

FEDERAL RESERVE SYSTEM

Comerica Bank  
Dallas, Texas

Order Approving Establishment of a Branch

Comerica Bank, a state member bank subsidiary of Comerica Incorporated, both of Dallas, Texas, has requested the Board's approval under section 9 of the Federal Reserve Act ("FRA")<sup>1</sup> and the Board's Regulation H<sup>2</sup> to establish a branch at 31 68th Avenue, Coopersville, Michigan (the "Coopersville branch").

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

Comerica Bank is the second largest depository institution in Michigan with 215 branches, controlling approximately \$25.8 billion in deposits, which represent approximately 14.6 percent of the total amount of deposits of insured depository institutions in the state.<sup>4</sup> Comerica Bank's main office is in Dallas, and it operates 138 branches throughout Texas. Comerica Bank operates a total of 485 branches in Arizona, California, Florida, Michigan, and Texas.

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<sup>1</sup> 12 U.S.C. § 321 et seq.

<sup>2</sup> 12 CFR part 208.

<sup>3</sup> 12 CFR 262.3(b).

<sup>4</sup> Data are as of June 30, 2014, the most recent available, and are updated to reflect mergers through the date. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

Under the Board’s Regulation H, which implements section 9 of the FRA,<sup>5</sup> 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”);<sup>6</sup> and (5) whether the bank’s investment in bank premises in establishing the branch satisfies certain criteria.<sup>7</sup>

The Board has considered the application in light of these factors and the public comment received on the proposal. A commenter objected to the proposal, alleging that Comerica Bank discriminates against African Americans and redlines African American neighborhoods, particularly in the Houston, Texas Metropolitan Statistical Area (“Houston MSA”), with respect to its branching, marketing, and lending activities.<sup>8</sup>

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<sup>5</sup> 12 CFR 208.6(b).

<sup>6</sup> 12 U.S.C. § 2901 et seq.

<sup>7</sup> 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. Comerica Bank currently operates branches in Michigan and is permitted under both Michigan state law and section 9 of the FRA to establish additional branches in Michigan. See 12 U.S.C. §§ 36(c)(2), 36(f)(1)(A); Mich. Comp. Laws Ann. § 487.13711(7) (stating that an out-of-state bank located in a state whose laws permit the establishment of a branch in that state, may establish and operate branches in Michigan).

<sup>8</sup> Redlining is the practice of denying a creditworthy applicant a loan or service in a certain neighborhood even though the applicant may otherwise be eligible for the loan or service.

### Financial, Managerial, and Other Supervisory Considerations

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

In considering Comerica 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 Comerica Bank and the bank's record of compliance with applicable banking laws, including anti-money laundering laws. Comerica 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 Comerica Bank's management, as well as the records of effectiveness of Comerica Bank in combatting money laundering activities, are consistent with approval of the proposal.

### 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.<sup>10</sup>

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<sup>9</sup> 12 CFR 208.21(a).

<sup>10</sup> 12 U.S.C. § 2901(b).

In addition, the CRA 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.<sup>11</sup>

The Board has considered all the facts of record, including reports of examination of the CRA performance of Comerica Bank, data reported by Comerica Bank under the Home Mortgage Disclosure Act ("HMDA"),<sup>12</sup> other information provided by Comerica Bank, confidential supervisory information, the public comment received on the proposal, and other information. As noted above, a commenter objected to the proposal, alleging that Comerica Bank had engaged in discriminatory lending practices, particularly in the Houston MSA.

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 of the CRA performance records of that institution.<sup>13</sup> 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.<sup>14</sup> 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.

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<sup>11</sup> 12 U.S.C. § 2903.

<sup>12</sup> 12 U.S.C. § 2801 et seq.

<sup>13</sup> See Interagency Questions and Answers Regarding Community Reinvestment, 75 Federal Register 11642, 11665 (2010).

<sup>14</sup> 12 U.S.C. § 2906.

Comerica Bank was assigned an overall “satisfactory” rating at its CRA performance evaluation by the Federal Reserve Bank of Dallas (“Reserve Bank”) as of August 16, 2012 (“Comerica Bank Evaluation”).<sup>15</sup> Comerica Bank received “high satisfactory” ratings for the Lending Test and the Service Test, and an “outstanding” rating for the Investment Test.<sup>16</sup> In Texas, Comerica Bank received an overall “outstanding” rating, a “high satisfactory” rating for the Lending Test, and “outstanding” ratings for the Investment Test and the Service Test.

As described in the Comerica Bank Evaluation, Reserve Bank examiners found that the bank’s overall lending activity in the assessment areas was good in the origination and purchasing of HMDA-reportable loans and small business loans. Examiners also found that Comerica Bank’s lending levels reflected a good responsiveness to the assessment areas’ credit needs. Examiners noted that the bank had a good penetration of loans among borrowers of different income levels, and among farms and businesses of difference sizes. Examiners also found that the bank had an excellent geographic distribution of loans in the assessment areas, including in LMI geographies in the assessment areas.

Examiners noted that Comerica Bank made an adequate level of community development loans. Examiners found that Comerica made use of innovative and flexible lending practices to serve the credit needs of its assessment areas. Examiners also noted that Comerica Bank’s community development loans were used for

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<sup>15</sup> The Comerica Bank Evaluation was conducted using Large Institution CRA Examination Procedures. The scope of the Comerica Bank Evaluation for the Lending Test included an evaluation of data from January 1, 2010, through December 31, 2011, as well as data regarding certain community development loans from July 28, 2011, through December 31, 2012. The Investment Test and the Service Test included evaluations of data from January 1, 2010, through March 31, 2012.

<sup>16</sup> The Comerica Bank Evaluation included a review of Comerica Bank’s 38 assessment areas, including a full-scope review of 18 of these assessment areas. The Comerica Bank Evaluation included a full-scope review of at least one assessment area within each state where Comerica Bank had an office.

a variety of purposes, including the financing of affordable housing and high-impact community development projects; the promotion of economic development and job creation; and the revitalization of targeted communities in LMI geographies.

In evaluating Comerica Bank's performance under the Investment Test, examiners found that Comerica Bank made an excellent level of qualified community development investments and grants during the evaluation period. Examiners noted that the bank's investments were particularly responsive to the assessment areas' needs for affordable housing and financial assistance to small businesses. Examiners highlighted Comerica Bank's investments in low-income housing tax credit projects, mortgage-backed securities, small-business investment corporations, community development financial institutions, municipal bonds targeted to LMI areas, zero-interest deposits, and mutual funds that supported affordable housing. Examiners also noted that Comerica Bank made charitable contributions to support affordable housing initiatives; small business development; and educational, health care, and social services organizations that primarily served LMI individuals and geographies.

In evaluating Comerica Bank's performance under the Service Test, examiners found that Comerica Bank's retail banking services and products were generally accessible to businesses of different sizes and individuals of different income levels. Further, examiners highlighted that Comerica Bank had demonstrated leadership in providing community development services in its assessment areas, and offered financial literacy programs, affordable housing seminars, and other economic development services.

## B. Fair Lending and Other Consumer Protection Laws

### *Fair Lending Analysis*

The Board reviewed Comerica Bank's branching, marketing, and lending activities, particularly in the Houston MSA, and performed a redlining review of small business lending and residential mortgage lending for 2012 and 2013.

Examiners found that more than 26 percent of Comerica Bank's branches are located in LMI tracts in the Houston MSA. Examiners considered this percentage to be reasonable and adequate in providing banking services to the LMI populations in that area, based on the percentage of LMI census tracts in the Houston MSA and based on examination guidelines. Examiners also found that more than 45 percent of Comerica Bank's branches in the Houston MSA are in census tracts where minority residents represent a majority of the population. Examiners reviewed Comerica Bank's marketing and outreach activities in the Houston MSA and found that these activities extend to all geographies in the Houston MSA and that the bank advertises in media outlets that reach minority populations and sponsors community events, civic organizations, and multi-cultural initiatives designed to attract minorities. Examiners also found that Comerica Bank's branching in the Houston MSA shows reasonable penetration of LMI tracts and tracts where minority residents represent a majority of the population, and that the bank's marketing activities and community outreach activities reach, and in some cases specifically target, LMI and minority populations, including African Americans.

Examiners also reviewed Comerica Bank's lending policies and procedures, including its fair lending policy. Comerica Bank has instituted a detailed and comprehensive consumer compliance and fair lending program. Comerica Bank conducts ongoing monitoring and testing, including performing fair lending risk assessments and audits, to ensure compliance with all fair lending and other consumer protection laws and regulations. The bank also performs statistical analyses of its lending data and comparative file reviews to detect underwriting and pricing disparities. In addition, Comerica Bank's policies require that its mortgage lending meet well defined guidelines and underwriting criteria, and any exceptions must be well documented and approved by a senior underwriter. Comerica Bank requires mandatory annual fair lending training for all of its employees and offers targeted fair lending training to employees and senior management on an ongoing basis.

### *HMDA Data*

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

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 to provide equal access to credit by creditworthy applicants, regardless of their race or ethnicity. Although 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 a bank excludes or denies credit to any group on a prohibited basis.<sup>17</sup> Fully evaluating a bank's compliance with fair lending laws and regulations requires 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.

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<sup>17</sup> 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.

In comparing the percentage of Comerica Bank's HMDA applications and originations in majority-minority census tracts to other similarly situated lenders, examiners did not find statistically significant disparities in the Houston MSA in 2012 or 2013. In addition, examiners did not find statistically significant disparities in the percentages of lending by the bank in African American-only census tracts compared to the aggregate in the Houston MSA. In reviewing Comerica Bank's small business lending in the Houston MSA in 2012 and 2013, examiners found that the bank outperformed the aggregate in majority-minority census tracts as well as in African American-only census tracts.

C. Conclusion on Convenience and Needs Considerations

Comerica Bank proposes to establish the Coopersville branch in connection with the planned closure of another Comerica Bank branch, located at 345 Main Street, Coopersville, Michigan, which is approximately 1.4 miles from the proposed location of the Coopersville branch. The Coopersville branch would be within the same census tract as the branch on Main Street. Comerica Bank represents that the Coopersville branch would provide public benefits by enabling customers to maintain access to its banking services after the closure of the branch on Main Street. Comerica Bank also represents that the Coopersville branch would provide public benefits by increasing functionality and convenience for its customers, and the branch's visibility would attract new opportunities for its customers in the area. 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 Comerica Bank's CRA record, 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.<sup>18</sup> The Board's approval is specifically conditioned on Comerica Bank's compliance with all commitments made to the Board in connection with the proposal as well as all conditions imposed in this order. The commitments and conditions 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 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,<sup>19</sup> effective January 15, 2015.

*Margaret McCloskey Shanks (signed)*

Margaret McCloskey Shanks  
Deputy Secretary of the Board

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<sup>18</sup> The Board interprets 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 a public hearing is not required or warranted in this case. Accordingly, the request for a public hearing on the proposal is denied.

<sup>19</sup> Voting for this action: Chair Yellen and Vice Chairman Fischer, Governors Tarullo, Powell, and Brainard.