

FEDERAL RESERVE SYSTEM

Regions Bank
Birmingham, Alabama

Order Approving Establishment of a Branch

Regions Bank, a state member bank subsidiary of Regions Financial Corporation, both of Birmingham, Alabama, has requested the Board's approval under section 9 of the Federal Reserve Act ("Act")¹ and the Board's Regulation H² to establish a branch at the intersection of West Lake Houston Parkway and Magnolia Cove (Kings Harbor Development) in Kingwood, Texas.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in accordance with the Board's Rules of Procedure.³ The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors specified in the Act.

Regions Bank is the 17th largest depository institution in Texas with 81 branches, controlling approximately \$3.7 billion in deposits, which represents less than 1 percent of the total amount of deposits of insured depository institutions in the state.⁴ Regions Bank's main office is in Birmingham, and it operates 238

¹ 12 U.S.C. § 321 *et seq.*

² 12 CFR Pt. 208.

³ 12 CFR 262.3(b).

⁴ State deposit data are as of June 30, 2013, unless otherwise noted. In this context, insured depository institutions include commercial banks, savings associations, cooperative banks, industrial banks, and savings banks.

additional branches in Alabama. Regions Bank operates a total of 1,673 branches in Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, South Carolina, Tennessee, Texas, and Virginia.

Under the Board's Regulation H, which implements section 9 of the Act,⁵ 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");⁶ and (5) whether the bank's investment in bank premises in establishing the branch satisfies certain criteria.⁷

The Board has considered the application in light of these factors and public comment received on the proposal. A commenter objected to the proposal and alleged that Regions Bank discriminates against African Americans and redlines African American neighborhoods, particularly in the Houston, Texas

⁵ 12 CFR 208.6(b).

⁶ 12 U.S.C. § 2901 et seq.

⁷ Section 9 of the Act, 12 U.S.C. § 321, which applies the interstate branching provisions of the National Bank Act, 12 U.S.C. § 36(e), provides that a state member bank may not establish a branch in any state other than the bank's home state or a state in which the bank already operates a branch, except under certain specified conditions. See 12 U.S.C. § 1831u(d)(2) and Tex. Fin. Code. Ann. § 203.006 (stating that an out-of-state bank that has established a branch in Texas may establish additional branches in the state to the same extent that a Texas state bank may establish a branch in Texas). Regions Bank currently operates branches in Texas. See Regions Financial Corporation, 84 Federal Reserve Bulletin 558 (1998).

Metropolitan Statistical Area (“Houston MSA”), with respect to its branching, marketing, and lending activities.

Financial, Managerial, and Other Supervisory Considerations

In considering the financial history and condition, earnings prospects, and capital adequacy of Regions Bank, the Board has reviewed reports of examination, other supervisory information, publicly reported and other financial information, information provided by Regions Bank, and the comment received. Regions Bank is well capitalized and would remain so on consummation of the proposal. After considering all the facts of record, including Regions Bank’s proposed investment in the Kingwood branch, the Board has concluded that the financial history and condition, capital adequacy, and future earnings prospects of Regions Bank are consistent with approval of the proposal.

In considering Regions 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 Regions Bank and the bank’s record of compliance with applicable banking law, including anti-money-laundering laws. Regions Bank is considered to be well managed. Based on this review and all the facts of record, the Board has concluded that the character of Regions Bank’s management, as well as the records of effectiveness of Regions Bank in combatting money laundering activities, are consistent with approval of the proposal.⁸

⁸ The Board and the Alabama State Banking Department have entered into a Consent Order with Regions Bank related to misconduct involving the process followed by the bank in the first quarter of 2009 for identifying and reporting non-accrual loans and the bank’s response to a targeted examination of these processes undertaken by the Board and the Alabama State Banking Department in 2009. The Consent Order acknowledges that Regions Bank has made improvements in

Convenience and Needs Considerations

The Board also has considered the convenience and needs of the community to be served, taking into account the comment received and the bank's performance 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,⁹ 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.¹⁰

The Board has considered all the facts of record, including reports of examination of the CRA performance of Regions Bank, data reported by Regions Bank under the Home Mortgage Disclosure Act ("HMDA"),¹¹ other information provided by Regions Bank, confidential supervisory information, and the public comment received on the proposal.

A. Record 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 supervisors

developing its risk-management program and its internal controls. The Consent Order requires Regions Bank to continue to improve its relevant policies, practices, controls, and procedures. In considering this proposal, the Board took account of the current and continuing progress made by Regions Bank in complying with the provisions of the Consent Order.

⁹ 12 U.S.C. § 2901(b).

¹⁰ 12 U.S.C. § 2903.

¹¹ 12 U.S.C. § 2801 et seq.

of the CRA performance records of the relevant institutions.¹² 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.¹³ 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.

Regions Bank was assigned an overall "satisfactory" rating at its most recent CRA performance evaluation by the Federal Reserve Bank of Atlanta ("Reserve Bank") in September 2012 ("Regions Bank Evaluation"). Regions Bank received "high satisfactory" ratings for the Lending Test, the Investment Test, and the Service Test.¹⁴ In addition to the overall "satisfactory" rating that Regions Bank received, the bank received separate overall "outstanding" or "satisfactory" ratings in the overwhelming majority of the multistate metropolitan areas and states reviewed.¹⁵ In Texas, Regions Bank received an overall "satisfactory" rating,

¹² See Interagency Questions and Answers Regarding Community Reinvestment, 75 Federal Register 11642, 11665 (2010).

¹³ 12 U.S.C. § 2906.

¹⁴ The Regions Bank Evaluation was conducted using Large Institution CRA Examination Procedures. The evaluation period for the Lending Test was from January 1, 2010, through December 31, 2011, except for community development loans, which had an evaluation period from July 1, 2010, through June 30, 2012. The evaluation period for both the Investment Test and the Service Test was from July 1, 2010, through June 30, 2012.

¹⁵ The Regions Bank Evaluation included a review of 155 of Regions Bank's assessment areas, including a full-scope review of 40 of these assessment areas. The Regions Bank Evaluation included a full-scope review of at least one assessment area within each state where Regions Bank had an office and of

a “low satisfactory” rating for the Lending Test, an “outstanding” rating for the Investment Test, and a “low satisfactory” rating for the Service Test.

As described in the Regions Bank Evaluation, Reserve Bank examiners found that the bank’s overall lending activity in the assessment areas was good and reflected good responsiveness to the assessment areas’ credit needs. Examiners noted that the bank had a good record of lending to borrowers of different income levels, and that its distribution of loans to businesses and farms of different sizes was good. Further, examiners found that Region Bank’s overall geographic distribution of loans was good and that the bank’s geographic distribution of home mortgage and small business lending in LMI geographies was adequate. In addition, examiners found no evidence of discriminatory or other illegal credit practices.

Examiners noted that Regions Bank made a relatively high level of community development loans. During the evaluation period, the bank originated or renewed 680 community development loans. These loans were for a variety of purposes, including the financing of affordable housing for LMI individuals, community services targeted to LMI populations, promotion of economic development by financing small businesses, and revitalization of targeted communities located in LMI tracts or other qualified geographies.

multistate metropolitan areas where Regions Bank operated branches in at least two states. The states reviewed were Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, South Carolina, Tennessee, and Texas, and the multistate metropolitan areas reviewed were the Augusta (Georgia-South Carolina), Chattanooga (Tennessee-Georgia), Columbus (Georgia-Alabama), Kingsport (Tennessee-Virginia), Memphis (Tennessee-Mississippi-Arkansas), St. Louis (Illinois-Missouri), and Texarkana (Arizona-Texas) metropolitan areas.

In evaluating Regions Bank's performance under the Investment Test, examiners highlighted Regions Bank's qualified investments, investments in affordable housing, and grants and donations in the assessment areas. During the evaluation period, Regions Bank supported 662 qualified investments within its assessment areas. Examiners highlighted that Regions Bank is a leader in financing affordable multifamily housing through the Low Income Housing Tax Credits ("LIHTCs") program. In addition, Regions made qualified grants and donations to community development organizations. The majority of the donations provided support for organizations engaged in providing community services to LMI individuals or communities and for economic development.

In evaluating Regions Bank's performance under the Service Test, examiners noted that branches were accessible to geographies and individuals of different income levels. Examiners also noted that Regions Bank's opening and closing of branches had generally not adversely affected the accessibility of its banking services to LMI geographies. Further, examiners highlighted that Regions Bank provided a good level of community development services throughout its assessment areas.

Regions Bank's Efforts Since the 2012 CRA Evaluation

Regions Bank represents that since the Regions Bank Evaluation, it has continued its community development activities, including lending, investments, contributions, and services, in its combined assessment areas and in the Houston MSA assessment area. For instance, the bank represents that it has made community development loans in the Houston MSA assessment area that provided funding for affordable multifamily housing, charter school construction in underserved communities, and other small business ventures accessible to underserved communities. According to Regions Bank, it also offered a suite of

financial management products and services targeted to unbanked and under-banked populations, including check cashing services, money transfer and expedited bill pay services, money orders, prepaid debit cards, savings accounts, mobile deposit services, small-dollar secured loans, and free online financial education.

B. Fair Lending and Other Consumer Protection Laws

The Board has considered the record of Regions Bank in complying with fair lending and other consumer protection laws. As part of this consideration, the Board reviewed the Regions Bank Evaluation, assessed Regions Bank's HMDA data, and considered the comment on the application as well as other agencies' views on Regions Bank's record of performance under fair lending laws. The Board also considered Regions Bank's fair lending policies and procedures.

HMDA Data, and Fair Lending Analysis

A commenter alleged that Regions Bank discriminates against African American individuals, African American-owned businesses, and African American neighborhoods in the Houston MSA, and that the bank has engaged in redlining with respect to its provision of banking products and services in the Houston MSA.

The Board analyzed Regions Bank's HMDA data from 2012 and 2013 for its combined assessment areas and its assessment area in the Houston MSA, which includes the specific market areas addressed in the public comment, related to all HMDA-reportable loans to develop a view of the bank's overall lending patterns. The Board also analyzed the subset of those data related specifically to the loan products that were the subject of the public comment received on the proposal, home mortgage loans, home improvement loans, and small business

loans. Within those data sets, the Board focused its review on data related to home mortgage loans, home improvement loans, and small business loans made or denied to borrowers and locations identified in the public comment, i.e., African American individuals, African American-owned businesses, and African Americans neighborhoods.

The Board is concerned when HMDA data for an institution indicate lending disparities. The Board 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.¹⁶ 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 data for 2012 and 2013 reveal that, in its combined assessment areas, Regions Bank's percentage of mortgage originations to African Americans

¹⁶ 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.

and to borrowers in LMI census tracts was more favorable than that of the aggregate of all lenders. However, Regions Bank lagged in the percentage of its originations to borrowers in minority census tracts in its combined assessment areas. In the Houston MSA, Regions Bank's percentage of mortgage originations to African Americans, to borrowers in minority census tracts, and to borrowers in LMI census tracts was more favorable than that of the aggregate of all lenders during this period.

For home improvement loans in its combined assessment areas, Regions Bank exceeded the aggregate in its lending to African Americans, to borrowers in minority census tracts, and to borrowers in LMI census tracts in 2012 and 2013. For home improvement loans in its Houston MSA assessment area in 2012, Regions Bank was consistent with the aggregate in its percentage of loans to African Americans and to borrowers in LMI census tracts, but exceeded the aggregate in its percentage of such loans to borrowers in minority census tracts. In 2013, the bank exceeded the aggregate for loans to African Americans in its Houston MSA assessment area, but lagged the aggregate for loans to borrowers in minority census tracts and to borrowers in LMI census tracts.

The Board also reviewed Regions Bank's small business lending in its combined assessment areas and in the Houston MSA assessment area for 2012 and 2013. The data reveal that the bank made small business loans available in areas in which the majority of residents are African American. Regions Bank's small business loan originations in minority census tracts and LMI census tracts in the bank's combined assessment areas was approximately comparable to the aggregate in 2012 and 2013. In 2013, Regions Bank lagged the aggregate in small business lending in minority census tracts in the Houston MSA assessment area, but exceeded the aggregate in small business lending in LMI census tracts.

In addition, the Board performed a redlining analysis of Regions Bank's lending data, geographic distribution of branches, and marketing and outreach efforts. The Board analyzed Regions Bank's lending in minority census tracts and in census tracts in which African Americans represented the majority of the population. The data do not reveal that Regions Bank was redlining either minority census tracts or predominately African American census tracts in its lending activity.

The percentage of Regions Bank branches in LMI census tracts in the bank's combined assessment areas is slightly lower than the percentage of LMI census tracts in the bank's combined assessment areas. In addition, Regions Bank's percentage of branches in LMI census tracts approximates those of its peers. Because there is substantial overlap between minority census tracts and LMI census tracts in the Houston MSA assessment area, Regions Bank's branches located in LMI census tracts are available to serve census tracts with concentrations of minority residents. Further, the Board reviewed a sample of Regions Bank's advertising and marketing materials and found that the bank includes marketing and outreach activities targeted at a variety of minority and LMI populations. In its review of the bank's marketing activities and community outreach, the Board did not find any evidence that the bank excludes African Americans or any other minorities.

Regions Bank's Fair Lending Program

Regions Bank has instituted policies and procedures to help ensure compliance with all fair lending and other consumer protection laws and regulations. The bank has a fair lending department that includes dedicated managers for each of the bank's lending business groups and provides oversight by conducting fair lending risk assessments and monitoring and testing. In addition,

Regions Bank requires mandatory annual fair lending training for applicable staff and has monthly fair lending training for new staff involved in home mortgage lending. Regions Bank also has a centralized consumer complaints program that it monitors to ensure compliance with fair lending regulations.

Conclusion on Convenience and Needs Considerations

Regions Bank represented that the Kingwood branch will benefit depositors by improving customer convenience, creating efficiency, and expanding the availability of products and services to banking customers. Based on all the facts of record, including consultations with other agencies, and for the reasons described in this order, the Board concludes that the convenience and needs factor, including the CRA record of the insured depository institution involved in this transaction, is consistent with approval of the application.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved.¹⁷ The Board's

¹⁷ The Board construes the comment received on the proposal to include a request that the Board hold public hearings on the proposal. Under its rules, the Board 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

approval is specifically conditioned on Regions Bank's compliance with all commitments made to the Board in connection with the proposal. The commitments and conditions relied on by the Board are deemed to be conditions imposed in writing in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

Approval of this application is also subject to the establishment of the proposed branch within one year of the date of this order, unless such period is extended by the Board or the Reserve Bank, acting under authority delegated by the Board.

By order of the Board of Governors,¹⁸ effective September 26, 2014.

Margaret McCloskey Shanks (signed)

Margaret McCloskey Shanks
Deputy Secretary of the Board

a public hearing is not required or warranted in this case. Accordingly, the request for a public hearing on the proposal is denied.

¹⁸ Voting for this action: Chair Yellen, and Vice Chairman Fischer, Governors Tarullo, Powell, and Brainard.