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BY E-APPS AND E-MAIL

March 24, 2022

Re: Application by U.S. Bancorp to Acquire
MUFG Union Bank, N.A.

Chris Wangen
Assistant Vice President, Supervision,
Regulation, and Credit
Federal Reserve Bank of Minneapolis
90 Hennepin Avenue
Minneapolis, MN 55401

Jason Almonte
Director for Large Bank Licensing
Office of the Comptroller of the Currency
340 Madison Avenue, Fifth Floor
New York, New York 10173

Dear Ms. Wangen and Mr. Almonte:

On behalf of U.S. Bancorp, Minneapolis, Minnesota, enclosed please find the response of U.S. Bancorp and U.S. Bank National Association to various written and oral public comments letters submitted since February 7, 2022 in connection with the applications (the "Applications") to acquire all of the issued and outstanding shares of common stock of MUFG Union Bank, National Association ("Union Bank") and subsequently merge Union Bank with and into U.S. Bancorp's wholly-owned national bank subsidiary, U.S. Bank National Association (together with U.S. Bancorp, "USB").

* * *

USB appreciates the opportunity to respond to the comment letters submitted on the Applications. If you have any questions regarding this response, please do not hesitate to contact me or Spencer Sloan.

Very truly yours,

Adam J. Cohen

Enclosures

cc: Ms. Alison M. Thro
Board – Legal

Ms. Linda Anderson

Reserve Bank

Ms. Erin Grace
Ms. Shannon Mulligan
U.S. Department of Justice, Antitrust Division

Ms. Patricia Roberts
OCC

Ms. Susan Howard

Ms. Rawan Elhalaby
The Greenlining Institute

Ms. Ernesta Johnson
Neighborhood House Association

Ms. Renay Dossman
Neighborhood Development Center

Mr. Paul Hogarth
Daily Kos

Mr. Doni Tadesse
California Reinvestment Coalition

Ms. Kellie George
Opportunity Alliance Nevada

Rev. Chineta Goodjoin
New Hope Presbyterian Church

Mr. Matthew Lee, Esq.
Inner City Press/Fair Finance Watch

Mr. Jordan Rosenthal
SCORE Orange County

Mr. Jin Sung
Oasis Center International

Mr. Thomas P. Kilgannon
Freedom Alliance

Ms. Johanna Torres
California Rural Legal Assistance, Inc.

Ms. Elizabeth Schott
Accessity

Ms. Jennifer O'Farrell
Big Brothers Big Sisters

Mr. Joe Neri
IFF

Mr. Michael Gosman
Acts Housing

Ms. Carla Vargas Jasa
Valley of the Sun United Way

Ms. Tracey Bryan
The Bridge of Southern New Mexico

Ms. Karen Johnson
New Pathways for Youth

Mr. Lawrence Rosenberg
Anaheim Ballet

Mr. Don Wells
Just in Time for Foster Youth

Mr. John I. Pray, Jr.
Operation Homefront

Ms. Bonni Pomush
Working Wardrobes

Ms. Megan Nehamen
Foothill Family Shelter, Inc.

Ms. Marsha Bailey
Women's Economic Ventures (WEV)

Mr. Dennis J. Huang
Asian Business Association

Ms. Regan Dean Phillips
CASA of Orange County

Mr. Walter Philips
San Diego Youth Services

Ms. Tawanna A. Black
Center for Economic Inclusion

Ms. Cynthia H. Breunig
Girl Scouts of San Geronio Council

Mr. John Hope Bryant
Operation HOPE

Mr. Brian Betts
Operation HOPE

Ms. Norma P. Garcia
Mission Economic Development Agency

Ms. Nicole Wardlaw
College Track Sacramento

Ms. Naima McQueen
Alliance for Community Development

Mr. Matthew Josephs
Local Initiatives Support Corporation

Mr. Kenneth H. Thomas, Ph.D
The CRA Handbook

Mr. Jorge Franco
U.S. Economic and Workforce Leadership Coalition

Ms. Jamie Buell
California Reinvestment Coalition

Mr. John Wilgers
Greater Twin Cities United Way

Ms. Erin Rank
Habitat for Humanity LA

Mr. David Mendoza
Fresno Native American & Business Development

Ms. Debora M. Bright-Laney
Multi-Cultural Real Estate Alliance for Urban Change

Ms. Chancela Al-Mansour
Housing Rights Center

Ms. Brateil Aghasi
WisePlace

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Mr. Michael L. Lomax
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Ms. Chanchanit Martorell
The Thai Community Development Center

Mr. Marcus Owens
African American Leadership Forum

Ms. Elise Buik
United Way of Greater Los Angeles

Ms. Stephanie Klasky-Gamer
LA Family Housing

Mr. Jeffrey S. Lesk
New Partners Community Solar Corp.

Ms. Colleen Padilla
Southern Oregon Regional Economic Development, Inc.

Mr. Ismael Guerrero
Mercy Housing, Inc.

Ms. Laura Archuleta
Jamboree Housing Corporation

Ms. Dee Anne Everson
United Way of Jackson County

Mr. Phillip Chen
Assembly Member, Fifty-Fifth District, Assembly California Legislature

Mr. Oliver L. Baines, III
Central Valley NMTC LLC

Mr. Lenwood V. Long, Sr.
African American Alliance of CDFI CEOs

Mr. Dave Glaser
MOFI

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Neighborhood Development Center

Ms. Renee Sattiewhite, CUDE, CDP
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Ms. Nancy Halpern Ibrahim
Esperanza Community Housing Corporation

Ms. Evelyn Stivers
Housing Leadership Council

Mr. Richard Girling
San Francisco Public Bank Coalition

Ms. Gloria Bruce
East Bay Housing Organizations

Ms. Elba Schildcrout
East LA Community Corporation

Ms. Chelsea Kirk
SAJE – Strategic Actions for a Just Economy

Ms. Hyepin Im
FACE – Faith and Community Empowerment

Ms. Heidi Pickman
CAMEO – California Association for Micro Enterprise Opportunity

Mr. Robert Herrell
Consumer Federation of California

Ms. Erika Toriz-Kurkjian
Haven Neighborhood Services

Ms. Sherri Jackson
MultiCultural Real Estate Alliance for Urban Change

Mr. Stephen Russell
San Diego Housing Federation

Mr. Andrew Matsas
Community Economics, Inc.

Mr. Michael Banner
Los Angeles LDC

Mr. Rudy Espinoza
Inclusive Action for the City

Ms. Amie Fishman
Non-Profit Housing Association

Ms. Erin McElroy
Anti-Eviction Mapping Project

Mr. Sanford Livingston
Northern California Small Business Financial Development Corporation

Ms. Sharon Kinlaw
Fair Housing Council of the San Fernando Valley

Mr. Roberto Barragan
California Community Economic Development Association

Mr. Leo Goldberg
CA Community Land Trust Network

Mr. William M. Cunningham
Creative Investment Research

Mr. Quentin D. Strode
NEW Community Investments

Ms. Lyda Eddington
Westchester United Methodist Church, Los Angeles

Mr. Michal A. Ocasio
The Association Financial Development Corporations

Ms. Debra Gore-Mann
The Greenlining Institute

Mr. Calvin L. Holmes
Chicago Community Loan Fund

Mr. Walter Harris
Tenderloin Neighborhood Development Corporation

Ms. Faith Bautista
National Asian American Coalition

Mr. Nick Weiner
Committee for Better Banks

Mr. Mark Stivers
California Housing Partnership

Mr. Al Pina
National Minority Community Reinvestment Co-Operative

Mr. John Gamboa
California Community Builders

Ms. Paulina Gonzalez-Brito
California Reinvestment Coalition

Mr. Kevin Stein
California Reinvestment Coalition

Ms. Marcia Griffin
HomeFree-USA

Ms. Dina Harris
National Faith Homebuyers Program

Dr. Ruben Guerra, PhD
CA Black & Latino Business CRA Council

Mr. Marcos Morales
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Ms. Jules Dunham Howie
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Mr. Kelvin W. Perry
Black Chamber of Commerce of Greater Kansas City

Mr. Steve Figueroa
Inland Empire Latino Coalition

Mr. Darrel Saucedo
LA Latino Chamber

Ms. Bertha Garcia
Ventura CCDC

Mr. Joey Quinto
CA Journal for Filipino Americans

Mr. Jose Antonio Ramirez
Central CA Latino PAC

Mr. Adam Briones
California Community Builders

Mr. Frank Altman
Community Reinvestment Fund, USA

Mr. James Chosy
Ms. Cristina Regojo Gedan
Ms. Sarah Flowers
U.S. Bancorp

Ms. Wendy M. Goldberg
Sullivan & Cromwell



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Chris Wangen
Assistant Vice President, Supervision,
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Federal Reserve Bank of Minneapolis
90 Hennepin Avenue
Minneapolis, MN 55401

Jason Almonte
Director for Large Bank Licensing
Office of the Comptroller of the Currency
340 Madison Avenue, Fifth Floor
New York, New York 10173

Dear Ms. Wangen and Mr. Almonte:

This letter provides the response of U.S. Bancorp and U.S. Bank National Association (“U.S. Bank” and, together with U.S. Bancorp, “USB”) to certain concerns that individuals or organizations have submitted to the Federal Reserve and/or the Office of the Comptroller of the Currency (“OCC”) in connection with the applications by USB (the “Applications”) to acquire all of the common stock of MUFG Union Bank, National Association (“Union Bank”) and subsequently merge Union Bank with and into U.S. Bank (collectively, the “Proposed Transaction”), including during testimony at the public meeting jointly held by the Federal Reserve and OCC on March 8, 2022 (the “Public Meeting”).

Because a number of the matters raised by individuals or organizations during the Public Meeting and in written comments submitted prior to the end of the extended comment period are similar to those previously raised by other commenters in prior comment letters, USB refers to its public comment response letters of October 26, 2021, November 22, 2021, and January 9, 2022 (collectively, the “Prior Responses”) and incorporates such responses by reference. USB has provided additional extensive information responsive to the concerns of various commenters in the Applications, in response to the Federal Reserve’s requests for additional information on the Proposed Transaction, the public portions of which are available on the Federal Reserve’s public website, and in the Prior Responses.

I. Community Benefits Plan

As Andy Cecere, USB’s Chairman, President and Chief Executive Officer, noted at the Public Meeting, USB is dedicated to supporting its communities, listening to community leaders and stakeholders and being responsive in its actions to meet their needs. One of the most beneficial aspects of the Proposed Transaction for USB has been the opportunity to hear from hundreds of community leaders through the six listening sessions and from over one hundred participants at the Public Meeting. Over the past six months, USB has intentionally pursued a careful and deliberate process of community engagement across a myriad of

stakeholders. USB believes it is critical to hear all voices and consider their unique perspectives, and has engaged in a comprehensive process to do so.

As Andy Cecere noted at the Public Meeting, USB is committed to staying in every market that Union Bank currently serves. There will be no branch closures in low- and moderate-income (“LMI”) communities or majority-minority census tracts in California that would result in USB exiting a community as a result of the Proposed Transaction. In fact, USB intends to open new branches in LMI and majority-minority communities.

Further, as Mr. Cecere stated at the Public Meeting, USB expects to adopt the largest community benefits plan in history, using a unique hybrid model with a California focus and a national impact that focuses on LMI borrowers, LMI communities and communities of color. USB will accelerate new products and investments, expand its ongoing commitments, such as Access Commitment and the Small Business Access Initiative, and continue certain already successful Union Bank initiatives. USB’s forthcoming community benefits plan represents the voices of many contributing to a public facing community strategy that includes:

- Significant lending and investment goals nationally and in California, focusing on LMI borrowers, LMI communities and communities of color;
- Enhancements and incremental investments prioritizing LMI and communities of color and focusing on increased access to homeownership;
- Increased access to capital and technical assistance for small business;
- Increased community development lending and investment prioritizing affordable housing, environmental lending, investments and stewardship, branch services, philanthropy, supplier diversity and advancing a diverse and equitable workforce;
- Governance and accountability model to further two-way dialogue with community organizations to continue to engage the community in helping develop shared solutions;
- \$115 million in grants and contributions over five years above and beyond the current giving of Union Bank and USB combined (which will include \$40 million in California to provide greater support to Community Development Financial Institutions (“CDFIs”) and nonprofits working to improve broadband access and community development in Native American communities);
- Support for small business technical assistance programs, down payment assistance programs and the climate resilience of LMI communities;
- Implementation and enhancement of Union Bank’s Special Purpose Credit Program, known as the Business Diversity Lending Program;
- Expansion of the U.S. Bank Access Commitment, currently centered on Black consumers and businesses, to additional diverse communities and increased USB’s lending and investment in affordable housing in LMI communities;
- Increased community development lending and investments that prioritize CDFIs and developers led by and serving women and people of color; and

- A commitment to diversity, equity and inclusion, including a commitment to ensuring that 50% of USB leadership is made up of underrepresented groups in the next five years.

Following the Proposed Transaction, USB will continue and improve upon its legacy of serving diverse communities and providing more opportunities for diverse employees. USB has actively worked to develop a strong community benefits plan that will ensure that the combined institution builds on the extensive legacies of both banks in serving community needs.

The following sections address in turn topics raised by certain individuals or organizations at the Public Meeting and/or in recent written comments.

II. Branches

USB understands the commenters' concerns regarding branch closures, but believes that additional context is important for properly understanding USB's commitment to maintaining a viable physical presence. In 2019, USB established its Physical Asset Optimization ("PAO") program to transform its branch network through adding, relocating, renovating and consolidating branches. Through these branch actions, USB seeks to optimize its branch network and meet the changing needs and preferences of its customers while serving USB's communities and minimizing customer attrition in all markets, including LMI markets.

In light of this recent adoption of USB's PAO program, the time period over which a number of commenters have compared USB's historical branch closures to peer banks results in a distorted view of relative branch consolidation activity given that a number of USB's peer banks had already undergone similar physical asset optimization activities prior to USB's 2019 adoption of a formal program. For example, in the four-year period immediately prior to USB's 2019 adoption of its PAO program (from 2015 to 2018), USB's branch closure numbers were significantly less than those of its largest retail bank competitors (representing less than one-third of the total branch closures of each of Bank of America, J.P. Morgan Chase Bank and Wells Fargo Bank over that time period), approximately half of the total branch closures of superregional bank competitors such as PNC Bank and Capital One, and even well below the total branch closures of other regional banks with significantly smaller deposit bases (such as Fifth Third Bank, KeyBank, Regions Bank, Huntington Bank).¹

USB also notes that a significant number of the branch closures cited by commenters (including nearly two-thirds of closures in USB's California markets) were closures of in-store branches which are often co-located within grocery stores or other retailers. A significant majority of in-store branches that closed were located in close proximity to traditional branches. USB recently made a strategic shift away from such in-store branches as part of its physical asset optimization strategy, in light of USB's determination that it could better serve customers through the larger physical spaces and enhanced services available at its traditional branches, which were not typically available at in-store branches. In addition, for USB's most recent branch consolidation activity (since the fourth quarter of 2020), over 50% of USB's closed branches had a receiving branch within two miles of the affected branch. Both of these considerations indicate that customers and communities in which USB has

¹ Source: S&P Capital IQ.

pursued physical asset optimization efforts have continued to have access to banking products and services.

This continued access to USB's financial service offerings is further evidenced by the low relative customer turnover experienced by USB following the closure of any USB branch. The relative retention rate for customers of closed USB branches, when compared to the retention rate for customers of all USB branches, is 97.7%. Using the same methodology, USB has determined that the relative retention rate for customers of closed USB branches in the state of California, when compared to the retention rate for customers of all USB branches, is 97.2%. Further, the relative retention rate for customers of closed USB branches that serve LMI consumers and USB branches in majority-minority census tracts, when compared to the retention rate for customers of all USB branches, is approximately 96.3%. USB is proud of this high customer retention rate, which USB believes is a result of its deep commitment to providing excellent customer service and the careful analysis and mitigation strategies USB employs to ensure that there is continued community access to financial services following any branch closures.

USB continues to maintain a deep and widespread physical branch network, with the sixth most physical branches of any bank in the U.S. and with nearly 1,000 more branches than the next closest peer bank. USB's ratio of physical branches to total deposits is over twice the ratio of the largest retail banks, Bank of America, J.P. Morgan Chase Bank and Wells Fargo Bank. Further, as USB has implemented its PAO program, it has undertaken a careful and deliberate approach towards its branch network, with the understanding that physical branches are particularly important to underserved communities, where unmet financial needs and insufficient access to financial services can cause economic disparities.

Consistent with these principles, USB notes that its PAO program was established in response to customer behavior, including shifts in favor of digital and ATM usage and away from the use of in-person tellers. Industry trends similarly show a steep increase in mobile banking usage and corresponding decreases in teller transactions.² In response to these pronounced trends in modern customer banking preferences, USB recognizes that the future of banking includes a combination of the digital and physical world, and has developed strategies to better serve its customers by investing in its digital banking channels. USB has developed into a leader in digital capabilities, and was recently named by industry benchmarking firm Keynova Group as not only the top mobile app, but also first overall in mobile banking. This investment in strong digital capabilities enhances the overall experience of our customers and provides important convenient and ubiquitous access to all customers.

As of the date of this letter, USB's evaluation regarding potential branch closure decisions remains ongoing. USB continues to assess its pro forma branch footprint in consideration of a number of factors outlined above. USB is also engaged in ongoing constructive dialogue with, and efforts to receive input from, various community groups and organizations regarding USB's forthcoming community benefits plan, which will inform its final branch decision analysis. As stated in Prior Responses, USB is committed to staying in every market that Union Bank currently serves in California, Washington, and Oregon and USB's overall strategy is to grow its market share and serve these communities with best-in-class branch and ATM networks and digital capabilities. Further, as noted above, USB

² Source: Raddon Research Insights, September 2021.

commits that there will be no branch closures in LMI communities or majority-minority census tracts in California that would result in USB exiting a community as a result of the Proposed Transaction. To the contrary, USB intends to open new branches in LMI and majority-minority communities and make a sizable investment to upgrade functionality and accessibility of Union Bank's digital capabilities and existing ATM network in California, Washington and Oregon.

Further, prior to reaching a decision on closing any branch in an LMI or majority-minority geography, USB will analyze the demographics of the neighborhood, consider community input and consider alternatives to closure as well as alternative delivery options to minimize the impact of the closure. A key tenet of USB's branching policy is that all decisions regarding branch openings, relocations and closures are based on accurate and detailed information about how the proposed action would affect the community served by the branch. Additional information regarding the risk reviews and mitigation efforts that USB undertakes in connection with its branch actions is provided in USB's response, dated November 18, 2021, to the Federal Reserve's request for additional information of November 5, 2021.

III. Jobs

Retaining, integrating and leveraging employee talent will be a key priority of integration efforts following the Proposed Transaction. As USB noted in the Applications and in its Prior Responses, Union Bank employees have demonstrated a tremendous ability to serve Union Bank's customers. For that reason USB has from the beginning publicly stated its commitment to retaining all of Union Bank's front-line branch employees following the closing of the Proposed Transaction, and USB looks forward to having these branch employees join the bank's team of talented West Coast employees. USB continues to further assess employee talent, including the valuable Community Reinvestment Act and community development employees of Union Bank, with the goal of preserving or enhancing customer and team member experience and uniting organizational cultures and team member values to protect and leverage the employee talent of both organizations.

IV. Overdraft & Fees

USB offers products and services to assist customers in avoiding overdrafts and supporting financial health and strives for transparency and flexibility in its overdraft policies and practices. As USB noted in its Prior Responses, USB also offers products and services that mitigate the risk of overdrafts, at no fee. For example, USB has previously discussed the U.S. Bank Safe Debit product, a BankOn-certified product which gives consumers robust banking services without overdraft or insufficient funds fees, along with alerts of low balances and completed transactions, and notifications of any unusual card activity to help prevent fraud. USB also offers digital tools including account alerts, budgeting and goal setting to help customers track and manage their cash flows.

Additionally, as noted in Prior Responses, in January 2022, USB eliminated non-sufficient funds ("NSF") fees for consumers and announced additional changes to overdraft policies. These changes will reduce overdraft fees by approximately \$170 million annually, reducing overdraft fees as a percentage of non-interest income to only 1.8%. This is the fifth consecutive year overdraft as a percent of non-interest income has been reduced and is well below large and regional bank averages.

The elimination of NSF is part of USB's overall strategy to support customers' financial health. In May 2022, USB will implement additional overdraft fee policy changes to help consumers avoid fees, including that customers will not be charged a fee if their account is overdrawn by \$50 or less (representing a significant increase from the current \$5 overdraft fee threshold). In addition, USB will implement an "Overdraft Fee Forgiven" program, which will allow customers to have their overdraft fee refunded if their negative balance is cured (*i.e.*, brought to \$0 or higher) within approximately 24 hours. Further, USB has announced that it will begin offering a new digital account-balance dashboard, providing smart alerts to inform customers of a potential negative balance before it occurs. Balance forecast capabilities through USB's mobile app will show customers a 7-day projection of their deposit balances to help them avoid a potential upcoming overdraft.

In response to one commenter's concern regarding out-of-network surcharge fees, USB has a long-standing policy that it does not assess out-of-network surcharge fees for Electronic Benefits Transfer cards, and USB has no current plans to change this policy.

Finally, despite one commenter's unsubstantiated estimates regarding overdraft fees relative to philanthropy, USB does not link philanthropic decisions with total fees collected. The reduction in overdraft fees resulting from the planned changes (elimination of NSF fees, \$50 threshold prior to overdraft fees and overdraft grace period) will not impact USB's strong legacy of philanthropic efforts and level of community reinvestment.

V. Foreclosure Mitigation

USB understands that mortgage customers may, from time to time, be affected by financial circumstances beyond their control. Accordingly, USB works closely with borrowers and uses a number of options to help preserve homeownership. This customer-centric focus predates the COVID-19 pandemic, and USB's dedicated, U.S.-based staff are well-versed in foreclosure prevention treatments that can assist customers during challenging times.

USB's robust borrower-contact strategies start early in the delinquency cycle, which helps customers understand available options before they feel overwhelmed by mounting delinquencies and face foreclosure. These strategies continue to evolve to meet the needs of USB's customers and include:

- Phone calls starting as early as day five of delinquency, with a calling program that includes access to multi-language assistance;
- Text message, letter and e-mail communication;
- Mortgage status information on monthly statements, which also includes contact information to request assistance;
- Supportive instruction for contacting HUD-certified counselors;
- Face-to-face meetings or web/video meetings;
- Informational videos;
- Online and mobile app self-service tools and alerts;

- Information on the USB website on mortgage assistance;
- Co-browsing through telephone and virtual counseling sessions;
- Borrower access to the loss mitigation borrower portal that allows borrowers to apply for assistance, upload required documents and receive up-to-date account status information;
- Options for mortgage payment assistance; and
- Partnerships with states to offer treasury-backed assistance programs.

USB does not use housing counseling organizations or other third parties when contacting borrowers with delinquent mortgage payments. However, as noted above, USB offers the contact information of HUD-certified counselors to mortgage customers, enabling customers to easily contact such counselors individually to obtain assistance with their mortgage payment requirements, which is especially effective for non-English speaking customers. USB has found that working with customers directly to provide assistance and collect documents creates a better customer experience and results in an improved mortgage payment communication process for both customers and USB.

USB is also committed to participating in California’s Housing Assistance Fund program and will comply with the dual tracking guidance outlined in the California Homeowner Bill of Rights.

Finally, in response to concerns from certain commenters regarding the impact of distressed and Real Estate Owned (“REO”) properties on communities, USB notes that it follows all applicable state, local and municipal laws for maintaining vacant and abandoned property to reduce the adverse impact property may have on the neighborhood. Additionally, through its Community Stabilization Assistance Program, USB works to facilitate the transfer of REO properties to counties, cities, and nonprofit organizations that are seeking revitalization of neighborhoods and sustainable homeownership or rental opportunities for those in need. USB’s goal is to help stabilize communities and benefit the lives of the people in these communities by offering REO properties at discounted prices or as donations.

VI. Affordable Housing and Community Development Lending & Investment

USB believes all people have a right to the possibilities that come with living in a safe and vibrant community, and that it can help create economic opportunities that work for everyone through its tax credit, community lending and syndication solutions that improve lives and create economic opportunities in underserved communities. Accordingly, as noted in the Prior Responses, the concerns expressed by certain commenters that the combined organization would have reduced appetite for community development financing (including affordable housing financing projects) or lose longstanding community group relationships are unfounded. USB has been an active investor in affordable housing projects in California for over two decades, including during the recession of 2008 to 2010, and has made significant low-income housing tax credit (“LIHTC”) investments and other affordable housing investments described in the Applications and the Prior Responses. As USB noted in its Prior Responses, USB has already planned for growth in its LIHTC investment activity and expects that the combined organization will make more (rather than fewer) LIHTC investments following the Proposed Transaction. Additionally, USB’s forthcoming community benefits

plan includes expansion of the U.S. Bank Access Commitment, currently centered on Black consumers and businesses, to additional diverse communities and increase USB's lending and investment in affordable housing in LMI communities.

In addition to USB's LIHTC investment activities, USB also supports community development financing (including affordable housing financing projects) by working with many Community Development Financial Institutions ("CDFIs") to connect small business owners with technical assistance, as well as access to capital. USB recognizes the critical role CDFIs play in bringing investment to underserved communities and those who may not be eligible for traditional business financing, particularly for women and minority-owned businesses and low- to moderate-income communities. USB has been a long-time partner of CDFIs and has worked with CDFIs to provide funding to entrepreneurs and small businesses in underserved communities. USB has helped ensure that more than \$500 million in capital was available for CDFIs and their customers, with most of that in the last five years.

To broaden access to capital for all businesses and communities, USB maintains a deep commitment to supporting small businesses through a strategic partnership with Community Reinvestment Fund, USA ("CRF"). CRF is a national nonprofit organization with a mission to empower people to improve their lives and strengthen their communities through innovative financial solutions. As a leading CDFI, CRF supports mission-driven organizations through the development of products and services aimed at increasing the flow of capital to historically underinvested communities across the country. Through CRF's Connect 2 Capital platform, USB refers small businesses who are seeking business loans to CDFIs best equipped to meet the capital and technical assistance needs of the entity. Since first participating in the program in 2017, USB has referred more than 1,150 small businesses to the CRF Connect 2 Capital platform, and USB is currently able to facilitate referrals to 69 CDFI partners through the platform.

As noted above, USB's forthcoming community benefits plan includes increased community development lending and investments that prioritize CDFIs and developers led by and serving women and people of color.

VII. Mortgage Lending and Affordable & Inclusive Product Offerings

USB reiterates that it takes its responsibility to provide access to financial services to all segments of its communities and persons living in those communities, including people of color, very seriously. As USB noted in its Prior Responses, USB's loan underwriting and approval processes have been carefully designed with fair lending requirements in mind. In addition, USB's policies include information on prohibited lending practices, and its procedures and required training contain guidance on practices that employees should avoid that would tend to discourage loan applicants on a prohibited basis.

Certain commenters have raised specific concerns regarding USB's mortgage lending activity in California. In most instances, USB was not able to validate mortgage lending figures cited by commenters. Moreover, as previously noted by USB, comparisons to other lenders in the market, like non-depository institutions that offer a different product line and have a different business model than USB, may be misleading. USB's mortgage lending activity is generally in line with, and in some cases outperforms, the activities of peer banks cited by commenters. For example, USB outperforms most peer banks in lending to majority-minority census tracts (>50% minority population in the tract). In addition, a higher

percentage of USB's lending volume goes to census tracts where there is no predominant race or ethnicity population when compared to all peer banks. Finally, USB has a lower percentage of mortgage applications going to majority-White census tracts than most peer banks cited by commenters.

Similarly, as noted by USB in its Prior Responses, based on detailed analysis of available Home Mortgage Disclosure Act ("HMDA") data, USB found no evidence of redlining or significant disparities in its lending data in any segments claimed by commenters. Moreover, as part of its Community Reinvestment Act ("CRA") performance evaluation of USB, the OCC (which directly supervises USB and conducts examinations covering fair lending laws such as the Fair Housing Act) noted that it identified no discriminatory or other illegal credit practices that required consideration.

USB's commitment to fair lending and supporting all segments of its communities, including LMI neighborhoods and minority borrowers, is demonstrated by its broad offerings of specialized affordable and inclusive products that are designed to meet the special needs of LMI individuals, as well as USB's outreach efforts targeted to LMI geographies, including communities with large minority populations. Specifically, as discussed in the Applications and in the Prior Responses, USB offers more than 118 affordable mortgage products involving national and local programs. Examples of certain of USB and Union Bank's affordable mortgage product offerings, including credit allowances and mortgage insurance requirements, are described below.

A. USB Product Offerings

The American Dream Home Loan program provides lender-paid mortgage insurance for loans with loan-to-value ratios ("LTV") above 90% (with 18% coverage for loans with an LTV above 95% and 16% coverage for loans with an LTV between 90% and 95%). The minimum down payment under the American Dream Home Loan program is 3%. After a borrower meets a minimum cash investment of \$1,000 on a purchase transaction, the remaining cash necessary to meet the down payment requirement may be from a gift, approved grants, premium pricing, bank assistance, or borrowed funds.

USB also offers a no interest loan in the form of a "soft second" mortgage, with a deferred payment schedule in which a borrower does not have to make any payments unless and until the borrower sells the home or refinances the mortgage, or the property becomes non-owner occupied. Such down payment assistance may be used for entry cost assistance (i.e., to cover down payment or closing costs), repair escrow assistance (i.e., to cover health and safety repairs listed on an FHA appraisal, home inspection or conventional appraisal), and gap assistance (i.e., to cover if/when there is a gap between the post-rehabilitation value of the property and the purchase price plus cost of rehabilitation).

USB provided an aggregate of \$5,641,259 of such assistance for 1,077 loans in 2019, \$4,693,844 of such assistance for 876 loans in 2020, and \$2,813,495 of such assistance for 490 loans in 2021.

Additionally, USB has other initiatives in place to increase lending to people and communities of color. These include Advancing Black Homeownership launched in the first half of 2021 through the Access Commitment (which was discussed extensively in Prior Responses). USB's Advancing Black Homeownership is focused on four pillars:

- Youth-Based Education and Outreach;
- Enhanced Adult Financial Education;
- Strategic Community Outreach (e.g., workshops, realtor education, builder engagement); and
- Mortgage Loan Officer Development Program to introduce mortgage as a viable career choice for communities of color.

As part of USB's forthcoming community benefits, USB is committing to make significant contributions over the next five years for down payment assistance ("DPA") programs. Many of the DPA partnerships USB has recently supported are purposefully designed to target communities of color and lending with the assistance of the DPA are done in partnership with municipal agencies and nonprofit partners.

B. Union Bank Product Offerings

Examples of certain of Union Bank's affordable mortgage product offerings are described below.³

- FHA Fixed-Rate Loan: Union Bank offers a FHA Fixed-Rate Loan which provides mortgage financing with down payments as low as 3.5% on purchase transactions. This down payment may be comprised of all gift funds, and non-occupying co-borrowers are allowed. Such FHA Fixed-Rate Loans can also be used in conjunction with eligible government down payment assistance programs. In addition, borrowers with non-traditional credit may be eligible. Non-traditional credit can be used to supplement insufficient tradition credit histories on manually underwritten loans or develop a credit history on borrowers who lack a traditional credit history (i.e., no credit score). Non-traditional credit is allowed if the primary borrower can provide an acceptable rental/housing payment history for the last twelve months. In addition to the rental/housing history, the credit history must include two references that cover a full twelve-month payment history.

Refinancing features for homeowners with an existing FHA loan include: (i) no appraisal required; (ii) no verification of employment or income, and (iii) minimum credit score of 660. Monthly mortgage insurance is only required for 11 years for loans up to a 90% LTV ratio, and for the life of the loan for loans greater than 90% LTV.

- VA Fixed-Rate Loan: Union Bank offers a VA home loan for qualified veterans and spouses, which provides mortgage financing with no down payment required. In addition, no private mortgage insurance is required.
- HomeReady Mortgage: Union Bank offers the affordable HomeReady mortgage loan product, a fixed-rate loan with fixed monthly principal and interest payments for the life of the loan. For single-family residences, planned unit developments and condominiums, 97% financing is available on purchase transactions, and

³ USB is currently evaluating Union Bank's affordable mortgage product offerings compared to USB's existing suite of affordable mortgage products and assessing which products will be offered by the combined company following the Proposed Transaction.

limited cash-out refinances. Funds required to close may be gift funds from an eligible donor or from an approved down payment assistance program. Mortgage insurance is not required for loans not exceeding 80% LTV.

Union Bank's down payment and closing cost assistance grants do not require that borrowers have a U.S. social security number in order to be eligible. Accordingly, Individual Taxpayer Identification Number borrowers are eligible for such grants.⁴

Additional information regarding USB's fair lending policies, mortgage lending activity and affordable financial products and services can be found in the Applications, in the Prior Responses and in responses to the Federal Reserve's requests for additional information on the Proposed Transaction.

VIII. Environmental, Social and Governance Programs

Managing USB's business in an environmentally sustainable manner is an important component of corporate responsibility and critical to the health of our economy. As society's understanding of the wide-ranging impacts of climate change has evolved, however, so too has USB's understanding of the effects a changing climate can have on its business. As USB discussed extensively in the Applications, USB has taken significant steps to enhance how it assesses the financial and reputational risks climate change poses to USB, and has also begun to focus more on opportunities presented by a changing economy. For example, within USB's own operations USB has taken actions to reduce greenhouse gas ("GHG") emissions by 54% as of the end of 2020. USB continues to make progress toward reaching its 60% target, which it expects to achieve well in advance of its target date.⁵ Additionally, since 2008 USB has invested over \$42 billion in environmentally beneficial business opportunities and USB has disclosed its environmental impact through the publication of its CDP report.⁶

While USB is proud of the steps it has taken, USB also knows it can do more. For this reason, USB made several commitments at the end of 2021 to address the impacts of climate change on its business, customers and communities including aligning to industry best practices related to climate related disclosures. USB's commitments include:

- Setting a goal to achieve Net Zero GHG emissions, including financed emissions, by 2050;
- Sourcing 100% renewable electricity in USB's operations by 2025;
- Establishing an environmental finance goal of \$50 billion by 2030, using a 2020 baseline, to help advance the transition to a low-carbon economy;

⁴ However, due to social security number requirements for U.S. employment, borrowers may indirectly be required to have a U.S. social security number to the extent that a borrower's income is required to be taken into account in order to qualify for a loan amount.

⁵ These targets and USB's progress use a 2014 baseline and include Scope 1 and 2 emissions (as defined by the GHG Protocol).

⁶ USB's most recent CDP report is available here: <https://www.usbank.com/dam/documents/pdf/about-us-bank/community/sustainability/US-Bancorp-2021-CDP-Web.pdf>.

- Joining the Partnership for Carbon Accounting Financials (“PCAF”) and committing to measure and disclose financed emissions using PCAF standards; and
- Releasing a separate report aligning disclosure with Task Force on Climate Related Finance Disclosures recommendations.

USB will continue to pursue investments, products and partnerships that will accelerate its investments in renewable energy, and USB will offer innovative products and services that meet the needs of tomorrow’s green economy.

Further, USB has developed an enterprise-wide approach to managing and overseeing its relationships, including customers and other business partners, that present heightened risk based on the type of business conducted or other aspects of the relationship’s positioning on various environmental, social and governance (“ESG”) issues. USB’s comprehensive risk management process ensures it is appropriately managing the risk associated with serving its customers, including those in higher-risk industries. In the event USB finds a customer is out of compliance or introduces unacceptable risk to USB, USB will reevaluate its position and determine appropriate actions, which can include exiting USB’s business with the client. ESG sensitivity is an important component of USB’s credit, investment, underwriting, and payment procedures and is integrated into USB’s overall risk management philosophy. Since USB serves a broad spectrum of enterprises across a diverse array of industries, USB embraces a balanced approach to addressing the needs of its communities, customers, employees and shareholders.

IX. Native American Outreach

As USB noted in its Prior Responses, USB recognizes the importance of providing access to financial services to address the unique credit needs of Native American borrowers and communities, including mortgage financing. To that end, USB maintains credit policies specifically designed to allow access to financing for Native American borrowers on tribal lands. USB strives to ensure such credit policies impose no unnecessary or undue burden on Native American applicants, while also complying with applicable sovereign law requirements. Additionally, USB is committed to providing community development financing to support economic development in Native American communities both in California and elsewhere in the United States, as was described in further detail in the Prior Responses.

USB currently has three branch locations on Federal Indian land and also has a number of branches throughout its banking footprint that are located in close proximity to Federal Indian land. In particular, 158 USB branches are located less than five miles from Federal Indian land (of which 157 USB branches are located less than five miles from a National Land Representation Area and one USB branch is located less than five miles from a Tribal Statistical Area). In addition, 333 USB branches are located less than ten miles from Federal Indian land (of which 330 branches are located less than ten miles from a National Land Representation Area and three USB branches are located less than ten miles from a Tribal Statistical Area).

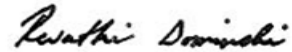
USB highlights increased support for Native American communities in its community benefits plan. As strategies to fulfill the commitment are developed, USB will work with

community partners to gain a deeper understanding of needs and establish initiatives in partnership with local organizations to meet those needs.

* * *

USB appreciates the opportunity to respond to the comment letters submitted on the Applications and to testimony at the Public Meeting. If you have any questions regarding this response, please do not hesitate to contact me.

Very truly yours,



Revathi Dominski
Executive Vice President and Chief Social
Responsibility Officer