

FEDERAL RESERVE SYSTEM

Susser Bank  
Dallas, Texas

Order Approving the Establishment of a Branch

Susser Bank, Dallas, Texas, a state member bank subsidiary of SBH Manager, LLC (“SBH”), Dallas, Texas, has requested the Board’s approval under section 9 of the Federal Reserve Act (“FRA”)<sup>1</sup> and the Board’s Regulation H<sup>2</sup> to establish a branch at 3030 Matlock Road, Arlington, Texas.<sup>3</sup>

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in accordance with the Board’s Rules of Procedure.<sup>4</sup> 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.

SBH, with consolidated assets of \$1.3 billion, is the 780th largest insured depository organization in the United States, controlling approximately \$1.1 billion in deposits, which represent less than 1 percent of the total amount of deposits of insured

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<sup>1</sup> 12 U.S.C. § 321.

<sup>2</sup> 12 CFR part 208.

<sup>3</sup> 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). Susser Bank only has branches in Texas and is permitted to establish additional branches under the laws of Texas. See Tex. Fin. Code Ann. § 32.203.

<sup>4</sup> 12 CFR 262.3(b).

depository institutions in the United States.<sup>5</sup> SBH controls Susser Bank, which operates through seven branches located in Texas, and the bank's main office is in Dallas, Texas.<sup>6</sup>

Under section 208.6 of the Board's Regulation H,<sup>7</sup> 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");<sup>8</sup> and (5) whether the bank's investment in bank premises in establishing the branch satisfies certain criteria.<sup>9</sup> 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 Susser Bank, the Board has reviewed reports of examination, other supervisory information, publicly reported and other financial information, information provided by Susser Bank, and the comment received on the proposal. Susser Bank is well capitalized and would remain so upon consummation of the proposal. The asset quality, earnings, and liquidity of Susser Bank are consistent with approval, and Susser Bank appears to have adequate resources to absorb the costs of the proposal. In addition,

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<sup>5</sup> Consolidated asset, national asset ranking, and total deposits data are as of June 30, 2021. In this context, insured depository institutions include commercial banks, savings and loan associations, and savings banks.

<sup>6</sup> In Texas, SBH is the 89th largest depository organization, controlling approximately \$1.1 billion in deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in Texas. State deposit ranking and deposit data are as of June 30, 2021.

<sup>7</sup> 12 CFR 208.6(b).

<sup>8</sup> 12 U.S.C. § 2901 et seq.

<sup>9</sup> 12 CFR 208.21(a).

future earnings prospects are considered consistent with approval. The Board also has reviewed Susser Bank's proposed investment in the branch and concludes that the bank's investment is consistent with regulatory limitations on investment in bank premises.<sup>10</sup>

In considering Susser 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 Susser Bank and the bank's record of compliance with applicable banking, consumer protection, and anti-money-laundering laws. Susser Bank is considered to be well managed. Susser 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 Susser Bank's management, financial history and condition, capital adequacy, compliance with applicable banking and consumer protection laws, and future earnings prospects, as well as the effectiveness of Susser 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.<sup>11</sup> In its 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

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<sup>10</sup> 12 CFR 208.21(a).

<sup>11</sup> 12 CFR 208.6(b)(3).

operation,<sup>12</sup> 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.<sup>13</sup>

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 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 Susser Bank, the fair lending and compliance records of the bank, confidential supervisory information, information provided by Susser Bank, and the public comment received on the proposal.

*Public Comment on the Proposal*

One commenter objected to the proposal, alleging that Susser Bank has failed to meet the needs of LMI communities in Southern Dallas and Fort Worth and has engaged in redlining by acting to meet the credit needs of majority-white neighborhoods while failing to meet the credit needs of majority-minority neighborhoods in Dallas and Fort Worth.<sup>14</sup> The commenter also alleged that Susser Bank failed to provide small

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<sup>12</sup> 12 U.S.C. § 2901(b).

<sup>13</sup> 12 U.S.C. § 2903.

<sup>14</sup> Redlining is the practice of providing unequal access to credit, or unequal terms of credit, because of the race, color, national origin, or other prohibited characteristics of the

business and consumer lending services to African American communities in Southern Dallas and Fort Worth. The commenter further alleged that Susser Bank has discriminated against African Americans and other minority consumers with respect to the location of its branches, marketing efforts, and employment practices. Citing the last evaluation of Susser Bank's CRA performance, as well as data reported in 2018 and 2019 under the Home Mortgage Disclosure Act of 1975 ("HMDA"),<sup>15</sup> the commenter also alleged that Susser Bank's lending to low-income borrowers, including for home purchase and home refinance loans, and its lending to small businesses were lower than the corresponding peer aggregate lending percentages in the Dallas area.

The commenter also called on Susser Bank to locate the proposed branch in Southern Dallas or enter into a community benefits agreement with the Southern Dallas community.<sup>16</sup> The commenter also requested that Susser Bank be more responsive to the needs of the Southern Dallas community and take steps to address inequality in Dallas.

*Business of the Applicant and Response to Comment*

Susser Bank offers an array of commercial and consumer loan and deposit products through its network of branches. These include commercial, residential, construction, development, and consumer loans; personal checking and savings accounts;

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residents of an area in which a credit seeker resides or will reside or in which a property to be mortgaged is located. See Interagency Fair Lending Examination Procedures (August 2009), available at <https://www.ffiec.gov/pdf/fairlend.pdf>.

<sup>15</sup> 12 U.S.C. § 2801 *et seq.*

<sup>16</sup> The Board consistently has found that neither the CRA nor the federal banking agencies' CRA regulations require depository institutions to make pledges or enter into commitments or agreements with any private party. See, e.g., First Illinois Bancorp, Inc., FRB Order No. 2020-03 at 11 n.25 (August 26, 2020); Fifth Third Bancorp, FRB Order No. 2019-05 at 12 n.29 (March 6, 2019); First Busey Corporation, FRB Order No. 2019-01 at 11 n.30 (January 10, 2019); HarborOne Mutual Bancshares, FRB Order No. 2018-18 at 10 n.26 (September 12, 2018); and TriCo Bancshares, FRB Order No. 2018-13 at 9 n.20 (June 6, 2018). In its evaluation, the Board reviews the existing CRA performance record of an applicant and the programs that the applicant has in place to serve the credit needs of its CRA assessment areas ("AAs").

commercial checking and savings accounts; money market accounts; credit cards; online banking; and treasury management services.

In responding to the commenter, Susser Bank notes that it received a rating of “Satisfactory” at its most recent CRA performance evaluation. The bank also notes that it has a branch in a majority-minority zip code in Garland, Texas, which is a majority-minority city. Susser Bank also asserts that it does not engage in redlining, noting that it has reviewed and approved a number of applications for borrowers in many of the geographies identified by the commenter.

*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 Dallas (“Reserve Bank”).<sup>17</sup> In addition, the Board considers information provided by the applicant and by 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.<sup>18</sup> 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, the Board and the other federal financial supervisors apply a lending test (“Lending Test”) and a community development test (“Community

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<sup>17</sup> See Interagency Questions and Answers Regarding Community Reinvestment, 81 Federal Register 48,506, 48,548 (July 25, 2016).

<sup>18</sup> 12 U.S.C. § 2906. At the time of its most recent CRA performance evaluation, Susser Bank was a federally chartered savings association known as Affiliated Bank. The Susser Bank Evaluation was conducted by the Office of the Comptroller of the Currency (“OCC”), the bank’s primary federal supervisor at the time of the evaluation.

Development Test”) to evaluate the performance of an intermediate small bank, such as Susser Bank, in helping to meet the credit needs of the communities it serves. 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 HMDA,<sup>19</sup> automated loan reports, and other reports generated by the institution in order 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 the institution’s (1) loan-to-deposit ratio and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments; (2) percentage of loans and, as appropriate, other lending-related activities located in the bank’s AAs; (3) record of lending to, and, as appropriate, engaging in other lending-related activities for, borrowers of different income levels and businesses and farms of different sizes; (4) geographic distribution of loans; and (5) record of taking action, if warranted, in response to written complaints about the institution’s performance in helping to meet credit needs in the bank’s AAs.<sup>20</sup> The Community Development Test evaluates the number and amounts of the institution’s community development loans and qualified investments; the extent to which the institution provides community development services; and the institution’s responsiveness through such activities to community development lending, investment, and service needs.<sup>21</sup>

The Board is concerned when HMDA data reflect disparities in the rates of loan applications, originations, and denials among members of different racial, ethnic, or gender groups in local areas. These types of disparities may indicate weaknesses in the adequacy of policies and programs at an institution for meeting its obligations to extend

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<sup>19</sup> 12 U.S.C. § 2801 et seq.

<sup>20</sup> See 12 CFR 228.26(b).

<sup>21</sup> See 12 CFR 228.26(c).

credit fairly. However, other information critical to an institution's lending may not be available solely from public HMDA data.<sup>22</sup> Consequently, the Board requests additional information not available to the public that may be needed from the institution and evaluates disparities in the context of the additional information obtained regarding the lending and compliance record of an institution.

*CRA Performance of Susser Bank*

Susser Bank was assigned an overall "Satisfactory" rating at its most recent CRA performance evaluation by the OCC, as of May 22, 2017 ("Susser Bank Evaluation").<sup>23</sup> The bank received a "Satisfactory" rating for both the Lending Test and the Community Development Test.<sup>24</sup>

Examiners determined that Susser Bank's loan-to-deposit ratio was more than reasonable given the bank's size, its financial performance, and the credit needs of the bank's AAs. Examiners also found that the majority of Susser Bank's lending activity was originated within the bank's AAs and that the distribution of loans originated by Susser Bank during the evaluation period reflected a reasonable penetration among borrowers of different income levels and businesses of different sizes. In addition, examiners found that Susser Bank's geographic distribution of home mortgage and

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<sup>22</sup> Importantly, credit scores are not available in the public HMDA data. Accordingly, when conducting fair lending examinations, examiners analyze additional information not available to the public before reaching a determination regarding an institution's compliance with fair lending laws.

<sup>23</sup> The Susser Bank Evaluation was conducted using Intermediate Small Bank CRA Examination Procedures. Examiners evaluated HMDA-reportable loans from 2014 to 2016 and small business and small farm loans reported by the bank from January 1, 2012, through December 31, 2016. Examiners also reviewed community development loans, qualified investments, and community development services from December 5, 2011, through May 22, 2017.

<sup>24</sup> The Susser Bank Evaluation included a full-scope review of the following areas designated by Susser Bank as its AAs: Fort Worth-Arlington ("Fort Worth") metropolitan statistical area ("MSA"); Dallas-Plano-Irving ("Dallas") MSA; and Austin-Round Rock MSA.



business loans to LMI census tracts reflected a reasonable dispersion within the bank's AAs.

In the Dallas and Fort Worth AAs, the areas of concern to the commenter, examiners determined that Susser Bank's distribution of residential real estate loans reflected a reasonable penetration to LMI families. Examiners found that Susser Bank's distribution of loans to businesses of different sizes was reasonable. Examiners noted that Susser Bank's distribution of home purchase loans to low-income borrowers was somewhat lower than the corresponding peer aggregate lending percentage in the Dallas AA. Nevertheless, examiners concluded that Susser Bank had demonstrated overall strength in lending to LMI borrowers, in part because the bank exceeded the corresponding peer aggregate lending percentage for home purchase loans to moderate-income borrowers in the Dallas AA. In the Fort Worth AA, examiners noted that Susser Bank's distribution of home purchase loans to LMI borrowers was comparable to the corresponding peer aggregate lending percentage for home purchase loans in the Fort Worth AA. Examiners found that Susser Bank's refinance loans to LMI borrowers lagged the corresponding peer aggregate lending percentage for this product within the Dallas and Fort Worth AAs but attributed the lag to the lack of demand for home refinance loans in the AAs at the time of the evaluation.

In evaluating Susser Bank's small business loans in the Dallas and Fort Worth AAs, examiners found the distribution of loans to businesses of different sizes reasonable. Examiners determined that Susser Bank's percentage of loans to small businesses in the Dallas AA lagged the percentage of small businesses within the AA but attributed this low level to the bank's loan portfolio mix within the AA, which contained a significant proportion of construction and development loans for building one- to four-family homes and commercial real estate loans.<sup>25</sup> In the Fort Worth AA, examiners noted that lending performance to small businesses was satisfactory.

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<sup>25</sup> Examiners noted that businesses within the construction and development and commercial real estate industries typically embody higher complexities and have larger

Examiners noted that there were no conspicuous gaps in lending within Susser Bank's AAs. Examiners found that the bank's geographic distribution of residential real estate and commercial loans within the Fort Worth AA represented excellent and reasonable dispersions, respectively. Examiners also found that the bank's geographic distribution of residential real estate and commercial loans within the Dallas AA represented reasonable dispersion.

Examiners found that Susser Bank's performance under the Community Development Test demonstrated adequate responsiveness to the community development needs of the bank's AAs, considering the needs and opportunities in the AAs and the bank's performance context and capacity. Examiners noted that Susser Bank had responded to the community development needs of its AAs through community development loans, qualified investments, and community development services. Examiners also noted that Susser Bank's service delivery systems were reasonably accessible to geographies and individuals of different income levels in the bank's AAs and that the responsiveness of Susser Bank to the community development needs of its AAs was adequate. Examiners found that Susser Bank's distribution of branches was reasonable in comparison to the overall distribution of low-, moderate-, middle- and upper-income geographies in the AAs.

*Susser Bank's Efforts Since the Susser Bank Evaluation*

Susser Bank represents that it has maintained its commitment to CRA compliance since its last CRA evaluation. Susser Bank notes that it continues to meet the needs of its defined AAs by continuing to grant home mortgages and through significant participation in lending supported by the Small Business Administration ("SBA"), including the Paycheck Protection Program ("PPP"). In 2019 and 2020, Susser Bank reports that it granted \$26.5 million and \$15.0 million, respectively, in non-PPP SBA loans and that in 2020, it granted more than \$215 million in PPP loans. According to

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operations. These businesses tend to generate correspondingly large revenues, which preclude them from being considered small businesses for purposes of the CRA.

Susser Bank, a number of these loans were made in zip codes located in Southern Dallas and Fort Worth. Susser Bank further notes that its employees have conducted outreach on behalf of the bank by volunteering at local nonprofit organizations and participating in community events. The bank indicates that it intends to continue these outreach efforts moving forward.

*Additional Supervisory Considerations*

In addition to the Susser Bank Evaluation, the Board has considered the most recent consumer compliance examination and fair lending record of Susser Bank and consulted with the Reserve Bank regarding the bank's CRA, consumer compliance, and fair lending records.

*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. Susser Bank represents that the proposed branch would allow the bank to better serve the needs of existing customers as well as prospective customers in the area near the proposed branch. Specifically, Susser Bank notes that the additional branch location would offer new and existing customers another location to access financial services. The proposed branch also would be located in a majority-minority census tract.

*Conclusion on Convenience and Needs Considerations*

The Board has considered all the facts of record, including the CRA record of Susser Bank, the bank's records of compliance with fair lending and other consumer protection laws, confidential supervisory information, information provided by Susser 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 considerations are 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 Susser 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,<sup>26</sup> effective February 11, 2022.

*Ann E. Misback (signed)*

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Ann E. Misback  
Secretary of the Board

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<sup>26</sup> Voting for this action: Chair Pro Tempore Powell and Governors Bowman, Brainard, and Waller.