

FEDERAL RESERVE SYSTEM

SierraCities.com, Inc.
Houston, Texas

FSF of Delaware, Inc.
Wilmington, Delaware

Order Approving Formation of Bank Holding Companies and
Acquisition of a Bank

SierraCities.com, Inc. (“SierraCities”), and its wholly owned subsidiary, FSF of Delaware, Inc. (collectively, “Applicants”), have requested the Board’s approval under section 3(a)(1) of the Bank Holding Company Act (“BHC Act”) (12 U.S.C. § 1842(a)(1)) to become bank holding companies by acquiring all the voting shares of Greenbelt Bancshares, Inc. (“Greenbelt”), thereby acquiring Security National Bank of Quanah (“Bank”), both in Quanah, Texas.¹ Applicants also have requested the Board’s approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) to retain certain nonbanking businesses and thereby engage in the following nonbanking activities:

- (1) Making, acquiring, brokering, or servicing loans, pursuant to section 225.28(b)(1) of Regulation Y (12 C.F.R. 225.28(b)(1)); and
- (2) Leasing personal or real property or acting as agent, broker, or adviser in leasing such property, pursuant to section 225.28(b)(3) of Regulation Y (12 C.F.R. 225.28(b)(3)).

¹ On consummation of this proposal, the name of Bank would be changed to SierraCities Bank, N.A. SierraCities proposes to acquire Bank by merging Greenbelt with and into a wholly owned subsidiary of FSF of Delaware, Inc.

SierraCities also has filed an application pursuant to section 4(c)(13) of the BHC Act (12 U.S.C. § 1843(c)(13)) and the Board's Regulation K (12 C.F.R. 211) to retain certain foreign investments.²

Notice of the proposal, affording interested persons an opportunity to comment, has been published (64 Federal Register 66,189 (1999); 65 Federal Register 13,766 (2000)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.

SierraCities is an operating company that provides leases and loans to small businesses. Bank is the 808th largest depository institution in Texas, controlling \$11 million in deposits, representing less than 1 percent of total deposits in commercial banking organizations in the state.³ The proposal involves the acquisition of a bank by SierraCities, which currently does not own a commercial bank. Based on all the facts of record, the Board concludes that the proposal would not have any significantly adverse effects on competition or on the concentration of banking resources in any relevant banking market.

The BHC Act also requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in the proposal and certain supervisory factors. SierraCities has indicated that Bank would adopt SierraCities's business strategy of using the Internet to reach and

² SierraCities owns the following companies, all in the United Kingdom: First Sierra Financial (UK), Limited; Suffolk Street Group, plc; Equitable Asset Finance Limited; Academy Asset Finance Limited; Booker Montague Leasing LTD; and Titan Finance Limited (collectively, "UK Subsidiaries"). The UK Subsidiaries engage in leasing activities that SierraCities proposes to retain under section 211.5(d)(3) of Regulation K.

³ Deposit data are as of June 30, 1999.

serve commercial customers throughout the United States.⁴ In addition, SierraCities proposes changes in the data processing systems of Bank to improve its ability to provide services to current customers in and around the Quanah, Texas, area and to Internet customers. The Board has reviewed SierraCities's operating plan for Bank and has taken into account SierraCities's record of offering lease financing and other products and services via the Internet and related technologies. In addition, the Board has reviewed confidential supervisory and examination information, and publicly reported financial and other information, and has consulted with the Office of the Comptroller of the Currency ("OCC"), which is the primary federal supervisor of Bank. After considering all the facts of record, the Board concludes that the financial and managerial resources and future prospects of Applicants and Bank are consistent with approval, as are the other supervisory factors the Board must consider under section 3 of the BHC Act.

The Board also has carefully considered the effect of the proposal on the convenience and needs of the communities to be served in light of all the facts of record. Bank received an overall rating of "satisfactory" from the OCC at Bank's most recent evaluation for performance under the Community Reinvestment Act (12 U.S.C. § 2901 et seq.) ("CRA"), as of April 1997. SierraCities has indicated that, after consummation of the proposal, Bank intends to file a strategic plan to help meet the credit needs of its communities because

⁴ SierraCities engages in the business of providing leases and loans to small businesses. In its initial application to become a bank holding company, SierraCities proposed to contribute to Bank substantially all the assets and liabilities of SierraCities and its nonbank subsidiaries. SierraCities subsequently revised its application and now proposes to contribute capital to Bank only in the form of cash. The Board notes that SierraCities must comply with all applicable requirements of sections 23A and/or 23B of the Federal Reserve Act, 12 U.S.C. §§ 371c, 371c-1, with respect any transaction between Bank and any of its affiliates.

Bank's primary focus would become the distribution of products and services to small businesses via the Internet.⁵ Based on all the facts of record and for the reasons discussed above, the Board concludes that considerations relating to the convenience and needs factor including the CRA performance record of the institution involved, are consistent with approval of the proposal.

Applicants also have filed a notice under section 4 of the BHC Act to retain SierraCities's nonbanking subsidiaries and thereby engage in extending credit and servicing loans and leasing personal or real property. The Board has determined by regulation that these activities are closely related to banking for purposes of the BHC Act.⁶ SierraCities has committed to conduct these nonbanking activities in accordance with the limitations set forth in Regulation Y and all relevant Board orders and interpretations.

In connection with its review of the public interest factors under section 4 of the BHC Act, and in light of all the facts of record, the Board also has carefully reviewed the financial and managerial resources of SierraCities and Bank and the effect the transaction would have on such resources.⁷ The Board has reviewed, among other things, confidential reports of examination and other supervisory information received from the primary federal supervisor of Bank, and information provided by Applicants. Based on all the facts of record, including commitments made by SierraCities, the Board concludes that the financial and managerial resources of the organizations involved in the proposal are consistent with approval.

⁵ Bank's CRA performance record of meeting the credit needs of its assessment area may be assessed under an approved strategic plan. See 12 C.F.R. 25.27.

⁶ See 12 C.F.R. 225.28(b)(1) and (3).

⁷ See 12 C.F.R. 225.26.

The record indicates that consummation of the proposal would result in benefits to consumers and businesses. SierraCities has indicated that, after consummation of the proposal, it may provide more products and services than it offers currently. In addition, as the Board has previously noted, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies can make potentially profitable investments in nonbanking companies and from permitting banking organizations to allocate their resources in the manner they consider to be most efficient when such investments and actions are consistent, as in this case, with the relevant considerations under the BHC Act.⁸ Based on all the facts of record, the Board has determined that consummation of this proposal can reasonably be expected to produce public benefits that would outweigh any likely adverse effects under the proper incident to banking standard of section 4(j)(2) of the BHC Act.⁹

The Board also concludes that the conduct of the proposed nonbanking activities within the framework established under Regulation Y is not likely to result in adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that would outweigh the public benefits of the proposal, such as increased customer convenience and gains in efficiency. Accordingly, based on all the facts of record, the Board has determined that the balance of public benefits that the Board must consider under the proper incident to banking standard of section 4 of the BHC Act is favorable and consistent with approval of the notice.

⁸ See, e.g., Banc One Corporation, 84 Federal Reserve Bulletin 553 (1998); First Union Corporation, 84 Federal Reserve Bulletin 489 (1998).

⁹ Regulation Y provides that a bank holding company must seek the Board's approval prior to altering in any material respect a nonbanking activity previously approved by the Board. See 12 C.F.R. 225.25(c)(3).

SierraCities also has requested approval under section 4(c)(13) of the BHC Act and section 211.5(c) of the Board's Regulation K (12 C.F.R. 211.5(c)) to retain its UK Subsidiaries. The Board concludes that all the factors required to be considered under the BHC Act and Regulation K are consistent with approval of the proposal.

Based on the foregoing, and in light of all the facts of record, the Board has determined that the applications and notice should be, and hereby are, approved. The Board's approval is specifically conditioned on compliance by Applicants with all the commitments made in connection with the applications and notice. The Board's approval is also subject to all the conditions set forth in this order and in Regulation Y, including those in sections 225.7 and 225.25(c) (12 C.F.R. 225.7 and 225.25(c)) For the purpose of this action, the commitments relied on by the Board in reaching its decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The transaction shall not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such periods are extended for good cause by the Board or the Federal Reserve Bank of Dallas, acting pursuant to delegated authority.

By order of the Board of Governors,¹⁰ effective April 12, 2000.

(signed)

Robert deV. Frierson
Associate Secretary of the Board

¹⁰ Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, Governors Kelley and Gramlich. Absent and not voting: Governor Meyer.