

FEDERAL RESERVE SYSTEM

First American Bank Corporation
Elk Grove Village, Illinois

Order Approving the Acquisition of a Bank

First American Bank Corporation (“First American”), Elk Grove Village, Illinois, has requested the Board’s approval under section 3 of the Bank Holding Company Act (“BHC Act”)¹ to acquire Bank of Coral Gables, Coral Gables, Florida. Immediately following the proposed acquisition, Bank of Coral Gables would be merged into First American’s subsidiary bank, First American Bank, Elk Grove Village.²

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (79 Federal Register 26758 (2014)).³ The time for submitting comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

¹ 12 U.S.C. § 1842.

² The merger of Bank of Coral Gables into First American Bank is subject to the approval of the Federal Deposit Insurance Corporation (“FDIC”) pursuant to section 18(c) of the Federal Deposit Insurance Act. 12 U.S.C. § 1828(c). The FDIC approved the bank merger on September 26, 2014.

³ 12 CFR 262.3(b).

First American, with consolidated assets of approximately \$3.4 billion, is the 234th largest insured depository organization in the United States.⁴ First American controls First American Bank, which operates only in Illinois. First American Bank is the 21st largest insured depository institution in Illinois, controlling approximately \$2.4 billion in deposits, which represent less than 1 percent of the total deposits of insured depository institutions in that state.⁵

Bank of Coral Gables, with consolidated assets of approximately \$99 million, is the 4,653rd largest insured depository organization in the United States. Bank of Coral Gables operates only in Florida. Bank of Coral Gables is the 204th largest insured depository institution in Florida, controlling approximately \$92 million in deposits, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

On consummation of this proposal, First American would become the 225th largest depository organization in the United States, with consolidated assets of approximately \$3.5 billion, which represent less than 1 percent of the total amount of assets of insured depository institutions in the United States. First American would have total deposits of approximately \$2.4 billion. In Florida, First American would become the 204th largest depository organization.

Interstate and Deposit Cap Analysis

Section 3(d) of the BHC Act imposes certain requirements on interstate transactions. Section 3(d) generally provides that the Board may approve an application by a bank holding company that is well capitalized and well managed to

⁴ Asset and nationwide deposit-ranking data are as of June 30, 2014, unless otherwise noted.

⁵ State data are as of June 30, 2014, unless otherwise noted. In this context, insured depository institutions include commercial banks, savings associations, cooperative banks, industrial banks, and savings banks.

acquire control of a bank in a state other than the home state of the bank holding company, without regard to whether the transaction is prohibited under state law.⁶ However, this section further provides that the Board may not approve an application that would permit an out-of-state bank holding company to acquire a bank in a host state that has not been in existence for the lesser of the state statutory minimum period of time or five years.⁷ The Board also must take into account the record of performance of the acquiring bank under the Community Reinvestment Act (“CRA”)⁸ and applicable state community reinvestment laws.⁹ In addition, the Board may not approve an application by a bank holding company to acquire an insured depository institution if the home state of such insured depository institution is a state other than the home state of the bank holding company and the bank holding company controls or would control more than 10 percent of the total deposits of insured depository institutions in the United States.¹⁰

⁶ 12 U.S.C. § 1842(d)(1)(A).

⁷ 12 U.S.C. § 1842(d)(1)(B).

⁸ 12 U.S.C. § 2901 *et seq.*

⁹ 12 U.S.C. § 1842(d)(1)(3).

¹⁰ 12 U.S.C. § 1842(d)(2)(A). The Board also may not approve an application if the combined organization would control 30 percent or more of the total deposits of insured depository institutions in any state in which the acquirer and target have overlapping banking operations. 12 U.S.C. § 1842(d)(2)(B). First American and Bank of Coral Gables do not have overlapping banking operations in any state.

For purposes of the BHC Act, the home state of First American is Illinois and the home state of Bank of Coral Gables is Florida.¹¹ First American is well capitalized and well managed under applicable law. Florida has a three-year minimum age requirement,¹² and Bank of Coral Gables has been in existence for more than three years.

Based on the latest available data reported by all insured depository institutions, the total amount of consolidated deposits of insured depository institutions in the United States is \$11.0 trillion. On consummation of the proposed transaction, First American would control less than 1 percent of the total amount of consolidated deposits in insured depository institutions in the United States. The Board also has taken into account First American Bank's record of performance under the CRA and determined that it does not prohibit the Board from approving the proposal. Accordingly, in light of all the facts of record, the Board is not prohibited from approving the proposal under section 3(d) of the BHC Act.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant market. The BHC Act also prohibits the Board from approving a proposal that would substantially lessen

¹¹ See 12 U.S.C. § 1841(o)(4). A bank holding company's home state is the state in which the total deposits of all banking subsidiaries of such company were the largest on July 1, 1966, or the date when the company became a bank holding company, whichever is later. A state bank's home state is the state in which the bank is chartered.

¹² See FLA. STAT. § 658.295(3)(b) (2005). Florida law prohibits a Florida bank from being acquired by an out-of-state bank holding company or bank unless the Florida bank has existed and continuously operated as a bank for more than three years.

competition in any relevant banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.¹³ First American Bank and Bank of Coral Gables do not compete directly in any banking market.

The Department of Justice has conducted a review of the potential competitive effects of the proposal and advised the Board that it does not believe that consummation of the proposal is likely to have a significantly adverse effect on competition in any relevant banking market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all of the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in any relevant banking market. Accordingly, the Board has determined that competitive considerations are consistent with approval.

Financial, Managerial, and Other Supervisory Considerations

In evaluating financial factors in expansionary proposals by banking organizations, the Board reviews the financial condition of the organizations involved on both a parent-only basis and a consolidated basis, as well as the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, and earnings prospects, and the impact of the proposed funding of the transaction. The Board

¹³ 12 U.S.C. § 1842(c)(1).

also considers the ability of the combined organization to absorb the costs of the proposal and the proposed integration of the operations of the institutions.

In assessing financial factors, the Board consistently has considered capital adequacy to be especially important. Further, the Board considers the future prospects of the organizations involved in the proposal in light of their financial and managerial resources and the proposed business plan.

The Board has considered the financial factors of the proposal.

First American and First American Bank are both well capitalized and would remain so on consummation of the proposed acquisition. The proposed transaction is a bank holding company acquisition of a bank and a subsequent bank merger, structured as a cash transaction. The asset quality, earnings, and liquidity of First American Bank and Bank of Coral Gables are consistent with approval, and First American appears to have adequate resources to absorb the costs of the proposal and to complete the integration of the institutions' operations.¹⁴ Based on its review of the record, the Board finds that the organization has sufficient financial resources to effect the proposal.¹⁵

The Board also has considered the managerial resources of the organizations

¹⁴ The anticipated aggregate cash consideration to be paid in connection with the merger is approximately \$7.5 million, and First American has sufficient cash to fund the proposed transaction. A commenter criticized First American for the proposed purchase price, claiming that it does not reflect the amount shareholders of Bank of Coral Gables previously invested in the bank. This allegation is outside the scope of what the Board is required to consider as part of the applications process. See Western Bancshares, Inc. v. Board of Governors of the Federal Reserve System, 480 F.2d 749 (10th Cir. 1973).

¹⁵ As part of this proposal, some shareholders of Bank of Coral Gables are required to purchase shares of First American. The commenter further criticized First American for failing to disclose the purchase price per share to be paid by these shareholders. This allegation also is outside the scope of what the Board is required to consider as part of the applications process.

involved and of the proposed combined organization. The Board has reviewed the examination records of First American, First American Bank, and Bank of Coral Gables, including assessments of their management, risk management systems, and operations. In addition, the Board has considered its supervisory experiences and those of other relevant bank supervisory agencies with the organizations and their records of compliance with applicable banking and anti-money laundering laws.

First American and First American Bank are each considered to be well managed. First American's existing risk management program and its directorate and senior management are considered to be satisfactory. The directors and senior executive officers of First American have substantial knowledge of and experience in the banking and financial services sectors.

The Board also has considered First American's plans for implementing the proposal. First American is devoting significant financial and other resources to address all aspects of the post-acquisition integration process for this proposal. First American would implement its risk management policies, procedures, and controls at the combined organization, and these are considered acceptable from a supervisory perspective. In addition, First American's management has the experience and resources to ensure that the combined organization operates in a safe and sound manner, and First American is proposing to integrate Bank of Coral Gables' existing management and personnel in a manner that augments First American Bank's management.¹⁶

First American's supervisory record, managerial and operational resources, and plans for operating the combined institution after consummation provide a reasonable basis to conclude that managerial factors are consistent with approval.

¹⁶ On consummation, two individuals currently serving as directors of Bank of Coral Gables will be added to the board of directors of First American Bank.

Based on all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of the organizations involved in the proposal, as well as the record of effectiveness of First American and Bank of Coral Gables in combatting money laundering activities, are consistent with approval.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board must consider the effects of the proposal on the convenience and needs of the communities to be served and take into account the records of the relevant depository institutions under the Community Reinvestment Act (“CRA”).¹⁷ 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 their safe and sound operation,¹⁸ and requires the appropriate federal financial supervisory agency to take into account a relevant depository institution’s record of meeting the credit needs of its entire community, including low- and moderate-income (“LMI”) neighborhoods, in evaluating bank expansionary proposals.¹⁹

The Board has considered all the facts of record, including reports of examination of the CRA performance of First American Bank and Bank of Coral Gables, data reported by First American Bank under the Home Mortgage Disclosure Act (“HMDA”),²⁰ other information provided by First American, confidential supervisory information, and the public comment received on the

¹⁷ 12 U.S.C. § 1842(c)(2); 12 U.S.C. § 2901 et seq.

¹⁸ 12 U.S.C. § 2901(b).

¹⁹ 12 U.S.C. § 2903.

²⁰ 12 U.S.C. § 2801 et seq.

proposal. The Board received one comment that objected to the proposal on the basis of First American Bank's fair-lending record in the Chicago Metropolitan Statistical Area ("Chicago MSA") as reflected in 2012 HMDA data.

A. Records of Performance Under the CRA

As provided in the CRA, the Board evaluates an institution's performance record in light of examinations by the appropriate federal supervisor of the CRA performance records of that institution.²¹ The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of meeting the credit needs of its entire community, including LMI neighborhoods.²² 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 of the institution's overall record of performance under the CRA by its appropriate federal supervisor.

CRA Performance of First American Bank

First American Bank was assigned an overall rating of "satisfactory" at its most recent CRA performance evaluation by the FDIC in February 2013 ("FAB Evaluation"). First American Bank received a "high satisfactory" rating for both the Lending Test and the Service Test and a "low satisfactory" rating for the Investment Test.²³

With respect to the Lending Test, examiners noted that First American Bank's lending activity was adequate in response to assessment area credit needs.

²¹ See Interagency Questions and Answers Regarding Community Reinvestment, 75 Federal Register 11642 at 11665 (2010).

²² 12 U.S.C. § 2906.

²³ The evaluation was prepared using the interagency evaluation procedures for large institutions covering the period from June 2, 2010, through February 19, 2013. The assessment area encompassed Cook, DeKalb, DuPage, Grundy, Kane, Kendall, Kankakee, Lake, McHenry, and Will counties in Illinois.

Examiners determined that the bank originated an adequate percentage of its loans inside its assessment area. Although First American Bank's distribution of lending to borrowers of different incomes and businesses of different sizes was considered adequate, examiners highlighted that, with respect to the bank's overall home mortgage lending, lending to low-income as well as moderate-income borrowers was considered good. Examiners found that First American Bank's geographic distribution of loans was adequate, including its distribution of home mortgage loans.²⁴

The bank's small business lending performance was considered adequate, including its distribution of small loans (less than or equal to \$1 million) to businesses, consistent with the demographic characteristics of the area. Examiners found that First American Bank made a relatively high level of community development loans. Examiners also noted that First American Bank made use of innovative and/or flexible lending practices to serve assessment area credit needs, in particular the credit needs of small businesses and first-time home buyers. First American Bank is qualified as a preferred U.S. Small Business Administration ("SBA") lender and, during the evaluation period, funded a number of SBA loans. First American Bank also participated in guaranteed loan programs sponsored by the Federal Housing Administration and the U.S. Department of Veterans Affairs.

With respect to the Investment Test, examiners concluded that First American Bank had an adequate level of qualified community development investments and grants, occasionally using complex investment instruments. With respect to the Service Test, examiners found that First American Bank's delivery

²⁴ The FAB Evaluation found that opportunities for financial institutions to lend in low-and moderate-income tracts were limited because only 4 percent of housing units located in low-income tracts, and 18 percent of housing units located in moderate-income tracts, were owner-occupied.

systems were reasonably accessible to all portions of the institution's assessment area and highlighted the bank's convenient branch hours of operation, automated teller machine network, mobile banking, and flexibility of products and services. Furthermore, examiners found that First American Bank was a leader in providing community development services; and that bank employees, management, and board members participated in a number of different qualifying community development services, a significant portion of which targeted assistance to low- and moderate-income individuals and families.

CRA Performance of Bank of Coral Gables

Bank of Coral Gables was assigned an overall "satisfactory" rating at its most recent CRA performance evaluation by the FDIC, as of June 2011 ("Bank of Coral Gables Evaluation").²⁵ Examiners noted that the bank's CRA performance demonstrated a reasonable responsiveness to the credit needs of its assessment area. Examiners found that a majority of the small business and residential real estate loans originated by Bank of Coral Gables were made within the bank's assessment area. Examiners also noted that Bank of Coral Gables' overall distribution of loans reflected a reasonable dispersion within its assessment area and that Bank of Coral Gables' penetration of loans among individuals of different income levels, including LMI individuals, and among businesses of different sizes was reasonable given the demographics of the assessment area.

²⁵ The Bank of Coral Gables Evaluation was prepared using evaluation procedures for small institutions covering the period from June 5, 2008, through June 3, 2011. These procedures evaluate the CRA performance of a bank's lending relative to five performance categories: average net loan-to-deposit ratio, assessment area lending, geographic distribution, borrower distribution, and response to CRA-related complaints.

B. Fair Lending and Other Consumer Protection Laws

The Board has considered the records of First American Bank and Bank of Coral Gables in complying with fair lending and other consumer protection laws. As part of this evaluation, the Board reviewed the First American Bank and Bank of Coral Gables Evaluations, assessed First American Bank's HMDA data, and considered the comment on the application and other agencies' views on First American Bank's record of performance under fair lending laws. The Board also considered First American Bank's fair lending policies and procedures.

Analysis of HMDA Data

The Board analyzed First American Bank's 2012 HMDA data, the most recent publicly available in the specific market area addressed in the public comment (Chicago MSA), as well as its 2013 HMDA data. The Board reviewed data related to all HMDA reportable loans to develop a view of the bank's overall lending patterns, as well as the subset of those data related specifically to the loan products that were the subject of the public comment on the proposal, including conventional home purchase loans, home improvement loans, and refinance loans. The Board analyzed the bank's combined assessment area in addition to the specific market area addressed in the public comment (Chicago MSA). Within those data sets, the Board focused its review on data related to conventional home purchase loans, refinance loans, and home improvement loans made or denied to borrowers of the races and ethnicities highlighted by the public comment (i.e., African Americans and Hispanics).

The commenter expressed concerns, based on 2012 HMDA data, that First American Bank was not meeting the credit needs of minority individuals in the Chicago MSA. In particular, the commenter alleged that First American Bank did not originate any conventional home purchase loans to African Americans, and originated more refinance loans and home improvement loans to whites than to

African Americans or Hispanics. The commenter also asserted that First American Bank disproportionately denied applications by African American and Hispanic applicants for home purchase loans and home improvement loans in the Chicago MSA, suggesting a pattern of denial rate disparities.²⁶

The Board's review confirmed the levels of lending by First American Bank to African American and Hispanic borrowers and denial disparity ratios noted by the commenter. However, the Board's analysis of HMDA data for conventional home purchase loans, refinance loans, and home improvement loans by First American Bank in the Chicago MSA did not show any significant differences between First American Bank's lending and the aggregate lending for such loan products in that MSA for 2012 and 2013.²⁷ In 2012, 4.3 percent of First American Bank's HMDA loans in the Chicago MSA were originated to African Americans, and 9.7 percent of First American Bank's HMDA loans were originated to Hispanics. In comparison, for all HMDA reporters in the Chicago MSA in 2012, the percentage of loans originated to African Americans was 4.6 percent and the percentage of loans originated to Hispanics was 6.7 percent. Similarly, in 2013, 3.2 percent of First American Bank's HMDA loans in the Chicago MSA were

²⁶ In addition to these fair lending allegations, the commenter provided information related to an individual consumer's complaint about First American Bank's rewards checking product. Individual consumer complaints generally are considered to be outside the scope of what the Board is required to consider as part of the applications process, unless they allege a pattern or practice in violation of federal banking laws, which is not the present case. The FDIC's recent FAB Evaluation did not find such a pattern or practice by First American Bank.

²⁷ Aggregate lending is defined as the number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan or assessment area. In this context, aggregate lending is considered an indicator of the lending opportunities in the geographic area in which the bank is located.

originated to African Americans and 8 percent of First American Bank's HMDA loans were originated to Hispanics. In comparison, for all HMDA reporters in the Chicago MSA in 2013, the percentage of loans originated to African Americans was 5.7 percent and the percentage of loans originated to Hispanics was 8 percent.

Further, HMDA data for the Chicago MSA demonstrate that in 2012 and 2013, First American Bank had a lower disparity in its denial percentages for HMDA loans to African American and Hispanic applicants as compared to white non-Hispanic applicants than the aggregate disparity in denial percentages for HMDA loans among such applicants by all HMDA lenders in the Chicago MSA. In 2012, the disparities between the percentages of HMDA loans denied to African American and Hispanic applicants as compared to the percentages of HMDA loans denied to white non-Hispanic applicants were 1.7 percent and 1.4 percentage points, respectively, for First American Bank and 2.1 and 1.8 percentage points, respectively for all HMDA lenders in the Chicago MSA. Similarly, in 2013, the disparities between the percentages of HMDA loans denied to African American and Hispanic applicants compared to the percentages of HMDA loans denied to white applicants were 1.9 and 1.6 percentage points, respectively, for First American Bank, and 2.1 and 1.8 percentage points, respectively, for all HMDA lenders in the Chicago MSA.

The Board is concerned when HMDA data for an institution indicate lending disparities and believes that all lending institutions are obligated to ensure that their lending practices are based on criteria that are consistent with safe and sound lending but also provide equal access to credit by creditworthy applicants, regardless of their race or ethnicity. Although the HMDA data may reflect certain disparities in the rates of loan applications, originations, and denials among members of different racial or ethnic groups in certain local areas, HMDA data

alone do not provide a sufficient basis on which to conclude whether the bank excluded or denied credit to any group on a prohibited basis.²⁸ Fully evaluating a bank's compliance with fair lending laws and regulations would require a thorough review of the bank's application and underwriting policies and procedures, as well as access to information contained in the application files, to determine whether the observed lending disparities persist after taking into account legitimate underwriting factors.

The Board has consulted with, and places special emphasis on the views of, First American Bank's primary federal supervisor, the FDIC, regarding its evaluation of the bank's compliance with fair lending laws and regulations. Based on its recent FAB Evaluation, the FDIC reported that it did not find evidence that First American Bank engaged in discriminatory or other illegal credit practices and expressed no concern regarding the adequacy of First American Bank's fair lending policies and procedures.

With respect to the specific HMDA data on home purchase, home improvement, and refinance loans cited by the commenter, First American provided information reflecting nondiscriminatory reasons for individual lending decisions (i.e., credit history, inadequate collateral, and debt-to-income ratio). First American also provided the Board with detailed information on First American Bank's training, marketing, advertising, and underwriting guidelines, reflecting its stated commitment to the prevention of prescreening,

²⁸ The data, for example, do not account for the possibility that an institution's outreach efforts may attract a larger proportion of marginally qualified applicants than other institutions attract and do not provide a basis for an independent assessment of any applicant's creditworthiness. In addition, credit history problems, excessive debt levels relative to income, and high loan amounts relative to the value of the real estate collateral (the reasons most frequently cited for a credit denial or higher credit cost) are not always available from HMDA data.

discouragement, and exclusion of credit applications on a prohibited basis. These same materials were available to the FDIC during its recent review of First American Bank.

First American Bank's Fair Lending Program

First American Bank has instituted policies and procedures to help ensure compliance with all fair lending and other consumer protection laws and regulations. The bank's legal and compliance risk management program includes written policies outlining the bank's responsibility for compliance with fair lending laws and regulations. The program provides for a second-level review of all declined and withdrawn retail and mortgage loans by a committee composed of the bank's chairman, president, and managers in the retail and mortgage loan departments. The program also requires annual fair lending training for all employees involved in any aspect of the bank's credit transactions.

In addition, fair lending audits are conducted periodically throughout the year by First American Bank's Internal Audit Department, which reports directly to First American Bank's Audit Committee. These internal audits evaluate the bank's compliance with fair lending laws and monitors for fair lending risk in decision-making and pricing using the Interagency Fair Lending Review Guidelines. The Internal Audit Department performs annual in-depth fair lending reviews of the bank's HMDA data. First American Bank's risk management systems and its policies and procedures for assuring compliance with fair lending laws would be implemented at the combined organization.

C. Additional Information on Convenience and Needs of Communities to Be Served by the Combined Organization

In assessing the effects of a proposal on the convenience and needs of the communities to be served, the Board also considers the extent to which the proposal would result in public benefits.

First American has represented that one of the motivating factors behind the proposed acquisition is to allow First American to better serve its customers in the Coral Gables, Florida area.²⁹ In addition, Bank of Coral Gables is operating under a Consent Order with the FDIC and the Florida Office of Financial Regulation,³⁰ and its lending has been constrained by the terms of the Consent Order. Through consummation of the proposal, First American would be able to provide additional financial and managerial resources needed to enable the merged bank to increase its lending in the greater Coral Gables market and reach customers throughout the entire Miami/Dade area.

First American represents that upon consummation of the proposal, it will provide customers of Bank of Coral Gables with the full range of products and services currently being offered to customers of First American Bank, including trust services, health savings accounts, a broader broker origination model, and a service mortgage program aimed at meeting the need for fixed-rate mortgages in low- and moderate-income areas. First American also plans to expand the marketing of Bank of Coral Gables' home equity lending program and to use First American Bank's SBA Preferred Lender status to expand Bank of Coral Gables' existing trade finance business.

²⁹ First American Bank originated 10 small business loans in the state of Florida in 2013.

³⁰ Consent Order, FDIC-09-6906, OFR 0697-FI-12/09 (2010).

D. Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including reports of examination of the CRA records of the institutions involved, information provided by First American, confidential supervisory information, and the public comment on the proposal. Based on the Board's analysis of the HMDA data, its evaluation of the mortgage lending operations and compliance programs of First American Bank and Bank of Coral Gables, its review of examination reports, and its consultations with other agencies, the Board concludes that the convenience and needs factor, including the CRA records of the insured depository institutions involved in this transaction, is consistent with approval of the application.

Financial Stability

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") amended section 3 of the BHC Act to require the Board to consider "the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risk to the stability of the United States banking or financial system."³¹

To assess the likely effect of a proposed transaction on the stability of the U.S. banking or financial system, the Board considers a variety of metrics that capture the systemic "footprint" of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial

³¹ Section 604(d) of the Dodd-Frank Act, Pub. L. No. 111-203, 124 Stat. 1376, codified at 12 U.S.C. § 1842(c)(7).

system, and the extent of the cross-border activities of the resulting firm.³² These categories are not exhaustive, and additional categories could inform the Board's decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opaqueness and complexity of an institution's internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage to the broader economy.³³

The Board has considered information relevant to risks to the stability of the U.S. banking or financial system. After consummation of the proposed transaction, First American would have approximately \$3.5 billion in consolidated assets and would be the 225th largest financial institution in the United States. The Board generally presumes that a merger resulting in a firm with less than \$25 billion in total consolidated assets would not pose significant risks to the financial stability of the United States absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors. Such additional risk factors are not present in this transaction. The companies engage and would continue to engage in traditional commercial banking activities. The resulting organization would experience small increases in the metrics that the Board considers to measure an institution's complexity and interconnectedness, with the resulting firm generally ranking outside of the top 100 U.S. financial institutions in terms of those metrics. For example, First American's intrafinancial assets and liabilities would constitute a negligible share of the system-wide total, both before and after the transaction. The resulting organization

³² Many of the metrics considered by the Board measure an institution's activities relative to the U.S. financial system.

³³ For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (Feb. 14, 2012).

would not engage in complex activities, nor would it provide critical services in such volume that disruption in those services would have a significant impact on the macroeconomic condition of the United States by disrupting trade or resulting in increased resolution difficulties.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the U.S. banking or financial system. Based on these and all other facts of record, the Board has determined that considerations relating to financial stability are consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved.³⁴ In reaching its conclusion, the Board has considered all the facts of record in light of the factors

³⁴ The commenter requested that the Board hold public hearings on the proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authorities for the bank to be acquired make a timely written recommendation of denial of the application. 12 CFR 225.16(e). The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board also may, in its discretion, hold a public hearing if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately present their views. The Board has considered the commenter's request in light of all the facts of record. In the Board's view, the commenter has had ample opportunity to submit comments on the proposal and, in fact, submitted a written comment that the Board has considered in acting on the proposal. The commenter's request does not identify disputed issues of fact that are material to the Board's decision and that would be clarified by a public hearing. In addition, the request does not demonstrate why the written comment does not present the commenter's views adequately or why a hearing otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing is not required or warranted in this case. Accordingly, the request for a public hearing on the proposal is denied.

that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by First American with all the conditions imposed in this Order, including receipt of all required regulatory approvals, and on the commitments made to the Board in connection with the application. 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.

The proposal may not be consummated before the 15th calendar day after the effective date of this Order or later than three months after the date of this Order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

By order of the Board of Governors,³⁵ effective November 13, 2014.

Margaret McCloskey Shanks (signed)

Margaret McCloskey Shanks
Deputy Secretary of the Board

³⁵ Voting for this action: Chair Yellen and Vice Chairman Fischer, Governors Tarullo, Powell, and Brainard.