represents that seven of its 18 branches in these AAs, or 38.9 percent, are in majority-minority census tracts. Additionally, Regions Bank asserts that, in the two years since its last CRA performance evaluation, it has made a number of home mortgage loans and CRA small business/small farm loans in LMI census tracts and to borrowers and small businesses/small farms in majority-minority census tracts. As discussed below, Regions Bank further asserts that it has significantly increased its community development

¹⁴ As described in more detail below, the Lending Test and the Service Test are two of the three tests used by federal financial supervisors to evaluate the performance of large insured depository institutions, such as Regions Bank, under the CRA.

lending and investments since the time period covered by its last CRA performance evaluation two years ago.

Record of Performance Under the CRA

In evaluating the CRA performance of the involved institution, the Board generally considers the institution's most recent CRA performance evaluation, as well as other information and supervisory views from the relevant federal supervisor, which in this case is the Federal Reserve Bank of Atlanta ("Reserve Bank").¹⁵ In addition, the Board considers information provided by the applicant and by any public commenters.

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of helping to meet the credit needs of its entire community, including LMI neighborhoods.¹⁶ An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, federal financial supervisors apply a Lending Test, an investment test ("Investment Test"), and a Service Test to evaluate the performance of large insured depository institutions, such as Regions Bank, in helping to meet the credit needs of the communities they serve. The Lending Test specifically evaluates an institution's lending-related activities to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the Lending Test, examiners review and analyze an institution's data reported under the Home Mortgage Disclosure Act of 1975 ("HMDA"),¹⁷ in addition to small business, small farm, and community development loan data collected and reported under the CRA

¹⁵ See Interagency Questions and Answers Regarding Community Reinvestment, 81 Fed. Reg. 48506, 48548 (July 25, 2016).

¹⁶ 12 U.S.C. § 2906.

¹⁷ 12 U.S.C. § 2801 et seq.

regulations, to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is evaluated based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's CRA AAs; (2) the geographic distribution of the institution's lending, including the proportion and dispersion of the institution's lending in its AAs and the number and amounts of loans in low-, moderate-, middle-, and upper-income geographies; (3) the distribution of loans based on borrower characteristics, including, for home mortgage loans, the number and amounts of loans to low-, moderate-, middle-, and upper-income individuals;¹⁸ (4) the institution's community development lending, including the number and amounts of community development loans and their complexity and innovativeness; and (5) the institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies.¹⁹ The Investment Test evaluates the number and amounts of qualified investments that benefit the institution's AAs, and the Service Test evaluates the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of the institution's community development services.²⁰

CRA Performance of Regions Bank

Regions Bank was assigned an overall "Satisfactory" rating at its most recent CRA performance evaluation by the Reserve Bank, as of March 4, 2019 ("Regions

¹⁸ Examiners also consider the number and amounts of small business and small farm loans made to businesses and farms with gross annual revenues of \$1 million or less, small business and small farm loans by loan amount at origination, and consumer loans, if applicable, to low-, moderate-, middle-, and upper-income individuals. See, e.g., 12 CFR 228.22(b)(3).

¹⁹ See 12 CFR 228.22(b).

²⁰ See 12 CFR 228.21 et seq.

Bank Evaluation”).²¹ The bank received a “High Satisfactory” rating for each of the Lending Test, Investment Test, and Service Test.²²

Examiners found that Regions Bank’s overall lending activity reflected the bank’s willingness to originate loans that are responsive to the residential and small business credit needs of its AAs. Examiners found that the overall geographic distribution of Regions Bank’s HMDA-reportable and small business loans reflected good penetration in LMI geographies. Examiners noted that Regions Bank’s overall distribution of HMDA-reportable loans among borrowers of different income levels and its overall distribution of small business loans to businesses of different sizes were good. In addition, examiners found that the bank’s geographic distribution of small business lending across AAs was good and that its HMDA-reportable lending by geography was adequate. Examiners also found that the bank made an adequate level of community development loans and that the bank’s community development lending activity was adequately responsive to the community development needs throughout its AAs.

Examiners rated Regions Bank’s performance in Texas under the Lending Test as “High Satisfactory.” Examiners found that the geographic distribution of the bank’s loans in Texas reflected adequate penetration through the bank’s AAs. Examiners noted that Regions Bank’s distribution of loans by borrower income reflected adequate penetration among borrowers of different income levels and businesses of different sizes. Further, examiners found that the bank made an excellent level of community development loans in Texas. In the Dallas AA, the area of concern for the commenter, examiners noted that, although Regions Bank had made a low level of community development loans in Dallas, the bank’s lending levels in Dallas were adequate.

²¹ The Regions Bank Evaluation was conducted using Large Bank CRA Examination Procedures. Examiners reviewed HMDA-reportable loans and small business loans originated by the bank between January 1, 2016, and December 31, 2017. Examiners also reviewed community development loans, investments, and services from April 1, 2016, through December 31, 2018.

²² Regions Bank’s AAs are set forth in the Appendix.

Examiners found that, overall, Regions Bank's investments demonstrated good responsiveness to community development needs. Examiners rated the bank's performance in Texas under the Investment Test as "Outstanding." Examiners considered Regions Bank's community development activity to be responsive to community development needs in Texas. Examiners noted that the bank made a significant level of qualified community development investments in the Dallas AA.

Examiners found that Regions Bank's retail delivery systems were reasonably accessible to geographies and individuals of different income levels. Examiners noted that the bank's banking services and business hours did not vary in a way that inconveniences the bank's AAs, including LMI geographies and individuals. Examiners also found that the bank's overall record of opening and closing branch offices generally did not adversely affect the accessibility of the bank's delivery systems, including to LMI geographies and individuals. Moreover, examiners found that the bank provided a relatively high level of community development services throughout its AAs.

Examiners rated Regions Bank's service performance in Texas as "Low Satisfactory." Examiners found that the bank's retail service performance was adequate in Texas. Examiners noted that, overall, the bank's services and hours of operations in Texas did not vary in a way that inconvenienced the bank's AAs, including LMI geographies and/or LMI individuals. Examiners found that the bank provided an adequate level of community development services that benefitted LMI residents and small businesses in Texas. Additionally, examiners concluded that, in the Dallas AA, the bank's overall service performance was stronger than the bank's statewide service performance.

Regions Bank's Efforts Since the Regions Bank Evaluation

Regions Bank represents that, since 2019, it has made over \$55 million in community development loans in the Dallas and Fort Worth AAs. The bank also represents that it has made over \$77 million in CRA investments since the last CRA evaluation period. Regions Bank asserts that it has made 1,710 small business and small farm loans in the Dallas and Fort Worth areas since 2018, of which 32.6 percent were

made to businesses located in LMI census tracts and 48.9 percent were made to businesses located in majority-minority census tracts. Regions Bank represents that, in response to the COVID-19 pandemic, it originated 542 Paycheck Protection Program loans to assist its small business customers in the Dallas and Fort Worth AAs. The bank asserts that it has contributed \$150,000 to organizations providing technical assistance to small businesses impacted by the COVID-19 pandemic. Regions Bank represents that it has made 1,157 home mortgage loans in the Dallas and Fort Worth AAs since 2018.²³ In addition, the bank represents that it has provided over 1,100 community development service hours from 2019 through the second quarter of 2020 in the Dallas and Fort Worth AAs.

Additional Supervisory Considerations

In addition to the Regions Bank Evaluation, the Board has considered the results of recent consumer compliance examinations conducted by Reserve Bank examiners, including supervisory reviews of Regions Bank's record of compliance with applicable fair lending laws. In addition, the Board has considered Regions Bank's supervisory record with the Consumer Financial Protection Bureau.

Additional Convenience and Needs Considerations

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. Regions Bank asserts that the proposed branch would provide a broad range of financial services, products, and financial education to the community it serves. In addition, Regions Bank represents that the branch would include enhanced technology and expanded services.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the CRA record of Regions Bank, the bank's records of compliance with fair lending and other consumer protection laws, confidential supervisory information, information provided by Regions

²³ Regions Bank represents that it has made a significant number of home mortgage loans to minority borrowers in the Dallas and Fort Worth AAs.

Bank, the public comment on the proposal, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board determines that the convenience and needs factor is consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the application should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by Regions Bank with all the conditions imposed in this order, including receipt of all required regulatory approvals, and on any commitments made to the Board in connection with this proposal. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

Approval of this application is also subject to the establishment of the proposed branch within one year of the date of this order, unless such period is extended by the Board or the Reserve Bank, acting under authority delegated by the Board.

By order of the Board of Governors,²⁴ effective February 8, 2021.

Michele Taylor Fennell (signed)

Michele Taylor Fennell
Deputy Associate Secretary of the Board

²⁴ Voting for this action: Chair Powell, Vice Chair Clarida, Vice Chair for Supervision Quarles, and Governors Bowman, Brainard and Waller.

Appendix

The Regions Bank Evaluation included a full-scope review of the bank's AAs within the following: Birmingham, Alabama, Metropolitan Statistical Area ("MSA"); Huntsville, Alabama, MSA; Little Rock, Arkansas, MSA; Miami, Florida, MSA; Tampa, Florida, MSA; Atlanta, Georgia, MSA; Decatur, Illinois, MSA; Indianapolis, Indiana, MSA; Des Moines, Iowa, MSA; Southwest Kentucky; New Orleans, Louisiana, MSA; Jackson, Mississippi, MSA; Southeast Missouri; Charlotte, North Carolina, MSA; Greenville, South Carolina, MSA; Nashville, Tennessee, MSA; Houston, Texas, MSA; Augusta, Georgia-South Carolina Multistate MSA; Chattanooga, Georgia-Tennessee Multistate MSA; Columbus, Georgia-Alabama Multistate MSA; Memphis, Tennessee-Mississippi-Arkansas Multistate MSA; St. Louis, Missouri-Illinois Multistate MSA; and Texarkana, Texas-Arkansas Multistate MSA.

Limited-scope reviews were conducted in numerous AAs, including in the following states: Alabama; Arkansas; Florida; Georgia; Illinois; Indiana; Iowa; Kentucky; Louisiana; Mississippi; Missouri; North Carolina; South Carolina; and Tennessee; as well as in the following AAs in Texas: Austin, Texas, MSA; Cass, Texas; Dallas, Texas, MSA; Fort Worth, Texas, MSA; Longview, Texas, MSA; Nacogdoches-Angelina-Anderson, Texas; and Tyler, Texas, MSA.