

FEDERAL RESERVE SYSTEM

Origin Bank
Choudrant, Louisiana

Order Approving Establishment of Branches

Origin Bank, Choudrant, Louisiana, a state member bank subsidiary of Origin Bancorp, Inc. (“Origin Bancorp”), Ruston, Louisiana, 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 2049 West Gray Street, Houston, Texas, and to establish a mobile branch to serve Harris County, Texas (the “mobile branch”).³ The

¹ Section 9 of the FRA, 12 U.S.C. § 321, which applies the interstate branching provisions of the National Bank Act, 12 U.S.C. § 36(c)(2), permits a state member bank with a branch in a state other than the bank’s home state to establish additional branches in that state to the same extent as a bank chartered in that state. Origin Bank currently operates branches in Texas and is permitted under section 9 of the FRA and Texas state law to establish additional branches in Texas. See 12 U.S.C. § 36(c)(2); Tex. Fin. Code Ann. § 203.006 (permitting an out-of-state bank that has established or acquired a branch in Texas to establish or acquire additional branches in Texas to the same extent that a Texas state-chartered bank could under state or federal law).

² 12 CFR part 208.

³ The mobile branch would provide banking services to one or more retirement communities and senior care facilities in Harris County, Texas, and Origin Bank would not operate the mobile branch in any other county in Texas. Origin Bank is permitted to operate a mobile branch in Texas under both Texas and Louisiana state law. See Tex. Dep’t of Banking, Opinion No. 95-15 (Mar. 13, 1995) (authorizing a Texas state-chartered bank to establish and operate a mobile branch within an identifiable service or marketing area); Tex. Fin. Code Ann. § 203.002 (permitting an out-of-state bank to establish and maintain a branch in Texas subject to applicable state law); La. Stat. Ann. § 6:537.1 (permitting a Louisiana state bank to establish a branch in any other state to the same extent as, and to have the right and power to exercise and enjoy all

proposed mobile branch would be a branch under federal law because it would take deposits from Origin Bank's customers, pay checks, and make small consumer loans.⁴

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in accordance with the Board's Rules of Procedure.⁵ The time for submitting comments has expired, and the Board has received one comment on the proposal.

Origin Bancorp is the 56th largest depository organization in Texas with 17 branches throughout Texas, controlling approximately \$1.1 billion in deposits, which represents less than 1 percent of the total amount of deposits of insured depository institutions in that state.⁶ Origin Bank's main office is in Choudrant, Louisiana, and it operates 44 branches throughout Louisiana, Mississippi, and Texas.

Under section 208.6 of the Board's Regulation H, which implements section 9 of the FRA, the factors that the Board must consider in acting on branch applications 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 its 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");⁷ and (5) whether the bank's investment in bank premises in establishing the branch satisfies certain criteria.⁸ The

rights, powers, privileges, and immunities accorded to, any state-chartered bank, national bank, foreign bank, or other similar institution in the host state).

⁴ The Board's Regulation H defines a branch as "any branch bank, branch office, branch agency, additional office, or any branch place of business that receives deposits, pays checks, or lends money." 12 CFR 208.2(c)(1). Regulation H specifically provides that a branch may include a mobile facility.

⁵ 12 CFR 262.3(b).

⁶ Data are as of June 30, 2015. In this context, insured depository institutions include commercial banks, savings and loan associations, and savings banks.

⁷ 12 U.S.C. § 2901 et seq.

⁸ 12 CFR 208.6(b).

Board has considered the applications 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 Origin Bank, the Board has reviewed reports of examination, other supervisory information, publicly reported and other financial information, information provided by Origin Bank, and the comment received. Origin Bank is well capitalized and would remain so upon consummation of the proposal. After considering all the facts of record, the Board concludes that the financial history and condition, capital adequacy, and future earnings prospects of Origin Bank are consistent with approval of the proposal. The Board also has reviewed Origin Bank's proposed investment in the branches and concludes that its investment is consistent with regulatory limitations on investment in bank premises.⁹

In considering Origin 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 Origin Bank and the bank's record of compliance with applicable banking laws, including anti-money-laundering laws, and the bank security procedures that would apply to the mobile branch.¹⁰ Origin Bank is considered to be well managed. Based on this review and all the facts of record, the Board concludes that the character of Origin Bank's management, as well as Origin Bank's effectiveness in combatting money-laundering activities and its branch security procedures, are consistent with approval of the proposal.

⁹ 12 CFR 208.21(a).

¹⁰ See 12 CFR 208.61(c).

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 the communities it serves, as well as other potential effects of the proposal on the convenience and needs of the communities to be served.¹¹ In this 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 their 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.¹³

In addition, the Board considers the bank's overall compliance record and recent fair lending examinations. 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, its marketing and outreach plans, the organization's plans after consummation, and 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 Origin Bank, the fair lending and compliance records of the bank, confidential supervisory information, information provided by Origin Bank, and the

¹¹ 12 CFR 208.6(b)(3).

¹² 12 U.S.C. § 2901(b).

¹³ 12 U.S.C. § 2903.

public comment received on the proposal. One commenter objects to the proposal, alleging that Origin Bank has engaged in discriminatory practices in Houston and Dallas, both in Texas. In particular, the commenter alleges that Origin Bank disfavors certain African American neighborhoods in Houston and Dallas and has limited its lending, marketing activities, community development activities, and branching in those neighborhoods.

Business of the Involved Institution and Response to Comment

Origin Bank is a full service bank that offers a wide range of financial services throughout Louisiana, Mississippi, and Texas. Origin Bank is a relatively recent entrant in the Houston–Sugar Land–Baytown Metropolitan Statistical Area (“Houston MSA”) banking market. Origin Bank first entered the market in 2013 through the establishment of two branches, followed by an additional branch establishment in 2014 and the acquisition of four branches in 2015. Although Origin Bank’s lending activities in the Houston MSA primarily consist of commercial lending, as the bank expanded its footprint in the market, its lending portfolio also has included increasing amounts of residential real estate loans, consumer loans, and small business and small farm loans. Origin Bank entered the Dallas banking market in 2008 and operates seven branches in that banking market.

Origin Bank denies the commenter’s allegations, arguing that its record of home mortgage and small business lending in the Houston MSA reflects a growing distribution of lending in minority and LMI census tracts and demonstrates the bank’s effort as a recent entrant into the market to increasingly serve these communities. More generally, Origin Bank asserts that the bank’s products and services are reviewed in accordance with the bank’s policies and procedures with respect to all fair lending laws and regulations. The bank further asserts that its lending practices are based on criteria that ensure safe and sound lending and equal access to credit by creditworthy applicants, and that the bank has comprehensive policies and procedures in place to accomplish these goals. These policies and procedures include annual fair lending training for all bank employees and periodic analyses of the geographic distribution of all loans to ensure that

no minority and LMI areas are excluded from the bank's lending activity and to delineate the bank's assessment areas. Origin Bank also represents that it conducts an ongoing fair lending monitoring process that includes adherence to rate sheets, an annual review of advertising to ensure there are no exclusions of minority or LMI areas, and an annual independent third-party compliance audit.

Records of Performance under the CRA

As indicated above, in evaluating the convenience and needs factor and CRA performance, the Board considers substantial information in addition to information provided by commenters and the response to comments by the applicant. In particular, the Board evaluates an institution's performance in light of examinations and other supervisory information and information and views provided by the appropriate federal supervisors.¹⁴

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.¹⁵ 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 lending, investment, and service tests to evaluate the performance of a large insured depository institution in helping to meet the credit needs of the communities it serves. The lending test specifically evaluates the institution's home mortgage, small business, small farm, and community development lending to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the

¹⁴ See Interagency Questions and Answers Regarding Community Reinvestment, 75 Federal Register 11642, 11665 (March 11, 2010).

¹⁵ 12 U.S.C. § 2906.

lending test, examiners review and analyze an institution's data reported under the Home Mortgage Disclosure Act of 1975,¹⁶ in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations, to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is based on (1) the number and amount of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's assessment areas; (2) the geographic distribution of such loans, including the proportion and dispersion of the institution's lending in its assessment areas and the number and amount of these loans in low-, moderate-, middle-, and upper-income geographies; (3) the distribution of such loans based on borrower characteristics, including the number and amount of home mortgage loans to low-, moderate-, middle-, and upper-income individuals;¹⁷ (4) the institution's community development lending, including the number and amount 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.

CRA Performance of Origin Bank

Origin Bank was assigned an overall "Satisfactory" rating at its most recent CRA performance evaluation by the Federal Reserve Bank of Dallas ("Reserve Bank"), as of September 16, 2013 ("Origin Bank Evaluation").¹⁸ Origin Bank received "High

¹⁶ 12 U.S.C. § 2801 *et seq.*

¹⁷ Examiners also consider the number and amount of small business and small farm loans 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).

¹⁸ The Origin Bank Evaluation was conducted using Large Institution CRA Examination Procedures. The evaluation period for the Lending Test was from January 1, 2012, through December 31, 2012. The evaluation period for the Investment Test and the Service Test was from January 18, 2012, through August 31, 2013.

Satisfactory” ratings for each of the Lending Test, the Investment Test, and the Service Test.¹⁹

Examiners noted that Origin Bank originated a high percentage of loans within its assessment areas and showed good responsiveness to credit needs throughout its assessment areas. Examiners also noted that Origin Bank’s geographic distribution of loans reflected good penetration throughout the assessment areas. Further, examiners found that the bank had a good distribution of borrowers of different income levels and business customers of different sizes. Examiners also noted that Origin Bank made an adequate level of community development loans inside its assessment areas. The bank also exhibited a good record of serving the credit needs of low-income individuals and areas and small businesses. For instance, Origin Bank’s community development loans provided funding for organizations that provide community services to LMI individuals, school districts, and affordable housing projects.

In the Dallas assessment area, an area of concern to the commenter, examiners found that Origin Bank exhibited adequate lending performance. Examiners determined that the bank’s lending activity reflected adequate responsiveness to assessment area credit needs and that the bank’s geographic distribution of loans reflected adequate penetration throughout the assessment area. The bank’s distribution of borrowers was judged to reflect adequate penetration among borrowers of different

¹⁹ The Origin Bank Evaluation included a full-scope review of four assessment areas: the Monroe, Louisiana, Metropolitan Statistical Area (“MSA”); the Lincoln Parish, Louisiana, assessment area; a portion of the Dallas–Plano–Irving, Texas, Metropolitan Division (“Dallas assessment area”); and a portion of the Jackson, Mississippi, MSA. A limited-scope review was performed of the Morehouse Parish, Louisiana, assessment area; the Shreveport–Bossier, Louisiana, MSA; a portion of the Fort Worth–Arlington, Texas, Metropolitan Division (Tarrant County); and the Lafayette County, Mississippi, assessment area. The Origin Bank Evaluation did not include a review of the Houston MSA because Origin Bank did not enter into that market until after the evaluation period.

income levels and businesses of different revenue sizes. Origin Bank also was found to have made an adequate level of community development loans in the assessment area.

Examiners found that Origin Bank had provided a good level of qualified community development investments and grants and was in a leadership position in these investments. Examiners also noted that the bank demonstrated good responsiveness to credit and community development needs in the areas in which it operates. Examiners also found that Origin Bank's investments met identified needs of its assessment areas.

In the Dallas assessment area, Origin Bank's performance on the Investment Test was found by examiners to be adequate. Origin Bank exhibited adequate responsiveness to credit and community development needs through its investment activities in the assessment area, which included grants for organizations serving diverse community development needs.

Examiners highlighted that Origin Bank provided a high level of community development services throughout its assessment areas. Examiners noted that many of the bank's branches are located in or close to LMI geographies or middle-income distressed or underserved geographies. Further, examiners noted that Origin Bank's services did not vary in a way that inconvenienced the bank's assessment areas, particularly LMI geographies and LMI individuals. Examiners also found that the bank's delivery systems were accessible throughout the bank's assessment areas and to individuals of different income levels. Examiners also noted that the bank's record of opening and closing branches did not adversely affect the accessibility of its delivery systems, particularly to LMI geographies and LMI individuals.

In the Dallas assessment area, examiners found that Origin Bank's performance on the Service Test was adequate. The bank's retail and community development services were judged to be accessible to the bank's assessment area and individuals of different income levels. In addition, the bank provided numerous

community development services that were responsive to the community and credit needs of the assessment area.

Origin Bank's Activities since the 2013 CRA Evaluation

Origin Bank represents that since the Origin Bank Evaluation in 2013, it has continued to provide a variety of products and services that are designed to meet the needs of LMI individuals and geographies in its assessment areas, including the Houston MSA and the Dallas assessment area. For example, the bank offers products and services tailored to LMI individuals and geographies, such as a flexible-term down-payment program for first-time home buyers and a low-cost checking account with no minimum deposit and no monthly minimum balance requirement. Origin Bank also has partnered with the Texas State Affordable Housing Corporation to offer affordable mortgage products with down-payment assistance to LMI consumers. In addition, Origin Bank represents that its employees have volunteered at organizations that serve minority and LMI residents of Houston, Texas. Origin Bank also represents that it has made significant community development loans, investments, and donations throughout its entire assessment areas, including the Houston MSA and the Dallas assessment area.

Since 2013, Origin Bank also has made improvements to its compliance program, including its policies and procedures related to fair lending. Origin Bank has enhanced its fair lending policies and procedures, including with respect to the delineation of the bank's assessment areas and its lending, branching, marketing, advertising, and outreach activities. Specifically, the bank's fair lending policy requires a review of its assessment areas at least annually to evaluate any significant changes in assessment area demographics and the impact on any of the banking products and services offered by the bank. Additionally, prior to entering or pursuing a new market, Origin Bank's fair lending policy requires the bank to review demographic data to ascertain the bank's fair lending risks associated with the expansion.

Origin Bank also has strengthened its internal controls related to mortgage lending. Specifically, the bank has implemented software to monitor mortgage loan

applications and has developed procedures to better ensure that the applications are processed in accordance with the bank's fair lending policies. Origin Bank also has required additional training for its employees on applicable fair lending laws and regulations.

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. Origin Bank represents that the branches would allow it to better serve the residents of Harris County and to strengthen its existing business relationships in the county and the surrounding communities. In addition, the mobile branch would offer banking services to the elderly and home-bound individuals at retirement centers in Harris County who cannot easily access a physical branch facility.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the records of Origin Bank under the CRA, the bank's records of compliance with fair lending and other consumer protection laws, confidential supervisory information, information provided by Origin 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 concludes 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 applications should be, and hereby are, approved. The Board's approval is specifically conditioned on Origin Bank's compliance with all the commitments made to the Board in connection with the proposal as well as all conditions imposed in this order. The conditions and commitments relied on by the Board are deemed to be conditions imposed in writing in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

Approval of these applications is also subject to the establishment of the proposed branches 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,²⁰ effective May 4, 2016.

Margaret McCloskey Shanks (signed)

Margaret McCloskey Shanks
Deputy Secretary of the Board

²⁰ Voting for this action: Chair Yellen, Vice Chairman Fischer, and Governors Tarullo, Powell, and Brainard.